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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>In the Matter of Rocky Mountain Power's Proposed Revisions to Electric Service Schedule 32, Service from Renewable Energy Facilities</b>	<b>Docket No. 14-035-T02</b>
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**PREFILED SURREBUTTAL TESTIMONY OF KEVIN C. HIGGINS**

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The UAE Intervention Group (UAE) hereby submits the Prefiled Surrebuttal Testimony of Kevin C. Higgins.

DATED this 2<sup>nd</sup> day of December, 2014.

/s/ \_\_\_\_\_  
Gary A. Dodge,  
Attorney for UAE

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 2<sup>nd</sup> day of December 2014 on the following:

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/s/ \_\_\_\_\_

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF UTAH**

**Surrebuttal Testimony of Kevin C. Higgins**

**on behalf of**

**UAE**

**Docket No. 14-035-T02**

**December 2, 2014**

1                                   **SURREBUTTAL TESTIMONY OF KEVIN C. HIGGINS**

2  
3                   **INTRODUCTION**

4           **Q.     Please state your name and business address.**

5           A.           My name is Kevin C. Higgins. My business address is 215 South State  
6           Street, Suite 200, Salt Lake City, Utah, 84111.

7           **Q.     Are you the same Kevin C. Higgins who prefiled direct testimony in this**  
8           **proceeding on behalf of the Utah Association of Energy Users Intervention**  
9           **Group (“UAE”)?**

10          A.           Yes, I am.

11          **Q.     What is the purpose of your surrebuttal testimony in this case?**

12          A.           My surrebuttal testimony responds to the rebuttal testimony of Rocky  
13          Mountain Power (“RMP”) witness David L. Taylor and Division of Public  
14          Utilities (“DPU”) witness Abdinasir M. Abdulle.

15          **Q.     What are the primary conclusions and recommendations in your surrebuttal**  
16          **testimony?**

17          A.           I offer the following conclusions and recommendations:

18                       (1) I support Mr. Taylor’s rebuttal proposal that Schedule 32 incorporate  
19                       an administrative fee of \$260 per month per delivery point, as well as the same  
20                       customer charge as the otherwise applicable full requirements schedule  
21                       (Schedules 6, 8, or 9).

22 (2) I support Mr. Taylor's proposal to establish Schedule 32 rates for  
23 customers who would otherwise take service under Schedule 6. I have prepared  
24 recommended rates for these customers using my recommended approach to  
25 determining delivery charges and on-peak shaping charges.

26 (3) Under the Company's proposed delivery charges, Schedule 32  
27 customers would pay different effective rates for delivery service than their  
28 counterparts who take fully bundled service under Schedules 6, 8 and 9. This  
29 mismatch creates an unreasonable disadvantage for Schedule 32 customers. My  
30 recommended approach, which Mr. Taylor acknowledges is reasonable, corrects  
31 this problem.

32 (4) I support Mr. Taylor's rebuttal proposal to remove the generation  
33 backup facilities charge and instead recover the associated costs in the on-peak  
34 shaping charges (which Mr. Taylor proposes to be the daily power charge).

35 (5) The daily power charge proposed by RMP for Schedule 32, while a  
36 useful construct, is nevertheless inadequate for reasonably implementing Senate  
37 Bill 12 because it is simply not granular enough to produce reasonable and  
38 equitable results. Under the Company's approach, a Schedule 32 customer who  
39 delivers reliable solar capacity for 7 hours out of the 8 summer on-peak hours  
40 during a summer day will get zero credit against the on-peak demand charge  
41 because the Company will be required to provide shaping power for the last on-  
42 peak hour of the day. This result is fundamentally unreasonable and is largely an  
43 artifact of the rate design for full-service customers. My proposal to convert the

44 daily power charge into an hourly on-peak shaping charge resolves this problem  
45 by providing the Schedule 32 customer with a pro rata credit for the renewable  
46 energy capacity the customer imports during the on-peak period. At the same  
47 time, if the Schedule 32 customer provides no capacity during the on-peak period,  
48 my approach would charge that customer the full amount of the demand-related  
49 costs for that on-peak period. In my opinion, this approach strikes the reasonable  
50 balance the Commission should be striving to achieve in implementing Senate  
51 Bill 12.

