

BEFORE THE  
PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Investigation of the )  
Costs and Benefits of PacifiCorp's Net )  
Metering Program ) **Docket No. 14-035-114**  
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**Surrebuttal Testimony of  
Allison Clements**

**On Behalf of  
Sierra Club**

**August 8, 2017**

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q: Are you the same Allison Clements who prepared direct testimony on behalf of the**  
3 **Sierra Club in this proceeding?**

4 **A:** Yes.

5 **Q: What is the purpose of your surrebuttal testimony?**

6 **A:** The purposes of my testimony are: (1) to respond to a rebuttal testimony statement by  
7 Rocky Mountain Power witness Gary Hoogeveen claiming that Sierra Club is  
8 exacerbating inaccurate market signals related to net metering by spreading  
9 misinformation; and (2) to summarize and express some concerns about the Joint  
10 Proposal put forth as a Joint Exhibit by the Office of Consumer Services and Division of  
11 Public Utilities in Attachment 1 to OCS Witness Michele Beck's rebuttal testimony.

12 **II. PUBLIC INFORMATION FLYER**

13 **Q: Can you describe the "flyer" that Mr. Hoogeveen reproduced at page 6 of his**  
14 **rebuttal testimony?**

15 **A:** As part of Rocky Mountain Power's rebuttal testimony, Mr. Hoogeveen copied to his  
16 testimony a one-page flyer discussing Rocky Mountain's rate design proposal that Sierra  
17 Club had produced to the Company in discovery. Mr. Hoogeveen stated that Sierra  
18 Club's circulation of the flyer amounted to the spreading of "misinformation" that served  
19 to exacerbate inaccurate market signals.<sup>1</sup>

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<sup>1</sup> Rebuttal Testimony of Gary W. Hoogeveen at p.6.

20 **Q: First, did you base any of your direct testimony on this flyer?**

21 **A:** No. I was not aware of the flyer at the time I drafted and submitted my direct testimony. I  
22 have since learned that this flyer was developed by Sierra Club staff in Utah for purposes  
23 of engaging and informing Sierra Club members and other members of the public about  
24 issues related to net metering in Utah.

25 **Q: And second, do you agree with Mr. Hoogeveen’s assessment that the flyer spreads**  
26 **“misinformation”?**

27 **A:** No. Net metering and rate design issues are complex and difficult to explain to even the  
28 most informed people who do not work on them. The flyer is a simplification of the net  
29 metering issue, and it certainly favors development of rooftop solar, but overall it does  
30 not blatantly misstate any facts or data. I view the flyer as advocacy material, based on  
31 underlying facts and data, designed to speak to an issue of likely concern to Sierra Club  
32 members in a way the organization typically communicates with those members. It seems  
33 out of the realm of possibility that the flyer would actually create customer confusion in a  
34 manner that may have an impact on inaccurate market signals.

35 **III. JOINT PROPOSAL**

36 **Q: As part of their rebuttal testimony, the Division of Public Utilities and Office of**  
37 **Consumer Services jointly submitted an alternative rate design plan for net**  
38 **metering customers (the “Joint Proposal”). Can you summarize its contents?**

39 **A:** In the Joint Proposal, the Division of Public Utilities and the Office of Consumer  
40 Services propose moving away from the current net metering program design and instead  
41 adopting a three-step process. The Joint Proposal would create three separate types of

42 rooftop solar customers: (1) customers grandfathered under the existing net metering rate  
43 design, (2) transition rooftop solar customers, and (3) post-transition rooftop solar  
44 customers.

45 Grandfathered customers include all customers with rooftop solar panels installed and  
46 interconnected to the grid by December 31, 2017. These customers would remain on the  
47 existing net metering rate design schedule for 12 – 17 years (the specific number of years  
48 to be determined by the Commission).

