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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's Proposed Electric Service Schedule 32, Service from Renewable Energy Facilities	Docket No. 14-035-T02
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POST-HEARING BRIEF OF THE UAE INTERVENTION GROUP

Summary of UAE Position

The UAE Intervention Group (UAE) supports most aspects of RMP's proposal (as changed and refined in rebuttal testimony and at the hearing) for Schedule 32 rates and rate design. Among other things, UAE supports an administrative fee of \$260 per month, a customer charge based on the otherwise applicable full requirements schedule, elimination of the generation backup facilities charge and recovery of associated costs through on-peak shaping charges, and adoption of Schedule 32 rates for customers who would otherwise take service under Schedule 6. UAE applauds RMP's willingness to work with parties to develop reasonable Schedule 32 rates and rate design with respect to the issues discussed above. However, UAE continues to disagree with two important components of RMP's proposal. UAE respectfully

submits that the evidence in this docket strongly supports the two additional changes or adjustments proposed by UAE

First, RMP's proposed delivery charges should be adjusted to reflect actual rates paid by comparable full requirements customers. RMP's proposed delivery charges would require a Schedule 32 customer to pay higher effective delivery rates than a counterpart that takes service under a full requirements schedule. UAE's proposal remedies this inequity, and RMP has acknowledged that the UAE proposal is reasonable.

Second, RMP's proposal to disaggregate monthly demand into daily power measurements and charges should be extended one additional step, by disaggregating them into hourly on-peak measurements and charges. RMP's daily power charge concept is useful, but inadequate, for setting just and reasonable Schedule 32 rates. Under RMP's proposed peak day power charges, a Schedule 32 customer who delivers reliable solar capacity for nearly all on-peak hours would nevertheless get no demand credit whatsoever if it required shaping power for even one fifteen-minute on-peak increment. This unreasonable result is an unnecessary rate design artifact of certain full-service schedules. Measuring monthly demand based on the single highest 15-minute on-peak increment each month may (or may not) be reasonable for full-requirements schedules. However, it is clearly not reasonable--nor required--for purposes of measuring or charging Schedule 32 demand costs.

The purpose of this docket is to determine appropriate Schedule 32 rates, rate design and measurements. The Commission can properly and lawfully adopt a monthly demand measurement tailored to Schedule 32. Indeed, UAE respectfully submits that the Commission *must* do so in order both produce just and reasonable results for Schedule 32 and to properly implement the intent of Senate Bill 12.

Delivery Facilities Charges

RMP bases its proposed Schedule 32 delivery facilities charges on costs and procedures from its cost-of-service study in the last general rate case. RMP reduced its proposed charges to reflect the overall reduction in the approved revenue requirement, but it did not adjust them to reflect the rates as actually approved by the Commission. Utah rates currently in effect do not flow precisely from RMP's cost-of-service model. That model was not formally adopted or approved by the Commission, and it is but one of several factors used in setting rates and rate design.

UAE's unchallenged testimony demonstrates that RMP's proposed delivery charges would require a Schedule 32 customer to pay higher effective delivery rates than a counterpart that takes service under a full requirements schedule,¹ a result that is neither fair nor equitable. UAE calibrated its proposed delivery facilities charges to the *actual rates* approved by the Commission in the last general rate case, an approach that RMP has acknowledged is reasonable.² Schedule 32 delivery facilities charges should be based on the delivery-related portion of demand charges actually embedded in otherwise-applicable full service rate schedules to avoid an unreasonable disadvantage to Schedule 32 customers.

Shaping Charges

Background. RMP's Schedule 32 rate design proposal includes a rate component initially called a daily "backup power charge," but later renamed a "daily power charge." While RMP's construct is a useful starting point, a daily shaping charge is insufficiently granular to produce reasonable results. It does not adequately credit partial requirements customers who bring renewable energy capacity to the RMP system during some, but not all, on-peak hours.

¹ *E.g.*, Surrebuttal Testimony of Kevin C. Higgins, page 5, lines 91 - 106; Hearing Transcript, page 92, lines 4 - 19.

² *E.g.*, Rebuttal Testimony of David L. Taylor, page 8, lines 136-137; Hearing Transcript, page 23, lines 2-10.

The Company's "all or nothing" approach admittedly penalizes a Schedule 32 customer who delivers reliable solar capacity for most on-peak hours, resulting in no demand credit whatsoever.³

Under RMP's approach, a Schedule 32 customer would receive no capacity credit if the Company provides shaping power for even one fifteen-minute increment during any on-peak hour each day. There is no evidence in the record whatsoever that this penalty is premised on a valid cost- or value-basis; indeed, nobody has argued that on-peak capacity is worthless unless it is delivered in every single on-peak hour.⁴ Rather, parties have contended (incorrectly) that this unjust penalty is somehow required by the language of Senate Bill 12,⁵ or is appropriate to retain consistency with another partial requirements schedule.⁶ As discussed below, neither argument is accurate or persuasive.

