

**-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-**

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<b>In the Matter of the Investigation</b>	)	<b>Docket No. 14-035-114</b>
<b>of the Costs and Benefits of</b>	)	<b>Compliance Filing</b>
<b>PacifiCorp's Net Metering Program</b>	)	<b>Direct Testimony of</b>
	)	<b>James W. Daniel for the</b>
	)	<b>Office of Consumer Services</b>

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June 8, 2017

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
I. EXPERIENCE AND QUALIFICATIONS .....	1
II. INTRODUCTION .....	2
III. RMP’S COST OF SERVICE STUDIES .....	5
IV. DG CUSTOMER BILL IMPACTS.....	9
V. RMP DID NOT CONSIDER TOU RATES.....	11
VI. RMP’S DEFERRED ACCOUNTING PROPOSAL .....	12
VII. SUMMARY AND CONCLUSIONS .....	14

**EXHIBITS**

OCS JWD-1	Prior Testimony of James W. Daniel
OCS JWD-2	Residential Bill Comparison
OCS JWD-3	RMP’s Response to UCE 9-6

**DIRECT TESTIMONY AND EXHIBITS OF JAMES W. DANIEL****I. EXPERIENCE AND QUALIFICATIONS**

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

2 A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 800,  
3 Austin, Texas 78701.  
4

5 **Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.**

6 A. I received the degree of Bachelor of Science from the Georgia Institute of Technology in  
7 1973 with a major in economics.

8 **Q. WHAT IS YOUR PRESENT POSITION?**

9 A. I am a Vice President of the firm GDS Associates, Inc. ("GDS") and Manager of GDS's  
10 office in Austin, Texas.

11 **Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.**

12 A. From July 1974 through September 1979 and from August 1983 through February 1986, I  
13 was employed by Southern Engineering Company. During that time, I participated in the  
14 preparation of economic analyses regarding alternative power supply sources and  
15 generation and transmission feasibility studies for rural cooperatives. I participated in  
16 wholesale and retail rate and contract negotiations with investor-owned and publicly-  
17 owned utilities, prepared cost of service studies on investor-owned and publicly-owned  
18 utilities, and prepared and submitted testimony and exhibits in utility rate and other  
19 regulatory proceedings on behalf of publicly-owned utilities, industrial customers,  
20 associations, and government agencies. From October 1979 through July 1983, I was  
21 employed as a public utility consultant by R.W. Beck and Associates. During that time, I  
22 participated in rate studies for publicly-owned electric, gas, water and wastewater utilities.  
23 My primary responsibility was the development of revenue requirements, cost of service,  
24 and rate design studies as well as the preparation and submittal of testimony and exhibits  
25 in utility rate proceedings on behalf of publicly-owned utilities, industrial customers and  
26 other customer groups. Since February 1986, I have held the position of Manager of GDS's  
27 office in Austin, Texas. In April 2000, I was elected as a Vice President of GDS. While  
28 at GDS, I have provided testimony in numerous regulatory proceedings involving electric,

29 natural gas, and water utilities, and I have participated in generic rulemaking proceedings.  
30 I have prepared retail rate studies on behalf of publicly-owned utilities, and I have prepared  
31 utility valuation analyses. I have also prepared economic feasibility studies, and I have  
32 procured and contracted for wholesale and retail energy supplies.

33 **Q. WOULD YOU PLEASE DESCRIBE GDS?**

34 A. GDS is an engineering and consulting firm with offices in Marietta, Georgia; Austin,  
35 Texas; Auburn, Alabama; Manchester, New Hampshire; Madison, Wisconsin; and  
36 Orlando, Florida. GDS has over 160 employees with backgrounds in engineering,  
37 accounting, management, economics, finance, and statistics. GDS provides rate and  
38 regulatory consulting services in the electric, natural gas, water, storm, and telephone  
39 utility industries. GDS also provides a variety of other services in the electric utility  
40 industry including power supply planning, generation support services, energy  
41 procurement and contracting, energy efficiency program development, financial analysis,  
42 load forecasting, and statistical services. Our clients are primarily privately-owned  
43 utilities, publicly-owned utilities, municipalities, customers of investor-owned utilities,  
44 groups or associations of customers, and government agencies.

