



Sustainability Division

Utah Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114

February 6, 2015

RE: Docket No. 14-035-114: In the Matter of the Investigation of the Costs and Benefits of PacifiCorp's Net Metering Program

Dear Commissioners:

Salt Lake City Corporation (the “City”) thanks you for the opportunity to comment in this docket examining the costs and benefits of PacifiCorp’s net metering program. The following comments will address cost-benefit methodologies along with criteria and consistency with state-level statutory requirements. The comments were organized to address three specific topic areas, each detailed below:

- 1. Scope of Impacts and Use of Traditional Cost-Benefit Test Equations:** A comprehensive cost-benefit analysis requires the consideration of a wide range of impacts. In the case of net metered customers, and the provision of energy in general, there is a broad spectrum of economic, environmental and social implications to consider when assessing the net impact of any energy-related activity. Units of electricity are currently generated from a diversity array of processes, each with its own unique implications for ratepayers and the citizens of Utah.

The City urges the Commission to explore a range of impacts through this docket and ensure that a holistic perspective, one that adequately weighs implications for the ratepayers of Utah, is reflected in the valuation of net metered resources. Meta-analysis has been conducted¹ on the diversity of net metering cost-benefit analyses previously performed throughout the U.S and this can be used to inform the approach in this docket.

For specific cost-benefit components, there is a sizable amount of literature to help navigate and monetize the benefits realized and externalities avoided through the deployment of renewable energy systems. Categories assessed include not only avoided energy costs, but also enhanced grid support services, fuel price hedging, reduced regulatory exposure, system

¹ A Review of Solar PV Benefit & Cost Studies (2013). Rocky Mountain Institute. http://www.rmi.org/elab_emPower

resiliency, avoided emissions, avoided public health impacts and positive economic outcomes for communities investing in local energy infrastructure. This docket offers the opportunity for stakeholders to assess relative impacts in these areas and navigate towards cost-benefit methodologies that accurately reflect what net metered resources mean for Utah ratepayers.

A study of local impacts titled “Co-Benefits of Energy Efficiency and Renewable Energy in Utah” was published in 2010 by Synapse Energy Economics. Although this analysis was restricted to externality costs associated with fresh water consumption plus premature deaths and injuries tied to air pollution, it estimated impacts ranging from \$1.7 - \$2.0 billion (2008 dollars) annually associated with fossil fuel-generated electricity in Utah. This translates to between \$0.036-per-kWh and \$0.04-per-kWh of unaccounted for costs that can be mitigated through the deployment of net metered resources. While the outcomes of any individual study should be scrutinized in more detail through this docket, this example is offered to reflect the potential magnitude of benefits that could be realized by appropriately valuing and compensating net metered customers.

Concerns regarding “cost-shifting” and market failures associated with the energy system are legitimate and this docket offers the ability to explore and address these impacts. While disagreement may surface about the monetized value of avoiding these costs, this should not curtail exploration and inclusion of reasonably presumed impacts to the public.

In regards to the use of Traditional Cost-Benefit Test Equations, the City would welcome a discussion at a future technical conference on the flexibility and limits of these tools in terms of considering an array of cost-benefit categories. In an Order issued October 7, 2009 for Docket No. 09-035-27, the Commission recommended the Utility Cost Test as an appropriate measure for valuing Demand Side Management programs and this recommendation highlights perhaps the most relevant existing Commission tool for this docket. However, there may be a need to modify the cost test methodology in order to account for the full range of costs and benefits. Ultimately, the equations and tools themselves should be made publicly available so stakeholders can explore and comment on their applicability along with the outcomes associated with various inputs and assumptions.

2. Consistency with State Net Metering Statute: Utah Code Title 54 Chapter 15 Section 105.1 (54-15-105.1) indicates that *“the governing authority shall:*

- 1) determine after appropriate notice and opportunity for public comment, whether costs that the electrical corporation or other customers will incur from a net metering program will exceed the benefits of the net metering program, or whether the benefits of the net metering program will exceed the costs; and*
- 2) determine a just and reasonable charge, credit, or ratemaking structure, including new or existing tariffs, in light of the costs and benefits.”*

The language in this statute not only directs evaluation of costs impacting the electrical corporation (the “Company”), but also indicates that costs incurred by “other customers”

can be considered. The statute further states that a “just and reasonable charge, credit, or ratemaking structure” shall be determined in light of associated costs and benefits.

The aforementioned arguments regarding cost-benefit scope, and inclusion of holistic impacts on ratepayers, are consistent with the state metering statute and worth exploring through this docket. The City fully supports this approach and believes that the interests of agents beyond merely the Company must be represented in order to meet the intent of the statute.

- 3. Residential vs. Non-Residential Net Metered Customers:** The City believes this docket should explore cost-benefit dynamics for both Residential and Non-Residential net metered customers. As indicated in state code 54-15-105.1, the governing authority is responsible for determining an appropriate “charge, credit, or ratemaking structure” for net metering activities, including those of Non-Residential Customers.

When assessing the cost-benefit impact of a net metered customer, analyses should reference system-wide load curves and not just those created by the customer class with the net metered system being assessed. As an example, when investigating the value provided by Residential net metered customers it’s inappropriate to limit system impact considerations solely to the demand load profile of that customer class. In reality, the value of a distributed energy resource to the electric grid, and thus ratepayers, is uncovered by comparing the generation profile of a net metered system to the aggregate usage profile of all customer classes.

The City welcomes a thorough investigation of net metering and urges the Commission to include Non-Residential customer classes in this process. While there may be added complexity with this approach, this docket has precedent-setting implications that can affect all customer classes. State code indicates that a cost-benefit methodology should be applied to net metering in general. Not including all distributed net metered resources in the current review will precipitate the need for another separate such analysis to be conducted in the future.

We commend the Commission for taking the time and effort to comprehensively explore the impacts of net metered customers and look forward to ongoing participation in this docket. Thank you again for the opportunity to provide Public Comment.

Sincerely,

Vicki Bennett
Sustainability Director