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BEFORE THE 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

Utah Clean Energy Exhibit 5.0 (RT)

REBUTTAL TESTIMONY OF SARAH WRIGHT

ON BEHALF OF
UTAH CLEAN ENERGY

[NET METERING]

June 26, 2014

RESPECTFULLY SUBMITTED,
Utah Clean Energy

Sophie Hayes
Attorney for Utah Clean Energy

1 **INTRODUCTION**

2 **Q: Please state your name, title, and business address.**

3 A: My name is Sarah Wright. I am the Executive Director of Utah Clean Energy.

4 My business address is 1014 2nd Ave, Salt Lake City, Utah 84103.

5 **Q: Did you file Direct Testimony in this proceeding on cost of service/rate design**
6 **issues?**

7 A: Yes.

8 **Q: What is the purpose of this round of testimony?**

9 A: As Utah Clean Energy’s policy witness on net metering, I will respond to the
10 recommendations of the Division of Public Utilities (Division) and the Office of
11 Consumer Services (Office) regarding Rocky Mountain Power’s (the Company)
12 proposed net metering (NEM) facilities charge. Rick Gilliam will address more
13 specifically the testimony of Division Witness Dr. Powell and Office Witness Mr.
14 Gimble. Additionally, I will address the Division’s arguments that revenue reductions are
15 an appropriate consideration in designing net metering fees or credits.

16 My testimony is organized as follows:

- 17 ▪ First, I address the issue of net metering and the throughput incentive—
18 specifically, I explain why net metering is the wrong mechanism for
19 addressing the throughput incentive.
- 20 ▪ Second, I address the recommendations of the Division and Office to
21 implement a net metering fee in the current case without supporting cost
22 benefit analysis.

23 **Q: Have you reviewed the NEM-related testimony of DPU and OCS?**

24 A: Yes.

25 *Revenue reduction and net metering*

26 **Q: At lines 201-05, Division Witness Dr. Powell states, “Given the inverted block rate**
27 **and the relatively small customer charge, the increased penetration of net metering**
28 **customers and future penetration by these customers (and even increased**
29 **conservation from other customers) will make it more difficult for the Company to**
30 **recover those fixed costs.” What is your response?**

31 A: The throughput incentive—that is, the utility’s incentive to sell more kWh—is an
32 entirely separate issue from net metering. As the Division acknowledges, both solar
33 customers and efficient customers impact utility revenue recovery. In fact, energy
34 efficiency investments, supported through the Company’s *WattSmart* program, result in
35 much more significant revenue reductions (associated with energy savings) than revenues
36 lost from distributed solar generation. Revenue reductions are not a unique consequence
37 of net metering. Determining appropriate and fair treatment for net metering customers
38 must be a matter of evaluating the costs and benefits associated with net metering.

39 The throughput incentive implicates the financial health of utilities and is a
40 significant issue in our rapidly changing utility environment, but should be addressed
41 separately from net metering.¹ As Rich Walje acknowledged in his direct testimony, the

¹ In a recent publication by the Regulatory Assistance Project (RAP) on designing distributed generation tariffs, the authors explain that lost revenues and the ‘throughput incentive’, or the incentive to sell more electricity should be handled separately from the issues relating to the design of distributed generation tariffs. Carl Linvill, John Shenot and Jim Lazar, *Designing Distributed Tariffs Well, Fair Compensation in a Time of Transition* (Regulatory Assistance Project, November 2013).

42 utility model is changing toward that of an energy services provider. In my direct
43 testimony, I explained that the rates the utility sets and the rate designs it implements to
44 recover its costs need to be consistent with the utility’s role as an energy services utility,
45 while valuing (not penalizing) smart customer choices. To accommodate these changes, it
46 may be necessary to re-evaluate the current regulatory model to determine if it is in the
47 best interest of rate payers and the utility and for promoting an electricity system that will
48 be resilient over a variety of possible futures.

49 In my direct testimony regarding the customer charge, I recommended that the
50 Commission investigate rate mechanisms designed to reflect and recover costs while
51 maintaining consistency with fairness, cost causation, risk reduction and the promotion of
52 efficiency and conservation. In the interest of process efficiency, I indicated that the
53 Commission may want to consolidate its investigation of rate design and cost recovery
54 with that of investigating net metering (see below). This may provide efficiency, but I
55 want to caution that the issue of addressing the throughput incentive is distinct from
56 addressing net metering.

