Beck OCS – 1D

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

June 8, 2017

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

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

Q. PLEASE PROVIDE AN OVERVIEW OF YOUR BACKGROUND.

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

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?

A. Yes. In an earlier phase of this docket I provided direct, rebuttal and surrebuttal testimony on July 30, September 8, and September 29, 2015, respectively.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I introduce the witnesses for the Office who conducted the analysis on behalf of the Office in this case. I will also present the Office's policy recommendations related to Rocky Mountain Power's (RMP or Company) Compliance Filing and request to complete all analyses required under the net metering statute for the evaluation of the net metering program (Compliance Filing).

Q. PLEASE IDENTIFY THE ADDITIONAL WITNESSES FOR THE OFFICE.

A. The Office has two witnesses in addition to myself. Mr. James W. Daniel of GDS Associates, Inc. provides a description and results of the analysis he conducted regarding the Company's cost of service studies. He also presents certain recommendations based on those results.

Mr. Danny A. C. Martinez, a utility analyst for the Office, presents the results of his analysis of the Company's proposed customer charge and application fee for residential net metered customers and provides the Office's recommendations regarding those charges.

Q. WHAT IS THE COMPANY ASKING OF THE COMMISSION IN THIS FILING?

A. In its Application the Company asks that the Commission:

1) find that the CFCOS, the ACOS, and the net metering breakout cost of service study (NEM Breakout COS) are compliant with and fulfill the November 2015 Order;

2) find, based on the cost of service analyses, that the cost of the net metering program under the current rate structure exceed its benefits;

3) find, based on the cost of service analyses, that the unique usage characteristics of net metering customers justify segregating them into a distinct class;

4) determine that the current rate structure for net metering customer is unjust and unreasonable because it does not reflect the costs imposed on and benefits contributed to the system, and unfairly shifts costs from net metering customers to other customers;

5) approve, as just and reasonable, the Company's proposed Schedule 136, Net Metering Service, with modifications to net metering service and Schedule 5, Residential Service for Customer Generators, which includes a three-part tariff structure that reflects the costs and benefits that net metering customers impose on and contribute to the system; and

6) approve a waiver of Utah Admin. R. 746-312-13, pursuant to Utah Admin. R. 746-312-3(2) for changes to the application fee, as explained in more detail below.[1]

Further, in Joelle Steward's testimony, the Company also requested approval for revisions to the interconnection agreements. (Steward Direct, page 12, lines 229 – 233) Exhibit RMP__(JRS-2) identifies the proposed revisions.

Q. PLEASE SUMMARIZE THE OFFICE'S POSITION.

A. The Office takes the following positions:

(1) The Office agrees with RMP that the Commission should find the cost of service studies are compliant with the November 2015 Order.

[1] Application page 2.

(2) The Office agrees with RMP that the Commission should find, based on the cost of service analyses, that the cost of the net metering program under the current rate structure exceed its benefits.

(3) The Office agrees with RMP that net metering customers have different usage characteristics than other residential customers, but does not believe it is necessary to create a separate customer class. The Office will propose a different rate design solution that does not require the creation of a new customer class.

(4) The Office disagrees with RMP's conclusions that current rates are unjust and unreasonable and recommends that the Commission deny its request to make such a finding.

(5) The Office recommends that the Commission deny RMP's request for approval of a new Schedule 136 and Schedule 5. Those proposed tariffs would not result in just and reasonable rates. The tariffs include provisions that are demonstrably contrary to the public interest. Further, RMP has not provided evidence that this dramatic change is necessary, or in the public interest, to justify implementation outside of a general rate case (GRC.)

(6) The Office does not oppose RMP's request for a waiver of Utah Admin. R. 746-312-13 to change the application fee, but recommends that the Commission take additional follow up actions as further explained in Mr. Martinez' testimony.

(7) The Office supports most of RMP's request for changes to the interconnection agreements, as described below. The final changes should reflect other details that may be contained in the Commission's order in this case.

(8) The Office recommends that the Commission approve a new, lower cap to the net metering program.

(9) The Office recommends that the Commission approve a new, post net metering rate design, that includes a requirement for time-of-use (TOU) rates for consumption and a separate compensation rate for excess energy (determined hourly or more frequently).

(10) The Office recommends that the Commission approve a transition plan that includes a rate design solution to grandfather the rate design for net metering customers for a time limited period and a phased-in compensation rate for excess energy for new, post net metering residential DG customers.

(11) The Office recommends that the Commission incorporate a communication plan into its order as discussed later in this testimony.

