



Edward H. Comer
Vice President, General Counsel & Corporate Secretary

June 26, 2014

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

RE: Docket No. 13-035-184

Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations

EEI appreciates the opportunity to submit comments in this proceeding in support of the filing of Rocky Mountain Power. If you have any questions, please contact Edward Comer at ecomer@eei.org or 202.508.5615.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Comer", written over a horizontal line.

Edward H. Comer
Vice President, General Counsel & Corporate Secretary
202.508.5615 | ecomer@eei.org

Public Service Commission of Utah

In the Matter of the Application of Rocky Mountain Power for Authority To Increase its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations.

Docket No. 13-035-184

**COMMENTS OF EDWARD COMER
ON BEHALF OF EDISON ELECTRIC INSTITUTE**

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Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations

The Edison Electric Institute (EEI) appreciates the opportunity to submit comments in this proceeding in support of the filing of Rocky Mountain Power. EEI is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for 220 million Americans and directly employ more than 500,000 workers. Rocky Mountain Power is a member of EEI.

Renewable energy will play an increasing and important role in our energy future. At the same time, we will need to invest in new grid technologies to serve as the platform for integration of these technologies and for greater customer involvement in and control of their energy use. EEI believes it is essential to have regulatory structures that sustainably and fairly support the growth of new generation technologies, including distributed generation, and the grid facilities that enable these technologies to integrate with local systems reliably, safely and efficiently.

EEl has extensively studied rate and rate design issues related to the introduction of distributed solar energy, net metering and so-called Value of Solar rate methodologies. We also have participated in regulatory workshops conducted by utility regulatory commissions in Arizona and Michigan to discuss rate design issues related to the purchase of solar power from distributed generators. In such contexts, EEl has addressed proposed approaches to value the costs and benefits of distributed solar facilities. We believe that appropriate rate designs like that proposed by Rocky Mountain Power to increase the fixed charge portion of the residential customer rate and apply a modest monthly facilities charge for Net Metering Service can help enable the growth of new clean technologies to the benefit of all consumers in Utah.

The primary purpose of our comments is to address the ways that this Commission should consider the costs and benefits of net metering in light of the new provisions of Senate Bill 208, new Utah Code Section 54-15-105. After making findings on the costs and benefits of the net metering program, the commission is to determine a “just and reasonable” charge, credit or rate structure.

Briefly, our comments make the following points:

The net production from distributed generation should be paid the wholesale price of power or an equivalent avoided cost rate;

Net metering results in a subsidy because net metered customers do not pay for their share of the fixed costs of the grid that they rely upon. Approval of Rocky Mountain Power’s proposal will reduce the net metering subsidy.

A proper consideration of the benefits of net metered facilities should use the same attributes and approaches that are applied to evaluate costs recoverable in utility rates.

The net benefits of distributed generation are at this time mostly speculative or consist of attributes which are not recognized in the rates paid by Utah customers. Such alleged benefits do not warrant paying the subsidies for use of the distribution grid which are inherent in net metering as currently applied.

Renewable energy sources, particularly solar and wind, are an important and growing segment of our nation’s fuel mix and will play an even more important role in the future. Our industry recognizes that many consumers support the use of solar energy and should have options to support solar by installation of solar facilities on their homes, purchasing community solar production or purchasing a renewable energy option from their energy supplier.

The rise of new technologies, such as distributed solar and wind energy, and new ways to control customer generation and use, requires that the grid be transformed to serve as the platform for more renewable and customer-friendly technologies. The Electric Power Research Institute (EPRI) is investigating these issues in depth in a study entitled “The Integrated

Grid.” <http://www.epri.com/Our-Work/Pages/Integrated-Grid.aspx>. More grid monitors, sensors and data communications tools are needed to move the distribution grid from a one-way to a two-way distribution system and to control the new supply and demand options that technology is making available. Moreover, this technology must enable a utility to be prepared to supply power immediately whenever clouds appear or as the sun sets. Experiences in Hawaii and Germany demonstrate the importance of planning for and anticipating the need for such investments because new technologies can penetrate the system quickly, especially when promoted through large subsidies. EPRI, at 12 - 15: <http://www.scientificamerican.com/article/a-solar-boom-so-successfull-its-been-halted/>.

As the California and Arizona Commissions have recognized, net metering results in a substantial subsidy for the purchase of solar power. A study for the California PUC found that such subsidies will cost over \$1 billion a year in 2020 in California alone. <http://www.cpuc.ca.gov/NR/rdonlyres/C311FE8F-C262-45EE-9CD1-020556C41457/0/NEMReportWithAppendices.pdf>. Ex. Sum. at 7. As currently applied, net metering for distributed generation effectively requires a utility to pay the retail rate for distributed energy. The retail rate includes the cost of electric energy as well as the fixed costs of the grid that is used to deliver the energy to end-users and to provide the reliability services which are so important to our customers.

