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**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 RICHARD COLLINS**

**ON BEHALF OF  
VIVINT SOLAR, INC.**

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Vivint Solar submits the Pre-filed Testimony of Richard Collins in this docket.

DATED this 8<sup>th</sup> day of August, 2017.

/s/Stephen F. Mecham

1 **Q. Please state your name and occupation.**

2 A. My name is Richard S. Collins. I am a Professor of Economics and Finance at  
3 Westminster College located at 1840 South 1300 East, Salt Lake City, UT 84108.

4 **Q. On whose behalf are you filing testimony in this Docket?**

5 A. I am testifying on behalf of the Vivint Solar, Inc., a residential solar company  
6 headquartered in Utah with operations throughout the United States.

7 **Q. Did you submit prefiled direct and rebuttal testimony in this docket?**

8 A. Yes. I submitted direct testimony on June 8, 2017 and rebuttal testimony on July 25,  
9 2017

10 **SUMMARY OF SURREBUTTAL TESTIMONY**

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

12 A: I address several issues of the rebuttal testimony of Rocky Mountain Power's (RMP or  
13 Company) witnesses and the rebuttal testimony of the Division of Public Utilities (the  
14 "Division") witness Stan Faryniarz and comment on the Office of Consumer Services  
15 (the "Office") rebuttal testimony. RMP attempts to minimize my Direct Testimony by  
16 taking a very limited view (their view) of the issues and reiterating their case for a new  
17 rate schedule for Net Metering (NEM) customers. RMP either takes my criticisms of  
18 their analysis out of context or misinterprets the intent of my analysis. The rebuttal  
19 testimonies of RMP do not address the true weaknesses of the Company's analysis of the  
20 costs and benefits of the Net Energy Metering program (NEM), thus the validity of my  
21 arguments still stands.

22 **Q: What specifically are you recommending in this round of testimony?**

23 I am recommending that the Commission reject RMP's proposal to change the NEM

24 program and reject the Company's request for new tariffs. The Commission should open  
25 up a new proceeding and require RMP to redo its load and production profiles with more  
26 observations and collect the data over at least two years. If the Commission is concerned  
27 about immediate issues surrounding NEM subsidization, it can put a cap on NEM  
28 participation. All parties, except the Company, believe that this docket is not the docket  
29 to set new rates for NEM customers.

30 **REBUTTAL OF RMP'S TESTIMONY**

31 **Q: Would you provide a critique RMP's rebuttal testimony?**

32 **A:** RMP has not really rebutted the essence of the testimony from the other intervenors; it  
33 has just accepted a few minor adjustments to their contention that there is a very large  
34 subsidy flowing from Non-NEM customers to NEM customers. It did not provide  
35 convincing evidence that the Commission should reject the testimony of other parties and  
36 accept its proposed rate change for NEM customers. It hides behind the Commission  
37 November 15<sup>th</sup> Order and does not adequately address the substance of the criticisms of  
38 its analysis. It insists that it is requesting this new rate schedule for residential NEM  
39 customers in order to protect Non-NEM customers and fails to acknowledge its real  
40 concern of lost future profits that a robust NEM program will cause. RMP insists that if  
41 its recommendations are adopted by the Commission there still will be opportunity for its  
42 customers to invest in distributed generation and the solar industry will not be  
43 substantially harmed. This is in contrast to the evidence on the record from both local  
44 and national solar installation providers who state that RMP's proposed changes to the  
45 NEM program will have devastating impacts on their business. The Company in essence  
46 asks the Commission to ignore what happened in Nevada when a similar NEM tariff was

47 adopted.

48 **JOELLE STEWARD**

49 **Q: Ms. Steward tries to rebut your testimony that transformer costs should not be**  
50 **included in a customer charge for NEM customers. Would you please critique her**  
51 **rebuttal?**

52 **A:** Ms. Steward calls my testimony misleading and refers to Mr. Marx's testimony that  
53 NEM customers can actually lead to higher distribution costs. I will address Mr. Marx's  
54 comments later in my surrebuttal, but Ms. Steward provides no additional information on  
55 why the Commission should deviate from its longstanding policy to only include directly  
56 related customer costs in the customer charge. She shows that transformer costs are  
57 higher for NEM customers, but does not acknowledge that in most instances any higher  
58 transformer costs are paid directly by NEM customers when they sign up for service. The  
59 Commission should reject the Company's proposal.