Cost of Service Studies and Interpretation of Results

Q. PLEASE SUMMARIZE THE OFFICE'S POSITION REGARDING RMP'S COS STUDIES AND INTERPRETATION OF RESULTS.

A. The Office finds the COS studies to be reasonable and recommends that the Commission find them to be compliant with its November 10th order.

However, as further explained in Mr. Daniel's testimony, the Office disagrees with the Company that the results show a cost shifting problem that requires immediate action.

As I explain throughout this testimony, the Office's position is that the COS results show an emerging problem. Thus, this docket is an opportunity for the Commission to create a roadmap for a transition away from net metering into a more sustainable DG rate design. While we agree with RMP that its studies show that costs of the net metering program exceed benefits, we do not agree on the magnitude and urgency of the problem. Instead, the Office asserts that the Commission is authorized to move forward and consider new charges and rate design but should do so carefully and methodically.

Office Response to RMP Proposal for New Rates and Tariffs

Q. DOES THE OFFICE AGREE WITH THE NEW RATES AND TARIFFS PROPOSED BY RMP?

A. The Office supports some of RMP's proposed changes and opposes others as being either unsupported, contrary to the public interest, or both.

Q. WHICH PROPOSED NEW RATES AND TARIFFS DO THE OFFICE SUPPORT?

A. The Office supports most of the proposed changes to the interconnection agreement proposed in Ms. Steward's testimony. The Office also supports part of the Company's proposal to change the application fee as requested in page 2 of its application.

Q. PLEASE EXPLAIN FURTHER THE CHANGES RMP PROPOSES TO THE INTERCONNECTION AGREEMENT.

A. The proposed changes to the interconnection agreements include the following:

- Currently there is not an application fee for Level 1 interconnection, and the Level 1 Interconnection Agreement contains no reference to such a fee. RMP proposes to add language to the Level 1 interconnection agreement to indicate that the customer is responsible for an application fee set by Rule or Commission order.[2]
- Level 2 and Level 3 interconnections are currently subject to an application fee as set forth in rule R746-312-13. RMP proposes to add "or as otherwise approved by the Commission."
- RMP proposes changes to the appendices to reflect its proposed changes to application fee: Appendix A for Level 1 adds a $60.00 Application Fee, Appendix B for Level 2 changes the fees from $50 base and $1.00 per Kw to $75 base and $1.50 per kW, and Appendix C for Level 3 changes the fee from $100 base and $2.00 per kW TO $150 Base and $3.00 per kW.

[2] 4.1 Customer shall bear the cost of any Application fee set forth by Rule, or as otherwise approved by the Commission.

- RMP proposes to add the following statement into each agreement: "Whereas, the Net Metering rate schedule may be amended from time to time, and the Public Service Commission may alter the charge, credit, and ratemaking structure applicable to Net Metering customers pursuant to Utah code § 54-15-105.1;"
- In other areas of the interconnection agreements, RMP proposes adding statements to indicate that certain aspects of the Agreement "may be amended from time to time."
- RMP proposed to modify Section 5.1 as follows (new language underlined): "The electric service charge shall be computed in accordance with the monthly billing in the currently applicable service tariff. Customer will be compensated for net excess energy in accordance with Schedule 135A or its successor tariff(s). Customer will be transitioned to any successor tariff immediately upon approval of that tariff by the Public Service Commission and will be subject to any charge, credit, or ratemaking structure implemented therein."

Q. DOES THE OFFICE SUPPORT THESE CHANGES?

A. The Office supports most of the proposed changes to the interconnection agreements as follows:

- The Office supports the language modifications within the agreements addressing application fees. As described later and in Mr. Martinez' testimony, the Office does not support the proposed increase in application fees for Level 2 and 3 interconnections. Nonetheless, RMP's proposed language addressing Levels 2 and 3 is reasonable.

- The Office supports amending the agreements' appendices to reflect the Commission's order for appropriate application fees for each interconnection level.
- The Office supports language clarifying that elements of the interconnection agreements could be amended "from time to time," Including the new "whereas" clause cited above. It is apparent through public comment in this docket that some customers who have signed an interconnection agreements view the agreements as fixed contracts with terms that remain constant. The addition of this language should assist in increasing the understanding that rates are fluid and although they are signing an agreement regarding interconnection it does not hold all aspects of rates constant. Net metering rates and terms are subject to change as conditions change.
- The Office supports the amendment to 5.1 to insert "currently applicable."
- As of this date, the request for Schedule 135A is still under suspension and therefore references to Schedule 135A should not be inserted into any of the interconnection agreements.

