BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE INVESTIGATION OF THE COSTS AND BENEFITS OF PACIFICORP'S NET METERING PROGRAM	)))))))))	**DOCKET NO. 14-035-114** **DPU Exhibit 2.0SR**

COST OF SERVICE

(NET METERING PROGRAM)

SURREBUTTAL TESTIMONY OF STAN FARYNIARZ

ON BEHALF OF

THE UTAH DIVISION OF PUBLIC UTILITIES

August 8, 2017

I. INTRODUCTION

Q. What is your name?

A. My name is Stan Faryniarz.

Q. Are you the same Stan Faryniarz who filed both Direct and Rebuttal Testimony in this proceeding?

A. Yes.

Q. What is the purpose of your testimony?

A. I wish to respond to certain arguments made by other intervenors in their rebuttal testimony in this proceeding. Specifically, I address the following:

- My conclusion that it is not necessary, for now and at the current level of penetration, to separate NEM customers into their own class. However, I do not object to the NEM customers being placed in their own class if deemed appropriate for other policy reasons, or to address compensation rates for generation exported to the grid.
- RMP's updated rate design, which includes an updated customer charge and option for NEM customers to select service under a TOU rate structure.
- The necessity for the Commission to employ gradualism with any adopted proposals from the intervenors to avoid rate shock from new rates or alternative rate structures.

My testimony is in conjunction with the other Division of Public Utilities' (Division) witnesses, Artie Powell, Ph.D., and Myunghee Tuttle. Dr. Powell responds to several statistical issues raised in rebuttal testimony by other parties and the use of the IRP as a tool to value distributed generation. He also discusses the joint proposal offered by the Division and the Office of Consumer Services (Office) in their respective rebuttal testimony. Ms. Tuttle responds to Rocky Mountain Power's (Company) witness Ms. Joelle Steward's statement regarding the Commission's 1985 methodology.

II. ISSUES AND ANALYSIS

A. Separate Rate Class

Q. What was your recommendation regarding the separation of NEM customers into their own class?

A. As I stated in my Direct Testimony, my analysis and findings from reviewing the Company's load research and cost data led me to conclude that for now and at the current level of penetration, it is not necessary to separate NEM customers into their own class.[1] However, as stated then, I do not object to the NEM customers being placed in their own class if it is "deemed appropriate for other policy reasons, or to address compensation rates for generation exported to the grid".[2]

[1] Division of Public Utilities Direct Testimony of Stan Faryniarz, p. 6, lines 90-92, p. 42, lines 755-756, and p. 70, lines 1299-1301.
[2] *Id.*, p. 6, lines 92-94, p. 43, lines 771-773, and p. 71, lines 1302-1304.

Q. Did other intervenors agree with your recommendation?

A. Yes, they partially agree. Several witnesses stated that they agreed with my analysis and recommendation that separating NEM customers into their own class at the current penetration levels is not necessary.[3] However, some intervenors may have misinterpreted my conclusions as contrasting with Dr. Artie Powell's conclusions.[4] One intervenor, Vote Solar, even though agreeing with my general observations, states that "because he recognizes that the export compensation rate should be evaluated in a separate proceeding, considering all of the costs and benefits of DSG from a longer-term perspective, Mr. Faryniarz does not have a reasoned basis for even qualified support for a separate rate class or a fundamental change in rate structure."[5]

Q. Do you agree with Dr. Artie Powell's recommendation on line 438 in his Direct Testimony that "separating residential NEM customers into their own class is not unreasonable"?

A. Yes. Dr. Powell qualifies his findings by explaining that the evidence is mixed and more analysis may be needed to capture all possible customer impacts, as well as the distribution of benefits created by NEM customers.[6] As I stated in my Direct Testimony and restated above, NEM customers could be placed in their own class for a policy reason

[3] Vivint Solar Rebuttal Testimony of Thomas Plagemann, p. 11, lines 211-212; Vote Solar Rebuttal Testimony of Dr. David DeRamus, p. 12, lines 234-238; and Utah Clean Energy Rebuttal Testimony of Tim Woolf, pp. 8-9, lines 144-153.
[4] Vivint Solar Rebuttal Testimony of Richard Collins, p. 5, lines 103-107 and Vivint Solar Rebuttal Testimony of Thomas Plagemann, pp. 10-11, lines 200-209.
[5] Vote Solar Rebuttal Testimony of Dr. David DeRamus, p. 17, lines 347-350.
[6] Division of Public Utilities Direct Testimony of Dr. Artie Powell, pp. 27-28, lines 426-450.

or to address compensation rates for generation exported to the grid. Whether they are placed in a separate class, or not, is distinct from the more fundamental issue of properly accounting for the costs and benefits of customer-sited DG.

B. Customer Charge

Q. Please describe Ms. Steward's rebuttal testimony regarding residential customer charges.

A. Ms. Steward continues to support higher customer charges for NEM residential customers. In support, she argues that it is necessary to recover more costs from fixed charges to ensure fixed cost recovery from NEM customers.[7] Ms. Steward relies on this argument to support a $28 customer charge for NEM residential customers on the TOU rate option.[8]

Q. Do you agree with Ms. Steward's argument?

A. No. As Ms. Steward correctly points out, the primary factor driving the results of residential NEM customers not paying their full cost of service in the Company's COS model is using retail rates to value exported energy.[9] Therefore, the best way to create a sustainable rate structure for customers who export power is to change export compensation rates to a more sustainable level that is reflective of the actual services and avoided cost benefits customer generators provide. Increasing customer charges in order

[7] RMP Rebuttal Testimony of Ms. Joelle R. Steward, p. 15, lines 293-294.
[8] *Id.*, p. 28, lines 527-529.
[9] *Id.*, p. 15, lines 283-284.

to increase revenues results in unfair outcomes for customers who do not export significant power to the grid.