60 **Q: Ms. Steward rejects your recommendation to adopt a higher minimum bill as**  
61 **opposed to a larger customer charge, could you please respond?**

62 **A:** Ms. Steward opposes a larger minimum bill because she believes it will not raise enough  
63 revenue. However, if revenue was the problem, the Company could come in for a rate  
64 case to raise revenues, but it has declined to do so. Her argument is therefore spurious.

65 **Q: Ms. Steward disagrees with the other intervenors that a demand charge for**  
66 **residential customers is inappropriate. Does she provide support for her position?**

67 **A:** No, she provides little or no support. She cites other intervenors' testimony as support  
68 that other utilities have expressed interest in demand charges for residential customers.  
69 But, in every case, the intervenors are showing examples of how other utilities are either

70 trying to structure rates to discourage distributed generation or how commissions have  
71 ruled that demand charges for residential customers are inappropriate. Her reference just  
72 furthers the support of the finding that demand charges are inappropriate for residential  
73 customers and NEM customers in particular. She cites that Arizona Public Service has  
74 had voluntary time of use demand and energy tariffs for decades. It should be noted that  
75 the TOU rates are voluntary, RMP's proposal for NEM customers is mandatory. She  
76 falsely argues that a demand charge would not have any impact on energy efficiency as  
77 cited by many intervenors. She argues that a demand charge would encourage a different  
78 type of energy efficiency that would curtail use of multiple electrical devices at the same  
79 time. However, there are few if any technologies on the market that would provide  
80 residential customers a way to control the use of multiple electrical devices at the same  
81 time and until such conservation measures are economically available, her argument is  
82 simply false.

83 **Q: Ms. Steward argues that the switch to RMP's three part tariff would not produce an**  
84 **unacceptable increase in a customer's bill, do you care to comment?**

85 **A:** Ms. Steward makes no argument that bill will have large increases; she just states that it  
86 is acceptable because she thinks she can justify it based on costs. The cost issue is a  
87 major point of contention in this proceeding, but from the customer's perspective a large  
88 bill increase for using the same amount or less energy is unacceptable.

89 **ROBERT MEREDITH**

90 **Q: What was Company witness Robert Meredith's objections to your direct testimony?**

91 **A:** Mr. Meredith expressed a number of objections and criticisms to my direct testimony; I  
92 will try to address them each individually.

93 **Q: Mr. Meredith objected to your reference to the 2015 IRP as evidence that the NEM**  
94 **program can provide future benefits to RMP's customers, do you agree with his**  
95 **objection?**

96 **A:** No, he merely states that the IRP scenarios take into account benefits and costs that occur  
97 over a 20 year planning horizon and do not comport with the Commission's one year test  
98 year framework. He states the IRP sensitivity runs were not designed as a net benefit  
99 analysis because they do not take into account the "costs" of bill credits that the  
100 Company uses in its CFCOS analysis. As I have stated in my testimony and has been  
101 repeated in other intervenors' testimony, the bill credits associated with energy consumed  
102 by NEM customers are a phantom cost. The bill credits are lost revenues to the  
103 Company; they are not explicit costs. It may be a "cost", i.e., lost revenue, to the  
104 Company but not to its ratepayers. The IRP is designed to evaluate different policy  
105 options and investments that could be made by RMP to provide reliable service at the  
106 lowest cost and risk. Given that risks are inherently uncertain it is prudent to evaluate  
107 many different scenarios to see which provides the best results. The higher penetrations  
108 of NEM are modeled as a load reduction, but that is precisely what the program does, it  
109 reduces the load that the Company must provide. Mr. Meredith alludes to some of the  
110 uncertainties of the projections of benefits and costs by comparing the 2015  
111 acknowledged IRP with the recently submitted 2017 IRP. However, he fails to  
112 acknowledge that in both IRPs there are substantial benefits associated with higher  
113 distributed generation programs. In both cases there are lower present value revenue  
114 requirements and these reductions in costs are significant; they dwarf the exaggerated  
115 cost shifting by over at least an order of magnitude. Mr. Meredith merely recites that the

116 estimates of the costs per MWH of the 2017 IRP drop from the 2015 IRP. In public  
117 meetings, the Company has acknowledged that the Commission analytical framework of  
118 a single test year does not capture the long run benefits of the NEM program, but Mr.  
119 Meredith does not provide any evidence or arguments as to why a cost benefit analysis  
120 should restrict its analysis to one year other than the Commission orders it to do so. This  
121 is of the essence of my argument. The analytical framework of the one year test period is  
122 fundamentally flawed and at the very least the Commission should first consider the  
123 impact of the NEM program over the long run before its makes short run changes that  
124 could negate these long run benefits of the program.