- The Office does not support the last sentence proposed for inclusion in 5.1. The reference to moving customers “immediately” appears to be tied to some of the specifics of this current case. There are cases where customers would be moved at the time new rates are effective, which may or may not be “immediately.” The Office believes that including the words “currently applicable” is sufficient clarification.

Q. WHAT PORTIONS OF RMP’S PROPOSED CHANGES TO THE APPLICATION FEE DOES THE OFFICE SUPPORT?

A. As explained in Mr. Martinez’ testimony, the Office supports the revised calculations for Level 1 interconnections. The Office opposes the other changes as not having been justified at this time. Further, as explained by Mr. Martinez, the Office does not oppose the request for a waiver of rule R746-312-13 in this proceeding. This is in contrast to rate changes proposed by RMP, which the Office continues to assert must only be implemented in a GRC to ensure that all rates are just and reasonable.

Q. WHICH PROPOSED NEW RATES AND TARIFFS DO THE OFFICE OPPOSE?

A. The Office opposes RMP’s proposed Schedule 5 and Schedule 136 and recommends that the Commission reject them. As further explained it is unnecessary and contrary to the public interest to implement these new tariffs in the current proceeding rather than in the next GRC.

Even if the Commission were inclined to make this type of rate change in this proceeding, these specific tariff proposals have not been demonstrated to be in the public interest. Mr. Daniel shows that Schedule 5 results in unduly significant rate impacts for new net metering customers and in combination with Schedule 136 creates significant disparities between similar net metering customers. Mr. Martinez' testimony provides more detail demonstrating that the calculation of the monthly customer charges is inconsistent with past Commission orders and unjustified. Thus, implementing the proposed Schedules 5 and 136 would not result in just and reasonable rates and the proposed schedules must be rejected.

Q. DOES THE OFFICE HAVE ADDITIONAL CONCERNS WITH THESE TARIFFS?

A. Yes. The Office generally opposes incorporating demand charges into residential rates, including residential net metering customers, at this time or in the near future. Demand charges would represent a fundamental paradigm shift that should be accompanied by a thoughtful education program over a long enough period to reach a substantial number of the affected customers. Residential customers are accustomed to thinking in terms of energy, not demand, and are unlikely to understand what drives their demand and what actions could help manage demand charges. In fact, it is not clear whether the latest developments in smart home management tools are sufficiently developed to manage demand for residential customers. So, even the earliest adopters of this technology may not be in a position to manage demand charges. RMP's proposal does not even contemplate customer education and should be rejected.

Net Metering Cap

Q. YOU HAVE CRITICIZED RMP'S RESPONSE TO THE COS RESULTS, WHAT ALTERNATIVE RESPONSE DO YOU RECOMMEND?

A. In my view, the results of the COS studies show that net metering is not sustainable as a long-term rate design. However, rather than impose a punitive, unsupported rate design on new net metering customers, the better approach would be to create a transition plan to evolve DG rate design away from net metering and into a more sustainable, cost-based rate design.

Q. WHY DO YOU BELIEVE THAT NET METERING IS NOT SUSTAINABLE?

A. RMP's studies show that the costs of the net metering program exceed the benefits. While those net costs are not currently large in the aggregate, the differential will become increasingly pronounced. At the time of the next rate case, the current rate design and net metering paradigm will likely shift costs from residential net metering customers to residential non-net metering customers. The penetration rate of net metering customers is increasing which will further exacerbate these cost shifts. I believe it is contrary to good public policy to have one set of customers pay increasing costs as a result of a different set of customers' investment decisions for their personal consumption. This is particularly troubling when many of the more vulnerable segments of the residential customer class will not have the ability to make similar decisions for their own consumption.

Q. DOES THE OFFICE BELIEVE THAT THE COMMISSION CAN ISSUE AN ORDER IN THIS DOCKET ADDRESSING THE SPECIFIC DETAILS ASSOCIATED WITH A TRANSITION FROM A NET METERING PARADIGM TO A NEW, POST NET METERING RATE DESIGN?

A. Yes, the Office believes that the Commission can and should include several specific findings in this docket to create a roadmap to facilitate an orderly transition in rate design away from a net metering paradigm. Laying out the plan now will help to ensure that the interests of all customers are considered and addressed in a way that does not unduly harm the solar industry, RMP, or customers. It will also provide notice and transparency so that potential new DG customers can properly evaluate rate impacts and payback periods in order to make informed investment decisions.

