Beck OCS – 1R

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	**:**	**Rebuttal Testimony**
PacifiCorp's Net Metering Program	**:**	**of Michele Beck for the**
	:	**Office of Consumer Services**

July 25, 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. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?

A. Yes. I submitted direct testimony in this compliance phase of this docket on June 8, 2017. In an earlier phase of this docket I also 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. The purpose of my testimony is to present the Office's response to the direct testimony presented by other parties. In some cases, the Office amends or refines its policy positions based on the evidence and proposals brought forward by other parties. Notably, through consultation with the Division of Public Utilities (Division), the Office and the Division have refined their positions as described in the Joint Exhibit attached hereto, and as explained more fully later in this rebuttal testimony. In other cases, I present the Office's rebuttal to issues raised by other parties in direct testimony.

Refined Office Positions

Q. THE DIVISION RECOMMENDED A DIFFERENT ALTERNATIVE REGARDING RESETTING THE CAP ON THE NET METERING

PROGRAM. PLEASE EXPLAIN THE DIFFERENCES BETWEEN YOUR PROPOSALS.

A. Both the Division and the Office recommended a transition away from net metering (NEM) into a new distributed generation (DG) rate design. Both proposals are similar in that they utilize the Commission's authority to set a cap on the net metering program. Both proposals also recommend that the Commission open a new docket to set the proper compensation level for excess energy produced by DG customers. The Division proposed that the cap be set to coincide with the end of this calendar year, whereas my proposal proposed that the cap be set to coincide with the end of the NEM compensation program. (Direct Testimony, William Powell, page 6 lines 92-94 and page 29, lines 462-464 and Direct Testimony, Michele Beck, page 13 line 285 page 16 line 338)

Q. WHAT IS YOUR RESPONSE TO THE DIVISION'S PROPOSAL REGARDING THE CAP ON THE NET METERING PROGRAM?

A. I am persuaded as to the merits of the Division's proposal. My proposal was originally designed to minimize the number of different types of DG customers. Rather than having a set of transition DG customers, my proposal contemplated a transition period for post-NEM DG customers. In contrast, the Division's proposal creates a set of transition DG customers.

However, setting the cap closer in time provides the substantial benefit of signaling to customers the differences in the new rate design paradigm. Rather than keeping the NEM paradigm in place during transition with the knowledge that it is not a sustainable rate design, moving directly into the transition will ensure that all new customers are treated consistently from the perspective of setting compensation rates for excess energy separately from retail rates for consumption. The new rate design will also necessitate a change in analytical approach for DG customers as they evaluate compensation for excess energy measured on a much more frequent interval, rather than netting units across a billing period.

Q. ARE YOU CONCERNED THAT MOVING MORE QUICKLY INTO THE POST-NEM RATE DESIGN WILL CREATE RATE SHOCK?

A. No. In my view, rate shock can be mitigated or averted through gradual implementation. I acknowledge that moving away from netting across the billing period is a significant change. However, I also note that if the compensation rate is set at or close to the average retail rate, the economic impact of eliminating netting will be minimized. Using this kind of gradualism will result in only minor practical differences between my original proposal for keeping NEM in place for a few years as compared to my new position that agrees with the Division to cap NEM more quickly.

Q. THE DIVISION PROPOSED THAT TRANSITION PRICES FOR EXPORT COMPENSATION ONLY BE APPLIED TO THE TRANSITION DG CUSTOMERS. WHAT IS YOUR RESPONSE?

A. Again, I am persuaded by the Division's proposal. (Direct Testimony, William Powell, page 30 lines 481-486) It makes sense that if the Commission rules that a compensation rate is just and reasonable and in the public interest, then it would be just and reasonable for new DG customers applying for interconnection after that ruling. To the extent that additional gradualism (i.e. phased-in implementation) is in the public interest, the Commission could address such implementation in its order in the compensation case.

