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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the 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

PREFILED SURREBUTTAL TESTIMONY OF

JUSTIN BIEBER

The Utah Association of Energy Users (“UAE”) hereby submits this Prefiled Surrebuttal Testimony of Justin Bieber in this docket.

DATED this 6th day of November 2020.

JAMES DODGE RUSSELL & STEPHENS

By: 

Phillip J. Russell
Counsel for the Utah Association of Energy Users

CERTIFICATE OF SERVICE
Docket No. 20-035-04

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Docket No. 20-035-04

SURREBUTTAL TESTIMONY AND EXHIBITS OF

JUSTIN BIEBER

On Behalf of the

Utah Association of Energy Users

November 6, 2020

1

REBUTTAL TESTIMONY OF JUSTIN BIEBER

2

3 **Introduction**

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

5 A. My name is Justin Bieber. My business address is 111 E Broadway, Suite
6 1200, Salt Lake City, Utah, 84111.

7 **Q. Are you the same Justin Bieber who pre-filed direct testimony and rebuttal**
8 **testimony in the cost-of-service phase of this docket on behalf of the Utah**
9 **Association of Energy Users (“UAE”)?**

10 A. Yes, I am.

11

12 **Overview and Conclusions**

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

14 A. My surrebuttal testimony responds to the rebuttal testimony of Rocky
15 Mountain Power’s (“RMP” or the “Company”) witness Robert Meredith and Utah
16 Office of Consumer Services (“Office”) witness Ron Nelson.

17 **Q. Please summarize your recommendations to the Commission.**

18 I provide the following recommendations for the Commission:

- 19 • In his rebuttal testimony, Mr. Meredith explains that RMP agrees with
20 UAE’s recommendation that the proposed time of use periods for large
21 customers be modified so that they allow for a full eight-hour nighttime
22 off-peak shift, but with one small modification to provide some

23 consistency in the off-peak period between seasons.¹ RMP's proposed
24 modification is reasonable and I recommend that the Commission
25 approve the on-peak hours for Schedules 8 and 9 that RMP proposes in
26 its rebuttal filing.

27 • In its rebuttal filing, the Company's proposed Schedule 32 Facilities
28 charges would still result in substantially different effective rates for
29 delivery service compared to the counterpart full requirements rate
30 Schedules 6, 8, and 9. This inconsistency between rates creates an
31 unduly discriminatory and unreasonable economic disincentive for
32 Schedule 32 customers. I continue to recommend that the Commission
33 order the Company to set the Schedule 32 Facilities charges equal to the
34 Facilities charges for the corresponding full requirements rate
35 schedules.

36 • RMP witness Mr. Meredith opposes UAE's recommendation to
37 convene a workshop to solicit feedback from stakeholders regarding an
38 appropriate method to compensate a Schedule 32 customer for the
39 capacity value of a solar resource and cites concerns about double
40 counting benefits. I continue to recommend that the Commission order
41 RMP to convene a workshop to address this issue. As I explained in my
42 direct testimony, the current and proposed rate structure for Schedule
43 32 provides little or no credit towards avoiding the daily Power charge

¹ Rebuttal Testimony of Robert M. Meredith, lines 955-968.

44 for customers that contract with a solar resource because the on-peak
45 period includes evening hours during which solar generation is known
46 to be zero.² A workshop would provide an opportunity for all
47 stakeholders to provide input and work productively towards a fair and
48 reasonable solution to mitigate this inconsistency between a Schedule
49 32 customer's ability to avoid daily Power charges with a solar resource
50 and the capacity value that a solar resource would provide to the system.