Q. HOW DOES THE OFFICE PROPOSE TO TRANSITION AWAY FROM NET METERING?

A. Fundamentally, the Office's proposal relies on the Commission's authority to set a cap for the level of penetration of net metering resources. After the cap is reached, the utility may discontinue its net metering program's availability for new customers. Utah Code Ann. § 54-15-103(2)(a) initially established the cap for when the "cumulative generating capacity of customer generation systems in the program equals at least .1% of the electrical corporation's peak demand during 2007." The net metering statute also allows the Commission to establish a higher level before a net metering program may be discontinued. As noted by RMP in its application, the Commission established a cap at 20% of the 2007 peak in Docket 08-035-78.

Thus, the Office proposes that the Commission reset the cap to a lower level, issue an order regarding the principles to be used in a post net metering rate design, and address principles for implementation including a transition plan that incorporates the principle of gradualism and some measure of grandfathering.

Q. AT WHAT LEVEL DOES THE OFFICE RECOMMEND THAT THE COMMISSION RESET THE NET METERING CAP?

A. It is difficult to provide a specific recommendation on resetting the cap. In my view, it would result in a more efficient and orderly process to tie the cap to a specific time or to coincide with the rate effective period of a future general rate case. Deciding the most appropriate timing for a cap to come into play is highly dependent on what specific transition path is chosen.

RMP's forecast for net metering penetration is not precise enough to be able to predict the penetration level at a specific point in time. In response to our discovery, RMP provided the following forecast of net metering penetration:

	Base Case	High Case
2017	4.83%	4.83%

2018	7.12%	7.23%
2019	9.30%	9.65%
2020	9.92%	10.71%
2021	10.53%	11.75%
2022	10.82%	12.11%

This forecast includes RMP's best estimate for 2017 and incorporates the base case and high case from Navigant's forecast prepared for the 2017 Integrated Resource Plan. (All percentages are expressed in relation to 4,615 MW, the 2007 Utah peak demand.) I am sympathetic to the difficulties associated with this forecast as changes in rate design, economics associated with solar panels, and differences in customer perception could all significantly impact the rate of adoption.

In my view, the Commission should reset the cap somewhere closer to a 10% penetration level. Further, I believe the Commission could use RMP's forecast as a guide and tie the cap to a specific time period. For example, the Commission could indicate its intention to cap the net metering program on or about a certain date and implement this intention by ordering RMP to provide a more precise penetration percentage as that date approaches. Not only would using a date instead of a percentage provide a more orderly transition process, it would also provide more meaningful and transparent information to customers making DG decisions leading up to that date.

I provide more specific options regarding dates to consider for setting the timeline for capping the net metering program in the transition plan section below.

Proposal for a Sustainable Successor Rate Design

Q. DOES THE OFFICE HAVE A PROPOSAL FOR AN ALTERNATIVE TO THE SCHEDULE 5 AND SCHEDULE 136 RATE DESIGN PROPOSED BY RMP?

A. Yes, the Office is proposing that the Commission approve a specific rate design in this docket. The Office's proposal differs from Schedule 5 and Schedule 136 as proposed by RMP in that it is not specifically designed to be utilized within the net metering framework. The rate design being proposed by the Office is for an approach to residential customer-owned generation (like rooftop solar) in a post net metering paradigm, i.e. not incorporating the full scope of the netting concepts embedded in net metering. We will also propose additional rate design changes to apply to residential net metering customers as part of our proposal for transitioning rates, which is addressed in the next section of my testimony.

Q. WHAT IS THE PRIMARY PRINCIPLE DRIVING THE OFFICE'S PROPOSED "POST NET METERING" RATE DESIGN?

A. The primary feature of our proposal is that it would ensure that customers with self-owned generation both receive proper compensation for the value of their excess energy and pay their fair share of the utility system costs based on their level and pattern of consumption. In my view, it is important to separate the rate design for compensation and consumption in order to design rates that can be relevant for the longer term. Net metering provided a simplification that was useful in assisting a nascent industry as consumers gained understanding and interest in rooftop solar. Now that we are seeing exponential growth, it is time to move to a more complex rate design that more accurately assigns costs and benefits.

Q. WHAT ARE THE KEY ELEMENTS OF THE OFFICE'S PROPOSED "POST NET METERING" RATE DESIGN?

A. The Office proposes the following:

- Develop a new tariffed rate to compensate residential self-owned generation for excess energy delivered to the system.
- Measure excess energy to receive this new compensation on an hourly or smaller, reasonably metered interval. This necessitates the elimination of netting within the billing period, and appropriately compensates all energy exported to the system. It allows any customer-owned generation that serves customer load to be treated as "behind the meter."
- Credit customer bills for the dollar value of the excess energy, with bill credits that expire at the end of the annual period similar to how the net metering credits are treated under current rate design.
- Require participation in a TOU rate as mandatory to receive compensation from this new tariff. This would ensure that customers

pay appropriate rates reflecting the time periods of the part of their consumption served by RMP.