52

53 **Response to Mr. Taylor**

54 **Q. What has Mr. Taylor proposed in his rebuttal testimony regarding the**  
55 **Schedule 32 administrative fee and customer charge?**

56 A. Mr. Taylor acknowledges that the administrative fee may serve as a barrier  
57 to participation for some customers with multiple smaller delivery points. In  
58 response to concerns raised by parties in this case, RMP has revised its estimate  
59 of Schedule 32 administrative costs. In his rebuttal testimony, Mr. Taylor  
60 proposes that Schedule 32 incorporate an administrative fee of \$260 per month  
61 per delivery point, as well as the same customer charge as the otherwise  
62 applicable full requirements schedule (Schedules 6, 8, or 9).

63 **Q. What is your response to Mr. Taylor's rebuttal proposal concerning the**  
64 **Schedule 32 administrative fee and customer charge?**

65 A. Mr. Taylor's rebuttal proposal is a marked improvement over RMP's  
66 initial proposal, and I support its adoption.

67 In my direct testimony I was critical of the Company's initial proposal,  
68 which was based on RMP's Schedule 31 customer charges (which are  
69 significantly greater than the Schedule 8 and Schedule 9 customer charges for  
70 comparable voltages) plus an administrative fee of \$450 per month. In my direct  
71 testimony, my preferred alternative was to set the customer charge at the  
72 customer's otherwise applicable rate schedule, plus an administrative fee of \$200  
73 per month. I believe Mr. Taylor's rebuttal proposal represents significant and  
74 reasonable movement towards this alternative.

75 **Q. What has Mr. Taylor proposed in his rebuttal testimony regarding delivery**  
76 **facilities charges?**

77 A. Mr. Taylor continues to support his approach to determining Schedule 32  
78 delivery facilities charges as presented in his direct filing. To determine Schedule  
79 32 delivery facilities charges, RMP's approach utilizes the full retail cost of the  
80 Company's transmission system, and distribution system when applicable, from  
81 its cost-of-service study in the last general rate case. RMP then reduces this cost  
82 by 2.1 percent to adjust for the reduction to the Company's requested revenue  
83 requirement that was ultimately approved in the general rate case. However, Mr.  
84 Taylor acknowledges in his rebuttal testimony that current rates are not exactly  
85 equal to the Company's calculated costs and states that my recommended  
86 approach, which is calibrated to the actual rates approved by the Commission, is

87 reasonable. As described in my direct testimony, I recommend that Schedule 32  
88 delivery facilities charges be based on the delivery-related portion of the demand  
89 charges actually embedded in Schedule 8 and Schedule 9 rates.

90 **Q. What is your response to Mr. Taylor's rebuttal discussion of this point?**

91 A. Mr. Taylor has accurately characterized the differences in our positions on  
92 this point. If RMP's full service retail rate schedules were set exactly equal to the  
93 results of the Company's cost-of-service study, then Mr. Taylor's approach to  
94 determining the Schedule 32 delivery facilities charges and my approach would  
95 produce the same answer. However, the Company's cost-of-service study was  
96 not adopted or approved by the Commission in the last rate case and, in Utah, is  
97 just one factor among several that are used in setting rates for full service  
98 customers. Thus, the actual rates in the Company's tariff do not match the  
99 Company's cost-of-service study results as a general matter – and this is certainly  
100 true for Schedules 8 and 9, which are the companion full service rate schedules  
101 for Schedule 32 customers presented by RMP in its direct case. As a  
102 consequence, under the Company's approach, Schedule 32 customers would pay  
103 different effective rates for delivery service than their counterparts who take fully  
104 bundled service under Schedule 8 or Schedule 9. This mismatch creates an  
105 unreasonable disadvantage for Schedule 32 customers. My recommended  
106 approach, which Mr. Taylor acknowledges is reasonable, corrects this problem.

