

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of
Rocky Mountain Power to
Establish Export Credits for
Customer Generated Electricity

)
) Docket No. 17-035-61 Phase II
)
) Rebuttal Testimony
) Of Michele Beck
) On behalf of the
) Office of Consumer Services
)

July 15, 2020

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Michele Beck. I am the director of the Utah Office of
3 Consumer Services (OCS). My business address is 160 East 300 South,
4 Salt Lake City, Utah.

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PHASE OF THE**
6 **INSTANT DOCKET?**

7 A. No. Ms. Cheryl Murray filed Phase II Direct Testimony on behalf of the
8 OCS on March 3, 2020. Ms. Murray is retiring from state service this
9 month. I will adopt her direct testimony in this phase and provide this
10 rebuttal testimony.

11 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR BACKGROUND.**

12 A. I have served as the Director of the OCS for over thirteen years, since
13 January 2007. Prior to working at the OCS, I worked at a Minnesota
14 regulatory agency, and at both a large generation and transmission
15 electric cooperative and an investor-owned electric utility. In total, my
16 professional career spans nearly twenty-five years in utility regulation and
17 electric utilities and includes significant work in rate design, long-term
18 planning, and related fields. As director of the OCS, I have overseen the
19 policy development and testimony production in this proceeding as well as
20 all of the predecessor dockets leading up to the instant docket.

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. I introduce OCS' expert witness, Philip Hayet with J. Kennedy and
23 Associates, who provides rebuttal testimony analysis responding to the

24 proposals put forth in this case by Rocky Mountain Power (RMP), Vote
25 Solar, and Vivant Solar. I also provide testimony on OCS' policy positions
26 related to RMP's transition from net metering to the new Schedule 137 Net
27 Billing Program.

28 **Q. WHAT WERE THE CRITERIA IDENTIFIED IN DIRECT TESTIMONY**
29 **THAT THE OCS INDICATED IT WOULD USE IN DETERMINING ITS**
30 **POSITION IN THIS DOCKET?**

31 A. OCS previously described two primary principles that would drive its
32 evaluation of the proposals in this docket as follows:

33 1) True cost-based rate: OCS asserts that the Program
34 should, to the greatest extent reasonable, remove subsidies
35 provided by non-participants to customer generators.
36 Likewise, customer generators should be compensated for
37 excess electricity at a rate that reflects all the quantifiable
38 benefits associated with that energy; and

39
40 2) Bill Simplicity and Transparency: customer generators
41 should be able to understand how the charges and credits
42 on their bills are calculated.
43 (Murray Phase II Direct, lines 60 – 65)
44

45 **Q. WHAT DID THE OCS ANALYSIS SHOW REGARDING COST-BASED**
46 **RATES?**

47 A. In general, the OCS concludes that the RMP proposal is a true cost-based
48 rate. However, the OCS identified two adjustments to RMP's proposal to
49 improve its accuracy in reflecting actual costs. The combination of the two
50 adjustments results in a small increase in RMP's Export Credit Rate from
51 \$15.26/MWh, or 1.526 cents/kWh to \$17.72/MWh, or 1.772 cents/kWh.¹

¹ For the remainder of this testimony, all energy rates will be expressed on a \$/MWH basis.

52 In contrast, the OCS analysis shows that the Vote Solar proposal, and to a
53 lesser extent the Vivint Solar proposal, includes many unsupported non-
54 cost based elements. The OCS expert witness Phil Hayet's testimony
55 supports these analytical conclusions.

56 **Q. DO YOU HAVE ANY ADDITIONAL EXPLANATION TO OFFER TO**
57 **AUGMENT MR. HAYET'S ANALYSIS?**

58 A. Yes. Vote Solar witness Carolyn A. Berry lists utility-based benefits to
59 include grid support services (ancillary services), financial benefits (fuel
60 price hedge, market price effect), security risk (reliability and resilience),
61 environmental (CO2 compliance costs) as well as community benefits to
62 include health benefits from reduced air pollution, benefits of reduced
63 carbon emissions, avoided fossil fuel lifecycle costs, and local economic
64 benefits. However, Dr. Berry only includes cost estimates for fuel price
65 hedge, CO2 compliance and reductions, health benefits from reduced air
66 pollution, and local economic benefits. In total Vote Solar's proposal for
67 these benefits is \$150.2/MWh, which constitutes over 65% of Vote Solar's
68 proposed Export Credit Rate and is nearly 50% above RMP's current
69 average residential retail rate. Vivint Solar witness Christopher Worley
70 proposes that "other factors" including avoided distribution capacity,
71 hedging value, resilience, environmental benefits should be worth at least
72 \$17.1/MWh. OCS expert witness Mr. Hayet indicates OCS' opposition to
73 the inclusion of these claimed cost components and I will further address
74 why these costs should not be included in the Export Credit Rate. I will

75 also offer additional comment on OCS' support of annual updates of the
76 export credit rate.