Q. Is the proposed $28 monthly customer charge reasonable?

A. No. Ms. Steward summarizes what she defines as residential customer costs in Table 2 of her Rebuttal Testimony, which shows a $14.80 monthly average cost for NEM customers.[10] This is only about half the $28 monthly customer charge the Company is proposing. Moreover, even a $14.80 customer charge is too high, given that it includes components that should not be in a customer charge. As I explained in more detail in my Direct Testimony, the customer charge should not be used to recover costs not directly related to the number of customers. Therefore, I do not agree with including transformer costs and miscellaneous function costs in the customer charge, but only meters, services, and customer service costs. In addition, raising the customer charge to $28 immediately would also violate the ratemaking principle of gradualism as I explain below.

C. Gradualism

Q. Do you have any comments about how the Commission should implement any proposals put forward by the Company and intervenors in this proceeding?

A. Yes. As I stated in my Direct Testimony, "[r]egardless of the ultimate rate design and rates approved by the Commission, the rate design and rates should be gradually

[10] *Id.*, p. 14.

implemented through steps that enable proper transition to bi-directional meters and avoid or mitigate adverse average rate and bill impacts for customers."[11] This is especially important if the Commission were to accept the Company's most recent rate design proposal that includes updated rates for the previous three-part rate design with a demand charge, and a new optional TOU rate design. The latter proposal includes a much higher customer charge and on-peak and off-peak TOU rates, where the off-peak rate appears to be set close to the Company's avoided energy cost (same energy charge as under the demand charge rate structure option) and the on-peak rate is set significantly higher – almost 800 percent more.[12]

As I stated in my Direct Testimony, "[i]t will take time for the Company to replace or reprogram meters that capture bi-directional energy flow, [for the Company to conduct] proper customer outreach, and for customers to adjust to the new rate structure(s) by altering usage patterns to coincide with the change in price signals."[13]

Q. Do other intervenors agree with your statements about gradualism?

A. Yes. Most, if not all, of the intervenors addressed the need for gradualism and some suggested transition plans that could be implemented for shifting current and future NEM customers into an alternative to the current net metering program.[14] Even the Company

[11] Division of Public Utilities Direct Testimony of Stan Faryniarz, p. 8, lines 131-134, p. 59, lines 1093-1096, and p. 73, lines 1351-1354.
[12] Rocky Mountain Power Rebuttal Testimony of Joelle Steward, p. 26, lines 493-499.
[13] Division of Public Utilities Direct Testimony of Stan Faryniarz, p. 59, lines 1096-1099.
[14] Vote Solar Rebuttal Testimony of Dr. David DeRamus, p. 12, lines 251-252; Utah Clean Energy Rebuttal

realizes that customer education will be important with a new rate structure, and although it does not suggest gradually implementing its updated rate design proposal, it states that "[t]he Company will work with stakeholders to develop educational materials to be available to customers to assist their understanding of the new rates."[15]

Q. What do you mean by gradualism with respect to rate design changes?

A. Specifically, I mean that rate design changes should generally be rolled out in predetermined, incremental steps over a reasonable period of time where circumstances allow. This would allow customers to understand the construct of the design (preferably ahead of time), and how their bills will be impacted if they respond to the new price signals with altered consumption decisions, or not. A gradual introduction of new rates is a preferred way to ensure their monthly bills and average rates do not lead to bill shock and rate dislocation.

Q. Do the Company's rate design proposals offered in Direct or Rebuttal Testimony meet the standard you have identified above?

A. No, they do not. In both their original proposal, and the most recent options featured in Ms. Steward's rebuttal testimony, the Company is proposing for Schedule 5 Residential NEM customers to more than double the customer charge, institute a time-based demand

Testimony of Tim Woolf, p. 14, lines 253-255 and p. 3, lines 45-54; Vivint Solar Rebuttal Testimony of Richard Collins, p. 20, lines 441-443; Western Resource Advocate Rebuttal Testimony of Steven Michel, p. 15, lines 320-326 and p. 16, lines 337-341; and Office of Consumer Services Rebuttal Testimony of Michele Beck, pp. 14-15, lines 311-330.

[15] RMP Rebuttal Testimony of Joelle Steward, p. 30, lines 545-546.

charge of over $8/kW-Mo., and significantly lower the average energy rate as one option. A TOU rate option, recently offered in the same rebuttal testimony, would hike the customer charge even further to almost five times its current level, and institute an on-peak energy charge that approaches 30 c/kWh. The impacts from these changes, if implemented overnight and depending on customers' consumption patterns, could lead to exactly the kind of bill shock and average rate dislocation I recommend the Commission avoid.

III. SUMMARY CONCLUSIONS AND RECOMMENDATIONS

Q. Please outline your conclusions and recommendations to the Commission.

A. Based on my analysis, I make the following conclusions and recommendations:

- Based on my analysis and findings discussed in my Direct Testimony, it is not necessary, for now and at the current level of penetration, to separate NEM customers into their own class. However, I do not object to the NEM customers being placed in their own class if deemed appropriate for other policy reasons, or to address compensation rates for generation exported to the grid. Therefore, my position is consistent with Dr. Artie Powell's conclusion that it is not unreasonable for NEM customers to be separated into a different class.
- Raising customer charges to ensure fixed cost recovery results in unfair outcomes to NEM customers who do not export a significant amount of energy to the grid. The $28 customer charge in the Company's proposed TOU rate is not supported by customer-related unit costs and is not reasonable.

- If the Commission chooses to adopt any proposals put forward by the Company or intervenors, it should gradually implement them to avoid rate shock to current or future NEM customers from the new rates or rate structure.

Q. Does this conclude your testimony?

A. At this time, yes.