- 51 • I withdraw my opposition to the Company's proposal to eliminate
52 Schedule 6B. RMP's proposed Schedule 6A rate structure would
53 provide an opportunity for customers to benefit from time varying
54 rates if the Commission approves RMP's proposal to eliminate
55 Schedule 6B.
- 56 • Office witness Ron Nelson opposes the Division of Public Utilities
57 witness Bruce Chapman's recommendation that RMP should defend its
58 current distribution classification approach or consider alternatives,
59 including the minimum size method or the minimum-intercept method.
60 Mr. Nelson claims that RMP's current distribution classification
61 method, which classifies all distribution costs, except those related to
62 services and meters, as demand related, is an industry-accepted
63 methodology.³ To the extent that the Commission considers changes to

² Direct Testimony of Justin Bieber, lines 385-397.

³ Rebuttal Testimony of Ron Nelson, lines 207-211.

64 RMP's ECOSS methodologies, I continue to recommend that it direct
65 RMP to utilize one of the two methods identified by Mr. Chapman
66 outlined in the National Association of Regulatory Utility
67 Commissioners Electric Utility Cost Allocation Manual ("NARUC
68 Manual"). Irrespective of whether RMP's current distribution
69 classification methodology is used in other jurisdictions as Mr. Nelson
70 claims, the minimum size method or the minimum-intercept method
71 would be better aligned with cost causation because these methods
72 properly recognize the fact that a portion of shared distribution system
73 costs are *caused* by the number of customers on the system.

74

75 **Response to Rocky Mountain Power Witness Robert Meredith**

76 *Schedules 8 and 9 On-Peak Periods*

77 **Q. Please summarize Mr. Meredith's rebuttal testimony regarding Schedules 8**
78 **and 9 on-peak periods.**

79 A. The Company generally agrees with UAE's recommendation that it is
80 appropriate for the time of use periods for large customers to be modified so that
81 they allow for a full eight-hour nighttime off-peak shift. Mr. Meredith explains
82 that the Company mostly agrees with UAE's proposal, but with one small
83 modification that provides some consistency in the off-peak period between

84 seasons.⁴ Mr. Meredith summarizes RMP’s proposed on-peak periods in Table 5
85 of his rebuttal testimony, which I have reproduced in Table JDB-1S below.

86 **Table JDB-1S**
87 **Proposed On-Peak Hours for Schedule 8 and Schedule 9**
88

	<u>Winter On-Peak Hours</u>	<u>Summer On-Peak Hours</u>
UAE Direct (Sch 8 & 9)	6 am – 9 am & 6 pm – 10 pm	3 pm – 11 pm
RMP Rebuttal (Sch 8 & 9)	6 am – 9 am & 6 pm – 10 pm	3 pm – 10 pm

89

90 **Q. How do you respond to Mr. Meredith regarding the on-peak periods for**
91 **Schedules 8 and 9?**

92 A. I recommend that the Commission accept RMP’s rebuttal position
93 regarding the on-peak periods for Schedules 8 and 9. RMP’s proposed
94 modification is reasonable and would allow for a full eight-hour nighttime off-
95 peak shift.

96

97 *Schedule 32*

98 **Q. Please summarize Mr. Meredith’s rebuttal testimony regarding Schedule 32.**

99 A. Mr. Meredith disagrees with the recommended rate design proposed by
100 UAE and the University of Utah (“University”). In direct testimony, both UAE
101 and the University proposed that the Schedule 32 delivery Facilities charge should
102 be equal to the Facilities charge for the corresponding full requirements rate

⁴ Rebuttal Testimony of Robert M. Meredith, lines 955-968.

103 schedule and similarly that the daily Power charges should be designed to recover
104 the same level of cost as the Power charges that are applicable to full
105 requirements customers. Mr. Meredith claims that RMP's proposed prices would
106 fairly recover the fixed costs of delivering renewable power using the Company's
107 transmission and distribution facilities. He also claims that his proposed rate
108 design would maintain a similar composition of Schedule 32 rates while UAE's
109 and the University's proposal would result in a dramatic shift in the way that fixed
110 costs would be recovered.⁵ However, to the extent the Commission has concerns
111 with the fact the Company did not perform a more detailed Schedule 32 cost of
112 service study, Mr. Meredith recommends that the Commission order the current
113 composition of demand-related charges in Schedule 32 to be maintained.⁶

114 **Q. Please summarize the Schedule 32 rates that RMP proposes in its rebuttal**
115 **testimony.**

116 A. Table JDB-2S below summarizes Facilities charges for Schedule 32 and
117 the corresponding full requirements rate schedules that RMP proposes in its
118 rebuttal filing.

