

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

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September 8, 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. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

6 A. Yes, I filed direct testimony on July 30, 2015.

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A. I will provide the Office's response on policy issues included in the direct  
9 testimony of the Joint Parties' Witnesses, Pamela Morgan and Tim Woolf.  
10 In addition I will clarify the Office's position regarding two issues on which  
11 we appear to have similar positions to Rocky Mountain Power (the  
12 Company.)

13 **Response to the Joint Parties**

14 **Q. THE JOINT PARTIES RECOMMEND THAT THE COMMISSION**  
15 **ESTABLISH BASELINE EXPECTATIONS FOR THE INPUTS AND**  
16 **OUTPUTS OF THE FRAMEWORK TO BE ESTABLISHED IN THIS**  
17 **DOCKET. PLEASE PROVIDE THE OFFICE'S RESPONSE TO MS.**  
18 **MORGAN'S PROPOSED BASELINE EXPECTATIONS.**

19 A. Overall, the Office finds the Joint Parties' suggestions regarding five  
20 baseline expectations for the Commission to establish to be too general and  
21 not well enough explained for us to properly respond. However, we believe  
22 that some of the recommendations would be unnecessary under the  
23 Office's proposed framework and others may have merit.

24 **Q. WHICH BASELINE EXPECTATIONS WOULD BE UNNECESSARY**  
25 **UNDER THE OFFICE'S PROPOSED FRAMEWORK?**

26 A. The Office's proposal to evaluate the impact of net metering on non-net  
27 metering customers and eventually set rates on a shorter term time horizon  
28 makes some of the Joint Parties' recommendations unnecessary. For  
29 example, it would not be necessary to include highly uncertain assumptions  
30 or predictions about the future effect of technology or behavior change.

31 **Q. WHICH JOINT PARTIES' BASELINE EXPECTATIONS DO YOU**  
32 **BELIEVE HAVE MERIT?**

33 A. I agree in principle with Ms. Morgan's recommendations about establishing  
34 minimum filing requirements and setting expectations for high quality data.  
35 In general, I believe that there can be value in having minimum filing  
36 requirements, as they could help increase the efficiency of regulatory  
37 proceedings. Further, it would be important to require the Company to  
38 produce the best data possible for the categories that the Commission  
39 ultimately decides to include in its framework. However, I think it may be  
40 premature to make such requests at this time. Filing requirements should  
41 closely follow the framework decision. Further, the Joint Parties have not  
42 specifically indicated what data sets may be problematic and require new  
43 or better processes for their acquisition. The Office recommends that once  
44 the framework has been determined the Joint Parties make a more specific

45 request, and asserts that it must be consistent with the Commission's earlier  
46 guidance when it said<sup>1</sup>:

47 [We] expect a party advocating for consideration of a factor ...  
48 to establish that factor's applicability, quantifiable value, and  
49 proper placement in an analytical framework or equation. We  
50 do not expect a party who is not advocating for the inclusion  
51 of a particular factor to establish those issues.  
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54 **Q. MR. WOOLF PROVIDES LENGTHY TESTIMONY EXPLAINING THE**  
55 **FLAWS WITH THE RIM TEST AND WHY IT SHOULD NOT BE USED TO**  
56 **MEASURE THE COSTS AND BENEFITS OF NET METERING TO OTHER**  
57 **CUSTOMERS.<sup>2</sup> WHAT IS YOUR RESPONSE?**

58 A. I agree with Mr. Woolf that the RIM test should not be used in this manner,  
59 although I do not agree with Mr. Woolf's alternate proposal. Instead, the  
60 Office has proposed a method explained in detail in Mr. Hayet's direct and  
61 rebuttal testimony. I also do not agree with all of the specific criticisms of  
62 the RIM test put forth by Mr. Woolf. However, since no party has included  
63 the RIM test as part of its proposed framework, it is inappropriate to continue  
64 to evaluate the pros and cons of this test in this proceeding.

65 **Q. MR. WOOLF FURTHER RECOMMENDS THAT THE COMMISSION**  
66 **MAKE A SPECIFIC FINDING THAT THE RIM TEST NOT BE USED IN**  
67 **THE FRAMEWORK ESTABLISHED BY THE COMMISSION. DO YOU**  
68 **AGREE WITH HIS RECOMMENDATION?**

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<sup>1</sup> Public Service Commission of Utah, In the Matter of the Investigation of the Costs and Benefits of PacifiCorp's Net Metering Program, Docket No. 14-035-114, Notice, issued March 9, 2015, p. 6.

<sup>2</sup> Direct Testimony of Tim Woolf, lines 156 – 230 and 272 – 286.