125 **Q: Mr. Meredith questions your adjustment for removing the bill credits associated**  
126 **with behind the meter consumption of self-generated power. Please comment.**

127 **A:** Mr. Meredith objects to the removal of bill credits from the cost of service analyses  
128 performed by RMP. This objection implies that the Company can characterize as a cost  
129 any measure that reducing the consumption of energy via energy efficiency or distributed  
130 generation and assign that “cost” to that class of customers. To extend his logic to other  
131 situations, the Company would want to know if customers screwed in a more efficient  
132 light bulb to reduce their energy consumption, and in a cost of service study charge this  
133 as a “cost” to those customers who engage in energy efficiency. The Commission has  
134 never allowed the Company to categorize lost revenues as a cost and it should not do so  
135 now.

136 **Q: Mr. Meredith claims your removal of bill credits as a cost to be assigned to NEM**  
137 **customers ignores the compensation for exported energy. Is this true?**

138 **A:** No, he mischaracterizes my position. I have only removed the bill credits associated with

139 self-generated energy that was consumed behind the meter. I have taken the Company's  
140 estimate of the average amount of self-generated power that was consumed by the NEM  
141 customer and made adjustments to my bill credit removal to account for this average  
142 usage of NEM production. The netting and banking of energy credits does cause the  
143 need for more refined analysis, but to adopt the Company's position is tantamount to  
144 charging residential customers for reduction in usage as a cost to serve them. This battle  
145 was fought and won many years ago with energy efficiency. The only response of the  
146 Company charging for consumption of self-generation is that it is consistent with the  
147 Commission's November 15<sup>th</sup> Order without any explanation as to why.

148 **Q: The witness claims that your adjustment for redeployment of meters is incorrect,**  
149 **will you please comment.**

150 **A:** If Mr. Meredith is correct in his statement that the cost that they listed for the bi-  
151 directional meters is truly an incremental cost and they did consider redeploying the  
152 meters, then the adjustment should not be made. I have not been able to independently  
153 verify the Company's claims. Mr. Meredith claims that they made an adjustment for  
154 materials costs of \$31.81 for a standard residential meter, but he does not explain if this is  
155 the salvage value or the cost of a standard meter. I am confused about his testimony in  
156 that he states that my adjustment should be rejected because it includes labor costs. If the  
157 actual cost of a bi-directional meter is \$162 then my adjustment which explicitly  
158 estimates the reduction in costs of redeployment and salvage should remove the labor  
159 costs. The cost of the meter should be adjusted by \$31.81 so instead of \$107 for a new  
160 bidirectional meter the cost should be \$130.19.

161 **Q: Mr. Meredith also claims that your comment on including fully loaded costs of the**

162 **engineers reviewing NEM applications is inappropriate. Please comment.**

163 **A:** Mr. Meredith states that there were over 3000 hours recorded in their cost of service  
164 analysis for engineering review and that a full time employee works only 2080, so fully  
165 loaded costs are justified. If an engineer is working full time on the review of NEM  
166 applications only, then I would agree. But engineers are salaried employees and there are  
167 other functions that engineers perform. Work on NEM applications does not lead to  
168 additional costs unless another employee is required.

169 **Q: Mr. Meredith claims that efficiency gains through “learning by doing” although**  
170 **theoretically correct should not be included in the estimate of cost for administering**  
171 **the applications of NEM participants. Future plans for automating the application**  
172 **process should also be ignored. Please comment.**

173 **A:** I appreciate that he agrees with me in concept. But his argument that such efficiency  
174 gains would not likely take place within the test year and should not be included in the  
175 calculation of engineering costs is wrong. While I cannot make an exact estimate of the  
176 cost reductions that will occur, I do believe they will occur during the test period. The  
177 Company did state that they plan to automate their application process so at the least the  
178 Commission should recognize that the engineering cost estimate is a maximum value and  
179 most likely will be lower and future automation will eventually occur. The Commission  
180 should take that into account in their overall calculus.