119

⁵ Id, lines 1037-1041.

⁶ Id, lines 1082-1088.

120
 121
 122
 123

Table JDB-2S
RMP Proposed Facilities Charges for
Schedule 32 and Corresponding Full Requirements Rates

	Secondary < 1 MW	Primary < 1 MW	Secondary > 1 MW	Primary > 1 MW	Transmission
Schedule 32 Facilities Charge Per kW Current	\$7.62	\$6.67	\$7.90	\$6.75	\$3.85
Schedule 32 Facilities Charge Per kW Proposed	\$7.90	\$6.92	\$8.55	\$7.42	\$5.01
Proposed Increase	3.7%	3.7%	8.2%	9.9%	30.1%
Schedule 6/8/9 Facilities Charge per kW Current	\$4.04	\$3.08	\$4.76	\$3.63	\$2.22
Schedule 6/8/9 Facilities Charge per kW Proposed	\$4.03	\$3.07	\$4.84	\$3.71	\$2.30
Proposed Increase	-0.2%	-0.3%	1.7%	2.2%	3.6%

124

125

As I explained in my direct testimony, there is already a significant

126

mismatch between the current Schedule 32 Facilities charges and the

127

corresponding full requirements rates.⁷ RMP’s Schedule 32 rate design proposal

128

would increase the various Schedule 32 Facilities charges by a much greater

129

percentage than the proposed increase for the corresponding full requirements

130

rates. For transmission voltage customers, RMP’s proposal would increase the

131

Schedule 32 Facilities charge by more than 30% while only increasing the

132

Schedule 9 Facilities charge by 3.6%. This proposal would exacerbate the

133

existing misalignment between the effective delivery rates for these schedules.

134

Q. Does Mr. Meredith provide a quantitative comparison of UAE’s proposed

135

Schedule 32 rates relative to the Company’s proposed rates?

136

A. Mr. Meredith provides a comparison of the delivery Facilities charge

137

relative to the daily Power charge for transmission voltage Schedule 32

138

customers. According to Mr. Meredith, RMP’s proposed pricing modestly

⁷ Direct Testimony of Justin Bieber, lines 339-341.

139 increases the proportion of costs recovered through the delivery Facilities charge,
140 while UAE's proposal would nearly halve this proportion and would represent a
141 significant departure from current rates.⁸

142 **Q. How do you respond to Mr. Meredith's assertion that UAE's and the**
143 **University's proposed rate design would nearly halve the proportion of**
144 **demand-related charges that are included in the delivery Facilities charge?**

145 A. UAE's and the University's recommended changes to the Schedule 32 rate
146 design would simply align the delivery Facilities charges with the Company's
147 proposed Facilities charges for the corresponding full requirements rate schedules.
148 The fact that this proposal would nearly halve the proportion of costs recovered
149 through the delivery Facilities charge is indicative of the fact that the *current*
150 delivery Facilities charges are nearly *double* the Facilities charges applicable to
151 the corresponding full requirements rate schedules.

152 Further, Mr. Meredith's comparison confirms the fact that the Company's
153 proposed rate design would actually *increase* the proportion of costs recovered
154 through the Facilities charge which would worsen the existing misalignment
155 between the effective rates for delivery service between these rate schedules.

156

⁸ Rebuttal Testimony of Robert M. Meredith, lines 1025-1034.

