

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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	)	Docket No. 14-035-114
	)	Compliance Filing
In the Matter of the Investigation of	)	Surrebuttal Testimony of
the Cost and Benefits of	)	Danny A.C. Martinez
PacifiCorp’s Net Metering Program	)	For the Office of
	)	Consumer Services
	)	

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August 8, 2017

1 **I. INTRODUCTION**

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3 **Q. WHAT IS YOUR NAME, YOUR OCCUPATION AND YOUR BUSINESS**  
4 **ADDRESS?**

5 A. My name is Danny A.C. Martinez. I am a utility analyst for the Office of  
6 Consumer Services (“Office”). My business address is 160 E. 300 S., Salt Lake  
7 City, Utah 84111.

8  
9 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

10 A. Yes.

11  
12 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS**  
13 **CASE?**

14 A. The purpose of my surrebuttal testimony is to respond to Company witness  
15 Joelle Steward’s criticism of the Commission’s customer charge calculation  
16 method (“Commission Method”) which I used for calculating the residential net-  
17 metering customer charge in this proceeding. I also recommend the same  
18 customer charge of \$8.50 as I did in my direct testimony after taking into account  
19 Company witness Robert Meredith’s updated cost of service information. Lastly,  
20 I respond to the Company’s proposed \$28 customer charge for the energy based  
21 Time of Use (“TOU”) rate design.

22  
23 **Q. DO YOU AGREE WITH MS. STEWARD’S ASSESSMENT THAT STRICT**  
24 **ADHERENCE TO THE COMMISSION METHOD DOES NOT SERVE THE**  
25 **PUBLIC INTEREST?**

26 A. Absolutely not. Ms. Steward fails to recognize that the Commission Method is  
27 designed to serve the public interest. Furthermore, the fact that the Commission  
28 Method has continued in force for 32 years is because it is based on sound  
29 principles that have stood the test of time. Lastly, the Commission Method  
30 embraces principles that allows for flexibility within its set forth principles.

31

32 **Q. AT LINES 262 – 263 OF HER REBUTTAL TESTIMONY, MS. STEWARD**  
33 **CITES DPU WITNESS DR. POWELL FROM HIS DIRECT TESTIMONY,**  
34 **“RATE-MAKING MUST BE SUFFICIENTLY FLEXIBLE TO ADAPT TO**  
35 **CHANGING CIRCUMSTANCES.” DO YOU AGREE THAT THIS JUSTIFIES**  
36 **INCLUSION OF TRANSFORMERS OR ANY OTHER CHANGES TO THE**  
37 **COMMISSION METHOD CALCULATION?**

38 A. No for two reasons. First, the Commission Method as currently constituted  
39 includes all costs for connecting an individual customer to the Company’s grid.  
40 As such, this method is sufficiently flexible in that it adjusts with the changes in  
41 costs of net plant for service lines and meters and the designated customer  
42 expenses for meter reading and billing, less associated billing revenue. Second,  
43 the customer charge is designed to collect customer related costs incurred to  
44 serve a specific, unique customer, not any and every cost the Company deems  
45 acceptable for a fixed charge. Ms. Steward admitted in her direct testimony at  
46 lines 488 – 492, the Company does not dedicate one transformer per customer,  
47 like meters and service lines that are included in the customer charge.  
48 Transformers serve many customers simultaneously, potentially including  
49 customers from other customer classes. Including transformers in the customer  
50 charge would not only violate the Commission’s Method, a proven rate design  
51 method, but does not accurately assign costs to specific customers and  
52 potentially misallocates costs to other classes. In summary, the Company’s  
53 approach for adding costs to the customer charge in this docket as proposed is  
54 not in the public interest.

55  
56 **Q. DOES NOT INCLUDING TRANSFORMERS IN THE CUSTOMER CHARGE**  
57 **DENY THE COMPANY COST RECOVERY FOR THOSE TRANSFORMERS?**

58 A. No. Transformer costs will be recovered through volumetric energy rates as they  
59 have previously and allocated to customer classes according to cost allocations  
60 as shown in the Company’s cost of service study.

