

Beck OCS – 1SR

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

August 8, 2017

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

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

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?**

6 A. Yes. In the compliance phase of this docket, I submitted direct testimony on
7 June 8, 2017 and rebuttal testimony on July 25, 2017. In an earlier phase
8 of this docket I also provided direct, rebuttal and sur-rebuttal testimony on
9 July 30, September 8, and September 29, 2015, respectively.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to present the Office's response to the
12 rebuttal testimony presented by other parties. I will also present some
13 refinements to the Office's overall position, which was presented in the joint
14 exhibit to my rebuttal testimony.

15

16 **Response to Rocky Mountain Power (RMP) Rebuttal Testimony**

17 **Q. RMP WITNESS GARY HOOGEVEEN ADDRESSED THE TOPICS OF**
18 **CUSTOMER CHOICE, MARKET PARITY, AND COMPETITION. DO YOU**
19 **AGREE WITH HIS POSITIONS?**

20 A. I agree with most of Mr. Hoogeveen's rebuttal on these topics. However, I
21 disagree with his characterization that the Company's proposal "seeks only
22 to stop one group of customers from shifting a portion of their costs to a
23 different set of customers." (Hoogeveen Rebuttal, lines 88 – 90) RMP's

24 proposal is to reset rates outside of a general rate case. Most of the
25 increase in net metering customers has occurred since the last general rate
26 case. Any cost shifting from these new net metering customers to non net
27 metering customers will not occur until rates are reset in the next general
28 rate case. This underscores the point I have been making throughout the
29 compliance phase of this case that it is unnecessary to break with regulatory
30 principles to address rate changes outside of a general rate case. Instead,
31 the proper approach for this docket would be to create the path to begin the
32 evolution toward a new rate design for distributed generation (“DG.”)

33 **Q. JOELLE STEWARD ASSERTS THAT PARTIES’ POSITIONS THAT**
34 **RATES CANNOT BE CHANGED OUTSIDE OF A GENERAL RATE CASE**
35 **IS CONTRARY TO THE COMMISSION’S PREVIOUS ORDERS IN THIS**
36 **CASE. (Steward Rebuttal, lines 547 – 573) HOW DO YOU RESPOND?**

37 A. I disagree with Ms. Steward’s interpretation of my testimony and the
38 Commission’s order. I have argued, and continue to believe, that it would
39 be contrary to the public interest to change base rates outside of a general
40 rate case. I further assert that RMP has not demonstrated a need for such
41 an immediate change in rates, rather the evidence suggests an emerging
42 problem that can be handled in an orderly fashion through the standard
43 regulatory processes. In my view, nothing in the Commission’s order
44 precludes this argument or opines on the public interest question I have
45 raised.

46 **Q. JOELLE STEWARD PROVIDES ADDITIONAL DETAIL REGARDING**
47 **RMP'S PROPOSED DEFERRAL MECHANISM. (Steward Rebuttal, lines**
48 **438-475) DOES THIS RESOLVE THE OFFICE'S CONCERNS?**

49 A. Ms. Steward's testimony provides the specific additional information sought
50 in Office Witness Jim Daniel's direct testimony. However, this information
51 still provides only minimal detail. It remains unclear whether RMP would
52 claim that any of the deferred revenues were associated with incremental
53 costs and should not be returned to customers. Depending on how much
54 time elapses from the date of deferral to the rate effective period for the next
55 general rate case, the generational mismatch between customers paying
56 and customers receiving could become significant. In short, RMP's
57 proposal presents regulatory complexity that is unnecessary. As I've
58 explained, the cost shifting is not an immediate problem requiring attention
59 outside of a general rate case.

