OCS ATTACHMENT 1SR

MICHELE BECK

(UPDATED FROM OCS ATTACHMENT 1 JULY 25, 2017 REBUTTAL)

NEM SURREBUTTAL JOINT EXHIBIT

DOCKET NO. 14-035-114

August 8, 2017

OCS Attachment 1SR
Joint Exhibit (UPDATED FROM JULY 25, 2017 REBUTTAL TESTIMONY)
NEM Docket 14-035-114, Surrebuttal Testimony

INTRODUCTION

The Division of Public Utilities (Division) and Office of Consumer Services (Office) jointly support the same general structure for transitioning away from net metering into a new rate structure for customer-owned distributed generation (Joint Proposal). The two organizations reached their conclusions based on different rationales and may support minor differences for some of the specific values. The range of values presented in this exhibit incorporate the positions of both agencies, but each agency may not be able to support each value in the range depending on the total package. Both agencies provide supporting testimony to further explain their positions.

OVERVIEW AND STRUCTURE OF JOINT PROPOSAL

This Joint Proposal incorporates the following basic concepts. These concepts are further described in the summary chart below, in the more detailed description later in this document, and in the accompanying timeline chart.

- Close statutory net metering program (NEM) to new entrants as of December 31, 2017 and grandfather then-existing NEM customers (i.e., those interconnected prior to January 1, 2018) through a specific date certain.
- Transition to a post-NEM distributed generation (DG) rate design that separates compensation for exports from charges for consumption. DG output that offsets load within the appropriate metering interval and isn't exported to the system will be treated as "behind the meter."
- Immediately open a docket to determine a post net metering DG compensation formula and amount for exports (compensation docket).
- Create a transition period from January 1, 2018 through the conclusion of the compensation docket.
- During the transition period, new DG customers (transition customers) will have a specified compensation level for exports measured on a 15-minute metering interval (i.e., no monthly netting). The compensation will be a specific per/kWh level (that varies by customer class) and is fixed for a certain period of time.
- After the completion of the compensation docket, new DG customers will be subject to the export compensation rate determined in that docket.
- Changes to rate design applicable to DG customers' charges for their consumption will be addressed in a future general rate case.

This Joint Proposal creates three "sets" of DG customers: grandfathered NEM customers, transition DG customers, and post-transition DG customers. The following table summarizes the terms and conditions associated with each of these types of customers.

Time Period of DG Interconnection	Customer Set	Terms & Conditions
Prior to January 1, 2018	Statutory Net Metering	• Grandfathered as NEM customers for time certain (ending between January 1, 2030 and January 1, 2035, as determined by the Commission.) • Primary provisions of NEM stay in place (e.g. netting across billing period, kWh credits that expire annually.) • Remain in same customer class subject to the same rate changes as non-NEM customers in that class.
January 1, 2018 through completion of compensation docket or attainment of 200 MW cap	Transition DG Customers	• Exports measured on 15-minute metering intervals and credited at a specific $/kWh. • Exports credited at a specific $/kWh fixed for a time certain (ending between January 1, 2028 and January 1, 2033 as determined by the Commission.) • Included in then-existing appropriate customer class with rate design for consumption subject to determination in future rate cases.
Post completion of compensation docket or cap attainment	Post-transition DG Customers	• Exports measured and credited at the level determined by the Commission in the compensation docket.[1] • Included in then-existing appropriate customer class with rate design for consumption subject to determination in future rate cases.

JOINT PROPOSAL DETAILS

Closing the NEM Program

This Joint Proposal recommends that the NEM Program be **closed to new customers effective January 1, 2018** under the following terms.

- The Commission would order that the net metering cap be lowered to a percentage of 2007 load that corresponds to the level in place as of December 31, 2017.
- Starting January 1, 2018, new DG customers exporting their excess generation would do so under the terms of the transitional program (described below.)
- NEM customers (defined as the meter, not the person) would be grandfathered for a period of 12 – 17 years. Accordingly, the net metering program would terminate sometime between January 1, 2030 and January 1, 2035.
- Grandfathering would be defined as:
    - o Maintaining the current provisions of Schedule 135, such as netting across the billing period and carryover of kWh credits, which expire annually (March for most customer classes);

[1] If the cap is reached before the conclusion of the compensation docket, these customers could receive the transitional export rates until the conclusion of the compensation docket.

  - Remaining on the underlying customer class rate, subject to changes to that rate as well as applicable surcharges, but not subject to any changes to rate design or charges that would apply only to NEM or post-NEM DG customers.
- Before the conclusion of the grandfathering period, one of the following should occur:
  - Legislative action to repeal the net metering statute effective at the end of the grandfathered period, or
  - Regulatory action that would change the credits for exports to the avoided cost and calculate an appropriate facilities charge to ensure that the legacy NEM customers pay their full cost of service.
- Grandfathered customers would be allowed to voluntarily move to the post-transition DG export compensation rate and the then-appropriate customer class prior to the end of the grandfathering period.