61

62 **Q. DOES MS. STEWARD’S DESCRIPTION OF THE CHANGING ENVIRONMENT**  
63 **CREATED BY RESIDENTIAL NET METERING CUSTOMERS WARRANT A**  
64 **CHANGE TO THE COMMISSION METHOD?**

65 A. No. Ms. Steward at lines 264 – 268 states “changes in technology, growth in  
66 customer generation, and in particular, the presence of net metering—which  
67 over-simplistically equates the retail rate with a value for exported energy,  
68 resulting in a cost shift to other customers—warrants a re-evaluation of the past  
69 approach.” First, the changes Ms. Steward identifies do not demonstrate that the  
70 Commission Method is lacking in capturing customer related costs for recovery,  
71 nor do they establish that the Commission Method is not in the public interest.  
72 Second, Ms. Steward’s focus on compensation for exported energy as the cause  
73 for under-recovery has no relevance to calculating customer charges or the  
74 Commission Method. Exported power compensation and customer classified  
75 costs are two distinct issues and should be dealt with separately. Ms. Steward’s  
76 argument that the Commission Method is not in the public interest since it doesn’t  
77 deal with customer generation and exported energy compensation lacks merit.

78  
79 **Q. DOES THE COMPANY HAVE A CHANCE TO CHANGE THE COMMISSION’S**  
80 **METHOD IF IT FEELS IT ISN’T IN THE PUBLIC INTEREST?**

81 A. Yes. The Company can petition and provide evidence in a general rate case  
82 proceeding to demonstrate the Commission’s Method does not serve the public  
83 interest and provide an alternative customer charge calculation method.  
84 Furthermore, the Office proposes that the customer charge, along with other rate  
85 elements, should not be changed in this docket, but changed in a general rate  
86 case proceeding.

87  
88 **Q. AT LINES 182 – 190, UCE WITNESS MR. TIM WOOLF RECOMMENDED**  
89 **THAT INCREMENTAL METER COSTS BE COLLECTED FROM THE**  
90 **DISTRIBUTED GENERATION (“DG”) CUSTOMERS ONCE AT THE TIME OF**  
91 **INSTALLATION INSTEAD OF IN THE CUSTOMER CHARGE. DO YOU**  
92 **AGREE?**

93 A. Mr. Woolf's recommendation has merit and could be an alternative that would  
94 assign meter costs more accurately than embedding them in the customer  
95 charge. An up-front fee may be an option to include these meter costs.  
96

97 **Q. MR. MEREDITH UPDATED THE COMPANY'S NEM BREAKOUT ANALYSIS**  
98 **IN HIS REBUTTAL TESTIMONY. DID THIS UPDATE AFFECT YOUR**  
99 **CUSTOMER CHARGE RECOMMENDATION?**

100 A. No. I updated my workpapers with updated information provided by Company  
101 witness Mr. Robert Meredith in his Exhibit RMP\_(RMM-7R) – Updated RMM-  
102 14.xlsx. Using the same method as I did in my direct testimony, the customer  
103 charge calculation decreased from \$8.50 to \$8.43. Rounding \$8.43 to the  
104 nearest \$0.25 is \$8.50 which is the same value I recommended in my direct  
105 testimony.  
106

107 **Q. DO YOU AGREE WITH THE COMPANY'S PROPOSED \$28.00 CUSTOMER**  
108 **CHARGE IN ITS PROPOSED ENERGY BASED TOU RATE DESIGN**  
109 **PROPOSAL?**

110 A. No. Ms. Steward admits that the customer charge for the energy based TOU  
111 rate design is designed to recover all customer services and distribution costs.  
112 However, once again, the Company is attempting to include additional costs  
113 inconsistent with the Commission Method which do not belong in the customer  
114 charge. Furthermore, Ms. Steward's argument that netting and banking is the  
115 reason for an increased customer charge is without merit. I believe that the  
116 issues of changes in costs of net plant and designated customer expenses  
117 under the Commission Method and the value of exported energy are two  
118 separate issues and should not be co-mingled as Ms. Steward suggests.  
119

120 **Q. WHAT DO YOU RECOMMEND THE CUSTOMER CHARGE TO BE FOR THE**  
121 **ENERGY BASED TOU RATE DESIGN?**

122 A. The Office recommends that the customer charge should be \$8.50, consistent  
123 with the Company's other NEM rate design proposals. Since the Company

124 proposed the energy based TOU rate design during the rebuttal phase of this  
125 proceeding, I do not have a specific recommendation for the on and off-peak  
126 energy rates. I recommend that the Company provide a set of rates with the  
127 customer charge set at \$8.50 for both time of use options the Company is  
128 proposing that can be considered for approval in the next general rate case.

129

130 **Q. DOES THE COMPANY'S ARGUMENTS PERSUADE YOU TO CHANGE YOUR**  
131 **CUSTOMER CHARGE RECOMMENDATION?**

132 A. No. I still recommend that the residential net-metering customer charge should  
133 be \$8.50 in all rate designs proposed by the Company as I recommended in my  
134 direct testimony based on principles set forth in the Commission Method. I further  
135 recommend that changes to the customer charge should not be implemented  
136 outside of a general rate case.

137

138 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

139 A. Yes it does.