60 **Response to Utah Solar Energy Association**

61 **Q. RYAN EVANS SUPPORTS UTAH CLEAN ENERGY'S TESTIMONY**
62 **FAVORING THE RETENTION OF MONTHLY NETTING AND ASSERTS**
63 **THAT HOURLY NETTING PROVIDES NO BENEFITS TO CUSTOMERS**
64 **OR THE SOLAR INDUSTRY. (Evans Rebuttal, lines 11 – 56) WHAT IS**
65 **YOUR RESPONSE?**

66 A. Whether hourly netting provides benefits to customers depends on which
67 set of customers are being referenced. Hourly netting will absolutely
68 provide benefits to the non net-metering residential customers if the

69 appropriate export rate for DG is found to be below average retail rate. Mr.
70 Evans neglects to acknowledge that the purpose of ratemaking is to
71 properly allocate costs and collect revenues from utility customers, it is not
72 to provide benefits to any particular industry or set of customers.

73 **Response to Utah Clean Energy**

74 **Q. DO YOU AGREE WITH TIM WOOLF THAT ADDING BILL CREDITS IN**
75 **THE COST OF SERVICE ANALYSIS IS CONTRARY TO THE**
76 **COMMISSION'S ORDER? (Woolf Rebuttal, lines 62 – 66)**

77 A. While I agree with Mr. Woolf that bill credits do not represent incremental
78 costs to the utility, I do not agree that including bill credits in the analysis is
79 contrary to the Commission's Order. In fact, the Commission established
80 a cost benefit test to comply with legislation that explicitly called for an
81 evaluation of costs incurred by the utility *or other customers*. (See Utah
82 Code § 54-26-105.1 (1)) Thus, it is necessary for RMP to evaluate both
83 incremental costs and cost shifting. I disagree with Mr. Woolf that these
84 analyses should be evaluated separately.

85 **Q. MR. WOOLF OPPOSES HOURLY NETTING (Woolf Rebuttal, lines 215**
86 **– 218) AND MAKES AN ALTERNATE PROPOSAL FOR**
87 **COMPENSATING EXCESS GENERATION THAT APPEARS TO**
88 **MAINTAIN THE MONTHLY NETTING PROVISIONS OF NET**
89 **METERING. HOW DO YOU RESPOND?**

90 A. In my view, moving to hourly netting is an essential element of
91 transitioning away from net metering into a new DG rate design. It simply

92 wouldn't be an efficient use of regulatory resources to go through an entire
93 compensation docket only to have the outcome applied only to the excess
94 after monthly netting. Such changes would not go far enough to remedy
95 cost shifting and do not send proper signals to customers about the actual
96 value of their generation.

97 **Response to Vote Solar**

98 **Q. DAVID DERAMUS INDICATED THAT IT WAS UNREASONABLE FOR**
99 **THE OFFICE TO CONCLUDE THAT COSTS OF THE NET METERING**
100 **PROGRAM EXCEED BENEFITS. (DeRamus Rebuttal, lines 109 – 110)**
101 **HOW DO YOU RESPOND?**

102 A. It is clear that Dr. DeRamus and I have fundamentally different views on this
103 question. However, I would note that the vast majority of the joint proposal
104 that I supported in rebuttal testimony does not rely on a finding that net
105 metering program costs exceed benefits.

106 **Q. DR. DERAMUS ALSO ASSERTED THAT YOU FAILED TO REALIZE**
107 **THAT YOUR PROPOSAL WOULD ENCOURAGE INVESTMENT IN**
108 **BATTERY STORAGE. (DeRamus Rebuttal, lines 184 – 190) DO YOU**
109 **AGREE THAT THIS IS PROBLEMATIC?**

110 A. My proposal (which was later refined to be the joint proposal presented in
111 rebuttal testimony) is designed to create rates that properly value exports
112 from DG and properly collect the costs of serving DG customers. I
113 acknowledge that rate design may also have the impact of encouraging (or
114 discouraging) other investments and behaviors, but in most cases that

115 would not justify deviating from standard ratemaking principles. In the
116 specific instance of encouraging battery storage, I agree with Dr. DeRamus
117 that this is a possible outcome, although I think that battery prices will be a
118 greater determinant than the rate design I propose. While I don't think that
119 investments in battery storage are necessarily problematic, I do believe that
120 we should anticipate increases in these investments and address relevant
121 rate design changes *before* the adoption of battery storage becomes
122 widespread. Thus, I recommend that in the near future the Commission and
123 parties should consider the appropriate forum for evaluating whether new
124 rate designs, such as backup power rates, should be developed.

