–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO INCREASE ITS RETAIL ELECTRIC UTILITY SERVICE RATES IN UTAH AND FOR APPROVAL OF ITS PROPOSED ELECTRIC SERVICE SCHEDULES AND ELECTRIC SERVICE REGULATIONS.	)))))))))))))))	**DOCKET NO. 20-035-04** **Exhibit No. DPU 4.0 DIR**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

ROBERT A. DAVIS

September 2, 2020

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I. INTRODUCTION

Q: Please state your name and occupation.

A: My name is Robert A. Davis. I am employed as a Utility Technical Consultant at the Utah Department of Commerce-Division of Public Utilities ("Division").

Q: What is your business address?

A: My business address is 160 East 300 South, Heber Wells Building-4th Floor, Salt Lake City, Utah, 84111.

Q: On whose behalf are you testifying?

A: The Division.

Q: Do you have any exhibits that you would like to add to the record?

A: Not for this filing.

Q: Please summarize your educational and professional experience.

A: I earned a Master's Degree in Business Administration with Master's Certificates in Finance and Economics from Westminster College in May of 2005. I have attended the NARUC Rate School, MSU/IPU Advanced Regulatory Studies Program, and Depreciation Fundamentals by the Society of Depreciation Professionals. I am a member of the LBNL/WIEB Technical Advisory Committee for Utility Rate Design, a member of the NREL DER-PV Ratepayer Impact Tool Advisory Committee, and have attended several regulatory seminars and conferences. I have been employed by the Division since

May of 2012.

Q: Please describe your current position responsibilities.

A: As a Utility Technical Consultant, my responsibilities include financial, economic, and accounting analysis of regulated utility matters with an emphasis towards renewable energy and storage.

Q: Have you previously testified before this Commission?

A: Yes. I have testified before the Public Service Commission of Utah ("Commission") on several occasions.

II. PURPOSE OF DIRECT TESTIMONY

Q: What is the purpose of your direct testimony in the revenue requirement phase of this proceeding?

A: My direct testimony offers the Division's conclusions and recommendations, and summarizes its support of Rocky Mountain Power's ("RMP") proposed subscriber solar program.

Q: Can you offer a brief summary of your conclusions?

A: Yes. The Division has reviewed the testimony of Company witnesses Ms. Joelle Steward,[1] Mr. William Comeau,[2] and Mr. David Webb.[3] RMP's proposed subscriber

[1] Rocky Mountain Power witness Joelle R. Steward, Direct Testimony, May 2020, lines 456-496.
[2] Id., William J. Comeau, Direct Testimony, May 2020.
[3] Id., David G. Webb, Direct Testimony, May 2020, lines 749-764.

solar program is a mirror of the current subscriber solar program with the exception of how the rate premium is determined. The Division has several concerns regarding how RMP intends to operate the two programs as blended resources including, how it will mitigate or handle customer migration from the original program to the new program, potential impacts on the energy balancing account ("EBA"), and overall subscribership. I discuss these concerns and others in my ensuing direct testimony.

To the extent that my testimony or the testimony of other Division witnesses fails to address a particular issue in this part of the proceeding does not preclude the Division's acceptance or rejection of that issue. The Division reserves its rights to provide additional comments on the proposed subscriber solar program or respond to other parties' comments in future filings or at hearing.

III. RECOMMENDATION

Q: Please offer the Division's recommendations concerning RMP's proposed subscriber solar program.

A: The Division finds RMP's solar subscriber proposal reasonable in structure and generally supports its proposal with the recommendations as stated herein. However, the Division has several concerns with RMP's proposal.

The Division recommends that the current solar subscriber program and proposed solar subscriber solar program, if approved, be referred to in the future as Solar Subscriber I and Solar Subscriber II, instead of merely referencing and extending the original subscriber solar program. The Division is concerned that the minor dissimilarities between the two programs might make it difficult for parties to distinguish between the two in the future as the programs proceed.