45 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
46 **COMMISSIONS?**

47 A. I have testified many times before regulatory commissions. A complete list of regulatory  
48 proceedings in which I have presented expert testimony is provided as Exhibit OCS JWD-  
49 1.

## 50 **II. INTRODUCTION**

51 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

52 A. I am testifying on behalf of the Utah Office of Consumer Services (“OCS”).

53 **Q. PLEASE DESCRIBE OCS.**

54 A. OCS is Utah’s utility consumer advocate. OCS represents residential, small commercial,  
55 and agricultural consumers in various electric, natural gas, and telephone utility  
56 proceedings before the Utah Public Service Commission (“PSC” or “Commission”).

57 **Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?**

58 A. My assignment was to review and evaluate Rocky Mountain Power's ("RMP" or  
59 "Company") November 9, 2016 compliance filing in this docket and the Company's  
60 proposed Schedule No. 5, Residential Service for Customer Generators.

61 **Q. DO OTHER OCS WITNESSES ADDRESS OTHER ASPECTS OF RMP'S**  
62 **COMPLIANCE FILING?**

63 A. Yes.

64 **Q. PLEASE SUMMARIZE THE CONCLUSIONS AND RECOMMENDATIONS YOU**  
65 **HAVE REACHED BASED UPON YOUR REVIEW AND ANALYSIS OF RMP'S**  
66 **COMPLIANCE FILING.**

67 A. Based upon my review and analysis, I have reached the following conclusions and  
68 recommendations:

69 (1) RMP has demonstrated that residential customers with distributed generation  
70 ("DG") facilities have load characteristics and usage patterns that are different than  
71 residential customers that do not have DG. Because of these differences, the current  
72 net metering ("NEM") program, which applies the current residential rate to the  
73 residential DG customer's net energy usage, does not recover the cost of serving  
74 the NEM customers.

75 (2) RMP's proposed new rate Schedule No. 5 for application to new residential DG  
76 customers should be rejected for several reasons, including the following:

77 (a) A new rate class and rate schedule should not be created outside the context  
78 of a general rate case.

79 (b) The cost data RMP uses to develop its new NEM program, including  
80 proposed rate Schedule No. 5, is stale and should not be relied upon for  
81 establishing new rates.

82 (c) RMP's proposal to create a new rate class and rate schedule constitutes  
83 piecemeal ratemaking and should be rejected.

84 (d) RMP has not adequately considered the impacts of its proposed NEM  
85 program on current and future DG residential customers.

86 (3) RMP's projected "exponential" growth in new residential rooftop solar installations  
87 has not reached a point that warrants ignoring the fundamental problems with  
88 RMP's proposal for the sake of a quick fix to an expected problem.

89 (4) RMP has not adequately considered other rate design options, such as time-of-use  
90 rates, for achieving similar results as compared to its proposed rate Schedule No.  
91 5.

92 (5) RMP's proposed offer of a deferral account to capture differences in revenues from  
93 new DG residential customers should be rejected.

94 **Q. WHAT IS THE PURPOSE OF RMP'S COMPLIANCE FILING?**

95 A. RMP's application has two primary purposes. First, the Company's application is intended  
96 to comply with the Commission's November 10, 2015 Order directing RMP to conduct  
97 two cost of service studies, an actual cost of service ("ACOS") study and a counter factual  
98 cost of service ("CFCOS") study, as a framework to determine whether the costs of the net  
99 metering program exceeds the benefits of the net metering program. Second, RMP makes  
100 a request to complete all analysis required under the net metering statute for the evaluation  
101 of the net metering program. In addition to the request to have a finding that all analysis is  
102 complete, RMP further requests establishment of a new rate class and associated rates for  
103 DG residential customers at this time.