"Transition" DG customers:

This Joint Proposal recommends that the transition period be defined as January 1, 2018 through the conclusion of the compensation proceeding and that during the transition period new DG customers be treated as follows.

- Pay two upfront fees:
  - Level I administration fee of $60, which can change from time to time by Commission order to reflect changes in administrative costs;
  - An additional fee reflecting the incremental cost of metering requirements, refundable if a customer does not proceed with installation.
- Remain in their then-existing appropriate rate class, but be notified that different rate designs could be imposed in any future general rate case if ordered by the Commission.
- **Receive bill credits compensating for exports, measured at 15-minute metering intervals, as follows:**
  - Bill credits will be calculated using the following fixed rates for each customer class[2]:
    - Residential Schedule 1, 2, 3 — 9.67 cents per kWh
    - Small Commercial Schedule 23 — 8.39 cents per kWh
    - Schedule 6 — 3.46 cents per kWh
    - Schedule 6A — 6.83 cents per kWh
    - Schedule 6B — 3.46 cents per kWh
    - Schedule 8 — 3.57 cents per kWh
    - Schedule 10 — 5.74 cents per kWh
  - Compensation levels (for transition customers only) would be fixed for 10 - 15 years from the start of the transition period.

[2] These fixed rates were calculated at 95% of the current average retail rate for each class. Residential average retail rate data is calculated from Joelle Steward's work papers; average retail rate data for other rate classes was provided by RMP in response to OCS DR 12.1.

  - Bill credits would expire annually (March for most customer classes) with the expiring dollar amount donated to the Low Income program.

This Joint Proposal further proposes that the level of transition customers be capped at 200 MW of installed capacity or at the conclusion of the compensation docket, whichever is reached first.

"Post transition" DG customers:

This Joint Proposal recommends that after the conclusion of the compensation proceeding new DG customers be treated as follows:

- Pay the two upfront fees, the administrative charge and the incremental metering cost, as described above;
- Receive bill credits compensating for exports at the level determined in the compensation proceeding;
- Be subject to rate design changes in general rate cases.
- Customers who interconnect after the transition cap is met but before the compensation proceeding is complete could receive the transition compensation rate temporarily and move to the new compensation level at the conclusion of the docket.

Compensation Proceeding:

This Joint Proposal recommends that the Commission immediately open a compensation proceeding with the following parameters.

- The first phase of the compensation proceeding would assess what additional data needs to be collected and immediately implement a plan for its collection.
  - Data collection is anticipated to take approximately one year.
  - This Joint Proposal includes a tariff change to require all NEM and DG customers to allow load data collection as a condition of receiving export credits.
- Calculation of the export rate may include the following elements (costs or benefits) as determined by the Commission in that proceeding:
  - Energy value,
  - Generation capacity,
  - Line losses,
  - T&D capacity and investments,
  - Integration and administrative costs,
  - Grid and ancillary services,
  - Fuel hedging,
  - Environmental compliance, and
  - Other quantifiable elements.
  - (The party asserting a cost or benefit will bear the burden of proof.)
- The proceeding will also address the determination of the appropriate, potentially multi-year, study period over which to quantify and model the value of the DG exports.
- The proceeding may address how frequently the rate should be updated.

- The proceeding will explicitly address whether the same compensation should apply to all customer classes or whether evidence exists to warrant different compensation rates.
- The proceeding will address how compensation could be tied to capability (e.g., customers with smart inverters, storage, smart load controllers, and other load and generation management devices might receive a higher compensation for the additional benefits they provide to the grid.).
- The proceeding will address whether gradualism in implementation would be in the public interest.

Future Rate Case:

This Joint Proposal contemplates that Rocky Mountain Power will file a general rate case when it chooses, unless required to do so for other regulatory reasons. All parties would be free to advance any proposals for rate designs for the post-NEM DG customers in future general rate cases.

Communications Plan:

This Joint Proposal recommends that the Commission order RMP and interested parties to develop a communications strategy, including materials to educate customers about the changes to NEM and the new post-NEM program transition. This Joint Proposal specifically recommends that an appropriate utah.gov website be jointly maintained by the Division and the Office to create a central source to ensure customers have access to an objective description of the then-current Commission approved provisions for treating DG customers.

Summary of Necessary Current Tariff Changes:

Joint Proposal would require the following tariff modifications.

- Schedule 135 needs to be changed to reflect the requirement that customers must participate in a load research study if selected to do so.
- A new tariff needs to be drafted to reflect the terms and conditions for customers who would like to install distributed generation that exports to the system after the close of NEM. The terms would include the transitional terms described herein and reference the future export compensation rate that would be determined in the upcoming proceeding.