- Include an adder to the monthly customer charge to recover the costs associated with the additional metering requirements.

Q. WHEN WOULD THIS NEW RATE DESIGN BE IMPLEMENTED?

A. This new rate design should be implemented when rates are effective from RMP's next general rate case. The Commission could order that RMP file a GRC by a date certain if it would like to provide more certainty regarding the timing of implementation. In addition, I propose some degree of gradualism in implementation in the Office's transition proposal that I further address in the next section of my testimony.

Q. HOW WOULD THE RATES BE SPECIFICALLY DESIGNED?

A. In my view, the Commission could provide specific direction regarding the principles and formulas to be considered in the next GRC when the majority of these new rates would be calculated. I also think it would be reasonable to have a separate proceeding that could be initiated immediately to investigate the specific technical inputs and calculations for the new excess generation compensation tariff. (I note that previous avoided cost dockets have taken well over a year.) I also note that if the Commission accepts our recommendations for gradualism and a transition plan it would not be necessary to immediately calculate the compensation rate as our proposal includes a transition from predetermined compensation rates to a formulaic one. However, the calculation would still be useful in providing indicative prices to customers who are evaluating rooftop solar and related investments to estimate their payback timeframe.

Q. HOW DOES THE OFFICE ENVISION CALCULATING THE NEW COMPENSATION RATE?

A. The Office recommends developing a compensation rate using similar methodology to what is used in developing Schedule 37. Clearly, additional benefits would have to be included above what is used in that specific calculation, most obviously adjusting for line losses since distributed generation avoids the losses associated with more remote generation. While the Office is not proposing a specific list of other benefits (or costs) that would differ from existing avoided cost calculations, other parties would be free to propose such components and support their proposals with concrete evidence at the time that the formula for such a rate is developed and/or updated.

Specifically, the Office envisions using power cost modeling to develop the compensation rate, similar to what is done in setting Schedule 37 rates, but adjusted to incorporate additional categories of costs and benefits to the extent these costs and benefits can be sufficiently quantified. Some of the other issues to consider in developing the rate would be the appropriate time period over which to conduct the modeling, whether levelized costs should be used, and how to value potential avoided capacity costs. A process should be established allowing adequate time for a full investigation of the issues.

The Office further supports updating this tariff at appropriate intervals, such as annually or biennially. Such updates would capture the changing benefit profile of these distributed generation resources as well as the changing market prices such generation offsets. Conversely, it would be administratively infeasible to lock in compensation levels for multiple years for each individual self-generation residential customer. If feasible, the administrative costs would be direct assigned to this tariff.

Q. DOES THE OFFICE PROPOSE UTILIZING THE CURRENT SCHEDULE 2 FOR THE REQUIRED TIME OF USE RATES FOR CONSUMPTION?

A. No. Schedule 2 has not been thoroughly reviewed and updated in many years. Further, many interested parties, including the Office, have gained increased knowledge and understanding of residential TOU rates through a workgroup held in conjunction with the STEP docket. My recommendation is that Schedule 2 should be carefully addressed in the next GRC incorporating any lessons learned from the electric vehicle TOU pilot. RMP should have only one residential TOU rate that is available as an option for any residential customer, but required as a condition for participation in the new excess generation compensation tariff previously described.

Q. DOES THE OFFICE PROPOSE ANY CHANGES TO THE CUSTOMER CHARGE FOR PARTICIPATION IN SCHEDULE 2 AND/OR THE NEW COMPENSATION RATE?

A. Yes. The Office proposes that in the next GRC, the customer charge for Schedule 2 should be set at the same rate as the customer charge for Schedule 1 with the addition of incremental costs associated with a different level of metering costs. The Office further proposes that the tariff for compensation for excess energy be designed to include an adder to the monthly customer charge to incorporate any incremental costs associated with the required production meters.

Q. WHAT RATE DESIGN DOES THE OFFICE PROPOSE FOR NON-RESIDENTIAL CUSTOMERS?

A. For small commercial customers, i.e. Schedule 23 customer less than 15 kW that do not pay a demand charge, the Office believes that this proposal for residential customers would be applicable and appropriate. Thus, in the next GRC, a TOU rate for Schedule 23 customers should also be addressed. In addition, Schedule 23 should be further scrutinized to ensure that the demand charge imposed on consumption above 15 kW results in fair allocation of costs across the customer class, even in the case of participation in a new TOU rate.