104 **Q. WHAT DOES THE NET METERING STATUTE REQUIRE?**

105 A. Utah Code Ann. § 54-15-105.1 (the "Net Metering Statute") provides the following:

106 **54-15-105.1 Determination of costs and benefits –**  
107 **Determination of just and reasonable charge, credit, or**  
108 **ratemaking structure.**

109 The governing authority] shall:

110 (1) determine, after appropriate notice and opportunity for public  
111 comment, whether costs that the electrical corporation or other  
112 customers will incur from a net metering program will exceed the

113 benefits of the net metering program, or whether the benefits of the  
114 net metering program will exceed the costs; and  
115 (2) determine a just and reasonable charge, credit, or ratemaking  
116 structure, including new or existing tariffs, in light of the costs and  
117 benefits.  
118

119 **Q. PLEASE BRIEFLY DESCRIBE RMP'S COMPLIANCE FILING.**

120 A. As required in the Commission's November 10<sup>th</sup> Order, RMP filed an ACOS and a  
121 CFCOS. The ACOS shows the results of a COS with RMP's current NEM program. The  
122 CFCOS shows the results of a COS assuming there is no NEM program. RMP also filed  
123 a cost of service study ("COS") that allocates costs to a separate residential customer class  
124 that only includes customers with DG ("NEM Breakout COS"). All three COS studies are  
125 based on the Company's class COS filed as part of its December 2015 Results of  
126 Operations filing, which uses a 2015 test year.<sup>1</sup> Based on the results of these COSs and  
127 other factors, RMP concluded that the costs of the current NEM program exceed the  
128 benefits, and that non-NEM customers are subsidizing the NEM customers. In order to fix  
129 this claimed problem, RMP is also proposing to close its current NEM program to new DG  
130 customers and to implement new rate schedules (Schedule 5 and Schedule 136) for new  
131 DG customers that are based on the results of its NEM Breakout COS. As proposed,  
132 Schedule No. 5 includes an on-peak demand charge of \$9.02 per kW, an energy charge,  
133 and a customer charge.

134 **III. RMP'S COST OF SERVICE STUDIES**

135 **Q. HAVE YOU REVIEWED RMP'S COST OF SERVICE STUDIES INCLUDED IN**  
136 **THEIR FILING?**

137 A. Although I have not made a comprehensive analysis of RMP's COSs, I have made a general  
138 review of those studies.

139 **Q. DO YOU AGREE WITH THE RESULTS OF RMP'S COST OF SERVICE**  
140 **STUDIES?**

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<sup>1</sup> The COS included as part of the December 2015 Results of Operations filing uses the cost allocation results from RMP's 2013 rate case.

141 A. Based upon my general review, the cost allocation methodologies appear reasonable for  
142 purposes of determining the costs of the current NEM program and for determining the  
143 cost of service for residential DG customers.

144 **Q. WHAT DO RMP'S COST OF SERVICE STUDIES SHOW?**

145 A. RMP makes the following claims based on the results of its COSs and load research studies:

146 (1) Residential DG customers have unique load shapes and usage characteristics that  
147 are significantly different than non-DG customers.

148 (2) The current NEM program results in a net cost to RMP's system, i.e., other  
149 customers subsidize the NEM program customers.

150

151 I agree with the first point regarding the differences between residential DG customers and  
152 non-DG customers. I further agree that the studies show that the current NEM program  
153 results in a net cost to RMP's system. However, given that rates have not been reset since  
154 RMP's 2013 general rate case, the level of possible subsidization between other customers  
155 and NEM program customers is uncertain. A more accurate portrayal of the studies' results  
156 would be that they show an emerging potentially significant cost shift that would be  
157 revealed at the next rate case, or later when penetration levels of DG have reached a critical  
158 point.

159 **Q. DO YOU HAVE ANY PROBLEMS WITH RMP'S PROPOSED USE OF ITS COST  
160 OF SERVICE STUDIES?**

161 A. Yes. Based on the results of its COSs, RMP proposes to close the current NEM program  
162 to new DG customers and to apply proposed Schedule Nos. 5 and 136 to new DG  
163 customers. I have two fundamental problems with the Company's proposal. First, the  
164 2015 test year used for RMP's COSs is stale and should not be used for purposes of setting  
165 new rates. Second, updating the 2015 COSs for one change, i.e., establishing a new  
166 residential DG customer class and a proposed new rate for that new class, is piecemeal  
167 ratemaking.