181 **Q: Mr. Meredith states that your concern about the analytical framework for**  
182 **evaluating the benefits and costs of the NEM program is incorrect and should not be**  
183 **considered in this phase of the docket. Could you please respond?**

184 **A:** I argue that the Commission has adopted an inappropriate analytical framework for cost

185 benefit analysis because it has constrained the analysis to one year. They have confused  
186 cost of service methodology for regulating utilities with a component of this analysis  
187 which is the cost of service allocation part of a rate case which looks at how to divide the  
188 costs of producing electricity, i.e., the revenue requirement amongst the different class of  
189 customers. I argue that the impact on revenue requirements cannot be adequately  
190 evaluated without considering future benefits. His argument is simply a tautology:  
191 RMP's analysis is correct because they follow the Commission's prescription without  
192 addressing the issue that the Commission's analytical prescription has flaws. I simply  
193 want the Commission to be cognizant of this flaw and be judicious in its decision. The  
194 NEM program does not have immediate problems that require that the Commission make  
195 rash decisions based on faulty premises. It can take an approach that will address the  
196 issues surrounding the NEM program and potential cross-subsidization in a timely  
197 fashion when more information is forthcoming in the next couple of years.

198 **Q: Mr. Meredith defends the Company's load research and solar production study as**  
199 **statistically valid under the minimum industry standards for load studies. He states**  
200 **that I criticize the load research sampling because it may not have enough data**  
201 **points for each strata of usage. Would you please respond?**

202 **A:** It appears that Mr. Meredith misinterprets my concerns about the study. I am concerned  
203 about both studies because with a stratified analysis more data points are required than  
204 with a non-stratified analysis. These studies provide the basis for estimates of NEM  
205 customers' loads and production capabilities and thus provide the foundation for  
206 estimating the billing credits. These billing credits are by far the biggest cost component  
207 of RMP's CFCOS study. It is these estimated inputs that most contributes to RMP's

208 conclusion that NEM customers are being subsidized by other customers. The studies  
209 take observations from different counties and also try to stratify the data by usage levels.  
210 With stratified studies that are also segmented (in this case by area, i.e., counties), the  
211 correct technique to insure statistical accuracy is to have a data point or observation of  
212 each strata for each area. A correct study would have an observation of each usage level  
213 for each county. The study does not come close to meeting this criterion for a valid  
214 stratified statistical study. Mr. Meredith admits that there were some counties that had  
215 one or no observations. A study that meets the minimum of industry standards does not  
216 have the evidentiary weight necessary to warrant a major policy change that will affect  
217 not only NEM customers and the solar industry in Utah, but future ratepayers.

218 **Q: Mr. Meredith criticizes your testimony on the added value that the NEM program**  
219 **will have on reducing peak loads and freeing up capacity to be sold on the market.**  
220 **He says that you confused Mr. Marx's testimony with Mr. Meredith's testimony and**  
221 **the assumption that the Company reduced its system peak by 7% is incorrect.**  
222 **Please respond.**

223 **A:** In response to the use of the 7% assumed peak reduction, we did confuse Mr. Marx's  
224 testimony and Mr. Meredith's testimony. Through the collective RMP testimony there  
225 are numerous comments that the rooftop generation of NEM customers has little impact  
226 on reduction of peak demand. As cited in our original rebuttal testimony, this includes  
227 the following:

228 *"This solar generation often does not coincide with the Company's peak load, thus only*  
229 *minimally reducing that load. Company witness Mr. Marx testifies that a net metering*  
230 *customer's peak production occurs during the spring months while their peak load, and*

231 *that of other customers occurs during the summer months “.*<sup>1</sup>

232 *“In addition, because peak solar generation often does not coincide with the time of the*  
233 *Company’s peak load, net metering customers’ private generation systems have only a*  
234 *modest ability to reduce peak load.”*<sup>2</sup>

235 *“The peak energy output of these solar systems occurs in the middle of the day prior to*  
236 *the timing of both the system and class level peaks. As a result of this output, the energy*  
237 *requirements for these customers are reduced, but the peak demand is either unchanged*  
238 *or reduced very modestly.”*<sup>3</sup>

239 *“My testimony demonstrates that rooftop solar generation does not reduce the peak*  
240 *demand on the distribution system to a degree that could warrant a reduction in*  
241 *infrastructure.”*<sup>4</sup>

242 However, the actual quantification of the amount of peak reduction was not noted in the  
243 Company’s original testimony. As such, we used the 7% reduction per Mr. Marx’s  
244 testimony as a proxy for the “minimal” reduction in peak load actually modeled by the  
245 Company.