57 ***Implementing a net metering fee in the current case prior to cost benefit analysis***

58 **Q: How have the DPU and OCS witnesses taken into account the Commission Public**
59 **Notice issued April 16, 2014, related to the passage of Senate Bill 208?**

60 A: It is not clear to me how the Division and the Office reconcile their
61 recommendations regarding net metering with SB 208 and the Commission’s Public
62 Notice. The Division and Office witnesses appear to have overlooked the requirement to
63 review both the costs and benefits of net metering prior to the determination of a “just
64 and reasonable charge, credit and ratemaking structure, including new or existing tariffs,

65 in light of the costs and benefits,” as required by SB 208. Without such a review, new
66 tariffs such as the net metering facilities charge proposed by RMP cannot be imposed.

67 **Q: What recommendations does the Division make regarding NEM?**

68 A: Division Witness Mr. Faryniarz summarizes the Division’s position thusly:

69 The net metering charge should be reviewed carefully within the context of a
70 benefit-cost analysis, to the extent practicable, in this rate proceeding, as directed
71 in recent Utah legislation, Senate Bill 208. The Company has not provided such a
72 benefit-cost analysis of the net metering program. As discussed by Division
73 witness Dr. Artie Powell, the Division has reviewed the Net Metering Charge
74 proposed by the Company and finds that it is within the zone of reasonableness
75 and that it acceptably balances cost and benefit until such a study can be
76 undertaken.

77
78 I don’t know what Mr. Faryniarz means by “zone of reasonableness” or how such
79 a concept is relevant to the requirements of SB 208, though that may be a legal issue to
80 be addressed in briefing. Nor do I understand how the Division concludes that the
81 Company’s proposal “balances cost and benefit” when the Division itself recognizes that
82 “[t]he Company has not provided such a benefit-cost analysis of the net metering
83 program.”

84 **Q: What recommendations does the Office make regarding NEM?**

85 A: Office Witness Gimble explains that the Office supports the concept of assessing
86 a new NEM facilities charge on the bills of residential NEM customers and recommends
87 that the Commission impose a monthly \$1.60/kilowatt net metering fee for residential net
88 metering customers.

89 **Q: What is your response to the recommendations of the Division and the Office?**

90 A: Both the Division and the Office recommend approving a NEM facilities charge
91 in this case while acknowledging that the Company has not provided cost benefit analysis

92 of its net metering program. The Division seems to have concluded that the NEM fee is
93 reasonable upon the basis that it is a cost of service issue (which UCE Witness Gilliam
94 addresses in his rebuttal testimony). The Office supported the concept of a fee because it
95 concluded that the NEM fee in this case was designed to recover distribution-only costs
96 and because the Office “does not believe that evidence can be produced to show that the
97 residential NEM output provides enough value to offset distribution costs.”² Thus,
98 despite acknowledging that there has not been NEM cost benefit analysis in the current
99 case (this was before Utah Clean Energy and Sierra Club submitted analyses of NEM
100 costs and benefits), the Division and Office nevertheless support imposing a residential
101 net metering fee in the current rate case.

102 Utah Clean Energy and Sierra Club both submitted direct testimony on benefits
103 provided by net metering, and neither analysis indicated that *any* fee is justified. Utah
104 Clean Energy therefore recommends that the Commission deny the Company’s request
105 (and the Division’s and Office’s recommendations) to impose a net metering fee in this
106 docket because no cost benefit analyses indicates that one is warranted.

107 It is Utah Clean Energy’s position that, according to Utah law, no net metering fee
108 or credit may be implemented until there has been a cost benefit analysis of the net
109 metering program. Based on their direct testimony, it appears that the Division and Office
110 do not hold this view. I recommend the Commission request briefing if it desires parties
111 to weigh in on whether the Commission may implement any of the proposed net metering
112 fees based on the evidence in the current case.

² Direct Testimony of Dan Gimble, lines 621-23.

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114

115 **Q: Has Utah Clean Energy’s NEM recommendation changed since the time you filed**
116 **Direct Testimony based on your review of other parties’ testimony?**

117 A: No. It is still the position and recommendation of Utah Clean Energy that the
118 Commission should not implement a net metering fee in this case, because the evidence
119 does not support doing so. Utah Clean Energy recommends that the Commission
120 investigate the costs and benefits of the Company’s net metering program (in compliance
121 with SB 208) with stakeholder input, before implementing any rate changes applicable to
122 NEM customers.

123 Specifically, Utah Clean Energy recommends that the Commission initiate a
124 docket to establish an approved method for determining the costs and benefits of the
125 Company’s net metering program for use in future rate cases. We recommend that as part
126 of this process, the Commission direct stakeholders to consider the types of ratemaking
127 mechanisms that would be appropriate to reflect the costs and benefits of net metering.
128 Additionally, Utah Clean Energy recommends that the Commission investigate rate
129 mechanisms designed to reflect and recover costs while maintaining consistency with
130 fairness, cost causation, risk reduction and the promotion of efficiency and conservation.

131 **Q: Does that conclude your net metering rebuttal testimony?**

132 A: Yes.