

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

SURREBUTTAL TESTIMONY OF RYAN EVANS

ON BEHALF OF

UTAH SOLAR ENERGY ASSOCIATION

DATED this 15th day of September, 2020

/s/ Ryan Evans

Ryan Evans

President

Utah Solar Energy Association

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

2 A. My name is Ryan Evans. My business address is 11509 Black Forest Drive, Sandy, Utah
3 84094.

4 **Q. For whom are you testifying in this proceeding?**

5 A. Utah Solar Energy Association (USEA)

6 **Q. Did you previously file testimony in this proceeding?**

7 A. Yes. I testified in earlier phases of this proceeding in March and July of 2020.

8 **Q. What is the purpose of your surrebuttal testimony?**

9 A. The purpose of my testimony is to respond to the rebuttal testimony presented by Ms.
10 Joelle Steward of Rocky Mountain Power (Company) and Mr. Robert Davis of the
11 Division of Public Utilities (DPU).

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13 **RESPONSE TO REBUTTAL TESTIMONY JOEL STEWARD, ROCKY MOUNTAIN**

14 **POWER**

15 **Q. Do you agree with Ms. Steward's testimony that gradualism is a sound ratemaking**
16 **principle?**

17 A. Yes, in that it is an important principle for rate design but not her assertion that
18 gradualism has already been employed. Various dockets related to this issue have been
19 open for seven years, however at no time has the solar industry had the ability to know
20 what changes were coming in rooftop solar rates. Solar companies have not had seven
21 years to adapt because every few years different components of rooftop solar have been
22 considered. If the Company's proposal is implemented it is very different than the
23 transition program, for example. Software has to be retooled, marketing documents need

24 to be updated, additional training of system designers and salespeople has to be done, etc.
25 With a distinctly different rate structure, solar companies may have to sell different
26 products to better serve their customers and they should be given time to adjust.
27 Gradualism is not being used as a stall tactic but rather it is an important consideration for
28 nearly every solar company in Utah that is a small business and invests its own capital
29 into their operations.

30 **Q. Do you agree with Ms. Steward's testimony that the Commission would be**
31 **subsidizing the rooftop solar industry in Utah through artificially high export credit**
32 **rates in order to provide economic benefits, such as jobs?**

33 A. No. The solar industry has not asked for subsidization, merely recognition of a fair
34 valuation of exported energy. Governor Gary Herbert did not ask for the solar industry to
35 be subsidized when he urged a settlement but rather, he asked for a win-win-win outcome
36 that finds a fair balance and properly respects an important industry to the State of Utah.
37 Nor did Governor Herbert ask regulators, the Company, or the industry to find a win,
38 win, win, for three years; he wanted an outcome that would be lasting and allow both the
39 utility and the solar industry to co-exist for years to come. Many other utilities and states
40 across the country recognize many of the benefits that distributed generated energy
41 provides to a utility, an electrical system, economies, and the environment (especially as
42 the latter relates to economics).

43 **Q. Ms. Steward claims that the Company's proposal will not eliminate customer**
44 **choice, do you agree?**

45 A. Yes and no. If the Company's proposal is adopted, Utah citizens can still put solar on
46 their roofs, but it isn't likely that many will. Why would a person enter into an agreement

47 by which the contract could change compensation rates for a product/service every year?
48 Electricity rates in Utah aren't changed that often, nor should solar rates. A rate structure
49 that does not fairly evaluate the benefits of locally generated energy and is overly
50 complicated will effectively eliminate customer choice. This is another example of the
51 Company creating an environment that diminishes competition, a recognized
52 characteristic of Warren Buffet's (CEO of Berkshire Hathaway Inc) "economic moat"
53 strategy.

54 *"What is an economic Moat? Conceptualized and named by Warren*
55 *Buffett, an economic moat is a distinct advantage a company has over its*
56 *competitors which allows it to protect its market share and profitability. It*
57 *is often an advantage that is difficult to mimic or duplicate (brand identity,*
58 *patents) and thus creates an effective barrier against competition from*
59 *other firms."*

60 Further,

61 *"This is important not only to the company's bottom line but also to*
62 *potential investors seeking to maximize their portfolios by including*
63 *companies that will maintain their performance edge. By establishing a*
64 *defensible competitive advantage, **a company can fashion a wide enough***
65 ***economic moat that effectively curbs competition within their industry.***
66 *Essentially, the wider the economic moat, the larger and more sustainable*
67 *the competitive advantage of a firm."*¹ [Emphasis added.]

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¹ Ganti, A. (2020, March 21). Economic Moat Definition. Retrieved September 15, 2020, from <https://www.investopedia.com/terms/e/economicmoat.asp>

69 The concept of an economic moat is further explained in an article in The Nation
70 subtitled, “America’s favorite investor loves monopoly, not free markets.”

71 *“The single most important decision in evaluating a business is pricing*
72 *power,’ Buffett said. ‘If you’ve got the power to raise prices without losing*
73 *business to a competitor, you’ve got a very good business.’ The ‘big three’*
74 *rating agencies—Moody’s, Standard & Poor’s, and Fitch—controlled 95*
75 *percent of the rating-agency market, an insurmountable advantage over*
76 *would-be competitors. ‘If you’ve got a good enough business, if you have*
77 *a monopoly newspaper or if you have a network television station,’ Buffett*
78 *concluded, ‘your idiot nephew could run it.’”*

79 Later in the article,

80 *“Buffett makes no secret of his fondness for monopoly. He repeatedly*
81 *highlights the key to his personal fortune: finding businesses surrounded*
82 *by a monopoly moat, keeping competitors at bay. ‘[W]e think in terms of*
83 *that moat and the ability to keep its width and its impossibility of being*
84 *crossed,’ Buffett told the annual Berkshire Hathaway meeting in 2000.*
85 ***‘We tell our managers we want the moat widened every year.’”***²

86 [Emphasis added.]