Senate Bill 12 Language. Some have suggested that, regardless of fairness or unreasonable impacts, Senate Bill 12 mandates RMP's proposed demand penalty. It does not. UAE'S proposal for recovering on-peak shaping costs is entirely consistent with the portion of Senate Bill 12 dealing with rates and credits, which provides:

- (3) A qualified utility that enters a renewable energy contract shall charge a contract customer for all metered electric service delivered to the contract customer, including generation, transmission, and distribution service, ***at the qualified utility's applicable tariff rates, excluding:***
 - (a) any kilowatt hours of electricity delivered from the renewable energy facility, based on the time of delivery, adjusted for transmission losses;
 - (b) any kilowatts of electricity delivered from the renewable energy facility that coincide with the contract customer's ***monthly metered kilowatt demand measurement***, adjusted for transmission losses;

³ E.g., Hearing Transcript, page 36, line 3 - page 37, line 4.

⁴ E.g., Surrebuttal Testimony of Kevin C. Higgins, page 10, line 210 - page 11, line 221;

⁵ E.g., Hearing Transcript, page 27, line 25 - page 28 line 7.

⁶ E.g., Hearing Transcript, page 37, line 23 - page 38, line 7.

- (c) any transmission and distribution service that the contract customer pays for under Subsection (1) or (2); and
- (d) any transmission service that the contract customer provides under Subsection (2) to deliver generation from the renewable energy facility.

Utah Code Section 54-17-805(3) (emphasis added).

The “*applicable tariff rates*” to be charged to Schedule 32 customers as referenced in the opening paragraph of this section are the Schedule 32 tariff rates to be determined in this docket. Senate Bill 12 clearly does *not* mandate that Schedule 32 charges must be the same as, or even based upon, *otherwise applicable* rate schedules (i.e., Schedules 6, 8 or 9)⁷; rather, it requires that *applicable* tariff rates (as set in this proceeding) be charged. Schedule 32 will specify how monthly demand will be measured and how demand charges will be set. Nothing in the statute prejudices or mandates any specific manner of demand measurement or charge.

Those who argue that the statutory language mandates a particular approach apparently do so based upon a misreading of the portion of the statute that requires exclusion of kilowatts delivered by a customer that coincide with its “monthly metered kilowatt demand measurement.” Nothing in Senate Bill 12, or otherwise, mandates the manner in which the “applicable tariff rates” will be determined, or how “monthly metered kilowatt demand” must be measured or charged. The only mandate is that kilowatts of demand delivered by the Schedule 32 customer must be excluded from that customer’s applicable tariff charges, based on whatever “monthly metered kilowatt demand measurement” the Commission may adopt as just and reasonable for Schedule 32.

UAE’s proposal to use on-peak hours for measuring monthly metered demand is fully consistent with the language of Senate Bill 12. Under UAE’s proposal, RMP will, as required by

⁷ E.g., Hearing Transcript, page 32, line 24 - page 25, line 19.

the main clause of Section 3, *charge* the Schedule 32 customer based on “applicable tariff rates” as determined in this docket, and, as required in subsection 3(b), will *exclude* from such charges any kilowatt hours delivered from the renewable energy facility coinciding with the customer’s “monthly metered kilowatt demand measurement” as determined under Schedule 32.⁸

Those who see an inconsistent statutory mandate apparently focus narrowly and incorrectly on the statutory reference to “monthly metered kilowatt demand measurement” in Section 3(b). However, this statutory language clearly does not purport to mandate *how* a “monthly metered kilowatt demand measurement” must be done; it requires only that the delivered capacity must be excluded from the measurement.

The “monthly” reference in the statute clearly does not require a single monthly demand measurement point. Indeed, RMP own proposal bases the “monthly metered kilowatt demand measurement” on 22 on-peak days each month. UAE proposes simply to extend this “monthly metered kilowatt demand measurement” to all on-peak hours each month.

