

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Investigation of : **Docket No. 14-035-114**
the Costs and Benefits of : **Direct Testimony**
PacifiCorp’s Net Metering Program : **of Michele Beck for the**
: **Office of Consumer Services**

July 30, 2015

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Michele Beck. I am the Director of the Office of Consumer
3 Services (Office). My business address is 160 East 300 South, Salt Lake
4 City, Utah, 84111.

5 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR BACKGROUND.**

6 A. I have served as Director of the Office since 2007. In that capacity I have
7 overseen all policy development and testimony submission on behalf of the
8 Office. I have also personally testified in numerous cases before the Public
9 Service Commission of Utah (Commission.) Prior to this position, I worked
10 for about twelve years in various capacities in the electric industry in the
11 Midwest including time in a regulatory agency, a generation and
12 transmission cooperative, and an electric utility.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. I introduce the witness for the Office who conducted the analysis on behalf
15 of the Office in this case. I will also present the Office's policy
16 recommendations related to the framework that should be used to
17 determine the costs and benefits of PacifiCorp's net metering program as
18 well as future considerations.

19 **Q. PLEASE IDENTIFY THE ADDITIONAL WITNESS FOR THE OFFICE.**

20 A. The Office has one witness in addition to myself. Mr. Philip Hayet, of J.
21 Kennedy and Associates, Inc., provides a description and results of the
22 analysis he conducted. He also presents certain recommendations based
23 on those results.

24 **Q. WHAT IS THE OFFICE'S POSITION REGARDING THE SPECIFIC**
25 **FRAMEWORK TO USE IN EVALUATING THE NET METERING**
26 **PROGRAM'S IMPACT TO THE UTILITY AND TO OTHER CUSTOMERS?**

27 A. Mr. Hayet will provide our recommendations for the specific framework that
28 the Office recommends using to evaluate both the net metering program's
29 impact to the utility and to other customers, i.e. non-net-metering
30 customers. I will present some of the underlying policy considerations that
31 led to our recommended framework. I will also present some suggestions
32 for the Commission's consideration regarding how the framework the Office
33 proposed could ultimately be used in setting just and reasonable rates.
34 While I understand that the actual rate setting will occur in a subsequent
35 rate docket, I believe it will be helpful to see how the processes fit together
36 as the Commission deliberates in establishing the framework at issue in this
37 current docket.

38 *Policy Considerations*

39 **Q. WHAT ARE THE POLICY CONSIDERATIONS USED BY THE OFFICE**
40 **IN DEVELOPING THE FRAMEWORK FOR THE COST BENEFIT**
41 **STUDIES PRESENTED IN MR. HAYET'S TESTIMONY.**

42 A. The policy considerations that the Office considered important in developing
43 its framework recommendations include the following:

44 • Consistency with Commission guidance regarding the types of costs and
45 benefits to include. The Office only proposes the inclusion of costs and
46 benefits that are reasonably quantifiable and verifiable. For example, while

47 we acknowledge in Mr. Hayet's testimony that there could be benefits or
48 costs associated with the distribution network, we propose ignoring those
49 at this time because we don't think they are currently readily or cost
50 effectively quantifiable.

51 • Use of the proper time horizon. While we propose a cost benefit analysis
52 that measures impact to the utility over the long term, we think it is important
53 to measure impact to other customers over a shorter term. This shorter term
54 evaluation helps to avoid inter-generational inequity and is more reflective
55 of the time horizon used to set rates.

56 *Potential Implementation of the Framework in Setting Rates*

57 **Q. PLEASE EXPLAIN THE OFFICE'S VIEW OF HOW THE EVALUATION**
58 **OF THE NET METERING PROGRAM'S IMPACT ON THE UTILITY**
59 **COULD BE USED IN FUTURE PROCEEDINGS.**

60 A. The Office believes that the evaluation of the net metering program's impact
61 on the utility should be completed as a standalone step or analysis prior to
62 the process of setting just and reasonable rates. The Office has presented
63 its specific recommendations for how this analysis should be conducted in
64 Mr. Hayet's testimony. The Office anticipates that this analysis will confirm
65 that net metering provides long term net benefits to the utility. If that is the
66 case, then the Office recommends that the process proceed with the
67 evaluation of the impact of net metering to other customers. If the analysis
68 does not show net benefits, then the Office would recommend that those
69 results be brought back to policymakers for additional consideration.

70 **Q. IS IT THE OFFICE'S VIEW THAT THE IMPACT ON THE UTILITY WOULD**
71 **NEED TO BE ANALYZED FREQUENTLY?**

72 **A.** No. The Office believes that once the initial study is conducted and the
73 process moves forward into rate setting it would not be necessary to
74 conduct a similar study with any set regularity going forward. However, the
75 Office believes that any party would be free to bring forward an updated
76 study in future proceedings, particularly if that party was interested in
77 advocating for significant changes to rate design or compensation for net
78 metering customers.

79 **Q. PLEASE EXPLAIN THE OFFICE'S VIEW OF HOW THE EVALUATION**
80 **OF THE NET METERING PROGRAM'S IMPACT ON OTHER**
81 **CUSTOMERS COULD BE USED IN FUTURE PROCEEDINGS.**

82 **A.** The Office asserts that the evaluation of the net metering program's impact
83 on other customers, such as the analysis we recommend in Mr. Hayet's
84 testimony, should be used precisely as indicated in the statute which
85 requires that the Commission "determine a just and reasonable charge,
86 credit, or ratemaking structure, including new or existing tariffs, in light of
87 the costs and benefits." (See Utah Code Ann. § 54-15-105.1(2)) In our view,
88 this means that the costs or benefits should be used to inform the
89 Commission's decision, but not be the sole input. The Office acknowledges
90 that the analysis of net metering impacts to other customers could be
91 conducted in such a way that it results in specific dollar impacts that could
92 be used as inputs in setting future just and reasonable rates. However, the

93 Office's view is that other important rate design considerations must be
94 factored into setting appropriate rates for net metering (and non-net
95 metering) customers.