168 **Q. PLEASE EXPLAIN YOUR CONCERNS WITH USING A 2015 TEST YEAR.**

169 A. At the time of RMP's compliance filing, the beginning of the 2015 test year was almost  
170 two years old. By the time the Commission issues an Order in this proceeding, the test  
171 year will be approximately two years old. For ratemaking purposes, I have a concern with  
172 using a 2015 test year for establishing new rates that will become effective in late 2017 as  
173 the cost information used for the COSs will be stale. Typically, for ratemaking purposes  
174 Commissions require the use of a more recent test year.

175 In addition to my concern with using a stale test year, the cost functionalization,  
176 classification, and allocation methodologies used in the 2015 COSs are based on the results  
177 of RMP's prior general rate case which was in 2013. Using results from RMP's prior rate  
178 case only compounds my concern with using stale information to develop a new rate class.

179 **Q. WHAT IS PIECEMEAL RATEMAKING?**

180 A. Piecemeal ratemaking, or single issue ratemaking, occurs when a utility proposes to change  
181 rates due to one change in a utility's cost structure. Since only one specific change is  
182 addressed, the piecemeal ratemaking proposal fails to recognize other changes since the  
183 utility's prior rate case. Examples of other changes could be cost reductions, technology  
184 changes, increased sales, and changes in financial markets. These other changes could  
185 more than offset the "piecemeal" cost increase (or revenue decrease) that the utility is trying  
186 to recoup.

187 **Q. PLEASE EXPLAIN YOUR PIECEMEAL RATEMAKING CONCERNS WITH**  
188 **RMP'S PROPOSAL.**

189 A. RMP's compliance filing proposes to create a new rate class and rate schedule outside the  
190 context of a general rate case. The COSs prepared by RMP uses 2015 costs and 2013  
191 customer class cost allocations except for one adjustment. That adjustment is to create a  
192 new DG customer class in the COS.

193 While RMP claims it loses money from customers that install DG facilities, such  
194 as rooftop solar panels, the Company has not demonstrated that other changes in its cost  
195 structure do not offset this revenue decrease. For example, other expense decreases or  
196 revenue increases could more than offset the claimed revenue decrease caused by new DG  
197 facilities. Therefore, at this time RMP's proposed new Schedule Nos. 5 and 136 has not  
198 been demonstrated to be necessary to address this claimed issue.

199 **Q. WHAT IS THE SOLUTION TO BOTH YOUR STALE TEST YEAR AND**  
200 **PIECEMEAL RATEMAKING CONCERNS?**

201 A. The Commission should not approve RMP's proposed Schedule Nos. 5 and 136 in this  
202 proceeding. Instead, the Commission should rule that RMP has complied with its  
203 November 10<sup>th</sup> Order in conducting the prescribed cost of service studies to determine the  
204 costs and benefits of the net metering program, pursuant to section (1) of the Net Metering  
205 Statute. In addition, the Commission should consider providing additional direction  
206 regarding a transition into a new rate design for residential DG customers, but rule that the  
207 final determination under section (2) of the Net Metering Statute -- i.e., establishing and  
208 implementing a new rate design and calculating new charges and/or tariffs can only be  
209 accomplished within RMP's next general rate case.

210 As I explain later in my testimony, there does not appear to be an emergency or  
211 other compelling reason to change the current NEM program, at this time. The Company  
212 can decide at any time when to file its next rate case. The need to change the current NEM  
213 program will likely be one of many factors that RMP considers in making that decision.

214

**IV. DG CUSTOMER BILL IMPACTS**

215 **Q. IN ADDITION TO THE REASONS DISCUSSED IN THE PREVIOUS SECTION**  
216 **OF YOUR DIRECT TESTIMONY, ARE THERE ANY ADDITIONAL REASONS**  
217 **THAT RMP'S PROPOSED SCHEDULE NOS. 5 AND 136 FOR NEW DG**  
218 **CUSTOMERS SHOULD NOT BE IMPLEMENTED AT THIS TIME?**

219 A. Yes. In my opinion, RMP has not adequately considered customer impacts caused by its  
220 proposed Schedule No. 5. RMP has only looked at one aspect of customer impacts, i.e.  
221 RMP only shows the residential customer bill impacts for an existing residential customer  
222 that decides to install a DG facility. Specifically, the Company's bill impact comparison  
223 shows what various residential customers pay under the current residential rate without DG  
224 versus what they will pay under RMP's proposed Schedule No. 5 with DG.