The Division recommends that RMP report the progress of the proposed subscriber solar program (Solar Subscriber II), if approved, similar to and concurrently with the current subscriber solar program (Solar Subscriber I).

The Division has concerns with the impacts that RMP's proposal to unbundle residential rates[4] might have on a current subscriber solar customer's bill compared to the proposed subscriber solar billing for residential customers. Therefore, the Division recommends RMP provide billing examples for residential and non-residential subscriber solar customers under both programs in a timely manner.

In supporting Solar Subscriber I, the Division was concerned that the resource potentially would be undersubscribed and non-participating ratepayers would shoulder the cost of an unneeded resource-a non-IRP preferred portfolio resource. Solar Subscriber I, however, has generally been fully subscribed since its inception. Nevertheless, the Division is concerned that with the approval of Solar Subscriber II, current subscribers may migrate

[4] See Docket No. 20-035-04, Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, https://psc.utah.gov/2020/01/21/docket-no-20-035-04/.

to the new resource exposing ratepayers to unrecovered costs from Solar Subscriber I. Therefore, the Division recommends that RMP provide the parties with a plan to mitigate customer migration from Solar Subscriber I to Solar Subscriber II, including the impacts the migration might have on RMP's EBA. Additionally, RMP should make clear how released capacity from Solar Subscriber I will be treated and how any unrecovered costs will be treated.

The Division recommends RMP support its proposal with the missing information stated herein and provides parties with that information in rebuttal or sooner to allow parties the appropriate time to fully review the proposal.

The Division reserves its right to make further recommendations as information becomes available.

IV. ROCKY MOUNTAIN POWER'S SUBSCRIBER SOLAR PROPOSAL

Q: Does the DPU consider RMP's proposed subscriber solar program reasonable?

A: With the concerns noted above, yes. However, RMP's filing lacks components, (e.g., solar resource PPA cost, administrative, billing, and marketing costs) that limit the Division's ability to fully analyze the proposal at this time. However, the Division generally supports the structure of the proposal, given the limited information provided. The missing detail is needed for the Division to make a comprehensive analysis and recommendation.

Specifications concerning the solar resource are largely unknown. These specifications include the solar resource's location, configuration (i.e., fixed tilt, single axis tracking, etc.), the solar resource's capacity, anticipated date-of-operation, and power purchase agreement ("PPA") pricing.

Other components of the proposal requiring more granularity are the administrative, billing, and marketing costs, expected subscribership ramp rate, tracking and reporting plan, and other factors mentioned above.

Q: Can you discuss the Division's concerns with the proposal given the current information?

A: Yes. The Division participated in a conference call with RMP personnel to discuss the program in further detail and followed up with Division Data Request DPU 9. The Division's main concerns at this time are: 1) differences between the current and proposed programs; 2) specifications of the solar facility; 3) impacts of subscription ramp rate and over-capacity of the solar resource to the EBA; 4) administration, billing, and marketing costs of the program; 5) how RMP will mitigate the impacts of customers of Solar Subscriber I migrating to Solar Subscriber II; and 6) billing comparisons between Solar Subscriber I and II.

Q: Please explain the Division's understanding of the current and proposed program differences.

A: The Division's understanding of the main difference between the programs is how the customer billing is constructed, i.e., rate versus premium. The remainder of the proposed Solar Subscriber II program, in structure, is generally the same as Solar Subscriber I. RMP is proposing the same size solar resource in South-Central Utah.[5] Solar costs have continued to decline since the inception of the Solar Subscriber I program, resulting in lower PPA pricing for the proposed program compared to the current program. Since the PPA price drives the premium and rates, respectively, the Division is concerned the difference in PPA pricing might result in customer migration from the current to the proposed program as discussed further below.

Q: Please offer a brief overview of the Division's concerns with the ramp rate of the proposal.