107 **Q. In his rebuttal testimony, Mr. Taylor presents a version of Schedule 32 rates**  
108 **for Schedule 6 customers. Have you prepared recommended Schedule 32**



109 **rates for Schedule 6 customers as well, using your recommended approach to**  
110 **determining the delivery charge and hourly on-peak shaping charge?**

111 A. Yes. The calculation of these recommended rates is presented in UAE  
112 Exhibit 2.1.<sup>1</sup> These rates are summarized in Table KCH-SR1 below, along with  
113 the companion Schedule 32 rates applicable to Schedule 8 and Schedule 9  
114 customers initially presented in my Direct Testimony.

115

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<sup>1</sup> Note that my recommended hourly on-peak shaping charge was estimated using the Schedule 8 load shape data. UAE attempted to acquire information concerning the Schedule 6 load shape in discovery during the 2012 general rate case, but was informed by the Company that this information is not available.

**Table KCH-SR1**

**UAE Recommended Schedule 32 Charges**

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		<b><u>Step 1 Rates</u></b>
	<b>Customer Charge</b>	Sch. 6, 8, 9
	<b>Administrative Charge</b>	\$260/month
	<b>Delivery Facilities Charge</b>	
	Secondary Voltage (< 1 MW)	\$7.54/kW-mo.
	Primary Voltage (< 1 MW)	\$6.60/kW-mo.
	Secondary Voltage (> 1 MW)	\$7.82/kW-mo.
	Primary Voltage (> 1 MW)	\$6.68/kW-mo.
	Transmission Voltage	\$3.79/kW-mo.
	<b>Hourly On-Peak Shaping Charge</b>	
	Secondary Voltage (< 1 MW)	
	Summer	8.2694¢/kWh
	Non-Summer	2.7393¢/kWh
	Primary Voltage (< 1 MW)	
	Summer	8.2694¢/kWh
	Non-Summer	2.7393¢/kWh
	Secondary Voltage (> 1 MW)	
	Summer	8.3724¢/kWh
	Non-Summer	2.8216¢/kWh
	Primary Voltage (> 1 MW)	
	Summer	8.3724¢/kWh
	Non-Summer	2.8216¢/kWh
	Transmission Voltage	
	Summer	7.9371¢/kWh
	Non-Summer	2.5444¢/kWh
	<b>Shaping Energy Charge</b>	Sch. 6, 8, 9
	<b>Supplementary Power and Energy</b>	Sch. 6, 8, 9

**Q. What has Mr. Taylor proposed in his rebuttal testimony regarding the generation backup facilities charge?**

152 A. Mr. Taylor has modified RMP's proposal in response to the testimony of  
153 other parties. In my direct testimony I recommended against adoption of the  
154 generation backup facilities charge, arguing that the shaping charges levied on  
155 Schedule 32 customers can be designed to be compensatory to the Company for  
156 the backup service provided. Further, I noted that there is no requirement or  
157 mention of a generation backup facilities charge in Senate Bill 12. In response,  
158 Mr. Taylor acknowledges that Senate Bill 12 does not specifically prescribe a  
159 backup charge, while maintaining that it does not preclude such a charge either.  
160 Nevertheless, the Company is now agreeing to remove the generation backup  
161 facilities charge and instead recover the associated costs in the daily power charge  
162 (which I refer to as "shaping charges").

163 **Q. What is your response to Mr. Taylor's rebuttal proposal to remove the**  
164 **generation backup facilities charge and instead recover the associated costs**  
165 **in the proposed daily power charge?**

166 A. I appreciate the Company's willingness to reconsider this point and to  
167 remove the generation backup facilities charge from the rate design. The  
168 Company properly redirects the cost recovery intended by this charge into the  
169 shaping charges (or daily power charge). As I discuss below, Mr. Taylor and I  
170 continue to disagree with respect to the best rate design for the shaping charges,  
171 but we do not disagree that the generation backup facilities costs should be  
172 recovered from this rate component rather than through the standalone generation  
173 backup facilities charge initially proposed by the Company.