157 **Q. Did you explain in your direct testimony why it is important to align the**
158 **effective rates for delivery service between Schedule 32 and the**
159 **corresponding full requirements rate schedules?**

160 A. Yes, I did. In my direct testimony I explained that a mismatch between
161 the effective rates for delivery service between Schedule 32 and the
162 corresponding full requirements rate schedules is unduly discriminatory and
163 creates an unreasonable economic disadvantage for Schedule 32 customers.⁹

164 **Q. Has the Commission previously recognized the importance of aligning the**
165 **effective rates for delivery service between Schedule 32 and the**
166 **corresponding full requirements rate schedules?**

167 A. Yes, it has. As I explained in my direct testimony, in response to Senate
168 Bill 12,¹⁰ which was passed in 2012 and enabled qualifying retail customers to
169 receive electricity directly from a Renewable Energy Facility, the Company
170 proposed Schedule 32, Service from Renewable Energy Facilities in Docket No.
171 14-035-T02. The Commission adopted the current version of Schedule 32 in its
172 Report and Order in that proceeding.¹¹

173 Specifically, in its Report and Order in that proceeding the Commission
174 found that “[w]hile the testimony suggests both PacifiCorp’s and UAE’s
175 approaches are reasonable and conceptually sound, we find UAE’s testimony
176 persuasive that under PacifiCorp’s proposal Schedule 32 customers would be

⁹ Direct Testimony of Justin Bieber, lines 336-338.

¹⁰ Utah Code Title 54, Chapter 17, Part 8.

¹¹ *In the Matter of Rocky Mountain Power’s Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities*, Docket No. 14-035-T02, Report and Order dated March 20, 2015, pp. 1-2.

177 paying a different effective rate than their full service counterparts. We therefore
178 approve UAE's method for determining the Schedule 32 delivery charges."¹²

179 **Q. Does Mr. Meredith agree that RMP's proposed Schedule 32 rates would**
180 **result in different effective rates for delivery service between Schedule 32**
181 **and the corresponding full requirements rate schedules?**

182 A. Yes, he does. Since the rates for Schedules 6, 8, and 9 are unbundled in
183 this docket, it is clear that the delivery Facilities charges are different between
184 RMP's proposed Schedule 32 and the corresponding full requirements rate
185 schedules. And Mr. Meredith acknowledges this fact in his rebuttal testimony.
186 However, he claims that UAE's and the University's proposals to make the
187 Facilities charges the same for Schedule 32 and the corresponding full
188 requirements customers is problematic.¹³

189 **Q. What explanation does Mr. Meredith offer for why he believes it is**
190 **problematic for the Facilities charge under Schedule 32 to be the same as it is**
191 **for full requirements customers?**

192 A. Mr. Meredith explains that full requirements rate schedules 6, 8, and 9 pay
193 Facilities and Power charges based on the highest 15-minute interval kW demand
194 usage during the month. For Schedules 8 and 9, Facilities charges are applicable
195 to the highest 15-minute interval kW during the month, but Power charges are
196 only applied to the highest *on-peak* kW measurement. According to Mr.
197 Meredith, a full requirements customer must reduce its kW demand during all

¹² Id, p. 28.

¹³Rebuttal testimony of Robert M. Meredith, lines 1042-1043.

198 days of the month in order to avoid the demand-based Facilities and Power
199 charges, which makes it appropriately challenging to avoid fixed costs unless the
200 customer is able to reduce its capacity.¹⁴

201 In contrast, the Schedule 32 Facilities charge is based on monthly demand
202 usage, but the daily Power charge is based on daily demand. If a Schedule 32
203 customer is able to match its usage with the renewable output from its facility for
204 only a few days in the month its daily power charges will be reduced. According
205 to Mr. Meredith, this lower bar for avoiding power charges is balanced by a
206 higher delivery facilities charge. Mr. Meredith claims that if this balance is upset
207 a participant could avoid paying some fixed delivery cost if there were
208 particularly sunny and/or wind days in a month, which could result in cost shifting
209 to non-participants and could create cross-class subsidies.¹⁵

210 **Q. How do you respond to Mr. Meredith's concerns that having the *same* rates**
211 **for delivery service between Schedule 32 and the corresponding full**
212 **requirements rate schedules is problematic?**

213 A. I disagree with Mr. Meredith that it is problematic to have the *same*
214 effective delivery rates for Schedule 32 and the corresponding full requirements
215 rate schedule. As I explained in my direct testimony, I believe it is problematic to
216 have *different* effective rates for delivery service because having different

¹⁴ Id, lines 1045-1052.