Q. DO YOU HAVE A SPECIFIC PROPOSAL FOR THE COMPENSATION RATE FOR TRANSITION DG CUSTOMERS?

A. Yes. I propose that the export compensation rate be calculated at 95% of the current average retail rate for each customer class that currently allows net metering. After the rate is calculated, I propose that it be fixed for a reasonable period to provide transition DG customers with some price certainty during the transition into an export rate that will be established and calculated in the compensation case. My original position contemplated a twelve-year transition period, with a more phased-in fixed rate. This new proposal would apply the fixed rate only to the transition customers so I am comfortable keeping it fixed at a higher level for the same or longer time period. In my view, ten to fifteen years would be a reasonable time period over which to fix the compensation rate for transition DG customers.

Q. MANY PARTIES ADDRESSED GRANDFATHERING PERIODS OF VARYING LENGTHS, BOTH SHORTER AND LONGER THAN WHAT YOU PROPOSED. WHAT IS YOUR RESPONSE?

A. The grandfathering proposals in direct testimony varied significantly, from the seven years proposed by the Division (Direct Testimony, William Powell, page 29, lines 467 – 470 and page 31, lines 508-510) to 25 years proposed by Utah Clean Energy (UCE) (Direct Testimony, Justin Barnes, lines 422-426) and Vivint Solar (Direct Testimony, Dan Black, page 2 line 30). UCE also presented a summary of cases across the country, including the various lengths of grandfathering periods. (Direct Testimony, Justin Barnes Figure 1, line 211.) In response to discovery, UCE indicated that within certain parameters[1] Figure 1 was a comprehensive review of cases, which provides much more value than the cherry picked examples presented by some of the other parties.

I note that UCE's summary indicates that most jurisdictions grandfather NEM customers between ten and twenty years, with some examples of indefinite grandfathering. My original proposal of grandfathering for twelve years is toward the low end of the results in other states. Thus, I have given additional consideration to what would be an appropriate length of time to grandfather existing NEM customers. I now think it would be appropriate for the Commission to consider a longer time period than the twelve years I originally proposed, especially since there would be fewer NEM customers to grandfather under this revised position to cap the NEM program sooner. However, after having regulatory dockets pending for nearly four years (starting with 13-035-184) in which residential NEM was under consideration, I continue to believe that grandfathering

[1] OCS DR 1.1 to UCE, which indicated that the summary included major regulatory proceedings (not legislation) since 2014 involving potential elimination or adverse major changes to NEM (including rate cases, rulemakings and investigations.)

should be for a limited time period. In my view, twenty years from the commencement of this current docket should represent an outer limit of a reasonable grandfathering period. Opening this new docket, focused specifically on NEM, was a clear signal to installers and customers that changes to rate design were possible and even likely.

Q. HAVE YOU PREPARED A MORE DETAILED EXPLANATION OF YOUR REVISED PROPOSAL?

A. Yes, in consultation with the Division. Through discussions, the Division and the Office recognized that our views and positions were converging. Thus, we jointly developed a more detailed description of this position which is presented as a Joint Exhibit, included in my testimony as Attachment 1. While the Division and Office arrived upon this position based on potentially different analyses and rationale, by including a time range for grandfathering and the fixed compensation for transition customers both agencies were able to support the position as articulated.

Q. DOES THE REVISED POSITION PRESENTED IN THE JOINT EXHIBIT CONTAIN ANY ADDITIONAL CHANGES FROM YOUR DIRECT TESTIMONY?

A. Yes, it contains a few additional changes as follows:

- The joint exhibit includes a proposed MW cap on the total number of new customers during the transition period. I believe this is an important limitation to help ensure that the costs associated with the transition period are contained.

- My original proposal included a recommendation that residential NEM customers be required to participate in a TOU rate, that RMP file a general rate case by a date certain, and that retail rates for post-NEM DG customers in all customer classes be examined in that rate case. I continue to recommend that changes to retail rates should only take place in the context of a general rate case. The new proposal incorporates that concept but does not contemplate any specific time period for a general rate case.
- The new proposal also specifies that all rate design proposals would be addressed in future general rate cases, rather than determining in this proceeding that a certain type of retail rate design should apply.
- My original proposal contemplated a new phase to the existing docket for the export compensation determination. This new proposal recommends that the Commission open a new docket immediately upon completion of this one.
- My original proposal proposed that excess energy be calculated on an hourly or more frequent basis. This proposal recommends a metering interval of every fifteen minutes.
- This proposal augments the proposal for a communications plan with the specific recommendation of a utah.gov website to be maintained jointly by the Division and the Office which would provide a central

source of information of the then-current Commission approved provisions for treating DG customers.

