

R. Jeff Richards (7294)
Yvonne R. Hogle (7550)
Rocky Mountain Power
201 South Main Street, Suite 2400
Salt Lake City, Utah 84111
Telephone No. (801) 220-4050
Facsimile No. (801) 220-3299
yvonne.hogle@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities	Docket No. 14-035-T02 ROCKY MOUNTAIN POWER'S POST HEARING BRIEF
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Rocky Mountain Power, a division of PacifiCorp (“RMP” or “Company”), submits this Post-Hearing Brief in accordance with the Public Service Commission of Utah’s (“Commission”) request at the hearing held in this docket December 9, 2014. Specifically, the Commission requested briefing regarding the meaning of Utah Code Ann. §54-17-805(3)(b), specifically, the term “monthly metered kilowatt demand measurement.”

I. INTRODUCTION

The Company submits that the Renewable Contract Statute (as defined below) requires that customers’ demand charges be credited based upon any kilowatts of electricity delivered from the renewable energy facility that *coincide* with the contract customer’s monthly metered demand measurement. The key word in the statute is “coincide”. The statute requires the bill to be calculated based upon like time periods and like methods as the contract customer would be billed on its otherwise applicable standard tariff. Under most standard tariffs, including Utah Schedules

6 and 9, customer demand is measured based on the highest 15-minute peak demand measurement for the month. It is a single number representing the highest usage the customer experienced over any given 15-minute period. The Renewable Contract Statute requires that the credit be determined based on deliveries that coincide with the monthly metered demand measurement. Therefore, to determine the credit, one should determine the 15-minute peak usage for the customer for the month, and then subtract any kilowatts of electricity delivered from the renewable energy facility that coincided or occurred during that exact same 15-minute time period.

Notwithstanding the literal interpretation described above, the Company supports an alternative approach, which is supported by Commission precedent in establishing and approving partial requirements tariffs. Under the alternative approach, demand is calculated on a daily basis and incorporates a monthly facilities charge. Under the Company's proposal, demand charges for Schedule 32 customers would be measured at the customers' highest 15-minute peak, measured on a *daily* basis, similar to the way Schedule 31 demand charges are measured. Schedule 32 customers are partial requirements customers, similar to customers who have generation behind their own meters. Partial requirements customers receive service under Schedule 31, which includes daily demand charges. Daily demand charges provide customers with the opportunity to avoid demand-related generation costs on days they do not require capacity and energy from the Company and only pay for capacity and energy on days it is taken. Because the Commission has historically authorized daily demand charges for similarly situated partial requirements Schedule 31 customers, the Company's position is that this precedent allows the Commission to authorize the same methodology for the calculation of demand charges for Schedule 32 customers, since they too are partial requirements customers.

The Company's recommendation notwithstanding, Mr. Higgins' and others' recommendation to calculate demand charges at an even more granular level than on a daily basis is not reasonable, is not consistent with the statute, and is not supported by Commission precedent for partial requirements customers. The Renewable Contract Statute was enacted to give customers who can't build renewable facilities behind their meter the opportunity to purchase renewable energy generated elsewhere for their own use as if it were behind their meter. Given the intent of the Statute, parity is required in the way the Company calculates costs between similarly situated partial requirements customers whose only difference is or may be that, for Schedule 31 customers, renewable energy is generated from behind the meter and, for Schedule 32 customers, it is purchased from a different location and delivered to them. Mr. Higgins' proposed method for calculating demand charges for Schedule 32 customers deviates both from the Renewable Contract Statute and from the method used to calculate demand charges under Schedule 31. Further, public policy dictates that any changes made to the Company's basic rate structure, which is used across all of the Company's tariffed customer classes, must be made in a forum where all interested parties can participate. No other existing tariff calculates demand on an hourly basis. The types of changes that are being recommended by Mr. Higgins and others rise to the level of changing the Company's basic structure and thus require wider participation by interested parties that are currently missing from this case.