69 A. No. It is unnecessary for the Commission to rule on a method that no party  
70 is advancing in this proceeding.

71 **Q. MR. WOOLF URGES THE COMMISSION TO PUT RATE IMPACTS IN**  
72 **PERSPECTIVE AND CONSIDER EXAMPLES THAT HE ASSERTS ARE**  
73 **CUSTOMER INEQUITIES THAT ALREADY EXIST AS A RESULT OF**  
74 **SUPPLY SIDE DECISIONS. WHAT IS YOUR RESPONSE?**

75 A. I do not find the examples cited by Mr. Woolf to have merit or to be  
76 particularly relevant to the discussion at hand. His examples are not at all  
77 analogous to the potential cost shifting caused by distributed generation.  
78 He simply seems to be providing reasons that the Commission might use  
79 to justify cost shifts, that should in fact be avoided.

80 For example, Mr. Woolf describes a new power plant as not directly  
81 benefiting existing customers whose electricity demands have not recently  
82 increased. I think this is a mischaracterization of the role that new plants  
83 play in the overall fleet of resources being used to serve customers. A new  
84 power plant could be used to better integrate variable resources, to replace  
85 retiring coal plants, to lower overall fuel costs to all customers, or for a  
86 variety of other reasons. Even a new resource that theoretically was built  
87 solely to serve increasing load does not solely serve “new” or incremental  
88 load. The new resource is run as part of the system to reliably serve all  
89 customers as economically as possible.

90 Mr. Woolf also discusses new transmission lines for economic or  
91 reliability reasons as benefitting some but not all customers. However, the

92 assumption is that over time these types of investment even out and  
93 eventually do benefit all customers.

94 The same would not be true for costs associated with net metering  
95 customers that are shifted to non-net metering customers. There is no  
96 question that distributed generation could provide benefits to all customers,  
97 net metering, and non-net metering alike. However, as Mr. Hayet  
98 demonstrated, the benefits to non-metering customers are small in  
99 comparison to the added costs that are shifted to them due to the flaws in  
100 the rate structure that arise with the net metering program. The Office's  
101 proposal correctly accounts for any benefits that actually accrue to non-net  
102 metering customers. To require non-net metering customers anything  
103 additional, would impose costs upon them for benefits that they could never  
104 access.

105 Mr. Woolf also asserts that all customers typically pay for new  
106 distribution systems. In Utah, allowances have been set for line extensions  
107 that result in a sharing of the costs for new distribution systems. The  
108 principle behind these allowances is that all customers benefit to some  
109 extent from the contribution to fixed costs that new customers will make, but  
110 such benefits are not great enough to justify including all of those new costs  
111 in general rates.

112 It is clear that none of Mr. Woolf's examples warrant close  
113 comparison to the current evaluation of potential cost shifting between net  
114 metering and non-net metering customers.

115 **Q. DO YOU AGREE WITH MR. WOOLF THAT NEM SHOULD NOT BE HELD**  
116 **TO THE STANDARD OF CREATING NO CROSS SUBSIDIZATION?**

117 A. Yes. It is inherent in average ratemaking that customers within each class  
118 cost more or less than the “average” customer upon which rates are set.  
119 Thus, it would not be possible to hold any action to a standard of absolutely  
120 zero cross subsidization. However, that does not mean that the  
121 Commission should sanction known cross subsidies. In fact, it has been  
122 my experience that this Commission has worked over time (and sometimes  
123 employing gradualism) to reduce to a minimum any cross subsidies in our  
124 utility rates.

125 **Q. IF THE RATE IMPACT WERE SMALL, DO YOU THINK IT IS**  
126 **APPROPRIATE FOR NON-NET METERING CUSTOMERS TO BE**  
127 **REQUIRED TO SUBSIDIZE CUSTOMERS INSTALLING DISTRIBUTED**  
128 **GENERATION RESOURCES?**

129 A. No. One group of customer should not be required to subsidize costs that  
130 another group of customers specifically cause. For net metering, costs are  
131 being shifted in many cases to customers who do not have the opportunity  
132 themselves to make distributed resource investments either because they  
133 cannot afford to make the up-front investment or do not have suitable  
134 housing arrangements to pursue rooftop solar. The inequity in access to  
135 distributed resources creates an even greater public policy concern in  
136 having costs shifted among these customer groups.

137           Finally, I do not agree that small cost shifts should be seen to be  
138 acceptable and inherent in ratemaking. Again, it is my experience that  
139 many of the issues the Office pursues on behalf of small ratepayers are  
140 relatively small in magnitude. However, absent oversight and scrutiny these  
141 small rate impacts would quickly add up to significant dollars, especially  
142 measured across the customer class. I believe this is precisely what the  
143 hypothetical analysis presented by our expert witness, Mr. Hayet, shows in  
144 his direct testimony.

145 **Q. MR. WOOLF CITED A COLLABORATIVE REPORT<sup>3</sup> IN HIS PROPOSED**  
146 **ANALYTICAL FRAMEWORK THAT SHOULD BE USED FOR THE COST**  
147 **IMPACT ANALYSIS. WHAT IS THE OFFICE'S VIEW REGARDING THAT**  
148 **REPORT?**

149 A. The Office participated as a member of the DSM Advisory Committee in the  
150 collaborative report at the time of its writing, which was over six years ago.  
151 Since that time, the Office's views have evolved and we no longer support  
152 the concept that small-scale renewable resources should be evaluated on  
153 the same basis as DSM. We present our current position in this docket and  
154 assume that others who participated in the development of that report will  
155 do so as well.