174 **Q. How does Mr. Taylor respond to your assessment of RMP’s proposed**  
175 **shaping charges?**

176 A. This rate component was initially called the “backup power charge” by  
177 RMP. However, in my direct testimony I pointed out that the product being  
178 provided by the backup power charges is more accurately characterized as  
179 “shaping power” rather than “backup power.” Mr. Taylor acknowledges that this  
180 rate component involves an element of shaping power, rather than strictly backup  
181 power, and proposes to remove the reference to “backup” by renaming this rate  
182 component “Daily Power Charges.”

183 However, Mr. Taylor does not agree with my recommended approach to  
184 make this rate component more granular by converting it from a daily demand  
185 charge to an “hourly on-peak shaping charge.” Mr. Taylor contends that my  
186 recommended approach would constitute an energy charge billed during an on-  
187 peak period, rather than a demand charge. Mr. Taylor does not agree with my  
188 recommendation and does not believe it is supported by the language of Senate  
189 Bill 12.

190 **Q. What is your response to Mr. Taylor’s rebuttal position regarding the rate**  
191 **design of the charge that recovers on-peak shaping costs?**

192 A. This issue represents the major outstanding disagreement between the  
193 Company and UAE in this case. I continue to maintain that the hourly on-peak  
194 shaping charge I am recommending represents the most reasonable way to

195 implement Senate Bill 12 by balancing the interests of (potential) Schedule 32  
196 customers and non-participants.

197 To reiterate my position, I acknowledge that the daily power charge  
198 proposed by RMP for Schedule 32 is a useful construct because it attempts to  
199 charge the Schedule 32 customer for the customer's daily utilization of generation  
200 demand. However, this approach is nevertheless inadequate for reasonably  
201 implementing Senate Bill 12 because it is simply not granular enough to produce  
202 reasonable and equitable results. My approach takes RMP's idea and merely  
203 takes it one step further by converting the daily power charge into an hourly on-  
204 peak shaping charge. By making this charge more granular, it indeed converges  
205 to an on-peak energy charge, as Mr. Taylor contends. However, there is nothing  
206 wrong with that. Given the unique character of this aspect of Schedule 32 service  
207 – i.e., providing shaping (and back-up power) to customers who bring external  
208 capacity to the system – recovering demand-related costs through the hourly on-  
209 peak shaping charge is perfectly appropriate.

210 My recommended approach makes sense for the issue at hand: designing  
211 fair rates for customers who are bringing renewable energy capacity to the system  
212 during on-peak hours. The fundamental problem with the Company's approach is  
213 that it is an "all or nothing" proposition. Under the Company's approach, a  
214 Schedule 32 customer who delivers reliable solar capacity for 7 hours out of the 8  
215 summer on-peak hours during a summer day will get ZERO credit against the on-  
216 peak demand charge because the Company will be required to provide shaping

217 power for the last on-peak hour of the day (i.e., between 8 and 9 pm). The  
218 demand “penalty” charged to the Schedule 32 customer in this example is not  
219 grounded in a valid argument that maintains that the customer’s imported solar  
220 capacity is somehow actually worthless – no party is taking that position – the  
221 demand penalty is simply an artifact of the rate design for full-service customers.  
222 Whether or not the “all or nothing” characteristic of the on-peak demand charge is  
223 reasonable for the full-service customers for whom Schedules 6, 8 and 9 are  
224 intended, the on-peak demand charge was not designed with customers in mind  
225 who would “bring their own” renewable energy capacity to the table. As the  
226 Commission seeks to implement the public policy of the State embodied in Senate  
227 Bill 12, the Commission cannot reasonably ignore this glaring shortcoming in the  
228 Company’s Schedule 32 rate design. My recommended approach overcomes this  
229 shortcoming by providing the Schedule 32 customer with a pro rata credit for the  
230 renewable energy capacity the customer imports during the on-peak period. At  
231 the same time, if the Schedule 32 customer provides no capacity during the on-  
232 peak period, my approach would charge that customer the full amount of the  
233 demand-related costs for that on-peak period. In my opinion, this approach  
234 strikes the reasonable balance the Commission should be striving to achieve in  
235 implementing Senate Bill 12.