246 In its ‘Capacity Contribution of Private Generation’ calculation submitted with rebuttal  
247 testimony, the Company calculates a capacity contribution percentage of 24.0% for NEM  
248 generation. However, Mr. Meredith did not explicitly say whether that number was used  
249 in his analysis. Furthermore this estimate remains much lower than other estimates of the  
250 capacity value (or peaking shaving capability) of solar PV resources. For instance, in its  
251 “Solar Energy and Capacity Value” fact sheet (September 2013), NREL states that “in

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1 RMP Compliance Filing, page 13 (Discussion, section B)

2 RMP Compliance Filing, page 9 of direct testimony of Gary W. Hooegeveen, lines 192 - 196

3 RMP Compliance Filing, page 19 of direct testimony of Joelle R. Steward, lines 346 - 350

4 RMP Compliance Filing, page 2 of direct testimony of Douglas Marx, lines 27 - 29

252 the western United States, the capacity value of PV plants can be in the range of 50% to  
253 80% of their alternating current (AC) rating...”. NREL also lists several specific studies  
254 which had capacity values ranging from 20% to 78.3%, with most in the range of 40 –  
255 60%.

256 Table 1: NREL-Cited Studies on Capacity Value of Solar PV Resources<sup>5</sup>

Utility District Studied (Authors)	Summary of Methodology	Reported Capacity value
Arizona Public Service (APS 2013)	Performance data from installed system in service territory, load profiles from 2003 to 2007; single-axis tracking; deployment projections for 2015; ELCC simulations for existing capacity and next 100 MW built	45.9%–48.4%
Nevada Energy (Lu et al. 2012)	Nevada Energy southern system generation fleet in the 2007 study year; ELCC calculation using LOLE of 1 day in 10 years	57.4%
Nevada Power (Perez et al. 2008a)	Satellite-derived resource data to simulate output; simulated 2% PV deployment; 30° SW-facing fixed systems; ELCC calculation	71%
New York ISO (Perez et al. 2009b)	South-facing fixed slope; ELCC calculation for simulated 2% PV grid penetration using 2007 generation and load data	44.3–78.3%
Portland General Electric (Perez et al. 2008a)	Satellite-derived resource data to simulate output; simulated 1% PV deployment; 30° SW-facing fixed systems; ELCC calculation	31%
Public Service Colorado (Xcel 2013)	2009-2010 historic load and solar generation; single-axis tracking; ELCC calculation using LOLE of 1 day in 10 years	41%–47%
TriState (TriState 2010)	LOLP method, with expected capacity availability during peak load hour; unclear assumptions for generation and load data	20%–57%

257  
258 If we assume an incremental net peak shaving for NEM customers of 13.9% (based on:  
259 (1) 37.9% capacity contribution of fixed tilt rooftop solar capacity per the Company’s  
260 2017 IRP, which is the low end of the range in the table shown immediately above less  
261 (2) 24.0% contribution modeled), the resulting impact is a reduction of the NEM subsidy  
262 (due to shift of demand-based costs) of approximately \$241K<sup>6</sup>.

263 **DOUGLAS MARX**

<sup>5</sup> NREL, Representation of Solar Capacity Value in the ReEDS Capacity Expansion Model, March 2014

<sup>6</sup> This assumes that NEM Schedule 001 peak load is reduced by 13.9% and total (NEM and non-NEM) Schedule 001 peak load remains constant with original NEM Breakout case.

264 **Q: Mr. Marx states that several intervenors either do not understand the engineering**  
265 **principles of the distribution system and/or rely on “myths” in order to criticize his**  
266 **testimony. He states that your testimony is only true in limited instances. How do**  
267 **you respond?**

268 **A:** Mr. Marx criticizes Dr. DeRamus for exaggerating the amount of avoided line losses that  
269 distributed generation will provide to the system. He states that “only in limited  
270 situations when the neighbors do not produce solar energy (as they could be producing  
271 excess at the same time) or when the neighbor’s load is sufficiently high enough to  
272 require the full amount of excess energy” is there no line losses. Yet he fails to recognize  
273 that currently there is less than 2% of the residential customers that are providing  
274 distributed generation. His concerns are really only relevant when there are very high  
275 levels of NEM participation. He seems to think that there will be no line losses only if  
276 the electricity flows to another customer on the same transformer. However, the  
277 electricity will flow to the nearest user and distributed generation will avoid the line  
278 losses that exist for energy that is generated miles away, sometimes thousands of miles.  
279 Many times generation sources located at the end of a distribution system can stabilize  
280 voltage levels and provide other advantages to the distribution system.