77 **Q. PLEASE EXPLAIN THE UNDERLYING PROBLEMS ASSOCIATED**
78 **WITH INCLUDING THESE TYPES OF COSTS IN THE EXPORT CREDIT**
79 **RATE.**

80 A. Several of the proposed cost components suffer the difficulties often
81 associated with attempts to quantify externalities as part of individual
82 dockets, rather than pursuing such valuation in a more global manner to
83 apply consistently to all resources in all proceedings. First, applying a
84 credit or cost to selective resources, not consistently across all generating
85 resources, will result in distortions in price signals and resource selection.
86 Second, this kind of disparate treatment to otherwise similar resources
87 would be inconsistent with longstanding Utah regulatory principles
88 prohibiting discriminatory treatment. Finally, all of the benefits identified by
89 Vote Solar as societal benefits, by definition, would not accrue solely to
90 non-customer generation RMP ratepayers. For these reasons, the OCS
91 has traditionally taken the position that these kinds of issues with broader
92 impact should be addressed through state policy, preferably articulated in
93 statute.

94 In my opinion, the OCS position is consistent with the PSC's order
95 in the net metering case, which is the predecessor to the instant docket. In
96 its Conclusion of Law on Statutory Interpretation and Order Denying
97 Motion to Strike the PSC stated, "the Commission makes the following

98 conclusion of law: for purposes of performing the analysis under Utah
99 Code Ann. § 54-15-105.1(1), the relevant costs and benefits are those that
100 accrue to the utility or its non-net metering customers in their capacity as
101 ratepayers of the utility.”²

102 However, I acknowledge that not all of the cost elements proposed
103 by Vote Solar and Vivint Solar are true externalities and I will address
104 each element that has been quantified and proposed for inclusion.

105 **Q. PLEASE FURTHER DESCRIBE THE ISSUES ASSOCIATED WITH**
106 **ADDRESSING POTENTIAL FUEL PRICE HEDGE BENEFITS IN THE**
107 **EXPORT CREDIT RATE.**

108 A. The issues associated with fuel price hedge benefits are a little different
109 than externalities described above. First, actual fuel price hedge costs for
110 RMP are measurable, must comply with its hedging policies, and vary
111 from year to year based on market conditions. Vote Solar discussed
112 various estimates and assumptions but ultimately proposed the same
113 value as used by the Oregon PUC, which was 5% of energy costs. Vote
114 Solar did not discuss or acknowledge differences in state energy policy
115 between Oregon and Utah, evaluate its proposal in the context of the
116 hedging guidelines that have received significant regulatory attention here
117 in Utah, or compare its proposed value of \$1.9/MWh with actual hedging
118 costs incurred in recent years. Finally, and importantly, customer

² PSC Order, Docket No. 14-035-114, July 1, 2015, at pg. 17.

119 generation, which has no contractual obligation should not be considered
120 the same as other products used in a hedging program.

121 **Q. PLEASE FURTHER DESCRIBE THE ISSUES ASSOCIATED WITH**
122 **ASSESSING POTENTIAL CO2 COMPLIANCE COSTS.**

123 A. No party testifies that RMP currently incurs any costs associated with CO2
124 regulations. While it is analytically appropriate and consistent with IRP
125 guidelines to include scenario analysis evaluating different levels of CO2
126 compliance costs as part of long-term planning, it would be completely
127 inappropriate to set rates based on avoiding a set of costs that do not
128 exist.

129 **Q. WHAT ARE THE CHALLENGES WITH ATTEMPTING TO QUANTIFY**
130 **POTENTIAL BENEFITS ASSOCIATED WITH REDUCED CARBON**
131 **EMISSIONS AND POTENTIAL HEALTH BENEFITS ASSOCIATED**
132 **WITH REDUCED POLLUTION IN THE EXPORT CREDIT RATE?**

133 A. These challenges are the same as I've previously described: selective
134 application results in distorted outcomes, discriminatory treatment of
135 similar resources is contrary to longstanding Utah regulatory policy, and
136 any alleged benefits would accrue to a larger group than the ratepayers
137 who would be paying. Thus neither of these categories of potential
138 environmental benefits is appropriate for inclusion in the Export Credit
139 Rate.³

³ See Phase II Revised Affirmative Testimony of Carolyn A. Berry, Ph.D. lines 785 – 791. Dr. Berry also asserts other related jobs, but provides no supporting evidence of such.