236 **Q. Is your approach to recovering on-peak shaping costs consistent with the**  
237 **requirement of Senate Bill 12 that a participating customer must pay for all**

238 **metered electric service delivered to that customer at the applicable tariff**  
239 **rates, but with certain specified cost exclusions?**

240 A. Yes. Specifically, Senate Bill 12 (Utah Code Section 54-17-805(3))  
241 requires that:

242 (3) A qualified utility that enters a renewable energy contract shall charge  
243 a contract customer for all metered electric service delivered to the  
244 contract customer, including generation, transmission, and distribution  
245 service, at the qualified utility's applicable tariff rates, excluding:

246  
247 (a) any kilowatt hours of electricity delivered from the renewable energy  
248 facility, based on the time of delivery, adjusted for transmission losses;

249  
250 (b) any kilowatts of electricity delivered from the renewable energy  
251 facility that coincide with the contract customer's monthly metered  
252 kilowatt demand measurement, adjusted for transmission losses;

253  
254 (c) any transmission and distribution service that the contract customer  
255 pays for under Subsection (1) or (2); and

256  
257 (d) any transmission service that the contract customer provides under  
258 Subsection (2) to deliver generation from the renewable energy  
259 facility.

260

261 In my view, the "applicable tariff rate" referenced in the statute is the Schedule 32  
262 rate schedule that is being developed in this proceeding. The basis for the cost  
263 recovery included in Schedule 32 as proposed by RMP and in my testimony are  
264 the *otherwise* applicable rate schedules, but the rate design for Schedule 32 *per se*,  
265 including its definition of billing demand, is distinct from those other rate  
266 schedules, given its unique applicability, and will be determined in this docket.

267 My proposal for designing an on-peak shaping charge clearly aligns with  
268 3(a) above in that it excludes from cost recovery any kilowatt hours of electricity

269 delivered from the renewable energy facility, *based on the time of delivery*. It is  
270 also consistent with 3(b) above in that it excludes from recovery any kilowatts of  
271 electricity delivered from the renewable energy facility that coincide with the  
272 contract customer's monthly metered kilowatt demand measurement. Provisions  
273 3(c) and 3(d) are not related to the on-peak shaping charge, although my overall  
274 proposal is consistent with these provisions as well.

275

276 **Response to Dr. Abdulle**

277 **Q. How do you respond to the rebuttal testimony of DPU witness Abdinasir M.**  
278 **Abdulle in which Dr. Abdulle maintains that your rate design**  
279 **recommendation implicitly ignores the “fact” that in supplying backup or**  
280 **shaping power, the Company must maintain reserves to meet the entire**  
281 **amount of the contractual maximum renewable generation?**

282 A. Dr. Abdulle's criticism appears to be directed primarily at my proposal to  
283 remove the generation backup facilities charge, which, through Mr. Taylor's  
284 rebuttal testimony, RMP has conceded can be reasonably accommodated.  
285 Further, my proposal *does* compensate RMP for the full amount of the capacity  
286 provided by the Company – for the hours in which the Schedule 32 customer  
287 requires it. Moreover, and most fundamentally, Dr. Abdulle offers no  
288 constructive solution to the structural shortcoming in RMP's approach I discussed  
289 above, namely that the Company's approach would deem the capacity provided  
290 by a Schedule 32 customer for 7 out of 8 peak summer hours to be worthless.



291           Consequently, on this critical question, the DPU fails to offer a useful path  
292           forward that would assist the Commission in advancing the public policy  
293           objectives of Senate Bill 12 in a just and reasonable manner.

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

295   A.           Yes, it does.