96 *Net Metering Rate Design Considerations*

97 **Q. WHAT TYPES OF RATE DESIGN CONSIDERATIONS DOES THE**
98 **OFFICE BELIEVE WILL BE IMPORTANT TO CONSIDER WHEN THE**
99 **COMMISSION SETS FUTURE JUST AND REASONABLE RATES?**

100 A. The Office has identified two primary rate design considerations that it
101 asserts must be considered in setting appropriate rates in the context of the
102 net metering program. First, we must evaluate whether residential net
103 metering customers look and act sufficiently like other residential customers
104 to justify having them all included in the same rate class. Second, we must
105 evaluate whether net metering customers are paying their fair share of
106 infrastructure costs based upon their actual use and reliance on
107 infrastructure resources.

108 **Q. PLEASE EXPLAIN THE OFFICE'S POTENTIAL CONCERN ABOUT**
109 **MAINTAINING BOTH NET METERING AND NON-NET METERING**
110 **CUSTOMERS IN THE SAME CUSTOMER CLASS.**

111 A. Studies and articles about net metering frequently present the same type of
112 generic load and generation curve for a "typical" net metering customer.
113 This profile shows a period of the day during which the customer's load is
114 being served by the utility, brief moments when the load is precisely
115 matched by the output of their generation, and another period of the day

116 during which the output of the generation exceeds the customer's load
117 resulting in exports to the grid. This is a very different usage profile than
118 that of other residential customers. Therefore, the rate design used for
119 residential customers, i.e. one that collects nearly all costs through energy
120 rates in an increasing three-tier block rate structure, may not be appropriate
121 to recover the proper level of costs from net metering customers.

122 Rocky Mountain Power is conducting a load research study that will
123 provide data regarding residential net metering customers' load profiles.
124 The Office will evaluate those results to determine whether the predicted
125 differences between net metering customers and non-net metering
126 customers are, in fact, present for Rocky Mountain Power's system before
127 making any specific recommendations regarding changes to the
128 composition of customer classes.

129 The Office further notes that certain parties have suggested in net
130 metering proceedings in other states that if a new customer class is needed,
131 such new class should include all low usage customers rather than focusing
132 on net metering customers. However, as Mr. Hayet shows in his testimony,
133 the Office has evaluated the usage patterns of current Rocky Mountain
134 Power residential customers and has found that the load shapes are very
135 similar among all sizes of non-net metering residential customers. Thus,
136 the Office believes that the current residential rate design appropriately
137 recovers costs from non-net metering customers. These are the types of
138 questions and analyses that must be further explored in a future rate

139 proceeding in order to set just and reasonable rates for both net metering
140 and non-net metering residential customers.

141 **Q. PLEASE EXPLAIN THE RATE DESIGN CONSIDERATION RELATED TO**
142 **NET METERING CUSTOMERS PAYING THEIR FAIR SHARE OF**
143 **INFRASTRUCTURE COSTS.**

144 A. The Office asserts that longstanding cost causation principles of rate design
145 must be applied to net metering customers. Thus, in setting just and
146 reasonable rates the Commission cannot only evaluate what level of costs
147 have been shifted from net metering customers to non-net metering
148 customers. It must also separately evaluate what level of costs is
149 appropriate to assign to net metering customers based on their usage of the
150 grid and reliance upon other resources of the utility.

151 The Office will evaluate the results of Rocky Mountain Power's
152 residential net metering customer load research study so that we can
153 formulate recommendations based upon actual data and not generic
154 profiles. Further, the Office acknowledges that usage patterns will likely
155 vary among net metering customers. Thus, any final rate design
156 recommendations for residential net metering customers must take those
157 variations into account.

158

159 *Non-Residential Customer Classes*

160 **Q. WHAT IS THE OFFICE'S POSITION REGARDING THE APPLICABILITY**
161 **OF THE COST BENEFIT TESTS TO THE NON-RESIDENTIAL**
162 **CUSTOMER CLASSES?**

163 A. As Mr. Hayet indicates, cost shifting within a customer class is likely to occur
164 within all rate classes that collect a significant portion of fixed costs through
165 variable rates. Thus, the Office recommends that any evaluation of the
166 impacts of the net metering program also include an analysis of what portion
167 of fixed costs are recovered through fixed charges for each rate class. It is
168 my understanding that for nearly all rate classes other than the residential
169 classes, all or most of the fixed charges are recovered through fixed costs.
170 If this understanding is supported by the evidence, then it is the Office's
171 position that an evaluation of the impact of the net metering program on
172 customers in most customer classes is not likely to be necessary nor would
173 it be necessary to pursue any fundamental rate design changes for those
174 classes. However, the Office notes that for Schedule 23, the demand
175 charge is only applied to demand levels above 15 kW. This schedule will
176 require additional analysis to determine whether the number of customers
177 and/or quantity of kW usage without demand charges warrant the same kind
178 of cost benefit analysis that the Office is proposing for the residential
179 classes. Finally, the Office recommends that the Commission continue to
180 monitor the potential impact of net metering to other customers in non-
181 residential classes. If, over time, the types and magnitude of the costs
182 and/or benefits change significantly then an impact (either positive or

183 negative) could emerge even for the customer classes with demand
184 charges.

185 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

186 **A. Yes.**