49 Transition customers would include all customers that install and interconnect rooftop  
50 solar panels starting on January 1, 2018, for some period. That period would end the  
51 earlier of the installation of 200 MW of incremental rooftop solar capacity or the  
52 completion of a compensation proceeding, which I describe below. Transition customers  
53 would pay an upfront administration fee of \$60, as well as a fee equal to Rocky Mountain  
54 Power's incremental metering costs. Initially, residential transition customers would  
55 remain part of the residential class and receive a bill credit of 9.79 cents/kWh of excess  
56 energy production within each 15-minute period. This credit level would be fixed for 10-  
57 15 years from the start of the transition period. However, transition customers would be  
58 on notice that their entire rate design is subject to change in a future general rate case.

59 Post-transition customers would be those customers deciding to install rooftop solar  
60 panels after the transition period ends (i.e., the earlier of 200 MW of installation or  
61 completion of the compensation proceeding described below). These customers would  
62 pay the same upfront administration and metering fee included in transition customers,

63 but would be paid for their excess credits differently than transition customers, based on  
64 the outcome of the compensation proceeding.

65 **Q: What is the purpose of the Joint Proposal's compensation proceeding and how**  
66 **would it work?**

67 **A:** The Joint Proposal suggests a new two-phase proceeding, outside of a general rate case,  
68 to determine the rate at which post-transition customers should be credited for the excess  
69 energy they generate and inject into the electric grid. The first phase would include an  
70 assessment of whether additional data collection about the energy usage patterns of  
71 rooftop solar customers is necessary and if so, a plan for that collection to occur (which  
72 the Proposal anticipates would require about a year). The second phase would involve,  
73 among other things, determination of the rate excess energy is credited and may include,  
74 at the Commission's determination, consideration of energy and capacity value, line  
75 losses, transmission and distribution capacity and investments, integration and  
76 administrative costs, grid and ancillary services, fuel hedging, environmental compliance  
77 and other quantifiable elements (as well as the appropriate time frame over which  
78 consideration of these factors should last). The Joint Proposal does not make clear that  
79 the second phase of the compensation proceeding must wait to start until completion of  
80 the first phase, although it would not make sense to start trying to determine value  
81 without necessary additional data in hand.

82 The Joint proposal includes a few other details about how the compensation proceeding  
83 would work. It suggests the proceeding would address whether different customer classes  
84 should receive different rates, whether compensation should be tied to capability and

85 whether “gradualism in implementation would be in the public interest.” It also suggests  
86 the proceeding could consider how frequently rates should be updated.

87 **Q: Do you think the Joint Proposal provides a workable solution to the issue of**  
88 **compensation for residential rooftop solar customers?**

89 **A:** The Joint Proposal is a step in the right direction, and it is certainly better than Rocky  
90 Mountain Power’s proposal. Its framework of existing, transitional and post-transitional  
91 customers provides a clear and relatively simple approach. In addition, the use of a “value  
92 of solar” methodology – in other words, a methodology that considers the actual benefits  
93 and costs of rooftop solar on Rocky Mountain Power’ system – as the basis for  
94 compensation, if done well, can likely provide the basis for stakeholder consensus and  
95 prove durable over time. However, some aspects of the Joint Proposal are cause for  
96 concern.

97 **Q: What parts of the Joint Proposal cause you concern?**

98 **A:** One concern is that the proposal is unnecessarily punitive to existing rooftop solar  
99 customers due to its relatively short grandfathering period of 12 – 17 years. The shorter  
100 period reduces certainty and may not ensure that more recent rooftop solar customers  
101 will achieve the payback periods they determined were necessary to provide for actual  
102 savings when they installed their systems.

103 Considering the relatively insignificant nature of the cost shift that Rocky Mountain  
104 Power purports is going to take place over time between residential rooftop solar  
105 customers and residential customers in coming years, which I describe in my direct

106 testimony, there is no basis for treating existing rooftop solar customers in a manner that  
107 is punitive.

108 **Q: What other concerns do you have with the Joint Proposal?**

109 **A:** I am also concerned that the proposed compensation proceeding will provide Rocky  
110 Mountain Power with a significant amount of relatively near-term opportunity to  
111 decrease the value placed on rooftop solar (and therefore the export compensation credit  
112 rate), at least with regards to post-transitional customers.