¹⁵ Id, lines 1053-1066.

217 effective delivery rates is unduly discriminatory and creates an unreasonable
218 economic disadvantage for Schedule 32 customers.¹⁶

219 Further, this Commission's order in Docket 14-035-T02 declined to adopt
220 the Company's Schedule 32 rate design proposal because it would result in a
221 *different* rate for delivery service than the rate charged to the corresponding full
222 service counterparts. Instead, this Commission adopted UAE's proposed
223 Schedule 32 rate design which sought to impose the *same* rates for delivery
224 service between Schedule 32 and the corresponding full requirements rate
225 schedules.¹⁷

226 **Q. Do you agree with Mr. Meredith's statement that there is a "lower bar" for**
227 **avoiding Schedule 32 power charges that should be balanced by a higher**
228 **delivery facilities charge?**¹⁸

229 A. No, I do not. If a Schedule 32 customer is contracted with a renewable
230 facility that provides sufficient generation for that customer to lower its daily
231 demand during the entire on-peak period for a few days during the month, then it
232 is appropriate that the customer should be able to avoid Power charges for those
233 days. To the extent a customer is able to reduce its Power charges in this manner,
234 it only gets credit for the days during which its demand is reduced, not the entire
235 month. And it can be very difficult for a customer to match its usage with an
236 intermittent renewable resource such as wind or solar for an *entire* on-peak

¹⁶ Direct Testimony of Justin Bieber, lines 87-89.

¹⁷ *In the Matter of Rocky Mountain Power's Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities*, Docket No. 14-035-T02, Report and Order dated March 20, 2015, p. 28.

¹⁸ Rebuttal Testimony of Robert M. Meredith, lines 1059-1060.

237 period. This is especially true for a solar resource because the on-peak periods
238 include evening hours when solar production is known to be zero.

239 Further, RMP's proposed rate design methodology used to calculate the
240 daily demand charge includes an adjustment that reflects RMP's proposed ratio
241 between the daily average to monthly average peak. Due to this adjustment, a
242 Schedule 32 customer that has the same daily Power demand during every day of
243 the month will pay substantially more per kW of demand than it would if it were
244 paying the corresponding monthly Power demand charge. The current Schedule
245 32 rate design, which was approved in Docket No. 14-035-T02, was derived using
246 this same adjustment and I am not taking a position regarding the reasonableness
247 of this adjustment in this case. Nevertheless, this adjustment effectively "raises
248 the bar" for Schedule 32 customers to avoid daily power charges.

249 **Q. Can you please explain why RMP's calculation of the daily Power charge**
250 **would cause a Schedule 32 customer that has the same daily Power demand**
251 **during every day of the month to pay more per kW of demand than it would**
252 **if it were paying the corresponding monthly Power demand charge?**

253 A. RMP's proposed Schedule 32 rate design methodology sets a monthly per
254 kW target for the Power charge that is equal to the sum of the Facilities charge
255 and Power charge for the corresponding full requirements rate schedule less the
256 proposed Schedule 32 Facilities charge. RMP then performs a two-step

257 adjustment to convert the monthly per kW target to its proposed daily Power
258 charge.¹⁹

259 In the first step, RMP divides the monthly per kW target by 21.25, which
260 is the average number of on-peak days per month, to determine a kW per day rate.
261 If a customer had the same Power demand during each day of the month, this rate
262 would recover the same amount of revenue as the monthly per kW target rate.

