

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

September 29, 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 and rebuttal testimony on
7 September 8, 2015.

8 **Q. WHAT IS THE PURPOSE OF YOUR SUR-REBUTTAL TESTIMONY?**

9 A. I will provide the Office's response on policy issues included in the rebuttal
10 testimony of the Joint Parties' Witness Pamela Morgan and Vivant Solar's
11 Witness Dan Black.

12

13 **Response to the Joint Parties**

14 **Q. MS. MORGAN ASSERTS THAT THE OFFICE PROPOSED A CLASS**
15 **COST OF SERVICE STUDY APPROACH SIMILAR TO THE DIVISION OF**
16 **PUBLIC UTILITIES (DIVISION) AND ROCKY MOUNTAIN POWER. (SEE**
17 **MORGAN REBUTTAL, LINES 69 – 77) WHAT IS YOUR RESPONSE?**

18 A. While the Office has proposed a short term analysis that relies on costs that
19 are developed consistent with the ratemaking process, there are still clear
20 differences in our proposal from those presented by the Division and Rocky
21 Mountain Power (RMP or the Company.) Further, Ms. Morgan appears to
22 be inconsistent with her colleagues representing the Joint Parties, one of
23 whom (Mr. Norris) offered absolutely no rebuttal to the Office's testimony

24 and the other of whom (Mr. Woolf) clearly indicated areas of agreement and
25 areas of difference. The Commission should disregard Ms. Morgan's
26 mischaracterization of the Office's proposal.

27 **Q. DOES THE OFFICE PROPOSE A TWO-STEP PROCESS CONSISTENT**
28 **WITH THE STATUTE?**

29 A. Yes. Contrary to Ms. Morgan's assertion that the Office (along with the
30 Division and the Company) "appear to be proposing that the Commission
31 collapse these two sections into one" (Morgan Rebuttal, lines 75 – 77) the
32 Office clearly proposes a framework for evaluating the costs and benefits of
33 net metering to the Company and to other customers, as contemplated by
34 the statute and the Commission in what it has called the first step of the
35 overall net metering analysis. We agree with the Joint Parties that rate
36 design would come in the second step. We further agree that proposing
37 only a single cost of service evaluation appears to collapse the two steps,
38 although we look to the surrebuttal testimony of the Company to clarify how
39 their proposal meets the specific requirements of what the Commission has
40 defined as the first step.

41 **Q. MS. MORGAN DISAGREES THAT CUSTOMERS WHO INVEST IN**
42 **DEMAND-SIDE MANAGEMENT (DSM) MEASURES AND CUSTOMERS**
43 **WHO INVEST IN DISTRIBUTED GENERATION (DG) ARE DIFFERENT.**
44 **WHAT IS YOUR RESPONSE?**

45 A. Ms. Morgan states that both types of customers "will exhibit on the average
46 lower billing period use from the utility's system than accounts [without such

47 investment].” This statement is only in part correct. I agree that the
48 consumption for which both DSM and DG customers would be billed is likely
49 to be lower than accounts without such investment. However, that does not
50 mean that those accounts actually used the utility’s system ***in the same***
51 ***way or any less*** than accounts without such investment. Depending on the
52 sizing of the DG system and pattern of actual usage, DG customers may
53 actually use the system much differently than both customers who have
54 invested in DSM and customers who have not invested in either technology.
55 Data evaluating this usage pattern is precisely what we anticipate the
56 Company’s net metering load research study will provide. However, even
57 without the evaluation from such a study, common sense would tell us that
58 any DG system producing excess power and generating credits for a
59 customer’s future use is almost by definition using distribution system
60 resources more than a customer who simply lowered its overall electricity
61 requirements. Ms. Morgan’s testimony does not address this point.