Other Rebuttal

Q. IS THERE ADDITIONAL TESTIMONY THAT YOU WOULD LIKE TO REBUT?

A. Yes. I will provide my response and rebuttal to selected topics and themes that were present in the direct testimony. My silence on any topic or specific detail should not be taken as agreement.

Q. WHAT IS YOUR GENERAL RESPONSE TO THE DIRECT TESTIMONY FILED BY INTERVENORS?

A. As previously explained, the Division and the Office engaged in discussions after direct testimony was filed and were able to craft a compromise, revised position that both agencies support. As for the other intervenor testimony, in my view some of the criticisms of RMP's compliance have merit but none present enough evidence to suggest that my original conclusions are not correct. I continue to believe that RMP's data shows an emerging cost shifting problem, one that does not require immediate action but one that indicates it would be in the public interest to craft a transition out of net metering and into a new DG rate design (such as the one presented in the attached joint exhibit.)

Q. MANY INTERVENORS CRITICIZED RMP'S SHORT TERM APPROACH FOR THE ANALYSIS PRESENTED IN THE COMPLIANCE FILING.

WHAT IS YOUR RESPONSE? (Direct Testimony, Roger Armstorng, page 5, lines 73 – 78; Direct Testimony, Allison Clements, page 27 lines 490 – 492 and page 29 lines 530-533; Direct Testimony, Richard Collins, page 4 lines 73 – 76; Direct Testimony, Eliah Gilfenbaum, page 45 lines 837 – 842; Direct Testimony, Tim Woolf, page 5 lines 84 – 85 and page 6 lines 105-107)

A. As I stated in direct testimony, in my opinion RMP complied with the Commission’s earlier order in this case by following a short-term, test-year based analysis. In the earlier phase of this proceeding, the Office supported a short-term approach. One primary reason for our support was that the objective appeared to be to create a rate design solution for recovering the appropriate level of costs from residential net-metered customers while maintaining the net metering paradigm. Since that phase of the case, I have had the opportunity for further study and analysis of the issues leading to the proposal that we transition away from net metering. It is important to note that this new approach would allow for consideration of longer-term benefits of distributed generation solar, to the extent such benefits are demonstrable and quantifiable. In fact, as shown in OCS Attachment 1, the joint proposal specifies that the compensation proceeding should specifically address the time period over which benefits (and costs) are measured and modeled.

Q. SOME INTERVENOR DIRECT TESTIMONY PROPOSED AN EXAMINATION OF VERY BROAD BENEFITS INCLUDING

ENVIRONMENTAL AND HEALTH EXTERNALITIES AND ECONOMIC DEVELOPMENT METRICS. (Direct Testimony, Jeremy Fisher, page 29 line 24 – page 36 line 2 and David W. DeRamus, page 59 lines 1161 - 1169) WHAT IS YOUR RESPONSE?

A. In general, I believe that most of the benefits proposed for analysis could be brought forward in the Joint Proposal that I have described. However, I do not believe that it would be proper to introduce environmental, health, or other externalities even if they could be quantified. In my view, any evaluation of externalities should not apply solely to a single resource type or it would result in skewed results and likely unintended consequences. Any move toward evaluation of externalities should apply to all resource types and in all resource acquisition related dockets. (I also addressed these issues in my surrebutal testimony in an earlier phase of this docket, see pages 4 and 5 lines 83 – 103 of my surrebuttal testimony filed on September 29, 2015.) This sort of change may require legislation. Further, I do not support the inclusion of economic development benefits in the development of rates or compensation levels. Economic development is the type of public interest consideration that is specifically evaluated in legislative and tax policy. In my view, it would be inappropriate also to include that consideration in utility rates and nearly impossible to do so in a manner that considers all relevant impacts.