II. ARGUMENT

- A. Consistent with the Rate Design for Full Requirements Service Customers, Utah Code Ann. § 54-17-801(3)(b) Requires that Demand Charges be Measured Based on the Customer's Highest 15-Minute Usage During the Peak as Measured on a Monthly Basis; But Commission Precedent Supports Demand Charges to be Measured on a Daily Basis Consistent with those for Other Partial Requirements Service Customers.

Utah Code Ann. §§ 54-17-801 *et al.* ("Renewable Contract Statute") was drafted to maintain consistency with the way the Company designs rates for all of its customers. Demand

charges for full requirements service customers like those on Schedules 6 and 9 are calculated in the summer based on the highest usage over the eight hour block as measured on a monthly basis.

Likewise, the Renewable Contract Statute is clear that:

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 ... (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 ...

Emphasis added. Utah Code Ann. § 54-17-805(3)(b).

The Statute contemplates that demand related charges should coincide with the customer's monthly demand measurement. For current partial requirements customers receiving service under Schedule 31, the monthly demand measurement is the sum of daily demand measurements. Similarly, the Company's proposed Schedule 32 converts the monthly demand charge that is found in the full requirements tariff into a daily charge. Taylor Rebuttal/11, ll. 224-226. The Company recognizes that its proposal in this case for calculating demand charges for Schedule 32 customers daily, consistent with Schedule 31, may deviate from the literal language in the Statute requiring a single monthly measurement, but the Company believes it is consistent with the requirement that all partial requirements customers be treated equally. The daily charge is designed such that a customer that uses the service every day during a month would pay essentially the same in facilities charges and power charges as a customer on the otherwise applicable general service tariff. Taylor Rebuttal/12, ll. 230-233. The Company submits that its recommended methodology continues to maintain consistency with long-established practice and Commission-setting precedent for partial requirements customers and is permitted based on the Commission's broad authority to regulate

public utilities.¹ For decades, full service requirements customers under Schedules 6 or 9 have had the option of taking service under Schedule 31 as partial requirements service customers if they desire to self-generate and contribute to their own electricity consumption. In those cases, the Commission has authorized that demand charges be measured on a daily basis like the Company proposes here, rather than on a monthly basis.²

In this case, to give Schedule 32 customers every opportunity to offset their “self-generation”, the Company structured Schedule 32 similar to the way Schedule 31 is structured. Commission precedent of authorizing demand charges for partial requirements service customers based on a daily basis, along with the Commission’s broad authority, arguably permit that demand charges for Schedule 32 customers be calculated consistent with those of Schedule 31 customers. In addition, parity between partial requirements service customers under Schedules 31 and 32 is maintained.

The Company submits, however, that the Commission does not have authority to measure demand charges at the level of granularity (i.e., on an hourly basis) that some parties recommend here because (1) it goes beyond the Statute’s mandate without precedent to support it and (2) it would be inconsistent with the rate structure the Company uses for all of its schedules and would most likely shift costs to other customers, as more fully explained in Section E below.

B. The Renewable Contract Statute Was Enacted to Give Customers Who Can’t Build Renewable Facilities Behind their Meter the Option to Purchase Renewable Energy Generated Elsewhere for their Own Use as if it Were Behind their Meter.

¹ See Utah Code Ann. § 54-4-1, which states: “[t]he commission is hereby vested with power and jurisdiction to supervise and regulate every public utility in this state, and to supervise all of the business of every such public utility in this state, *and to do all things, whether herein specifically designated or in addition thereto, which are necessary or convenient in the exercise of such power and jurisdiction....*”

² Significantly, even in the case of partial requirements service customers, the customers’ usage during times other than when they set the peak, has no bearing on the way customer demand charges are calculated, consistent with the way the Company has historically designed demand charges for all of its customers.

The Renewable Contract Statute was enacted to give customers who can't build renewable facilities behind their meter the opportunity to purchase renewable energy generated elsewhere for their own use as if it were behind their meter. Taylor Direct/10, ll. 181-183. Given the intent of the Statute, to the fullest extent possible and subject to necessary charges for wheeling and transmission, the Commission must ensure parity in the way the Company calculates costs between similarly situated customers whose only difference is, or may be, that their renewable energy is (1) generated from behind the meter for one and (2) purchased from a different location and delivered to the other. Other than as set forth above, the rate design for these customers should result in the same charges, whether the renewable energy is behind the meter or elsewhere.