A: In its discussion with RMP personnel, the Division asked if RMP anticipated a ramp rate similar to the current program. RMP responded that there is plenty of demand but did not expect the subscription ramp rate to reach 100 percent at the same rate as the current program.

The Division's concerns with the ramp rate timing are premised in the operating structure of the program: 1) how administrative, billing, and marketing costs are offset by subscription revenues; and 2) how the PPA resource costs are offset by subscription

[5] *Supra,* n.2, lines 198-199.

revenues. Thus, until the program reaches full subscription, the Division understands that the unrecovered costs will impact the EBA and be spread to all customers.

RMP witness Webb notes that the proposed Solar Subscriber II program is treated slightly differently in the EBA than the current Solar Subscriber I program. Customers under the current program pay the PPA price and receive a credit in their rates for the value of the energy equal to the avoided costs. Mr. Webb explains that a net power cost ("NPC") adjustment is included in the Solar Subscriber II proposal that situs assigns the portion of the PPA that is over the market value to Utah, which will be included in future EBA filings.[6]

The Division has concerns with the subscription ramp rate and potential impacts to the EBA born by all customers. The potential impacts to other non-subscriber customers, as a result of both subscriber solar programs, is a risk that warrants more in-depth scrutiny to avoid cost shifting to non-participating customers. The Division is currently reviewing RMP's responses to Division's data request DPU DR 9, and responses to the Office of Consumer Services' ("OCS") data request 12.1-12.22.

The Division recommends the Commission direct RMP to illustrate how program costs will be allocated among ratepayers should the program not reach full subscribership within five years of the resource's operation date. The Division recommends the

[6] *Supra,* n.3, lines 753-757.

Commission direct RMP report on the program in a similar manner and concurrently with the current subscriber solar program including the current subscription rate.

Q: Please explain the Division's concerns with the administrative, billing, and marketing costs of RMP's proposal.

A: The Division concludes that subscriptions, after the ramp period, should recover the full costs associated with the administrative, billing, and marketing of the program and not spread to non-subscriber customers.

These costs have the potential to become a burden to non-participating customers should the subscription rate take longer than anticipated or persistently remain below 100 percent. In its response to OCS DR 12.16 and 12.17, RMP does not offer a solution other than deferring those costs to the next general rate case and spreading the costs to other customers, which the Division concludes is not in the public interest and should not be a burden to non-participating customers.

The Division recommends the Commission direct RMP to include the subscription uptake and cost offsets as part of its annual reporting.

Q: Please explain the Division's concerns with potential migration between the two subscriber solar programs.

A: The Division's main concern with the potential migration of customers from the original program to the new program is the potential recovery of costs borne by non-participating customers. The migration of customers that RMP anticipates from the current to the new program is minimal since the new billing method is nearly identical in results. RMP witness Comeau, at lines 145-146 in his direct testimony, states that: "as customers leave the locked-in Subscriber Solar Program rate, the megawatts ("MWs") from that PPA will roll into the new Subscriber Solar PPA cost."[7] It is not clear to the Division how this blending of the two programs may play out in the future or how blending will affect the pricing and premium of Solar Subscriber I and II. The Division is interested in the PPA pricing parity between the two solar resources and the blending of the two programs.

Q: What is the Division's understanding of the billing differences between the two programs?

A: The proposed subscriber solar program billing structure utilizes a premium above the proposed rates in the current general rate case ("GRC") compared to the current rate structure prescribed in Schedule No. 73, Subscriber Solar Program Rider Optional.[8] The premium is the difference between the PPA price of the proposed solar resource and the current Schedule No. 37 avoided cost rate for a similar solar facility.