There is no statutory language or intent in Senate Bill 12 that supports an argument that a single monthly demand measurement point (or RMP’s proposed 22 on-peak day measurement points) must be used for Schedule 32 partial-requirements customers. Nor is there any logical basis for any such requirement, whether or not any such measurement is used for any other schedules. The single monthly demand measurement used in Schedules 8 and 9 was obviously not designed with customers in mind who self-supply renewable capacity during on-peak hours. UAE’s proposal provides Schedule 32 customers with pro rata credits for self-supplied renewable capacity during on-peak hours, while fully charging for demand costs in all on-peak hours when RMP is relied upon. Ignoring the acknowledged value of on-peak capacity self-

⁸ The other sub-sections of Section 3 are also satisfied by UAE’s proposal, which excludes energy delivered by the Schedule 32 customer based on the time of delivery as required by Section 3(a), and is consistent with Sections 3(c) - (d). *E.g.*, Surrebuttal Testimony of Kevin C. Higgins, page 12, line 267 - page 13, line 274.

supplied by Schedule 32 customers would be unjust and unreasonable. UAE's approach strikes a reasonable balance between Schedule 32 customers and RMP's other customers.

The complaint that UAE's approach effectively converts demand charges into on-peak energy charges elevates semantics over reason. There is no more rational basis for determining demand-related costs based on all on-peak days (as proposed by RMP) than based on all on-peak hours (as proposed by UAE). There is, however, a compelling reason to use on-peak hours rather than days, because it provides a reasonable capacity credit for valuable self-supplied on-peak capacity, consistent with the intent of the statute.

Monthly demand costs under any rate schedule can be determined and collected in any manner determined to be just and reasonable by the Commission. Given the unique characteristics of self-supplied renewable capacity for Schedule 32 customers, as well as the nature of utility services required by such customers, it is not only appropriate that demand-related costs be based on all on-peak hours, but it is also just, reasonable, rational and fair. Such a result should be the goal of all parties.

Consistency with Schedule 31. After ultimately conceding at hearing that RMP's proposal for daily power charges is inconsistent with the (inaccurate) contention that SB 12 somehow mandates a single monthly demand measurement,⁹ RMP continued to support its proposal by arguing for consistency in demand measurement under Schedule 31. Schedule 31 demand is measured and charged on a peak-day basis, and RMP suggests that the same should be true for Schedule 32.

Consistency with Schedule 31 provides no rational basis for adoption of an inequitable means of measuring or charging demand costs under Schedule 32. Schedule 31 has been in

⁹ *E.g.*, Hearing Transcript, page 32, lines 9-22; page 33, lines 12-23.

place for many years, and is used primarily by customers with on-site cogeneration facilities that tend to have high load factors. It was not designed with renewable resources in mind; nor has it been shown to be a just or reasonable approach for customers who supply renewable capacity. To UAE's knowledge, the peak day demand approach of Schedule 31 has never been directly challenged nor explicitly approved by the Commission as just, reasonable and appropriate, even for Schedule 31 customers with onsite *renewable* generation; clearly, no such showing has been made as to Schedule 32 customers who supply on-peak capacity from off-site renewable generation resources.

Rather than blindly conform Schedule 32 to Schedule 31, the Commission should adopt a just and reasonable means of measuring and collecting demand-related costs for Schedule 32 customers. Perhaps Schedule 31 should then be evaluated (in an appropriate future proceeding) to determine whether it continues to produce just and reasonable results, particularly for customers with onsite renewable generation. Under no circumstances, however, should the peak-day demand approach used in Schedule 31 be adopted for Schedule 32 absent a clear showing that it will produce just and reasonable results. No such showing has been made; to the contrary, UAE and others have demonstrated that a peak-day approach will not produce fair or reasonable results for Schedule 32 customers.¹⁰ These inequities can largely be eliminated by measuring and charging monthly demand costs over all on-peak hours.

Conclusion

UAE membership consists primarily of RMP customers who are, and intend to remain, full-requirements customers. A few UAE members may elect to self-supply a certain level of renewable resources under Schedule 32. UAE's approach in this docket has been to try to

¹⁰ *E.g.*, Hearing Transcript, page 86, lines 4-11; page 94, line 19 - page 95, line 15.

reasonably and fairly balance the interests of RMP customers who will use Schedule 32 with those who will not. UAE respectfully submits that its proposed adjustments to RMP's proposed Schedule 32 rates and design will result in a fair and reasonable compromise of all interests.

UAE respectfully asks the Commission to adopt RMP's proposed Schedule 32 tariff with two important changes proposed by UAE: (1) adjust Schedule 32 delivery charges to maintain the same effective delivery costs of those taking service under full requirements schedules; and (2) base monthly metered kilowatt demand measurements and costs on all on-peak hours. UAE submits that, with these two adjustments, Schedule 32 will produce just and reasonable rates for Schedule 32 customers, will fairly and reasonably implement the intent and purposes of Senate Bill 12, and will properly balance the interests of Schedule 32 customers and other RMP customers.

DATED this 16th day of January, 2015.

/s/ _____
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 16th day of January 2015 on the following:

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