62 **Q. MS. MORGAN INDICATES THAT RATE DESIGN ISSUES SHOULD NOT**
63 **BE ADDRESSED IN THIS DOCKET AND THEN SPENDS SEVEN PAGES**
64 **ADDRESSING THEM. PLEASE RESPOND.**

65 A. Ms. Morgan covers many issues related to rate design. For example, Ms.
66 Morgan’s critique of making net metering customers a separate class
67 ignores the initial residential load data that I presented in direct testimony
68 as well as the point addressed in my previous answer. Also, Ms. Morgan
69 raises a number of questions that rate design should address, only some of

70 which I would support as being appropriate for the task. However, I agree
71 with Ms. Morgan that the merits of specific rate design proposals are not at
72 issue in the current proceeding. Thus, I will not rebut point by point the
73 information presented by Ms. Morgan in the section of her testimony
74 addressing rate design. Silence on the part of the Office should not be
75 construed as agreement. All parties will have an opportunity to fully address
76 all of these issues in the next general rate case or other appropriate
77 proceeding to address potential rate design solutions for net metering
78 customers.

79

80 **Response to Vivant Solar**

81 **Q. MR. BLACK OBJECTS TO PARTIES NOT INCLUDING “EXTERNAL”**
82 **BENEFITS. WHAT IS YOUR RESPONSE?**

83 A. It is not clear whether Mr. Black understands that the Commission has
84 already provided guidance on this topic. In the Commission’s Order Re:
85 Conclusions of Law on Statutory Interpretation and Order Denying Motion
86 to Strike issued on July 1, 2015, the Commission stated: “costs and benefits
87 that do not impact the utility’s cost of service are not relevant to the
88 Subsection One analysis and will not constitute part of the framework the
89 Commission ultimately adopts in this docket.”¹ This Commission ruling is a

¹ Public Service Commission of Utah, Order Re: Conclusions of Law on Statutory Interpretation and Order Denying Motion to Strike, July 1, 2015, p. 15.

90 primary reason for excluding “externalities” or what Mr. Black calls “external
91 benefits.”

92 **Q. MR. BLACK CITES TO THE CLEAN POWER PLAN AS A SPECIFIC**
93 **EXAMPLE OF AN EXTERNAL BENEFIT THAT HE BELIEVES HAS**
94 **BEEN IMPROPERLY IGNORED. TO WHAT EXTENT DO YOU AGREE?**

95 A. I do not agree that actual compliance costs should be characterized as
96 external benefits. In fact, I do agree with Mr. Black that, to the extent any
97 environmental compliance costs are verifiable and quantifiable they should
98 be included in the set of costs and benefits considered in the net metering
99 analysis. The Office’s rebuttal testimony also clarified this point. (See Hayet
100 Rebuttal, lines 174 – 198.)

101 **Q. HOW DO YOU RESPOND TO MR. BLACK’S ASSERTION THAT CLEAN**
102 **POWER PLAN COMPLIANCE BENEFITS ARE REASONABLY**
103 **SUBJECT TO QUANTIFICATION AND VERIFICATION?**

104 A. While it is true that the EPA has released its final rule related to the Clean
105 Power Plan, the specific plan for compliance is not yet in place and it
106 remains unknown whether distributed generation resources owned by net
107 metering customers will satisfy any compliance requirements or how to
108 quantify any such benefits. Thus, any potential benefits that net metering
109 customers can provide in the context of Utah’s compliance with 111(d)
110 requirements are not currently verifiable or quantifiable and do not meet the
111 conditions set by the Commission for inclusion in the framework.

112 Also, Mr. Black's criticism of other parties is unjustified and ignores
113 Commission guidance on who bears the burden of providing analytical
114 support for the inclusion of specific costs and benefits. Neither Mr. Black
115 nor the Joint Parties whose position he supports propose a specific
116 framework for the inclusion of potential Clean Power Plan benefits. Yet the
117 Commission has clearly indicated:

118 Parties advocating for the inclusion of any particular cost will
119 bear the burden of establishing it will increase the utility's cost
120 of service, and parties seeking to include any particular
121 benefit will bear the burden of demonstrating it will decrease
122 the utility's cost of service.²
123

124 Finally, I would note that the Office's proposal could easily
125 incorporate any change in benefits (or costs) since we advocate evaluating
126 those costs and benefits over a short-term time horizon consistent with
127 setting rates. Thus, as any new costs or benefits (such as Clean Power
128 Plan compliance) emerge and become quantifiable, the evaluation could
129 incorporate such changes when rates are reset.