281 **Q: Mr. Marx states that you misrepresent his testimony in a number of instances for**  
282 **example, when you state on line 737-738 of your direct testimony that he inferred**  
283 **that “in May the maximum exported power could be as much as 50% more than the**  
284 **maximum imported power in July.” Did you misrepresent his testimony?**

285 **A:** No, I did not. His testimony states:

286 To handle the higher level of energy flow experienced in the spring months, the

287 local distribution system must be sized to accommodate the greater of the two  
288 values. Consequently, the system may be sized up to 30 percent greater than  
289 normal. In a few cases, the reverse power flow could approach 50 percent more as  
290 compared to the customers' peak load demand.<sup>7</sup>

291 Given that May is a spring month and July is usually when the system peaks, I don't  
292 know how this misrepresents his testimony. He is merely quibbling about semantics; the  
293 real issue is that he is exaggerating the impact that NEM customers have on the  
294 distribution system. Whether he claims that NEM usage requires a 30% increase in  
295 capacity design or that flows can be 50% greater than inflows, the tenor of his testimony  
296 is that there is no savings to peak demand from NEM production for the distribution  
297 system. This ignores the results of the Company's own studies. When I rebutted this  
298 contention with my testimony that if "one or two customers on the transformer are non-  
299 NEM customers or less than full zero net energy customers, then the exported power  
300 from the NEM customer will simply negate the inflow of power to the non-Net metering  
301 customers."<sup>8</sup> He claims that is only true under very limited parameters. He is assuming  
302 that there will be frequent cases where there are multiple zero-net users on the same  
303 transformer or that other customers will not absorb the excess power. But again, he fails  
304 to recognize the limited number of NEM customers on the system and the Company  
305 provides no information that NEM customers are highly concentrated on any one  
306 transformer.

307 **Q: Mr. Marx rebuts your testimony concerning the lack of recognition of the possible**  
308 **reduction in future upgrades of distribution equipment. Do you care to respond?**

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<sup>7</sup> RMP Compliance Filing, page 4 of direct testimony of Douglas Marx, lines 73-77.

<sup>8</sup> Collins direct testimony lines. 741-744

309 **A:** Mr. Marx does not deny the possibility that NEM customers could reduce the need for  
310 upgrading transformers and distribution equipment. He appears to be playing semantics  
311 again, this time with the word “may”. In my direct testimony<sup>9</sup>, I state that given the  
312 results of the Company’s two distribution modeling studies that finds that distributed  
313 generation reduces peak demand on circuits by 7%, “it may delay the need for future  
314 upgrades to the circuits.” He states this is very ambiguous as he is uncertain what “delay  
315 the need” means and then contends that “may” is the key operative word and goes on to  
316 state that given many uncertain events such as increased load, shifting usage  
317 characteristics and changes in spring or fall solar generation, it “may” lead to an  
318 *increased* demand on the circuit. I was merely showing that his assertion that NEM will  
319 cause the need for upgrades is untrue in most circumstances and it contradicts the  
320 Company’s own studies that show NEM reduces peak demand on the distribution system  
321 by 7%.

322 **MICHAEL WILDING**

323 **Q: Mr. Wilding questions whether the capacity value of the NEM Program can be**  
324 **valued using the California Public Utility Commission resource adequacy (“RA”)**  
325 **process. Please comment.**

326 **A:** With regards to the Company’s assertion that the CPUC RA process cannot be used to  
327 value the capacity of the NEM program, we note several points. First, California relies  
328 heavily on energy and capacity from resources located outside the CAISO, including  
329 hydro-electric generation from the Pacific Northwest, gas-fired combined cycle  
330 generation in the Desert Southwest and, more recently, renewable resources located

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<sup>9</sup> See Collins Direct Testimony lines. 746-750