125 **Q. DO YOU AGREE WITH DR. DERAMUS THAT THE RECORD DOES NOT**
126 **SUPPORT ENDING NET METERING AND ESTABLISHING A NEW DG**
127 **PROGRAM? (DeRamus Rebuttal, lines 209 – 210)**

128 A. No. It isn't at all clear what evidentiary support Dr. DeRamus believes
129 should be included to support establishing a new DG program. In my
130 opinion and experience, the majority of energy experts acknowledge that
131 net metering is not long-term sustainable. Thus, the question becomes how
132 and when to evolve to a new paradigm. The Commission has the authority
133 to establish a new DG program if it finds it to be in the public interest.

134 **Response to Vivint Solar**

135 **Q. RICH COLLINS CRITICIZES THE DIVISION FOR NOT INCLUDING THE**
136 **“SUBSTANTIAL BENEFITS” ASSOCIATED WITH THE NET**
137 **METERING THAT HE ASSERTS ARE SHOWN IN PACIFICORP'S**

138 **INTEGRATED RESOURCE PLAN (IRP.) (Collins Rebuttal, lines 190 –**
139 **192) WHAT IS YOUR RESPONSE?**

140 A. Dr. Collins mischaracterizes the IRP in that it incorporates rooftop solar in
141 the modeling but does not specifically evaluate the NEM program. I also
142 note that the IRP is a planning tool and to my knowledge is not used for
143 actual retail rate setting purposes. However, if the IRP actually shows that
144 rooftop solar DG brings benefits to the system, then a quantification of
145 those benefits could be brought forward as evidence in the compensation
146 proceeding contemplated in the joint proposal.

147 **Q. DAN BLACK STRONGLY OPPOSES YOUR PROPOSAL TO**
148 **GRANDFATHER NET METERING CUSTOMERS, INSTEAD**
149 **PROPOSING THAT THE METER MUST BE GRANDFATHERED. (Black**
150 **Rebuttal, lines 31 – 32) HOW DO YOU RESPOND?**

151 A. I do not oppose grandfathering the meter.

152 **Q. DAN BLACK ASSERTS THAT ANYTHING LESS THAN 20 – 25**
153 **GRANDFATHERING WOULD “BE THE EQUIVALENT OF A BAIT AND**
154 **SWITCH.” (Black Rebuttal, lines 51 – 55) HOW DO YOU RESPOND?**

155 A. The joint proposal that I supported contemplated a maximum
156 grandfathering period of twenty years from when this docket was opened,
157 i.e. ending by January 1, 2035. I continue to support that proposal and
158 disagree strongly that such a long grandfathering period would in any way
159 constitute a bait and switch. In fact, according to Utah Clean Energy’s
160 witness Justin Barnes, the joint proposal is comfortably in the range of

161 grandfathering periods that have been included in the outcome from other
162 states. (Barnes Direct, line 211 Figure 1) If Mr. Black is convinced that
163 this is a “bait and switch” then my responsive question would be to ask
164 who did the baiting. If anything, I am troubled that Vivint Solar and other
165 companies sold twenty year products in the middle of a regulatory
166 proceeding that clearly signaled that the net metering program was under
167 review.

168 **Q. MR. PLAGEMANN INDICATED THAT GRANDFATHERING LESS THAN**
169 **20 – 25 YEARS WOULD, AMONG OTHER THINGS BE “ANTI PRIVATE**
170 **INVESTMENT” (Plagemann Rebuttal, lines 80 – 84) AND WOULD NOT**
171 **ADEQUATELY “PROTECT THE RIGHTS GIVEN TO INVESTORS**
172 **UNDER A PROGRAM LIKE NEM.” (Plagemann Rebuttal, lines 181 –**
173 **185) WHAT IS YOUR RESPONSE?**

174 A. In my view, Mr. Plagemann’s assertions about investor rights have no
175 merit. He did not cite to any statute, Commission rule or order, or tariff
176 provisions to define or support his vague reference to rights that were
177 allegedly given to investors.