263 Then RMP performs a second adjustment that divides the kW per day rate
264 by RMP's proposed ratio of the daily average to monthly peak kW.²⁰ For
265 secondary and primary voltage Schedule 32 customers this proposed ratio is 80%,
266 which results in a proposed daily Power charge that is 25%²¹ greater than the kW
267 per day rate calculated in the first step. For transmission voltage Schedule 32
268 customers this proposed ratio is 85%, which results in a proposed daily Power
269 charge that is 18%²² greater than the kW per day rate calculated in the first step.
270 Thus including the "Daily Average to Monthly Peak" ratio in the daily power
271 charge calculation increases the daily Power charge to reflect daily variation in
272 demand during the month and raises the bar with respect to a Schedule 32
273 customer's ability to avoid daily power charges.

¹⁹ These adjustments are set forth in the document titled "Schedule 32 Cost of Service Analysis" found at page 135 of Exhibit RMP___ (RMM-3R), submitted with Mr. Meredith's Phase II rebuttal testimony. That document shows the calculation for RMP's proposed calculations for the delivery Facilities and daily Power charges.

²⁰ See *id.* The daily power charge calculation includes a "Ratio – Daily Average to Monthly Peak kW."

²¹ $(1 \div 0.8) - 1 = 25\%$

²² $(1 \div 0.85) - 1 = 18\%$

274 **Q. Do you agree with Mr. Meredith’s statement that changing the composition**
275 **of the Schedule 32 rate design in this case would lead to cost-shifting or cross-**
276 **subsidies?²³**

277 A. No, I do not. UAE’s and the University’s proposal would simply set the
278 Schedule 32 Facilities charges equal to the Company’s proposed Facilities
279 charges for the corresponding full requirements rate schedule. While it is possible
280 that the Schedule 32 rates established in this case could lead to an over-recovery
281 or under-recovery of costs for the Company, whether the Company over-recovers
282 or under-recovers its costs depends on a multitude of factors. (The same holds
283 true for the rate designs of other rate schedules as well). However, from a
284 conceptual standpoint, the proposal to align the delivery charges for Schedule 32
285 and the full requirements rate schedules would not cause any cross-subsidies or
286 cost shifting to non-participants because it would not change the revenue targets
287 or rate designs for other rate schedules in this case.

288 **Q. Does RMP agree with UAE’s proposal to convene a workshop following the**
289 **conclusion of this proceeding to solicit feedback from stakeholders regarding**
290 **an appropriate method to compensate a Schedule 32 customer for the**
291 **capacity value of a solar resource?**

292 A. Mr. Meredith recommends that the Commission reject UAE’s proposal for
293 a workshop. Mr. Meredith claims that Schedule 32 already provides a generous
294 opportunity for participants to reduce their fixed generation costs through a daily

²³ Rebuttal Testimony of Robert M. Meredith, lines 1062-1066.

295 demand charge. According to Mr. Meredith, if a customer wants to earn capacity
296 value for a renewable resource, it has the option to become a qualifying facility or
297 enter into a Schedule 34 contract to get credited at the avoided cost. He also
298 claims that attributing a resource-type value for a resource along with the
299 opportunity to avoid power charges would double count benefits and result in cost
300 shifting.²⁴

301 **Q. How do you respond to Mr. Meredith's recommendation to reject UAE's**
302 **request for a workshop on this topic?**

303 A. I continue to recommend that the Commission order RMP to convene a
304 workshop to address this issue. As I explained in my direct testimony, the rate
305 structure for Schedule 32 provides little or no credit towards avoiding the daily
306 Power charge for customers that contract with a solar resource because the on-
307 peak period includes evening hours during which there is no solar generation.²⁵
308 A workshop would provide an opportunity for all stakeholders to provide input
309 and work productively towards a fair and reasonable solution to mitigate this
310 inconsistency between a Schedule 32 customer's ability to avoid daily Power
311 charges with a solar resource and the capacity value that the solar resource would
312 provide to the system. While Mr. Meredith's concern about double counting
313 benefits is not based on any specific UAE proposals, a workshop would provide
314 the opportunity to discuss and address these types of concerns.