The Division understands the block size, potential for full subscription (Schedules 1, 3, and 23), and customers under Schedules 6, 6A, 6B, 9 and 9A, are largely the same. Large solar subscriber customers (100 MWh or more) under the new program will sign an

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[7] *Supra,* n.2, lines 145-146.
[8] See https://www.rockymountainpower.net/content/dam/pcorp/documents/en/rockymountainpower/rates-regulation/utah/rates/073_Subscriber_Solar_Program_Rider_Optional.pdf.

agreement with RMP and in return, receive a discount on the administrative, billing, and marketing costs.[9]

Customers whose subscription amount is 100 MWh or more will sign an agreement with the agreement's term matching the term of the resource. The Division assumes this term coincides with the remainder of the term of the resource at the time of subscription. Large customers receive discounts equal to one-half the administrative, billing, and marketing costs with signed agreements. Large customers that leave the program before its agreement expires will pay an exit fee equal to the customer's annual premium.

RMP witness Comeau anticipates the premium to be approximately 1.2 cents per kWh based on current expected resource costs and avoided costs.[10] The Division concludes that RMP's proposed premium, tariff sheets, and billing impacts are dependent upon the final PPA pricing.

Q: Does the Division have any other concerns with RMP's proposal?

A: Yes. RMP inadvertently added amortization escalation costs in its revenue requirement calculations. In response to OCS data request 12.8, RMP agrees to remove the escalation costs in rebuttal testimony.[11] The Division reserves its right to comment in future filings on this and other issues as it reviews other parties' concerns and completes its analysis.

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[9] *Supra,* n.2, Exhibit RMP_(WJC-1), section 8.
[10] *Supra,* n.2, at lines 38-40.
[11] RMP response to OCS Data Request 12.8. Please confirm that the amounts recorded in the base year in Account

V. SUMMARY AND CONCLUSIONS

Q: Will you summarize your analysis and findings for RMP's proposed subscriber solar program and offer your recommendations?

A: Yes. RMP's proposed subscriber solar program is a mirror of the current subscriber solar program for the exception of customer billing, including large customers over 100 MWh, and treatment of net power costs in the EBA. The Division has several concerns regarding how RMP intends to keep the two programs separate or blend the programs, mitigate customer migration from the original program to the new program, EBA impacts, and subscription ramp rate.

The Division understands that PacifiCorp/RMP plans to retain ownership of the Renewable Energy Credits ("RECs") and all other environmental attributes including but not limited to carbon emission reduction credits, and PacifiCorp plans to retire those credits on behalf of subscribers as it does for the current program.

The Division recommends the Commission direct RMP to report similarly and concurrently with the current subscriber solar program annually, if approved. The Division generally supports RMP's proposed Subscriber Solar Program at this time based

9089700 – Subscriber Solar – Utah Situs, were escalated in Exhibit RMP_(SRM-3), Adjustment 4.10. If confirmed, please explain, in detail, why these amounts should be escalated in the test year, particularly the portion of the costs associated with the Subscriber Solar Amortization Expense. Confirmed. The Company agrees to remove the escalation for Subscriber Solar amortization costs in its rebuttal testimony.

upon the limited information it has received to this point. The Division will continue to analyze the program in greater detail before offering its full support.

Specifically, the Division recommends the following:

1) Refer to the current program as Solar Subscriber I and the proposed program as Solar Subscriber II;

2) Direct RMP to report the progress of the proposed Solar Subscriber II similar to and concurrently with the current Solar Subscriber I including administrative, billing, and marketing costs, subscribership uptake and costs, tracking and reporting plan, and other factors mentioned herein;

3) Direct RMP to provide parties with billing examples for residential and non-residential subscriber solar customers under both programs in a timely manner;

4) Direct RMP to provide the parties with a plan to mitigate customer migration from Solar Subscriber I to Solar Subscriber II;

5) Direct RMP to make clear how released capacity from Solar Subscriber I will be treated and how any unrecovered costs will be treated;

6) Direct RMP to support its proposal with the missing information stated herein for the resource; and

7) Direct RMP to demonstrate how program costs will be allocated among ratepayers should the program not reach full subscribership within five years of the resource's operation date.

The Division reserves its right to make further recommendations as information becomes available.

Q: Does this conclude your direct testimony?

A: Yes, it does.