178 **Q. MR. PLAGEMANN SUGGESTED THAT IF YOUR PROPOSAL WERE**
179 **GRANTED TO SEPARATE COMPENSATION FOR EXCESS ENERGY**
180 **AND TO REQUIRE TOU RATES FOR CONSUMPTION, THEN BOTH**
181 **RATE DESIGNS SHOULD INCORPORATE THE SAME ELEMENTS OF**
182 **TIME DIFFERENTIATION. (Plagemann Rebuttal, lines 344 – 349) DO**
183 **YOU AGREE?**

184 A. I do not necessarily agree, but I also do not oppose the idea absent further
185 study. In my view, the export compensation docket could evaluate
186 whether to have different compensation levels for different time periods.

187 **Q. MR. PLAGEMANN OPPOSED THE REQUIREMENT OF TOU RATES**
188 **FOR SOLAR CUSTOMERS UNLESS THEY ARE REQUIRED FOR ALL**
189 **RESIDENTIAL CUSTOMERS. (Plagemann Rebuttal, lines 359 – 363)**
190 **HOW DO YOU RESPOND?**

191 A. In my view, there are numerous reasons why it would be appropriate for
192 TOU rates to be required for residential customers with rooftop solar DG
193 but only optional for other residential customers. However, I also
194 acknowledge that it would be appropriate to further address these issues
195 in a future rate case rather than have them determined in the current
196 proceeding. This is consistent with the positions advocated in the joint
197 proposal.

198 **Q. DID MR. PLAGEMANN CORRECTLY CHARACTERIZE YOUR**
199 **PROPOSED FACILITIES FEE? (Plagemann Rebuttal, lines 367 – 399)**

200 A. No. Mr. Plagemann appears to misunderstand the proposed purpose of
201 the facilities fee. He opposes the facilities fee in part because “decoupling
202 rates for imported and exported energy should allow for adequate cost
203 recovery.” However, my proposal to separate charges for imports and
204 compensation for exports relates to post-NEM DG customers. This is true
205 for the proposal contained in my direct testimony as well as my revised
206 position contained in the joint proposal supported in rebuttal testimony.

207 My proposal for a facilities fee is simply to be applied to net metering
208 customers at the conclusion of the grandfathering period. A more
209 straightforward approach would be to end net metering through legislative
210 action. However, my intent was also to offer a rate design solution in the
211 case that legislative changes were not accomplished prior to the end of
212 the grandfathering period. A facilities fee would ensure that any remaining
213 net metering customers paid their full cost of service after the
214 grandfathering period expired. I did not propose what the specific
215 components of such a fee would be because it is difficult or impossible to
216 predict those specifics so far in advance. (My original proposal
217 contemplated a 12 year grandfathering, which I revised to 12 – 17 years in
218 the joint proposal supported in rebuttal testimony.) While I share many of
219 Vivant's concerns about shifting too many costs into fixed charges, Mr.
220 Plagemann's blind rejection of all fixed charges does not demonstrate a
221 sophisticated understanding of rate design.

222

223 **Refined Office Positions**

224 **Q. DID REBUTTAL TESTIMONY RESULT IN THE OFFICE CHANGING ITS**
225 **POSITION FROM THE JOINT PROPOSAL PRESENTED WITH THE**
226 **DIVISION OF PUBLIC UTILITIES IN REBUTTAL TESTIMONY?**

227 **A.** No. The Office continues to support the joint proposal. However, the Office
228 has refined its position in some instances and discovered an error in
229 calculations that requires correction.

230 **Q. WHAT ARE THE REFINEMENTS TO THE OFFICE'S POSITION?**

231 A. After reviewing all parties' rebuttal testimony and continuing discussions, I
232 have concluded the following:

233 • Using the upper range of the proposed grandfathering period
234 included in the joint proposal is acceptable. This is consistent with
235 the proposal put forward by Western Resource Advocates witness
236 Steven Michel (Michel rebuttal, lines 211 – 212.) I continue to believe
237 that grandfathering beyond January 1, 2035 is unnecessary and
238 would constitute using utility rates to essentially underwrite solar
239 contracts that were marketed and sold in a period of uncertainty.