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133 **Process Recommendation**

134 **Q. THE COMMISSION, IN ITS PRE-HEARING NOTICE, IDENTIFIED A**
135 **SERIES OF QUESTIONS THAT IT DIRECTS WITNESSES TO BE**

² Public Service Commission of Utah, Order Re: Conclusions of Law on Statutory Interpretation and Order Denying Motion to Strike, July 1, 2015, p. 16.

136 **PREPARED TO TESTIFY TO AT THE HEARING. HOW WILL THE**
137 **OFFICE COMPLY?**

138 A. As stated in Mr. Hayet's testimony, he will be prepared to testify on behalf
139 of the Office at the hearing on the specific requests made by the
140 Commission regarding:

141 (1) what tools (e.g., GRID) the party recommends using for valuing each
142 metric in the framework the party is advocating; (2) to the extent a new tool
143 will be required in order to implement a party's recommendation, specific
144 recommendations as to how the tool may be feasibly developed; and (3) the
145 period of time the party recommends analyzing for each component of its
146 recommended framework, including whether such period is historic or
147 forecast and the duration of the period to be analyzed.

148 **Q. DOES THE OFFICE HAVE ANY PRELIMINARY PROCESS**
149 **RECOMMENDATIONS REGARDING THE COMMISSION'S**
150 **REQUESTS?**

151 A. Yes. As this current docket has unfolded, and especially in light of the
152 Commission's specific requests, it has become clear to the Office that an
153 interim procedural step would be helpful to the overall determination
154 regarding net metering that the Commission is charged with making. As
155 described in the Division's direct testimony, parties have struggled to find a
156 shared understanding with the Commission's directive that the outcome of
157 this proceeding result in a framework for analysis. As the Commission's
158 questions highlighted, parties have only taken this framework to the

159 conceptual level and additional work regarding the specific data
160 requirements is yet to be done. The Office does not believe that the
161 Commission will have adequate information at the hearing to make a full
162 determination of all necessary studies, data sources, and other inputs that
163 will be necessary to turn the framework determined in this proceeding into
164 a meaningful quantification in the next rate case. Thus, the Office
165 recommends that the Commission consider a follow up phase after it issues
166 an order determining the framework for analysis, which would include
167 deciding on the types of costs and benefits, the study period for the analysis,
168 and the calculation method. The follow-up phase would allow parties an
169 opportunity to help determine the final details to be used in a future “step
170 two.” The Company should be required to make the initial proposal
171 regarding the development of data inputs, required studies, and filing
172 requirements. The process should allow at least two rounds of comments
173 that the Commission could rely on in issuing an order on the details for
174 implementing the framework that it determines in this current proceeding.

175

176 **Summary and Conclusion**

177 **Q. PLEASE SUMMARIZE THE OFFICE’S POSITION.**

178 A. The Office, primarily through the testimony of Mr. Hayet, has proposed a
179 framework for analyzing the costs and benefits of the net metering program
180 on both the Company and other non-metering customers. The Office has
181 appropriately identified all relevant costs and benefits that meet the

182 requirement of being reasonably subject to quantification and verification.
183 We recommend that it is important to use a short-term analysis in this step
184 one in making the determinations that will lead to step two. The short-term
185 analysis proposed by the Office is consistent with the time horizon used in
186 setting rates, which will be applicable in step two when the Commission
187 determines a just and reasonable charge, credit, or ratemaking structure. A
188 further and important advantage to the short-term analysis we propose is
189 that it will be updated over time as new rates are set. This allows the
190 analysis to capture changes in the underlying assumptions, including new
191 costs and benefits that emerge over time. Finally, the Office also believes
192 it is reasonable to conduct a longer-term study for informational purposes
193 to assess the overall value of the net metering program. We continue to
194 believe that this would only be necessary to complete during the first full
195 evaluation and that subsequent evaluations should focus on the short-term
196 analysis for rate setting purposes.

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

198 A. Yes.

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