The other issue that would need to be addressed in the next GRC is appropriate crediting for DG generation in the non-residential classes. RMP has proposed that eliminating one compensation option would result in just and reasonable rates. However, in my view it would be important to thoroughly analyze whether additional changes are necessary in a post net metering environment. Also, it would be important to evaluate whether all net metering customers should receive the same compensation rate for exports of excess energy, i.e. the new compensation rate I describe above.

Q. WHY DOES THE OFFICE BELIEVE THIS PROPOSAL WOULD BE IN THE PUBLIC INTEREST?

A. Fundamentally, by addressing consumption and compensation separately, the proposal will better assign correct levels of costs and revenues. The Office believes it is appropriate to treat self-generation that serves instantaneous load as "behind the meter." To do otherwise could lead to distinctions among customers regarding all sorts of "behind the meter" differences. It is also fair to define excess generation on a closer to instantaneous basis. (The Office proposes hourly or a reasonably calculated smaller interval, primarily depending on what metering capabilities are available at what cost.) In my view, it will be extremely difficult or impossible to assign costs correctly while maintaining netting across the billing period or even smaller intervals such as days or weeks. To keep that type of netting would almost necessarily result in intra-class subsidies, either between net metering and non-net metering customers, or among the net metering customers themselves. Finally, charging customers a TOU rate for all consumption served by the system (rather than by self-generation), better captures the cost causation associated with that consumption. Also, a TOU rate would provide more detailed cost signals for customers to design their DG systems to maximize value.

Proposal for Transition Plan

Q. HOW DID THE OFFICE EVALUATE THE INTERESTS OF CUSTOMERS IN DEVELOPING A RECOMMENDATION FOR A TRANSITION PLAN?

A. The Office carefully evaluated the different sets of residential DG customers that could be created depending on how a transition is established. The Office identified four distinct sets of residential DG customers as follows:

(1) Existing Net Metering Customers: The Office is defining these as customers who have installed DG prior to the release of the Commission order in this case. (I recognize that more recently interconnected customers could be reasonably expected to have been given notice of pending changes. I also recognize that some new DG customers will be rather far along in the process of installation but not complete at the time of the order. Depending on the transition plan selected, this may warrant adjusting the definition or it may be immaterial. For simplicity sake, I will utilize this definition for my discussion.)

(2) New Net Metering Customers: The Office is defining this category as customers who install DG after the Order is released prior to the net

metering cap being reached. (As discussed later, this category could be avoided depending on where the cap is set.)

(3) New DG Customers (Post NM, pre new rate setting): The Office is defining this category as customers who install DG after the net metering cap is reached, but prior to rates being calculated and implemented. (As discussed later, certain transition plans could avoid this category.)

(4) DG Customers Subject to Approved Rates for the New Rate Design: The Office is defining this category as customers who install DG after a post net metering rate design is completely in place.

I assume that the post net metering rate design will be thoroughly vetted and found to be in the public interest via appropriate rate proceedings. (The previous section of my testimony addresses our preliminary views on this rate design.) Thus, this transition section primarily relates to the other three categories of DG customers. The Office relied on standard ratemaking principles such as simplicity and understandability of rates, rate stability, fair allocation of costs, avoiding undue discrimination, and gradualism.

Q. WHAT TYPES OF TRANSITION MECHANISMS DID THE OFFICE CONSIDER?

A. The Office considered multiple combinations of ideas in formulating a recommendation for a transition plan including the following:

- The length of time net metering customers should be grandfathered;

- The rate mechanisms used to implement grandfathering;
- The phase in of the new compensation rate over a particular period of time;
- What types of rates and tariffs are appropriate to change or implement outside of a GRC;
- Similarities and differences in the treatment of existing net metering customers and new net metering customers; and
- When to aim for a net metering cap to come into place to mitigate unintended consequences such as increasing levels of cost subsidies, uneven “rushes” for new installments prior to rate changes, and potential discriminatory treatment among similar customers.

The Office considered a transition plan that included the establishment of a cap that would come into place closely following the Commission order. However, that option would create the possibility of an abrupt end to new DG if a new rate design would not be in place when the cap is reached. Thus, implementation of this type of a transition plan would have to address new rate design within the current docket. In my view, this would be difficult or impossible to accomplish using existing tariffs. Moreover, in most cases it would not be in the public interest to change these tariffs outside of a GRC.