140 **Q. PLEASE FURTHER DESCRIBE THE ISSUES ASSOCIATED WITH**
141 **ADDRESSING POTENTIAL LOCAL ECONOMIC BENEFITS IN THE**
142 **EXPORT CREDIT RATE.**

143 A. Addressing potential local economic benefits, as proposed by Vote Solar,
144 or economic development benefits, as proposed but not quantified by
145 Vivint Solar, in the export credit rate raises the same concerns I just listed
146 above. It is notable that neither Vote Solar nor Vivint Solar addressed
147 potential economic disbenefits in the case that existing RMP fossil fuel
148 resources might run less frequently or be retired early in part because of
149 being displaced by customer generation. Finally, the PSC should note that
150 rooftop solar primarily produces installation jobs. Although I did not review
151 in detail the studies and assumptions Vote Solar relied upon in its
152 estimates of potential local economic benefits, it appears to me that
153 embedding their proposed level of benefits into the Export Credit Rate
154 assumes that the same level of rooftop solar will continue into the future.
155 Factors influencing the willingness of customers to invest in solar
156 generation in the past have included tax rebate incentives, significant cost
157 reductions in solar panel equipment, and reimbursements via net metering
158 at a rate commensurate with a fully loaded retail sales rate. These
159 factors, along with others, will be changing over time and the evidence
160 currently provided by intervening parties about the pace of future local
161 economic benefits related to the pace of solar construction is at best

162 speculative. For all of these reasons, local economic benefits should not
163 be included in the Export Credit Rate.

164 **Q. HOW DOES THE OCS SUPPORT OF AN ANNUAL UPDATE OF THE**
165 **EXPORT CREDIT RATE (AS COMPARED TO A FIXED MULTI-YEAR**
166 **PRICE) RELATE TO THE ISSUE OF INCLUSION OF THE TYPES OF**
167 **COSTS YOU HAVE JUST ADDRESSED?**

168 A. The OCS recommends that the PSC approve RMP's proposal to update
169 annually the Export Credit Rate, as opposed to relying on a fixed 20-year
170 levelized price as proposed by Vote Solar or any other multi-year
171 projection or multi-year fixed price. Some of the "other" categories of costs
172 asserted by Vote Solar and Vivint Solar without proper quantification of
173 associated costs or demonstration of specific benefits accruing to the
174 customers are likely to change over time and additional study results and
175 evidence could be produced after additional data is collected. OCS's
176 proposed annual rate updates can ensure that appropriate adjustments
177 can be made on a timely basis in response to changing circumstances.
178 For example, in the future CO2 regulations could be enacted resulting in
179 actual compliance costs. If and when such additional costs become known
180 (not simply projected) and quantifiable, an annually updated rate could be
181 adjusted with little lag time.

182 **Q. WHAT DID THE OCS ANALYSIS SHOW REGARDING BILL**
183 **SIMPLICITY AND TRANSPARENCY?**

184 A. In Phase II Direct Testimony, the OCS raised some concerns that it may
185 be difficult for customer generators to understand how compensation is
186 determined. Since that time, I have reviewed additional discovery
187 responses and considered multiple alternatives. Under the old net
188 metering method (Schedule 135), had customers wanted to validate their
189 bills, RMP would have responded to a customer's request by providing a
190 large volume of individual 15-minute meter measurements each month.
191 This process would have been data intensive, but the customer could
192 have recalculated their bill with that data. Under the new method
193 (Schedule 137), the customer will be able to recalculate their bills simply
194 based on a monthly meter measurement for energy delivered to the
195 customer, and an on-peak and off-peak measurement of energy exported
196 to the grid.⁴ In my opinion, it will likely take some transition time for
197 customers to understand the new metering and billing paradigm, but
198 nevertheless, I think RMP has proposed a reasonably straightforward and
199 understandable method that should be easier to validate compared to its
200 old approach.

201 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

202 A. Yes, it does.

203

⁴ See RMP's response to OCS 8.1.