

1 **Q. Are you the same Joelle R. Steward who submitted direct and rebuttal testimony**
2 **in this proceeding on behalf of PacifiCorp dba Rocky Mountain Power (“the**
3 **Company”)?**

4 A. Yes.

5 **Purpose and Summary of Surrebuttal Testimony**

6 **Q. What is the purpose of your surrebuttal testimony?**

7 A. My surrebuttal testimony responds to the rebuttal testimonies of parties responding
8 to the Company’s proposal to implement a net metering facilities charge.
9 Specifically, I respond to rebuttal testimony on this issue submitted by Mr. Daniel
10 E. Gimble for the Office of Consumer Services (“OCS”), Mr. Artie Powell and Mr.
11 Stan Faryniarz for the Division of Public Utilities (“DPU”), Mr. Nathanael Miksis
12 for The Alliance for Solar Choice (“TASC”), Mr. Rick Gilliam and Ms. Sarah
13 Wright for Utah Clean Energy (“UCE”), and Mr. Michael D. Rossetti for Utah
14 Citizens Advocating Renewable Energy (“UCARE”).

15 **Q. Has the Company proposed any modifications to the proposed net metering**
16 **charge based on its review of the rebuttal testimony submitted by parties on**
17 **this issue?**

18 A. No. As demonstrated by the Company’s direct and rebuttal testimony on this issue,
19 and by the direct and rebuttal testimony submitted by OCS and the DPU, a net
20 metering facilities charge is supported by cost causation. The Company continues
21 to propose a charge of \$4.65 per month, or alternatively, \$1.55 per installed kW, to
22 become effective September 1, 2014.

23 **Response to Rebuttal Testimony**

24 **Q. UCE and TASC argue in rebuttal that the Commission cannot impose a fee on**
25 **net metering customers because either the evidence does not support one or**
26 **there is insufficient evidence in this proceeding to support one.¹ Does the**
27 **Commission have sufficient evidence to adopt the facilities charge based on the**
28 **facts and evidence in this proceeding?**

29 A. Yes. It is undisputed that net metering customers utilize the distribution system.
30 The Company must build and maintain infrastructure and resources necessary to
31 provide them with service whenever they need it. As shown in my rebuttal
32 testimony, and in the rebuttal testimony of Mr. Douglas L. Marx, because the timing
33 of the output of solar generation does not readily coincide with the timing of the
34 distribution system peaks, there are few cost savings or benefits associated with the
35 infrastructure necessary to provide these customers with service. It is also
36 undisputed that a significant portion of the costs for the infrastructure and customer
37 service allocated to residential customers are recovered through energy rates.
38 However, since the recovery of these costs is primarily through energy charges,
39 which net metering customers partially avoid, net metering customers are not fully
40 paying for the costs that are incurred to serve them.

41 **Q. Since the net metering program as currently designed allows net metering**
42 **customers to potentially avoid all energy charges, how are distribution and**
43 **customer service costs for net metering customers recovered?**

44 A. At the time rates are set in a general rate case these costs are shifted to other

¹ Gilliam Rebuttal, ll. 176-179; Wright Rebuttal, ll 117-122; Miksis Rebuttal, p. 17, ll. 1-19.

45 customers through higher energy rates. In between general rate cases, these
46 distribution infrastructure and customer service costs associated with service
47 provided to net metering customers are not recovered by the Company until rates
48 are set in a subsequent rate case, at which time these costs are shifted to other
49 customers.

50 **Q. Has the Commission considered, in a prior proceeding, the benefits of solar in**
51 **a manner that UCE and TASC argue should be considered as part of S.B. 208**
52 **in this case?**

53 A. Yes, as discussed in the rebuttal testimony of Mr. Gregory N. Duvall, the
54 Commission recently addressed the costs and benefits, i.e., value, of solar
55 generation in the avoided costs proceeding, Docket No. 12-035-100 (“Avoided
56 Cost Docket”), as it applies to Qualifying Facilities (“QFs”). Avoided costs are
57 intended to reflect costs and benefits such that the Company’s customers, who
58 ultimately bear the costs of the purchase of the solar output, are left indifferent.