The argument that Schedule 32 customers will receive very little, if any, credit against their bills for the capacity provided by the renewable energy facility is not relevant in this case because the Renewable Contract Statute is explicit on how the output of the renewable facility is to be accounted for in determining the customer's monthly charges. There is no Commission precedent or statute authorizing any more or less "credit" than the "credit" that other full requirements service or partial requirements service customers would get.

Schedule 32 customers must be treated like Schedule 6 or Schedule 9 customers who also offset the energy supplied by the Company with their own renewable energy. Schedule 6 or Schedule 9 customers with generation behind their meter receive value for the energy they are able to self-generate by reducing the amount of electricity they purchase from the Company. If those same Schedule 6 or Schedule 9 customers become partial requirements service customers under Schedule 31 (most elect to receive service under Schedule 31), their demand charges would be calculated by measuring their highest usage during the peak, on a daily basis. A departure from using the foregoing method in favor of a method where demand charges are measured on an hourly

basis for Schedule 32 customers, as recommended by Mr. Higgins and others, is not reasonable and would be inequitable.

C. The Proposed Demand Charge Calculation for Schedule 32 Customers Recommended by UAE Witness Mr. Higgins is (1) Inconsistent with the Renewable Contract Statute and that of Schedule 31 Customers, and (2) Contrary to the Company's Historical and Longstanding Basic Rate Structure.

Mr. Higgins' proposed method for calculating demand charges for Schedule 32 customers deviates from the Renewable Contract Statute and from the method used to calculate demand charges under Schedule 31. It further deviates from the Company's historical and longstanding method of structuring rates for customers across all tariff schedules and should be rejected by the Commission. Mr. Higgins proposes to calculate demand charges not on a monthly basis, not on a daily basis, but on an hourly basis. Higgins Direct/17, ll. 357-362. Mr. Higgins proposes to convert the charge to an hourly demand charge. Taylor Rebuttal/12, ll. 248 and 249. At that level of granularity, his proposed "hourly on-peak shaping charge" ceases to be a demand related charge and simply becomes an additional kWh or energy charge billed during the on-peak period. Taylor Rebuttal/12, ll. 249-251. Taking an average of a customer's peak usage, as opposed to the customer's maximum usage at peak, was not the intent of the Renewable Contract Statute. Mr. Higgins justifies his proposal on the basis that "the daily demand charge approach realistically will not provide this customer any credit at all for avoiding generation capacity ..." Higgins Direct/16, ll. 337-338. This assertion is not true. The daily demand charge approach provides a credit based on the generation or capacity that is avoided at the time of the highest 15-minute usage for the day, consistent with the credit a Schedule 31 customer would receive if it had renewable generation behind its meter. His recommendation is not reasonable because it would be a significant departure from the Company's basic rate structure, including the way the Company has historically measured demand charges for partial requirements service customers.

The Company's proposal to measure demand charges on a daily basis maintains parity between Schedules 6 or 9 customers who may elect to receive service under Schedule 31 and Schedule 32 customers. Adopting Mr. Higgins' recommended methodology, however, would give more favorable treatment to Schedule 32 customers and would likely result in a shifting of costs to other customers. Further, he offers no constructive solution for this inequity. Under Mr. Higgins' proposal a Schedule 6 or Schedule 9 customer would likely be better off on its proposed rate design for Schedule 32 than its regular tariff even if it has no generation. In fact, a customer may even contract for a very small renewable facility just so it can become eligible to be on Schedule 32 tariff and receive the benefit of Mr. Higgins' hourly demand charge calculation.³

D. Public Policy Dictates that the Renewable Contract Statute Is Implemented Consistent with the Company's Basic Rate Structure Until Other Interested Parties Can Participate in the Process.