156 **Q. MR. WOOLF PROPOSES THAT THE REDUCED REVENUE**  
157 **REQUIREMENTS RESULTING FROM APPLYING THE VALUE OF**

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<sup>3</sup> Utah Demand Side Management and Other Resources Benefits and Cost Analysis Guidelines and Recommendations, April 2009



158           **EXPIRING NEM CREDITS TO THE LOW INCOME ASSISTANCE**  
159           **PROGRAM BE INCLUDED AS A BENEFIT IN THE COST IMPACT**  
160           **ANALYSIS. WHAT IS YOUR RESPONSE?**

161    A.    The Office opposes this proposal, which essentially provides compensation  
162           to net metering customers for their excess generation in a manner that is  
163           counter to the fundamental underlying principle of net metering. As defined  
164           in Utah Statutes 54-15-102(3)(a)(iv), the “customer generation system”  
165           under the net metering framework “is intended primarily to offset part or all  
166           of the customer’s requirements for electricity.” Customers who intend to  
167           become net producers would face an entirely different set of regulatory  
168           requirements. The net metering evaluation should not establish benefits in  
169           such a way that they provide incentives to customers to oversize their  
170           system. Further, the Office asserts that it would be a mischaracterization  
171           of the process to call the crediting of the value of expiring NEM credits to  
172           the low income fund as a reduction in the revenue requirement.

173    **Q.    THE COMPANY PROPOSES THAT THE COMMISSION SHOULD**  
174           **ADOPT A FRAMEWORK IN THIS DOCKET IN WHICH RESIDENTIAL**  
175           **NET METERING CUSTOMERS ARE INCLUDED AS THEIR OWN CLASS**  
176           **OF SERVICE. WHAT IS YOUR RESPONSE?**

177    A.    As I indicated in my direct testimony, the Office believes that a separate rate  
178           class will likely be a reasonable approach. However, we prefer to wait until  
179           we have the opportunity to evaluate the results of the Company’s load  
180           research study before we make any specific recommendations regarding

181 changes to the composition of customer rate classes. This is the same  
182 position that Division witness Robert Davis supported in his direct  
183 testimony. The Office's view remains that the concept of creating a  
184 separate customer class is more appropriately addressed in the second  
185 phase of the evaluation of costs and benefits when the Commission's  
186 responsibility as outlined by Utah Statutes 54-15-105.1(2), is to determine  
187 "a just and reasonable charge, credit, or ratemaking structure, including new  
188 or existing tariffs, in light of the costs and benefits."

189 **Q. DOES THE COMPANY ADDRESS WHETHER THE FRAMEWORK**  
190 **ESTABLISHED IN THIS DOCKET SHOULD APPLY MORE BROADLY**  
191 **THAN ONLY RESIDENTIAL CUSTOMERS?**

192 A. Not directly. Ms. Steward states that, "Since the rate structures for most  
193 non-residential classes include demand-related charges or other rate  
194 elements such as higher basic charges or declining block energy charges,  
195 the current rate structures are significantly more capable of capturing  
196 differences in usage and system requirements for non-residential NEM  
197 customers than the residential rate structure ..." (See Steward Direct 178  
198 – 183) She further discusses the treatment of other partial requirements  
199 customers who take service under Schedule 31. She does not directly  
200 address non-residential NEM customers.

201 **Q. DO YOU AGREE WITH THE COMPANY'S ASSERTION THAT OTHER**  
202 **RATE DESIGNS EFFECTIVELY CAPTURE DIFFERENCES**  
203 **ASSOCIATED WITH NEM CUSTOMERS?**

204 A. Only in part. I agree that for most non-residential classes, as Ms. Steward  
205 indicates, the rate design is able to capture the differences. However, I  
206 have concerns about Schedule 23 customers. The Office issued additional  
207 discovery regarding customers in this class and our subsequent analysis  
208 shows that Schedule 23 likely experiences the same cost shifts between  
209 NEM and non-NEM customers that take place within the residential classes.

210 **Q. PLEASE EXPLAIN THE OFFICE'S CONCERN WITH SCHEDULE 23.**

211 A. Schedule 23 only imposes a demand charge for demand that exceeds 15  
212 kW. The Company's data shows that only 10.4% of customers in Schedule  
213 23 are charged a demand charge. More notably, only 13.8% of the total  
214 demand used by Schedule 23 customers is charged a demand charge.  
215 Thus, the vast majority of consumption in this class is subject to a rate  
216 structure that looks much more similar to the residential classes<sup>4</sup> than to  
217 other non-residential classes. For these reasons, the Office believes that  
218 the framework of evaluation that emerges from the current docket should  
219 be applied to Schedule 23 as well as to residential customers.

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

221 A. Yes.

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<sup>4</sup> The Office notes one notable difference between Schedule 23 and residential rates is a declining two-block energy structure as opposed to an inclining three-block structure.