59 **Q. In the Avoided Cost Docket, did the Commission take into consideration**
60 **potential costs and benefits of renewables, such as solar, associated with**
61 **environmental risks and hedging?**

62 A. Yes. It is my understanding that in that case parties proposed including in the value
63 of solar certain carbon price scenarios and backward-looking hedging costs.² After
64 considering the evidence in that case, including recommendations to include
65 “benefits” in the avoided costs calculation included by the California Public

² See *In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts*, Docket No. 12-035-100, UCE Sarah Wright, Sur-rebuttal/19, ll. 468-469; UCE Sarah Wright Rebuttal/22-24, ll. 456-465 and Tables 1 and 2.

66 Utilities Commission, the Utah Commission indicated in its order “we have a
67 difficult time . . . drawing a correlation between avoided distribution and
68 transmission costs that may be projected and tested with a reasonable degree of
69 certainty (e.g., through transmission studies) and environmental risk factors (e.g.,
70 costs associated with adapting to changing climate) based upon divergent and
71 speculative projections.”³ Based, in part, on this rationale, the Commission
72 “approve[d] no specific adjustments to value fuel price hedging, fuel price volatility
73 or environmental risk”⁴ in setting avoided cost rates for QFs.

74 **Q. Does the Company agree with Sierra Club and TASC witnesses, Mr.**
75 **Mulvaney and Mr. Miksis respectively, that an avoided costs methodology can**
76 **be used to reasonably determine the value of solar?**

77 A. Yes. The Company believes that the value of solar in Utah can be reasonably
78 determined using the avoided costs methodology. However, the Company believes
79 the Utah avoided costs methodology reviewed and approved by this Commission
80 should be used and not the California avoided costs methodology proposed by
81 TASC and Sierra Club.

82 Based on the Utah avoided cost methodology, the Company calculated the
83 value of PV solar at about 3 cents per kWh for 2015.⁵ A 20-year levelized avoided
84 costs value is about 4.3 cents per kWh. Both the short-term and long-term avoided
85 costs of solar are significantly less than the current residential retail rate. The value

³ *In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts*, Order on Phase II Issues, p. 41 (August 16, 2013).

⁴ *Id.*, 42.

⁵ Duvall Rebuttal, ll. 33-41.

86 of the average residential retail rate that a net metering customer avoids is 10.1
87 cents per kWh.⁶ Therefore, using this avoided cost methodology analysis, a net
88 metering customer is being “paid” 10.1 cents per kWh for energy and capacity
89 while a similarly situated QF, i.e., solar generator, would be paid 3 cents per kWh.⁷
90 The net metering customer receives monetary benefits more than three times what
91 the QF is paid.

92 Notably, each time retail rates increase, the retail rate per kWh also
93 increases, which increases the benefit to net metering customers. Therefore, in
94 proceedings such as this, any approved raise in retail energy rates will increase the
95 benefit to net metered customers for each kWh they avoid or export to the system
96 regardless of a study to support such an increase.

97 **Q. Do you agree with parties’ arguments that a comparison of the costs and**
98 **benefits of the net metering program as required by S.B. 208 was not done in**
99 **this case?**⁸

100 A. No. Mr. Duvall’s testimony provides a reasonable comparison of the costs and
101 benefits using the avoided cost methodology recently approved in the Avoided Cost
102 Docket.

103 **Q. Is the Company proposing a modification to the net metering program as a**
104 **result of the costs and benefits identified in this proceeding and in the Avoided**
105 **Cost Docket? If not, why not?**

106 A. No, with the exception of the implementation of the proposed facilities charge

⁶ This reflects the Step 1 average residential rate excluding the customer charge.

⁷ The 3 cents does not include capacity costs because capacity is not needed in the current year.

⁸ Miksis Rebuttal, p. 3, ll 1-15.

107 requested in the Company's application, the Company is not proposing changes to
108 the net metering program at this time. However, given the disparity between the
109 payment to QFs and the monetary value to net metering customers for essentially
110 the same product, i.e., solar output, the Company does not object to further
111 evaluating the net metering program in a separate proceeding if the Commission
112 deems it appropriate.