Public policy dictates that any changes made to the Company's basic rate structure, which is used across all of the Company's tariffed customer classes, must be made in a forum where all interested parties can participate. Rate design does not perfectly allocate costs because it is largely based on averages. If rate design changes are contemplated to accommodate or benefit some of the parties in this case, this would require participation by other parties who are potentially negatively affected by the proposed solutions but who are not parties in the case. As asserted by the Office of Consumer Services, "a general rate case is the appropriate venue to evaluate the impacts of any proposed rate design change." Murray Surrebuttal/4, ll. 87-89. The Company agrees because [c]hanges to the method for measuring demand charges for partial requirements

³ A potential option for those Schedule 32 customers who wish to receive credit for their capacity in a different manner than the Company's proposed Schedule 32 can sell the output of that facility to the Company at avoided cost rates rather than using it to offset its retail purchases. Taylor Rebuttal/10, ll. 196-199.

customers would have intra-class implications that would need to be analyzed by all interested parties and presented to the commission. Murray Surrebuttal/5, ll. 90-91.

Any type of change to the Company's basic rate structure, including the hourly demand charge calculation as recommended by Mr. Higgins and others in this case, would be so disruptive to the status quo that it would require participation by all classes who will likely be affected. Further, taking a piecemeal approach would waste a lot of resources because the issue would be re-litigated several times and each case could potentially have a different outcome.

For these reasons, public policy dictates that demand charges be calculated either as set forth literally in the Renewable Contract Statute (monthly) or as authorized by the Commission for other partial requirements service (daily).

- E. A Recurring Directive of the Renewable Contract Statute is that all Costs Incurred to Facilitate the Supply of Renewable Energy to a Customer Must Be Paid for by that Customer.

A recurring charge throughout the Statute is that those who desire to take advantage of the option to purchase renewable electricity from a renewable energy facility for their consumption to offset the electricity supplied to the customer by the Company must pay for all the costs the Company incurs to provide such option. For example, the Renewable Contract Statute, Part 802 (2) states:

Subject to a contract customer agreeing to pay the qualified utility for all incremental costs associated with metering facilities, communication facilities, and administration, a renewable energy contract may provide for electricity to be delivered to a contract customer ...”

Likewise, Part 805(1) of the Renewable Contract Statute states:

To the extent that a renewable energy contract provides for the delivery of electricity from a renewable energy facility owned by the contract customer, the renewable energy contract shall require the contract customer to pay for the use of the qualified utility's transmission or distribution facilities at the qualified utility's applicable rates ...”

And Part 805(2) of the Renewable Contract Statute states:

To the extent that a renewable energy contract provides for the delivery of electricity from a renewable energy facility owned by a person other than the qualified utility or the contract customer, the renewable energy contract shall require the contract customer to bear all reasonably identifiable costs that the qualified utility incurs in delivering the electricity from the renewable energy facility to the contract customer, including all costs to procure and deliver electricity and for billing, administrative, and related activities as determined by the commission.”

Notably, this theme is prevalent throughout the Statute and validates the Company’s understanding that the Renewable Contract Statute was enacted as an option that allows customers to own renewable electricity as if the customer had generated it behind the meter, *so long as the customer pays for all the costs associated with the option*. Like Ms. Murray of the Office of Consumer Services indicated, “as a matter of policy ... the basic premise is to maintain ratepayer neutrality.” Murray Surrebuttal/4, ll. 69-70. The Company submits that to ensure that these customers are not being subsidized by other customers, their demand charges must be calculated in accordance with either the Renewable Contract Statute (monthly) or in accordance with Commission precedent for Schedule 31 customers (daily). Finally, where rates are unbundled as they are here, it is even more important for the Commission to make sure that all costs to provide the services that are being provided to this type of customer be paid by this customer. Tr. 16, ll. 17-20

III. CONCLUSION

For the foregoing reasons, the Company respectfully requests that the Commission approve the Company's proposed Schedule 32.

DATED this 16th day of January, 2015.

Respectfully submitted,

A handwritten signature in blue ink that reads "Yvonne R. Hogle". The signature is written in a cursive style with a large initial "Y".

R. Jeff Richards
Yvonne R. Hogle

Attorneys for Rocky Mountain Power