The electric energy produced by distributed generators should be compensated at rates commensurate with what it costs an electric utility to serve its own customers by producing electricity or purchasing it in the wholesale market, in other words, at the utility’s “avoided cost.” The remainder of the retail rate represents the fixed costs of the grid, which generally account for approximately 50 to 75% of the retail cost of electricity in Utah. When most of the fixed costs of the grid are recovered based on a customer’s usage, rather than through a fixed charge, a net metered distributed generator does not pay for its use of the grid. In fact, a distributed generator continues to rely upon grid services (in order to do things like start motors, air conditioners and refrigerators) even when it produces all of its energy needs. And because rooftop solar installations tend to produce more power than they need during mid-day, they use the grid in a two-way system that is more complex to control than the traditional one-way grid system. As a result, net metering as currently applied ultimately shifts the cost responsibility for the grid to all other customers. Addressing fixed cost recovery as Rocky Mountain Power has proposed is one way to mitigate this subsidy.

Several parties in this proceeding have asked the Commission to evaluate the benefits associated with net metering by looking at three general categories: grid-related benefits, general environmental benefits and societal benefits.

We strongly believe that the same approaches should be used for determining the value of solar as are used for determining utility rates. Any hybrid approach which applies different valuation or pricing methodologies for distributed generation and utility rates will distort the pricing system to produce unfair and inefficient results.

EEl agrees that it is appropriate to consider the value of any grid-related benefits but disagrees as to the approach proposed by many participants in this proceeding. For example, if the Commission analyzes rates based on traditional cost of service principles, it would be asymmetrical to analyze the benefits of distributed solar on a forward looking 25 year levelized cost analysis as contained in the analysis of Utah Clean Energy.

Initial savings for avoided transmission and distribution are not likely. Most fixed solar production peaks between 1 p.m. and 3 p.m., whereas customer demand in the West peaks later than that. Given this disparity and the need to provide backup since solar power is variable and its availability can change quickly due to clouds, rain and/or snow, distributed solar is unlikely to avoid construction of many new delivery facilities in the short term. The consideration of the avoided costs of distribution facilities must look at the same period in which utility costs are being recovered, and not be based on projections of what may take place in the future unless utilities are allowed to recover costs based on the same kinds of projections.

Moreover, as distributed generation penetration increases, it is likely to increase grid control costs. Experience in Hawaii <http://www.scientificamerican.com/article/a-solar-boom-so-successfull-its-been-halted/> and Germany <http://www.spiegel.de/international/germany/high-costs-and-errors-of-german-transition-to-renewable-energy-a-920288.html>: EPRI, at 12 – 15, indicate that it is important to anticipate and address grid improvements before there is a high penetration of distributed generators to assure that the system maintains reliability and stability, so that customers are not limited in their ability to interconnect. EPRI's Integrated Grid study shows that as rooftop solar penetration increases, the costs and complexity of controlling the distribution grid will increase as well. These costs will be lower if the generation additions are planned to be located where they can do the most good for the system and higher if the location of the distributed generation additions are not planned.

In addition, EEl strongly opposes consideration of a fuel price hedge value or energy market impacts in determining benefits. When a new generator enters a wholesale market, it is paid either at a competitive market price or at a cost of service price for the power it sells. We are not aware of any circumstance where it is also paid for the value of the extent that its entry affects market prices or for fuel price hedges. Since whatever so-called "benefits" exist are not separately recognized or compensated in normal markets, it is inappropriate to value them in the context of net metering or distributed generation.

Any consideration of environmental and societal benefits of net metering should be made consistently with the way the commission considers such factors in integrated resource planning and similar proceedings. For example, it would be useful to consider the relative costs and benefits of distributed solar and central station solar, community solar and other ways to provide solar to all customers, including those customers that do not own or do not live in single family houses. In IRP proceedings, the recognition of any such benefits is useful to help address policy objectives, but such benefits are not internalized in setting rates charged by utilities. Applying such an approach would enable the Commission to consider any

environmental or social benefits from net metering in light of any benefits from utility scale and other alternative clean energy investments. But it would not affect the rates charged to recover costs.

On the other hand, it would not be just and reasonable and would be unduly discriminatory for the Commission to compensate distributed generators for benefits such as avoided emissions from solar power, if it does not similarly compensate other sellers of energy that avoids emissions, including utilities such as Rocky Mountain Power with its wind and geothermal generation that dwarfs existing solar.

All forms of renewable power should be encouraged to develop in a context that promotes both new clean power and low costs to all electricity users. Moving towards greater recovery of fixed costs in fixed charges, as Rocky Mountain Power proposes will help reduce the subsidies caused by net metering and lead to rates more in line with cost causation principles. If, as we suspect, central station sources of clean power or planned community projects can provide the same benefits as solar distributed generation at lower costs, the results would be a win for electricity consumers in Utah as well as a win for the environment.

EEl appreciates the opportunity to submit comments in this proceeding. Please contact me directly if you have any questions or we can provide additional information.

Respectfully submitted,

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