113 As noted above, the Joint Proposal suggests that post-transition customers' rates will be  
114 determined in the first instance during the compensation proceeding and that the  
115 proceeding "may address how frequently the rate should be updated." This situation  
116 would allow Rocky Mountain Power to continue to target rooftop solar customers in the  
117 coming years, both by filing increasingly onerous compensation adjustment and by  
118 pushing less favorable rate structures through future rate cases.

119 The Joint Proposal would therefore result in continuing uncertainty about how often the  
120 rate methodology and value may be updated once the compensation proceeding is  
121 complete. The result could be a frequently litigated value that provides significant risk  
122 and a disincentive to customer choice (not to mention a potentially significant  
123 administrative burden). In addition, should Rocky Mountain Power file a rate case shortly  
124 after completion of the compensation proceeding, some group of retail rooftop solar  
125 customers may make the choice to invest in rooftop solar panels under the expectation  
126 developed in the compensation proceeding to find out quickly soon after that the



127 economics of their investment has changed. For example, nothing in the proposal would  
128 prevent Rocky Mountain Power from seeking to impose extremely high fixed customer  
129 charges as a collateral attack on the value of conservation and rooftop solar generation.

130 While it is a reality that all customers, regardless of whether they invest in rooftop solar  
131 panels, are subject to changes made in general rate cases, the idea that neither the Joint  
132 Proposal nor the results of the compensation proceeding provides some amount of  
133 certainty over time may prove a strong disincentive to customers choosing rooftop solar.

134 It is true that the Commission would be a bulwark against future proposals by the  
135 Company that are too extreme; nevertheless, requiring rooftop solar advocates to fight the  
136 Company year after year will drain resources and reduce the Commission's ability to hear  
137 both sides of the argument.

138 **Q: What is the implication for transition customers of locking in rates for 10 to 15**  
139 **years from the start of the transition period instead of 10 to 15 years from each**  
140 **customer's time of investment?**

141 **A:** First, the nature of the transition period itself may act as a disincentive to rooftop solar  
142 installation for a significant portion of that period. If customers are aware that a post-  
143 transition period exists on the horizon, then they may want to decrease risk by waiting for  
144 the results of the compensation proceeding before making an investment in rooftop solar  
145 panels.

146 Second, the 10 – 15 year rate guarantee (assuming it is that) connected to the start of the  
147 transition period only provides sufficient investment certainty for transition customers

148 that install rooftop solar panels near the start of the period. It will be an impediment to  
149 customers if there are only, for example, five years, left of locked in rates without  
150 certainty or continuing litigation over the compensation rate for post-transition  
151 customers.

152 **Q: What happens to customers who install rooftop solar panels after the 200 MW in the**  
153 **case that the compensation proceeding is not yet completed?**

154 **A:** If the transition period ends because the 200 MW cap is reached before completion of  
155 the compensation proceeding, new rooftop solar customers temporarily would be treated  
156 as transition customers but switched over to post-transition customers once the post-  
157 transition compensation structure is determined.

158 **Q: Is it significant that these customers would face a switch from transition to non-**  
159 **transition customers?**

160 **A:** Potentially, yes. It depends on how long the compensation proceeding goes on.  
161 Uncertainty around the rate approved in the compensation proceeding, and about when  
162 that approval may happen, would insert additional risk customers and potentially  
163 discourage their investment until the post-transition period.

164 **Q: What is your overall assessment of the Joint Proposal?**

165 **A:** The Joint Proposal is a significant improvement over Rocky Mountain Power's proposals  
166 in this docket. However, several aspects of the Joint Proposal will increase uncertainty  
167 for rooftop solar customers while at the same time likely decreasing the value of the  
168 decision to install rooftop. Without some improving modifications, the resulting effect

169            could lead to a crash in the solar industry similar to what occurred in Nevada and

170            Arizona, which I discussed in my direct testimony.

171    **Q:    Does this complete your surrebuttal testimony?**

172    **A:    Yes.**