225 In reviewing RMP's new NEM proposal, the Commission should also consider a  
226 customer bill impact analysis that compares what these new residential DG customers  
227 would pay under the current NEM program versus what they will pay under RMP's  
228 proposed Schedule No. 5. Since current residential DG customers will remain under the  
229 current NEM program, it is important to know how much more the new residential DG  
230 customers will pay under RMP's proposal. If two very similar residential DG customers,  
231 other than one is current and the other is new, pay substantially different rates for the same  
232 service, the Commission may want to phase-in the implementation of a new residential DG  
233 rate or consider a different rate design solution.

234 **Q. WHAT DOES THE COMPANY'S BILL IMPACT COMPARISON SHOW?**

235 A. RMP witness Joelle Steward provides the Company's bill impact analysis as Exhibit No.  
236 RMP\_(JRS-7) to her direct testimony. As shown on that exhibit, new residential DG  
237 customers will save from approximately \$3 per month to more than \$260 per month  
238 depending on the size and output of the DG.

239 **Q. HAVE YOU PREPARED A RESIDENTIAL BILL COMPARISON OF THE**  
240 **SAVINGS RESIDENTIAL DG CUSTOMERS WILL ACHIEVE UNDER THE**  
241 **CURRENT NEM PROGRAM VERSUS UNDER RMP'S PROPOSED NEM**  
242 **PROGRAM?**

243 A. Yes. That DG savings comparison is provided as my Exhibit OCS JWD-2. My exhibit is  
244 formatted similar to the Company's Exhibit No. RMP\_(JRS-7) but also includes what the

245 residential DG customer would pay under the current NEM program. As shown on my  
246 exhibit, a new residential DG customer will pay as much as 1000% more as compared to a  
247 current residential DG customer.

248 **Q. IS SUCH A LARGE DIFFERENCE IN MONTHLY BILLS A PROBLEM?**

249 A. Given the magnitude of the monthly bill differences, I believe this is an issue that the  
250 Company should have addressed. In my opinion, RMP should have considered and  
251 included a phase-in plan for its proposed Schedule No. 5.

252 **Q. IS THERE AN EMERGENCY OR OTHER COMPELLING REASON TO**  
253 **IMPLEMENT THE FULL PROPOSED SCHEDULE NO. 5 AT THIS TIME?**

254 A. No, I am not aware of an immediate need to implement RMP's proposal at this time.

255 RMP is forecasting significant annual increases in residential rooftop solar DG  
256 installations. The Company claims that based on this DG forecast that maintaining the  
257 current NEM program will increase RMP's lost revenues and increase the subsidies paid  
258 by non-DG customers to DG customers.

259 However, while the number of residential rooftop solar DG installations has been  
260 increasing, the total number has not yet reached a critical level. For example, the total  
261 capacity of net metered projects in RMP's Utah service territory is approximately 168.33  
262 MW. This compares to RMP's 2015 Utah peak load of 5,245 MW. The net metered DG  
263 capacity is only 3.21% of RMP's 2015 peak load.

264 **Q. HAS RMP'S EXPECTED EXPONENTIAL GROWTH OF RESIDENTIAL**  
265 **ROOFTOP SOLAR INSTALLATIONS MATERIALIZED.**

266 A. During 2016, RMP did realize a significant increase in DG applications. However, in  
267 response to UCE data request 9.6, RMP shows that the number of DG interconnection  
268 applications has dropped off significantly so far in 2017. In fact, in some months in 2017  
269 the number of DG applications are lower than the number of DG applications for the same  
270 month of 2016. It is not known if this leveling off of DG applications is in response to  
271 RMP's publicized proposal to change the current NEM program. A copy of RMP's  
272 response to UCE data request 9.6 is provided as my Exhibit OCS JWD-3.

273 This lower solar DG growth further supports taking a more reasoned approach to  
274 satisfying section (2) of the Net Metering Statute. That reasoned approach is to not  
275 consider creating new rate classes and rates until RMP's next rate case.