Q. SOME INTERVENOR DIRECT TESTIMONY CRITICIZED RMP FOR INCLUDING IN ITS COMPLIANCE EVALUATION COSTS THAT DO NOT

REPRESENT AN INCREASE IN COSTS TO THE UTILITY, BUT ARE INSTEAD COSTS THAT ARE SHIFTED TO OTHER CUSTOMERS. (Direct Testimony, David DeRamus, page 20 lines 381 – 386 and Direct Testimony, Tim Woolf, page 12 lines 231 - 232) DO YOU AGREE WITH THIS CRITICISM?

A. I agree that changes in consumption that are “behind the meter” should be evaluated carefully and treated differently than exports of excess energy. However, I disagree that costs that aren’t an actual increase in costs shouldn’t be included in an evaluation of the relative costs and benefits of the net metering program. In fact, to eliminate costs that are simply being shifted from NEM to non-NEM customers would be contrary to the underlying statute authorizing this study, Utah Code § 54-15-105.1 (1) which requires the governing authority to determine “whether costs that the electrical corporation *or other customers* will incur from a net metering program will exceed the benefits.” *Id.*(emphasis added)

Q. VIVANT SOLAR CRITICIZES RMP FOR NOT CONSIDERING THE COSTS ASSOCIATED WITH PURCHASING THE ROOFTOP SOLAR. DO YOU AGREE? (DIRECT TESTIMONY, THOMAS PLAGEMANN, PAGE 8, LINES 152-154)

A. No. Vivant’s assertion that the Commission should consider the customer-incurred costs in investing in rooftop solar while evaluating RMP’s three-part rate structure has no merit. I know of no scenario under which setting rates relates in any way to customer investments. Vivant further asserts that

RMP's proposal adds nearly $15,000 of additional costs over the life of the solar system, which misstates the fundamental nature of "costs" in this circumstance. In setting utility rates, the Commission assigns utility costs to the appropriate customer classes and designs the rates to collect the appropriate level of costs. New rate designs do not actually create new costs for end-use customers, but are designed to fairly apportion existing utility costs. While I agree that the Commission should reject RMP's demand charge, Vivant's proposed evaluation metric must also be rejected.

Summary

Q. PLEASE SUMMARIZE THE OFFICE'S POSITION.

A. The Office continues to support the following positions presented in my direct testimony:

(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. The Office clarifies its position to make it clear that even if the Commission found evidence sufficient to create a separate customer class for

residential net metering customers, no retail rate changes should occur outside of a general rate case.

(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' (Direct Testimony, Danny Martinez, pages 12 – 13, lines 340-353.)

(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.

The Office also supports the following positions, changed from its Direct Testimony, as further explained in OCS Attachment 1:

(8) The Office recommends that the Commission approve a new, lower cap to the net metering program at a level to match the level of DG penetration in place on December 31, 2017.

(9) The Office recommends that the Commission approve a new, post net metering rate design for DG customers with separate compensation for excess energy and retail rates that would apply to consumption. To accomplish this new rate design, the Office recommends:

- The Commission should immediately open a compensation docket to determine appropriate compensation for excess energy for DG customers, as described in OCS Attachment 1.
- Issues related to retail rate design changes that could or should be applicable to new DG customers should be addressed in future general rate cases.

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

- Grandfathering existing NEM customers for 12 –17 years. This range incorporates my initial recommendation at the low end and a maximum of 20 years from the commencement of this proceeding at the high end.

- Fixed price compensation for transition customers that interconnect as new DG customers between January 1, 2018 and the conclusion of the compensation docket. Such compensation would be initially set at 95% of average retail rate for each customer class and remain fixed at that dollar level for 10 – 15 years.
- New, post-transition DG customers would be subject to the outcome of the compensation docket.

(11) The Office continues to recommend that the Commission incorporate a communication plan into its order. The Office has refined this recommendation with the specific recommendation of a utah.gov website to be maintained jointly by the Division and the Office which would provide a central source of information of the then-current Commission approved provisions for treating DG customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.