The Office then considered a transition plan that included the establishment of a cap that is reached at the rate effective period of the next GRC. The

Office recognizes that this option creates additional net metering customers that potentially increase the total level of cost shifting. Additionally, the Office is concerned that a future cap could create a rush of new customers (as we saw when December 8, 2016 appeared to be a possible cutoff point.) However, in my view, this approach provides for a less abrupt transition, especially if net metering customers are grandfathered to a date certain rather than each customer receiving the same number of years of grandfathering.

Q. WHAT IS THE OFFICE'S SPECIFIC RECOMMENDATION FOR A TRANSITION PLAN?

A. The Office recommends a transition plan that incorporates the following components:

- Establish a transition period of approximately twelve years. Use that benchmark of time to grandfather net metering customer and also to phase in the new compensation rate for excess energy.
- Allow current net metering customers to voluntarily switch to the post net metering rate design as soon as it is implemented.
- Implement a facilities fee for net metering customers. The fee would be calculated on a per installed kW basis and be designed to collect all appropriate costs associated with serving the net metering customers. To facilitate grandfathering the fee could be set at zero until January 1, 2030 (the end of the transition period) at which time the full amount would begin to be collected. The addition of the

facilities fee would either facilitate the voluntary switch to the post net metering rate design or collect the appropriate level of costs from net metering customers. (Legislative solutions could be pursued in the interim that rendered this additional charge unnecessary.)

- Initiate a process for the development of the new compensation for excess energy. Clearly indicate that excess energy will be defined as the energy exported on an hourly or more frequent basis, but allow specific elements of the compensation calculation to be addressed in the new process.
- Phase in the compensation rate moving from a set dollar compensation to a formulaic rate. The phase in could start at 9 cents/kWh, which is similar to the current retail rate compensation but set at the current first tier energy rate (rounded up.) The phase in could then drop the compensation one cent at a time every two or three years with the first version of the calculated, formulaic rate being implemented as of January 1, 2030. It would be appropriate for these rates to be set and changed outside of a GRC as the differences would flow through the EBA true-up filings.
- Set other new rates in the next general rate case. The rates that need to be addressed would include: an updated residential TOU rate, including an appropriate monthly customer charge to recover the incremental costs associated with different metering requirements; the calculation of the facilities charge to be

implemented at the conclusion of the grandfathering period; the development of a TOU rate for Schedule 23 customers; the evaluation of the interaction of the demand charge for larger Schedule 23 customers; the evaluation of changes to excess energy compensation for all customer classes; and any other necessary changes for the non-residential classes in a post net metering environment.

- To ensure that the new rates are put in place in a timely manner, the Commission may require that a new GRC is filed by a date certain, such as April 1, 2019. (This date would result in a rate effective period starting January 1, 2020 and is consistent with some signals that RMP has given publicly regarding its intended timeline for the next GRC.)
- Establish the new net metering cap at the level of DG anticipated to be in place at the time that the rate effective period begins for the next GRC, or January 1, 2020. Doing so eliminates the third category of customers I identified earlier. Further, the inclusion of a date certain for grandfathering net metering customers alleviates any concerns that might be associated with allowing the net metering customers to increase during the time period between the order in this case and the implementation of new rates.

Q. WHY DOES THE OFFICE ASSERT THAT THIS TRANSITION PROPOSAL WOULD BE IN THE PUBLIC INTEREST?

A. First, the Office believes it is important to set a grandfathering period sufficiently far in the future such that existing net metering customers are not hit with a significant rate shock. Most of these customers made investment decisions without access to information that could inform them of the magnitude of potential rate design changes that are now under consideration. Second, the Office believes that in considering grandfathering scenarios, it is most fair to have a date certain that net metering either ends or incorporates a new charge as we have proposed. This gives earlier adopters a longer period, which is reasonable given that those early adopters almost certainly faced higher costs of investment. Third, setting a new net metering cap that will be reached in the near future will allow enough time for the transition plan to be understood while still managing the numbers of customers that may “rush” to get in before the cap is hit. Fourth, the Office concluded that to create a smooth transition it is necessary to both phase out net metering and phase in the new compensation method. The Office acknowledges that some parties will criticize the plan for having uncertain rates of compensation after twelve years, but the Office asserts that its proposal finds a good balance between gradualism and transparency of rates. This transition plan provides a path to implementation of new rates that is measured and deliberate and utilizes standard processes to avoid the pitfalls associated with transitioning too quickly. Finally, this approach avoids the significant problems associated with evaluating new rates and customer classes outside of the full context of a general rate case. The Office's transition plan is designed to ensure that new revenues can be immediately assigned to appropriate customers and that rates are developed to reach just and reasonable results.