276 **V. RMP DID NOT CONSIDER TOU RATES**

277 **Q. DID RMP ADEQUATELY CONSIDER RESIDENTIAL RATE OPTIONS OTHER**  
278 **THAN ITS NEW DEMAND CHARGE FOR NEW DG CUSTOMERS?**

279 A. No. RMP mentions the application of time-of-use ("TOU") rates for DG customers but  
280 does not adequately analyze whether TOU rates would be preferable to its residential DG  
281 customer demand charge proposal.

282 **Q. WHAT DOES RMP SAY ABOUT THE TOU RATE STRUCTURE OPTION?**

283 A. RMP witness Joelle Steward devotes two sentences in her direct testimony about using a  
284 TOU rate structure for DG customers. As stated on lines 559 through 564 of Ms. Steward's  
285 direct testimony, RMP believes that the application of TOU rates to DG customers will  
286 still result in an under-recovery of RMP's fixed costs and in continued cost shifting.

287 **Q. DID RMP SUPPORT ITS POSITION ON TOU RATES FOR DG CUSTOMERS?**

288 A. No. The brief discussion of TOU rates in Ms. Steward's testimony is not supported by any  
289 analyses or studies. Rather than making broad claims, RMP should be required to quantify  
290 the decrease in the claimed cost under-recoveries and the decrease in the claimed cost  
291 shifting as compared to the current NEM program.

292 **Q. DO YOU BELIEVE TOU RATES SHOULD BE CONSIDERED AS AN OPTION**  
293 **FOR RATES FOR NEW DG CUSTOMERS?**

294 A. Yes, TOU rates should be a significant improvement over the current NEM program. In  
295 particular, TOU rates are a good solution in the post net metering environment being  
296 recommended in the OCS policy testimony. TOU rates may also result in less severe bill  
297 impacts in comparison to RMP's proposed residential demand charge. I also believe that  
298 TOU rates should be considered as a permanent rate option for small residential DG  
299 customers.

300 **Q. DO OTHER UTILITIES USE TOU RATES FOR SERVICE TO DG CUSTOMERS?**

301 A. Yes.

302 **Q. IS THERE ANOTHER REASON THE COMMISSION SHOULD NOT APPROVE**  
303 **RMP'S PROPOSAL TO HASTILY IMPLEMENT A NEW RATE STRUCTURE**  
304 **FOR RESIDENTIAL DG CUSTOMERS?**

305 A. Yes. In Nevada, NV Energy went down the same path that RMP is proposing to take. In  
306 2015, Nevada passed legislation that required consideration of alternatives to traditional  
307 net metering programs, similar to RMP's current net metering program. In response to that  
308 legislation, NV Energy proposed and the Public Utilities Commission of Nevada ("PUC")  
309 approved the implementation of a new NEM program for customers with DG. Due  
310 primarily to the resulting backlash, this month the Nevada Legislature passed new  
311 legislation to largely re-implement traditional net metering. While I am not suggesting that  
312 RMP's current net metering program should not be changed, I am pointing out the need to  
313 consider any changes thoroughly and to consider the ramifications of all options for  
314 changing RMP's current net metering program. The Commission should not make the  
315 same mistake that was made in Nevada.

316 **VI. RMP'S DEFERRED ACCOUNTING PROPOSAL**

317 **Q. HAS RMP PROPOSED USING A DEFERRAL ACCOUNT TO CAPTURE ANY**  
318 **REVENUE INCREASES RESULTING FROM ITS PROPOSED NEM**  
319 **PROGRAM?**

320 A. While I would not describe it as a proposal, RMP has offered to use a deferral account to  
321 capture any difference in revenues between current non-DG rates and the proposed  
322 Schedule No. 5 rates for new DG customers. The Company would then propose an  
323 amortization period for the deferral balance in its next rate case. As explained on page 5,  
324 lines 95 through 99, of the direct testimony of RMP witness Joelle Steward, the claimed  
325 purpose of this deferred accounting offer is "to alleviate concerns the filing will result in  
326 increased revenues for the Company outside of a general rate case."