331 outside the state to support CAISO demand for energy and capacity, as well as state  
332 renewable portfolio standards. Therefore, if a resource is located outside the state but can  
333 generate into CAISO—presumably with available firm transmission capacity, which  
334 RMP has (and subject to CAISO-defined resource adequacy import capability)—it can  
335 qualify as a capacity resource and receive associated capacity revenues. Further,  
336 although RMP does not “control” the dispatch of the NEM capacity, it nonetheless  
337 creates additional capacity available at facilities RMP does control that can be monetized.  
338 RMP has not historically bid its resources into the CAISO, likely due in part to a lack of  
339 financial incentive under its regulated rate structure. However, although there is a  
340 process to get resources qualified as capacity under the CAISO RA process, the potential  
341 to create capacity value by doing so exists, as a result of additional excess capacity  
342 created by NEM resources.

343 **CRITIQUE OF THE DIVISION’S REBUTTAL TESTIMONY**

344 **Q: Division witness Mr. Faryniarz criticizes both yours and Dr. DeRamus’s testimony**  
345 **recommending the removal of the bill credits from both the CFCOS and the NEM**  
346 **breakout studies because it does not include the costs associated with the NEM**  
347 **program.<sup>10</sup> Please respond.**

348 **A:** Mr. Faryniarz states that under traditional utility regulation a utility is not entitled to  
349 recover lost revenues. I agree with this statement whole heartily. However, he does not  
350 explain why energy that is self-generated by NEM customers and consumed on their  
351 premises is not lost revenue. He claims that my analysis removes the revenues associated  
352 with bill credits but does account for costs. That statement is simply not true. I explicitly

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<sup>10</sup> See Faryniarz rebuttal lines 930-941

353 account for costs by removing from RMP's analysis the net power costs associated with  
354 the generation that is consumed at the home.<sup>11</sup> One must remember that the Company  
355 estimates the total production of electricity from the NEM program and deems that a cost  
356 to the system, i.e., the bill credit. They then offset this cost with the benefit of a lower  
357 Net Power Cost (NPC). Dr. DeRamus and I argue that NEM generated energy consumed  
358 by the NEM customer is not a cost, it is simply lost revenue. It should not be included in  
359 the analysis. Utilities' energy efficiency programs do not include lost revenues as a cost  
360 when evaluating such programs. He further tries to buttress his argument with the  
361 statement "By only removing the lost revenues from onsite generation without any  
362 adjustment to the avoided costs, Dr. DeRamus and Mr. Collins essentially assume that a  
363 utility can achieve reduced net power costs from reduced load without any loss of  
364 revenues, which does not make sense." He appears to misinterpret my intent of this  
365 adjustment to the CFCOS. As he has acknowledged lost revenues should not be  
366 recovered by the utility, I removed the bill credits associated with lost revenues by  
367 removing all bill credits and then adjusting those bill credits to explicitly deal with the  
368 energy costs associated with energy consumed behind the meter. I also adjusted for  
369 changes in interjurisdictional allocation benefits. I did not assume that the utility can  
370 reduce net power costs with no loss of revenues, although that is certainly possible for a  
371 utility to reduce its power costs without affecting revenue. For example, if wholesale  
372 power prices drop and the utility can buy power cheaper its revenues will not be affected.  
373 I tried to do exactly what he suggested which was to analyze scenarios with and without  
374 exported power.

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<sup>11</sup> See Collins Direct lines 574-580

375 **Summary of Surrebuttal Testimony**

376 **Q: Can you summarize your surrebuttal testimony?**

377 **A:** The Commission should reject the Company's proposal to change rates for NEM  
378 customers. It should make a finding that a three part tariff with a high demand charge is  
379 not suitable for residential customers whether they participate in the NEM program or  
380 not. The Commission should immediately open another docket that will determine how  
381 the NEM program should evolve and set up a procedure to determine the value of  
382 exported power that comes from NEM generation to the grid. The Commission should  
383 make a finding that the IRP process has recognized the potential benefits of reducing  
384 future loads and that self-generation by customers is a very viable way to achieve this.  
385 The Commission should order that Company to perform a new load and NEM production  
386 profile study that includes a large enough sample to insure valid statistical results.

387 **Q. Does this conclude your surrebuttal testimony?**

388 **A.** Yes.

## CERTIFICATE OF SERVICE

I hereby certify that on August 8, 2017, I sent a true and correct copy of the pre-filed surrebuttal testimony of Richard Collins for Vivint Solar, Inc. in Docket 14-035-114 by email to the following:

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