²⁴ Id, lines 1095-1105.

²⁵ Direct Testimony of Justin Bieber, lines 385-397.

315 **Q. In your direct testimony you noted inconsistencies in the billing determinants**
316 **used in RMP’s cost of service study and Schedule 32 cost of service analysis.²⁶**
317 **Does RMP update the billing determinants in its Schedule 32 cost of service**
318 **analysis?**

319 A. Mr. Meredith confirms that in the Company’s direct filing, for the less
320 than one MW category, the Company included forecast facilities kW billing units
321 for Schedule 6 customers, but did not include the billing units for Schedule 6A
322 and 6B customers. In its rebuttal filing, the Company updated its Schedule 32
323 cost of service analysis to include the billing units for Schedules 6A and 6B.²⁷

324 **Q. Does RMP’s update to the Schedule 32 cost of service analysis billing units**
325 **resolve all of the inconsistencies that you noted in your direct testimony?**

326 A. No. There is still an inconsistency between the billing units for the
327 Facilities charges that RMP utilizes in its Schedule 32 cost of service analysis and
328 the class non-coincident peak (“NCP”) utilized in RMP’s embedded cost of
329 service study. As I explained in my direct testimony, RMP considers the NCP to
330 be the sum of the individual maximum demand for each customer within the class
331 which should very close to the class billing determinants, even though they are
332 derived from different sources.²⁸ However, the billing units for Schedules 6, 8,
333 and 9 utilized in RMP’s updated Schedule 32 cost of service analysis differ
334 relative to the class NCP utilized in the ECOSS by 5.5%, -5.7%, and 4.6%

²⁶ Id, lines 295-318.

²⁷ Rebuttal Testimony of Robert M. Meredith, lines 1110-1113.

²⁸ Direct Testimony of Justin Bieber, lines 304-309.

335 respectively. While the relative differences between these values is less in RMP's
336 rebuttal filing compared to its direct filing, these are still relatively substantial
337 differences between values that should theoretically be equivalent, except for any
338 small differences that may result from the fact that the values are derived from
339 different sources.

340 **Q. Does RMP offer an alternative rate design proposal for Schedule 32?**

341 A. Yes, it does. Mr. Meredith states that if the Commission has concerns
342 with the fact that the Company did not perform a more detailed Schedule 32 cost
343 of service study, then he recommends that the Commission order the current
344 composition of demand-related charges in Schedule 32 to be maintained.

345 **Q. How do you respond to RMP's rebuttal position regarding Schedule 32**
346 **rates?**

347 A. I continue to recommend that the Commission set the Schedule 32
348 delivery Facilities charge equal to the Facilities charge for the corresponding full
349 requirements rate schedule. RMP's proposal would result in different effective
350 rates for delivery service between Schedule 32 and the corresponding full
351 requirements rate schedules which would create an unduly discriminatory and
352 unreasonable economic disadvantage for Schedule 32 customers.

353 However, RMP's alternative proposal to maintain the current composition
354 of Schedule 32 demand charges is certainly preferable to its primary proposal.
355 While this alternative would not make any movement towards improving the
356 effective rates for delivery service between Schedule 32 and the corresponding

357 full requirements rate schedules, it would not substantially worsen the existing
358 misalignment either.