113 **Q. Certain parties recommend that the Commission initiate a proceeding to more**
114 **fully examine the costs and benefits of net metering, consistent with S.B. 208,**
115 **and not implement the Company's proposed facilities charge in this**
116 **proceeding. Does the Company agree?**

117 A. No, the Company does not agree. The Company's application requested a facilities
118 charge applicable to net metering customers to more fairly recover customer service
119 and distribution costs that are used to serve these customers. The Company's
120 evidence is clear and un rebutted that when these customers are credited the full
121 retail kWh rate, they avoid paying for the full costs of serving them. As a result,
122 fixed costs are shifted to other customers through higher energy rates.

123 The evidence is also clear that net metering customers do not reduce these
124 costs, i.e., they do not provide a quantifiable benefit to customer service and
125 distribution infrastructure.

126 The Commission has sufficient information to determine, with respect to
127 customer service and distribution costs, "whether costs that PacifiCorp or other
128 customers will incur from PacifiCorp's net metering program will exceed the
129 benefits of the net metering program, or whether the benefits of the net metering

130 program will exceed the costs.”⁹ Given all of the foregoing, the Company has
131 shown that its proposed facilities charge is absolutely reasonable and may not even
132 be enough to reflect actual costs and benefits.

133 **Q. What is the logical conclusion if the Commission were to agree with the**
134 **arguments of the parties that there is insufficient evidence at this time to**
135 **implement a facilities charge for net metering?**

136 A. While it is not the Company’s proposal, taking the argument that there is currently
137 insufficient evidence to determine the value of the benefits of net metering to its
138 logical conclusion, the Commission would have to suspend the net metering
139 program altogether because (according to those intervenors) there is insufficient
140 evidence to weigh the benefits that justify using the current and proposed full retail
141 energy rate as the value for net metering.

142 **Q. UCE witness Gilliam argues that DPU’s claim that the proposed charge is**
143 **consistent with cost causation is incomplete because the charge does not take**
144 **into account cost allocation and cost responsibility.¹⁰ Does the charge take into**
145 **account cost allocation and cost responsibility?**

146 A. Yes. As shown in my rebuttal testimony cost allocation and cost responsibility are
147 taken into account and support the imposition of the charge on net metering
148 customers. The costs the Company included in the charge are related to: (1)
149 customer service costs, which are allocated to classes based on the number of

⁹ Public Notice of the Public Service Commission of Utah, April 16, 2014.

¹⁰ Gilliam Rebuttal, ll. 37–74.

150 customers, and (2) distribution system costs, which are allocated to classes based
151 on the contribution to distribution system peak or non-coincidental peak.¹¹

152 No party has argued that customer-owned generation reduces customer
153 service related costs for the residential class; therefore, absent the net metering
154 charge proposed in this case, more of these costs are shifted to other residential
155 customers through energy charges or not recovered by the Company. Regarding the
156 distribution system costs, because the distribution system peaks occur between 4:00
157 pm and 8:00 pm, solar output does little, if anything, to reduce the allocation of
158 these costs to the residential class. Since these costs are recovered through energy
159 charges that are avoided by net metering customers, net metering customers do not
160 fairly contribute to the costs allocated to the class. Accordingly, the cost causation
161 rationale supported by the DPU is complete in that it considers cost allocation and
162 cost responsibility.

163 **Q. TASC argues that recovery of distribution costs through a fixed charge is**
164 **contrary to Commission precedent.¹² How do you respond?**

165 A. The Commission's decisions on the customer charge and residential rate design
166 generally have been made in the context of full requirements services for residential
167 customers. The growth in distributed generation, and net metering in particular,
168 necessitates a re-evaluation of this precedent as it applies to these partial
169 requirements customers.

¹¹ See Steward Rebuttal, ll. 176-195.

¹² Miksis Rebuttal, p. 14, ll. 13-21.

170 **Q. In response to the OCS, UCARE states that the OCS has not estimated the cost**
171 **of modifying the billing system to support its proposed \$ per installed kW**
172 **charge.¹³ Are there costs to the Company to implement this type of charge?**

173 A. There are no incremental costs to implement the alternative net metering facilities
174 charge on a \$ per installed kW basis. The current billing system can accommodate
175 the charge without modification. The only cost to implement the charge is for the
176 time of one billing system analyst to add the new billing component into the
177 customer records for current net metering customers, which the Company estimates
178 would take approximately two days.

179 **Q. Does this conclude your surrebuttal testimony?**

180 A. Yes, it does.

¹³ Rossetti Rebuttal, ll. 79-84.