240 • Second, I am persuaded that it may be necessary to provide more
241 certainty during the transition period than originally contemplated in
242 the joint proposal. In my view, this could be accomplished by using
243 the upper end of the range for allowing fixed price compensation (i.e.
244 the full 15 years) or through a different combination of variables.
245 Ultimately, the various elements (level of fixed compensation, length
246 of time for fixed compensation, restrictions on import rate, and total
247 cap on transition customers) of the transition period need to be
248 balanced between total cost shifting to other customers and
249 adequate rate certainty to maintain some level of the solar industry
250 while it readjusts during the transition period.

251 **Q. WHAT CALCULATIONS NEED TO BE CORRECTED?**

252 A. The joint proposal included a specific recommendation that transition DG
253 customers receive a fixed rate compensation for a fixed period of time. The
254 joint proposal further recommended that the compensation be set at 95%
255 of average retail rate and included some specific numbers. After conferring
256 with others, the Office and Division concluded that these numbers were not
257 properly characterized or calculated. In fact, our proposal intended for the
258 fixed rate compensation to represent 95% of average retail *energy* rates.
259 RMP provided the correct calculations to the Office and Division to reflect
260 our intended proposal. For convenience, I attach an updated Joint Exhibit
261 reflecting the corrected rate calculations.

262

263 **Summary**

264 **Q. PLEASE SUMMARIZE THE OFFICE'S POSITION.**

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

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

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

272 (3) The Office does not believe it is necessary to create a separate
273 customer class for residential net metering customers. The Office
274 clarifies its position to make it clear that even if the Commission

- 275 found evidence sufficient to create a separate customer class for
276 residential net metering customers, no retail rate changes should
277 occur outside of a general rate case.
- 278 (4) The Office recommends that the Commission deny RMP's request
279 to make a finding that current rates are unjust and unreasonable.
- 280 (5) The Office recommends that the Commission deny RMP's request
281 for approval of a new Schedule 136 and Schedule 5.
- 282 (6) The Office does not oppose RMP's request for a waiver of Utah
283 Admin. R. 746-312-13 to change the application fee, but
284 recommends that the Commission take additional follow up actions
285 as further explained in Mr. Martinez' (Direct Testimony, Danny
286 Martinez, pages 12 – 13, lines 340-353.)
- 287 (7) The Office recommends that the Commission approve portions of
288 RMP's request to change the interconnection agreements as
289 follows:
- 290 • Approve the language modifications within the agreements
291 addressing application fees.
 - 292 • Approve language clarifying that elements of the interconnection
293 agreements could be amended.
 - 294 • Approve the addition of "currently applicable" to 5.1.
 - 295 • Require the appendices to be updated to reflect the
296 Commission final order regarding application fees.
 - 297 • Deny request to reference Schedule 135A.

- 298 • Deny the final sentence proposed to be added to 5.1.

299 The Office also supports the following positions, as initially presented in
300 OCS Attachment 1 to my rebuttal testimony:

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

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

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

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

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

- 321 • Fixed price compensation for transition customers that
322 interconnect as new DG customers between January 1, 2018
323 and the conclusion of the compensation docket. Such
324 compensation would be initially set at 95% of average retail
325 energy rate for each customer class and remain fixed at that
326 dollar level for 10 – 15 years.
- 327 • New, post-transition DG customers would be subject to the
328 outcome of the compensation docket.
- 329 (11) The Office continues to recommend that the Commission
330 incorporate a communication plan into its order. The Office has
331 refined this recommendation with the specific recommendation of a
332 utah.gov website to be maintained jointly by the Division and the
333 Office which would provide a central source of information of the
334 then-current Commission approved provisions regarding DG
335 customers.

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

337 A. Yes.