327 **Q. DOES THIS DEFERRED ACCOUNTING OFFER ALLEVIATE YOUR**  
328 **CONCERNS THAT THE COMPANY MAY OVER-RECOVER ITS COSTS?**

329 A. No. Similar to my piecemeal ratemaking concerns with RMP's proposed new customer  
330 class and rate schedule, the Company's deferral account offer also only considers one item  
331 in determining whether the Company over-recovers its costs. RMP's offer would only  
332 look at the charges to new residential DG customers in determining if there are increased  
333 revenues due to its proposal. My concern is more with the current overall revenues, costs  
334 and return of the Company, rather than with possible increased revenues from a small  
335 customer group. As I previously discussed, RMP should not be allowed to create a new  
336 customer class and rate schedule outside of a general rate case. This is especially true if  
337 the Company's stated intent of the proposed new rate schedule is to stem lost revenues  
338 under RMP's current NEM program. The Company's deferred accounting offer is not very  
339 meaningful in my opinion.

340 **Q. ARE THERE OTHER PROBLEMS WITH RMP'S DEFERRAL ACCOUNT**  
341 **OFFER?**

342 A. Yes. RMP's deferral account offer does not include the information or specifics necessary  
343 for the Commission to make a decision. RMP does not provide any description of how it  
344 intends to implement its offer. Examples of details that are lacking in RMP's offer include:

- 345 • How will the increased revenues be calculated?
- 346 • When, and over what period, would the increased revenues be returned to  
347 ratepayers?
- 348 • How will the increased revenues be assigned or allocated to customer  
349 classes?
- 350 • Will there be a true-up provision and, if so, how will it work?

351 **Q. IS THERE AN ACCEPTABLE DEFERRED ACCOUNTING APPROACH THAT**  
352 **ADDRESSES YOUR CONCERNS?**

353 A. No. The acceptable solution is to consider any changes to RMP's current NEM program  
354 in RMP's next general rate case. The only alternative would be to consider a deferral  
355 account that considers over-earnings on a total RMP system basis. A proceeding to

356 consider that far exceeds the scope of this docket and I am not suggesting that the  
357 Commission consider that.

358 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH RMP'S DEFERRAL**  
359 **ACCOUNT OFFER?**

360 A. Yes. Based on my experience, deferred accounting is usually limited to a major change in  
361 a utility's costs prior to implementation of new rates that reflect the recovery of the changed  
362 cost. Possible examples would be changes in income tax rates or abnormal storm recovery  
363 expenses. The impact of RMP's current and proposed NEM programs do not match the  
364 level of magnitude of these other examples. I am concerned with creating deferral accounts  
365 for smaller and smaller cost or revenue change amounts. That is a slippery slope. The  
366 Commission should only use deferred accounting in a very limited situation and for major  
367 cost changes that are beyond the utility's control. Therefore, I recommend that the  
368 Commission decline RMP's deferral account offer.

369 **VII. SUMMARY AND CONCLUSIONS**

370 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

371 A. I have reached the following conclusions and recommendations:

372 (1) RMP has demonstrated that residential customers with DG facilities have load  
373 characteristics and usage patterns that are different than residential customers that  
374 do not have DG. Because of these differences, the current NEM program, which  
375 applies the current residential rate to the residential DG customer's net energy  
376 usage, does not recover the cost of serving the NEM customers.

377 (2) RMP's proposed new rate Schedule No. 5 for application to new residential DG  
378 customers should be rejected for several reasons, including the following:

379 (a) A new rate class and rate schedule should not be created outside the context  
380 of a general rate case.

381 (b) The cost data RMP uses to develop its new NEM program, including  
382 proposed rate Schedule No. 5, is stale and should not be relied upon for  
383 establishing new rates.

- 384 (c) RMP's proposal to create a new rate class and rate schedule constitutes  
385 piecemeal ratemaking and should be rejected.
- 386 (d) RMP has not adequately considered the impacts of its proposed NEM  
387 program on current and future DG residential customers.
- 388 (3) RMP's projected "exponential" growth in new residential rooftop solar installations  
389 has not reached a point that warrants ignoring the fundamental problems with  
390 RMP's proposal for the sake of a quick fix to an expected problem.
- 391 (4) RMP has not adequately considered other rate design options, such as time-of-use  
392 rates, for achieving similar results as compared to its proposed rate Schedule No.  
393 5.
- 394 (5) RMP's proposed offer of a deferral account to capture differences in revenues from  
395 new DG residential customers should not be accepted.

396 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

397 A. Yes.