87 As I stated in my rebuttal testimony, I have witnessed several occasions by which the
88 Company, in my opinion, appears to be widening their monopoly moat. Utah ratepayers
89 should be compensated fairly for their exported energy and the benefits it brings to the

² Dayen, D. (2018, February 21). Special Investigation: The Dirty Secret Behind Warren Buffett's Billions. Retrieved September 15, 2020, from <https://www.thenation.com/article/archive/special-investigation-the-dirty-secret-behind-warren-buffetts-billions/>

90 utility and grid. Competition should be encouraged to help continue bringing down the
91 cost of energy in our state, especially as our population continues to increase. Many other
92 Utah cities have undergone deep evaluations that actually do consider the benefits to the
93 grid, other ratepayers, tax revenues, and efficiency of the electrical system as a whole. All
94 of the potential benefits should be considered here as well.

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96 **RESPONSE TO REBUTTAL TESTIMONY OF ROBERT DAVIS OF THE DIVISION**

97 **OF PUBLIC UTILITIES**

98 **Q. Mr. Davis makes an assumption about your analysis of the solar market to be based**
99 **on “gut feeling”. Do you agree with this statement?**

100 A. No. Unlike Mr. Davis, I have worked in the solar industry for more than four years and
101 interact on a daily basis with solar company executives, salespeople, Utah residents that
102 have solar on their home, and Utahns that have looked at solar but not followed through
103 with a purchase. I would actually say that perhaps his testimony is based on gut feeling
104 given he believes that purchasing a solar system is “likely no different than purchasing a
105 vehicle or travel trailer of equal value.” Purchasing a solar system is vastly different in
106 many ways but the key aspect of where Mr. Davis’ assumptions are wrong is that
107 purchasing a solar system, comes with a Utah-sanctioned and approved, transactional
108 relationship with a utility, whereby they can recoup some or all of their investment over
109 time by means of reduced consumption and Commission-approved compensation. There
110 is no payback on a vehicle or a travel trailer, there is no contract outside of financing,
111 should it be required. Whereas rooftop solar often has a net metering agreement and
112 financing. When a person sells their home in Utah, they generally would take their

113 vehicles and travel trailers with them, very rarely does a customer take a solar system
114 with them. I do not see the similarity in his examples at all.

115 **Q. Mr. Davis further claims that the uptake in rooftop solar is attributable to**
116 **customer's current economic sentiment, ability to purchase the system or make**
117 **payments, adequate roof space facing in a desirable direction, a desire to offset**
118 **energy use, or simply a desire to obtain energy from a renewable source to name a**
119 **few. Do you agree with this claim?**

120 A. No. While each and every one of Mr. Davis' factors for potentially purchasing a solar
121 installation are valid and enter into the decision-making process, the number one
122 motivating factor in poll after poll, including USEA's own 2016 survey, was the ability to
123 save money on electrical bills. That includes both less consumption and compensation at
124 the then, Commission-approved Net Metering rates. Certainly, a customer needs
125 adequate roof space that faces in a desirable direction and have the means to invest in a
126 rooftop system, for example, but those are not motivating factors such as the monetary
127 compensation and, secondarily, do the right thing for the environment.³

128 **Q. Mr. Davis, in his rebuttal testimony, points out that the most recent net metering**
129 **report filed by the Company on July 1, 2020 illustrates a robust increase in solar**
130 **facilities in the year prior. Do you agree with his assessment that solar market in**
131 **Utah is not ebbing?**

132 A. No. One year does not make a trend. Two years of declines followed by one year of
133 increase shows an unsteady and uncertain market, in my opinion. Furthermore, we saw a
134 significant spike in solar installations at the close of net metering because prospective

³ "Why do Utahns choose solar?" Direct testimony of Ryan Evans, Lines 114-120,
<https://pscdocs.utah.gov/electric/14docs/14035114/294525DirTestEvans6-8-2017.pdf>

135 solar owners, realized the best economics were on the table prior to moving into the
136 transition rate. Similarly, solar companies now are properly educating their customers
137 that rooftop solar rate structure will be changing again and it is unknown as to what we
138 may end up with in the future. Customers are thus seeing the opportunity of
139 interconnecting during the transition period rather than waiting for a Commission
140 decision later in 2020.

141 **Q. In his testimony, Mr. Davis does not support Utah Clean Energy's proposal for a**
142 **20-year contract. Do you agree with his rejection of this proposal?**

143 A. No. These are Utah citizens that will be interconnecting under a new rate structure and
144 should have the support of their state government and regulators that they have certainty
145 in doing business with the utility and, ultimately, the State of Utah. UCE's proposal for a
146 20-year guarantee is not out of line with polices in other states and will help offset any
147 potential decrease in the economics for rooftop solar owners. Should the Commission not
148 agree with twenty years, fifteen years could be acceptable, as was the terms at the
149 beginning of the Transition Period. Certainty is a key component to invest in rooftop
150 solar and if there is the potential that the export rate could fluctuate it will make it near
151 impossible for a solar professional to accurately provide return on investment analysis.
152 The idea of a potential change annually, also adds a severe layer of complexity to a rate
153 structure that does not see electric rates change as quickly.

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155 **Q. Does this conclude your testimony?**

156 A. Yes, it does.

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Certification:

Pursuant to Utah Code Ann. § 78B-5-705, I declare under criminal penalty of the State of Utah that the foregoing is true and correct to the best of my knowledge.

Executed on September 15, 2020

By: /s/ Ryan Evans _____

Ryan Evans