359

360 *Proposed Elimination of Schedule 6B*

361 **Q. Please summarize Mr. Meredith's response to UAE's proposal that would**
362 **allow customers currently taking service on Schedule 6B the option to**
363 **continue taking service on that rate schedule?**

364 A. Mr. Meredith agrees that providing stability in rate structures is an
365 important consideration because customers make investments based upon the
366 information provided to them and the prices they pay, and that sudden changes to
367 rate structures can undermine the confidence of customers considering different
368 technologies. He also asserts that sending accurate price signals and simplifying
369 the Company's tariff book are important considerations.²⁹

370 Mr. Meredith recommends that the Commission reject UAE's proposal to
371 allow customers currently taking service on Schedule 6B the option to continue
372 taking service on the schedule. Mr. Meredith claims that the Company's
373 proposed Schedule 6A will provide another time varying rate option for
374 customers if the Commission approves the elimination of Schedule 6B and that
375 customers that relied upon Schedule 6B to make investments to lower their
376 demand during on-peak times could similarly save under Schedule 6A by using
377 less energy during on-peak times.³⁰

²⁹ Rebuttal Testimony of Robert M. Meredith, lines 919-925.

³⁰ Id, lines 926-934.

378 Further, Mr. Meredith explains that the Company performed its own rate
379 modeling for the Schedule 6B customer that I referenced in my direct testimony
380 that had invested in an onsite energy storage facility in response to price signals
381 from the current Schedule 6B. Based on the Company's rate models, Mr.
382 Meredith asserts that the facility would have a lower bill under the proposed
383 Schedule 6A than it would on Schedule 6B.³¹

384 **Q. How do you respond to Mr. Meredith's rebuttal regarding the elimination of**
385 **Schedule 6B?**

386 A. I withdraw my opposition to the Company's proposal to eliminate
387 Schedule 6B. There are some differences between the Company's rate analysis
388 and my rate analysis for the specific customer that I referenced in my direct
389 testimony due to the fact that the Company used actual billing data for the past 12
390 months, whereas my analysis is based on customer load projections that reflects
391 the customer's plans to optimize the facility's operations. Nevertheless, I agree
392 with Mr. Meredith that RMP's proposed Schedule 6A rate structure would
393 provide an opportunity to customers to benefit from time varying rates. There is
394 also a minimum on-peak power charge component that is included in the current
395 Schedule 6B rate structure that makes it challenging to reduce a customer's cost
396 through reductions in demand.

397

398

³¹ Id, lines 937-950.

399 **Response to Office Witness Ron Nelson**

400 *Classification of Distribution Costs*

401 **Q. Please summarize Mr. Nelson’s rebuttal position regarding the classification**
402 **of distribution costs.**

403 A. Mr. Nelson responds to the DPU’s witness Bruce Chapman’s direct
404 testimony recommendation that RMP should defend its current distribution
405 classification approach or consider alternatives, including the minimum size
406 method or the minimum-intercept method. Mr. Nelson claims that RMP’s current
407 distribution classification method that would classify all distribution costs, except
408 those related to services and meters, as demand related is an industry-accepted
409 methodology called the “basic customer method.” According to Mr. Nelson, the
410 basic customer method is more appropriate than the minimum size method or the
411 minimum-intercept method and aligns with the DPU’s guiding principles for rate
412 design.³²

413 **Q. How do you respond to Mr. Nelson regarding his claim that the basic**
414 **customer method is an industry-accepted method?**

415 A. To the extent that the Commission considers changes to RMP’s ECOSS
416 methodologies, I continue to recommend that it direct RMP to utilize the minimum
417 size method or the minimum-intercept method identified by Mr. Chapman and
418 outlined in the NARUC Manual. Mr. Nelson’s rebuttal testimony primarily focuses
419 on whether or not the basic customer method is an industry accepted method.

³² Rebuttal Testimony of Ron Nelson, lines 195-211.

420 However, it is important to make the distinction between cost causation and what
421 might sometimes be an acceptable classification practice. While it is reasonable to
422 debate the amount of shared distribution costs that are caused by the number of
423 customers on the system, it is clear that the number of customers causes at least
424 some portion of those costs to be incurred. The basic customer method does not
425 classify any portion of the shared distribution system as customer-related which
426 fails to recognize that a significant portion of shared distribution costs are caused
427 by the number of customers.

428 **Q. Does this conclude your surrebuttal testimony?**

429 **A. Yes, it does.**