Proposal for Communications Plan

Q. DOES THE OFFICE HAVE ANY ADDITIONAL RECOMMENDATIONS TO ACCOMPANY ITS RECOMMENDED TRANSITION PLAN?

A. Yes. The Office recommends that the Commission carefully consider a communications plan to accompany its order.

Q. IS IT STANDARD PRACTICE FOR THIS COMMISSION TO ORDER COMMUNICATIONS PLANS?

A. No. In fact, the Commission has explicitly declined to do so in the past. However, in this case the public interest requires that the Commission provide a source of unbiased information for customers, industry, and policymakers to have access to factually correct information about the future of net metering and DG rate design.

Q. HOW DO YOU RECOMMEND THAT THE COMMISSION APPROACH A COMMUNICATIONS PLAN?

A. In my view, the Commission should take two sets of actions.

First, if the Commission adopts the transition plan proposed by the Office or any other rate design transition that occurs across time, it should ensure that the changes are transparent and knowable in advance of implementation. For example, if the Commission were to approve the Office's proposal for a new excess energy compensation that phases in over twelve years, it should not wait until the end of the phase in period to establish the formulaic rates. Rather, it should move forward on the process of developing the rates so that potential new customers would have access to more detailed information about the ultimate compensation they could expect to receive. Of course, these rates (as with all rates) could change over time, but having a rate paradigm in place sooner than later would provide indicative pricing that well-informed customers could use in making their investment decisions.

Second, the Office recommends that the Commission establish a webpage to present reliable and unbiased information explaining any rate design transition that it orders. The transition plan should be presented as a simplified or pictorial representation of the timeline for changes. The Commission could request the assistance of an advisory group to develop such materials and the Office would gladly participate. Absent such a central source of information, the Office is concerned that ratepayers and other members of the public will not have access to key pieces of information to be able to make informed decisions.

Summary

Q. PLEASE SUMMARIZE THE OFFICE'S POSITION.

A. The Office's position is comprised of the following:

(1) The Office recommends that the Commission should find the cost of service studies are compliant with the November 2015 Order.

(2) The Office recommends that the Commission should find, based on the cost of service analyses, that the cost of the net metering program under the current rate structure exceed its benefits.

(3) The Office does not believe it is necessary to create a separate customer class for residential net metering customers.

(4) The Office recommends that the Commission deny RMP's request to make a finding that current rates are unjust and unreasonable.

(5) The Office recommends that the Commission deny RMP's request for approval of a new Schedule 136 and Schedule 5.

(6) The Office does not oppose RMP's request for a waiver of Utah Admin. R. 746-312-13 to change the application fee, but recommends that the Commission take additional follow up actions as further explained in Mr. Martinez' testimony.

(7) The Office recommends that the Commission approve portions of RMP's request to change the interconnection agreements as follows:

- Approve the language modifications within the agreements addressing application fees.

- Approve language clarifying that elements of the interconnection agreements could be amended.
- Approve the addition of "currently applicable" to 5.1.
- Require the appendices to be updated to reflect the Commission final order regarding application fees.
- Deny request to reference Schedule 135A.
- Deny the final sentence proposed to be added to 5.1.

(8) The Office recommends that the Commission approve a new, lower cap to the net metering program at around 10% but specifically designed to go into place at the beginning of the rate effective period associated with its next GRC. The Office further recommends that the Commission require RMP to file a GRC no later than April 1, 2019.

(9) The Office recommends that the Commission approve a new, post net metering rate design, that includes:

- a requirement for time-of-use (TOU) rates for residential and small commercial net metering customers (calculated and implemented in the next GRC),
- the development of a separate compensation rate for excess energy (determined hourly or more frequently) via a process initiated at the conclusion of the order in this phase of the current docket, and

- an evaluation of additional, necessary rate design changes in the next GRC.

(10) The Office recommends that the Commission approve a transition plan that includes:

- a twelve year transition timeline,
- a new facilities charge to be calculated in the next rate case and implemented beginning January 1, 2030 at the end of the transition period, and
- a phased-in compensation rate for excess energy for new, post net metering residential DG customers that starts at 9 cents/kWh and decreases by about one cent every year or two transitioning into the specifically calculated rate by January 1, 2030 at the end of the transition period.

(11) The Office recommends that the Commission incorporate a communication plan into its order.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.