

Rocky Mountain Power  
Docket No. 14-035-114  
Witness: Gary W. Hoogeveen

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

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Rebuttal Testimony of Gary W. Hoogeveen

July 2017

1 **Q. Are you the same Gary W. Hoogeveen who presented direct testimony in this**  
2 **proceeding?**

3 A. Yes I am.

4 **Purpose of Rebuttal Testimony**

5 **Q. What is the purpose of your rebuttal testimony?**

6 A. I address various policy arguments raised by intervenors in their direct testimony.  
7 Specifically, I refute the claim by some that Rocky Mountain Power's proposed rate  
8 structure would eliminate customer choice. As discussed below, the Company's  
9 proposal preserves customer choice and customers' ability to generate power for their  
10 own consumption. This proposal also continues to allow customers to sell privately  
11 generated energy back into the system through net energy metering ("NEM") in a  
12 manner that is fair to all customers. This filing more accurately aligns the costs and  
13 benefits of serving the energy needs for those customers who choose to participate in  
14 NEM so that non-participating customers do not bear an increasing share of the fixed  
15 costs of the overall electric system. We recognize customers elect to generate their own  
16 energy for various reasons. At the same time, however, those customers should pay for  
17 the full cost of their service and should not be subsidized by other customers,  
18 particularly by those who cannot afford increased energy costs.

19 In this filing, we ask the Commission to fairly determine the cost of service for  
20 private generation customers. I also address intervenor claims that the Company's  
21 proposal upsets free markets, is anti-competitive, and would end the rooftop solar  
22 industry in Utah. Next, I respond to claims that the NEM framework the Commission  
23 has selected excludes long-term benefits, and that adoption of the Company's proposal

24 will result in significant job losses in the rooftop solar industry. Finally, I address certain  
25 concerns raised in the public setting based, in large part, on misinformation.

26 **Q. Do you agree with intervenors' claims or insinuations that the Company's**  
27 **proposal will eliminate customer choice for solar in Utah?**<sup>1</sup>

28 A. No. Rocky Mountain Power supports customers who want to generate a portion of their  
29 own energy. Any customer who chooses to install solar panels on their roof has a right  
30 and opportunity to do so. This issue arises in the current NEM structure because it  
31 allows NEM customers' choice to harm non-participating customers. First, the current  
32 framework results in NEM customers paying less than their cost of service, increasing  
33 costs for non-participating customers to maintain the network. Second, because of the  
34 netting, non-participating customers are paying NEM customers the retail volumetric  
35 rate for excess power when that energy is available at much lower wholesale prices. To  
36 be clear, the Company is not seeking to eliminate rooftop solar as an option. But  
37 customers' choice to take and pay for Company power only should be equally protected  
38 and they should not have to subsidize NEM customers. Customers can decide whether  
39 to install rooftop solar after fully analyzing the economics of rooftop solar without  
40 subsidies, even if it is uneconomic, provided that the cost of making that choice does  
41 not impose costs on other customers.

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<sup>1</sup> Vivint Solar witnesses Thomas Plagemann, Direct Testimony, ll. 246-7 and Richard Collins Direct Testimony, ll. 107-13; Vote Solar witness David DeRamus, Ph.D., ll. 215-31; and, Utah Clean Energy witness Melissa Whited, ll. 119-40.

42 **Q. How does the Company's proposal preserve choice and ensure costs are**  
43 **appropriately allocated among its customers?**

44 A. The Company's proposal recognizes that, under the status quo, non-participating  
45 customers are currently paying a portion of the costs to support the system for NEM  
46 customers. Our proposal would rectify this so that customers keep their choice to  
47 participate in NEM, without being subsidized by customers who simply want lower  
48 cost, safe and reliable electricity provided by the utility.

49 **Q. Some intervenors imply that as a policy matter the Company must subsidize**  
50 **rooftop solar in order to provide environmental or job benefits to the state.<sup>2</sup> Do**  
51 **those policies justify long-term preservation of the current NEM structure?**

52 A. No. Rocky Mountain Power purchases energy from Utah solar farms at one-third the  
53 price it pays NEM customers for the same power. Both generation sources (commercial  
54 solar and rooftop solar) produce jobs in the solar industry. Proponents of both sources  
55 claim they are helping the environment. Both generation sources use the grid to transfer  
56 that power to customers. The key difference between these generation sources is that  
57 the cost to customers is three times more for the electricity exported by NEM  
58 customers. This is unfair and needs to change. Our proposal actually fosters a free  
59 market for energy pricing rather than forcing Utah's electricity customers to pay triple  
60 the wholesale market price for energy exported to our system.

61 **Q. How should the status quo change to achieve market parity?**

62 A. A private generation customer should be paid for the exported energy at a rate that is

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<sup>2</sup> Plagemann Direct Testimony, ll. 241-56 and Collins Direct Testimony, ll. 186-204; Sierra Club witness Allison Clements, Direct Testimony, ll. 55-66, 790-803, 887-99, 976-82; DeRamus Direct Testimony, ll. 76-84, 323-24, 371-78, 1233-35, 1324-40.

63 competitive with what customers pay other energy resources, instead of the current  
64 retail rate. We don't propose paying them less than market value for that energy—we  
65 just don't believe our non-participating customers should pay them a subsidy. As  
66 further explained by Company witnesses, the data show that the average private  
67 generation customer currently receives approximately \$400 per year in subsidies  
68 (including administrative, engineering, and metering costs) from other customers.

69 Private generation and rooftop solar in particular, is here to stay. Because  
70 rooftop solar has been fostered now for fifteen years and will likely continue to grow  
71 as technology costs decline, it is time for a sustainable, long-term solution that balances  
72 the costs and benefits for all customers. A fair and balanced solution is achievable while  
73 maintaining Utah's low energy costs, which are among the lowest in the nation. The  
74 Company's request is simple. All customers should pay the cost for the energy they  
75 use. Second, if a private generation customer exports excess energy, that customer  
76 should receive market value for that energy.

77 **Q. Certain intervenors claim the Company's proposed structure is intended to**  
78 **eliminate competition and protect the Company's bottom line.<sup>3</sup> How do you**  
79 **respond to this claim?**

80 A. This argument mischaracterizes the Company's proposed structure and ignores the  
81 problems with the current NEM structure. Some have conflated the issue of market-  
82 share with unfairly transferring costs of service to other customers. This simplified  
83 rhetoric fails to acknowledge established utility ratemaking principles. The current  
84 NEM program burdens non-participating customers with subsidies that result in higher

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<sup>3</sup> Collins Direct Testimony, ll. 100-6, 109-13 and Plagemann Direct Testimony, ll. 222-5; HEAL Utah witness Jeremy Fisher, p. 12.

85 costs for them. This inequity allows a private generation customer to avoid paying the  
86 cost of using the system by offsetting usage at the retail rate.

87           Regarding the false claim that the Company's intent is to protect its bottom line,  
88 the proposed deferral ensures our proposal is earnings-neutral. The Company's  
89 proposal seeks only to stop one group of customers from shifting a portion of their costs  
90 to a different group of customers. Because the Company is allowed to recover its  
91 prudently incurred costs in either instance, the issue is one of fairness and parity among  
92 our customers.

93 **Q. Are there other factors that exacerbate the inaccurate market signals that arise**  
94 **from the current NEM program?**

95 A. Yes. In addition to these inaccurate price signals, misinformation circulated in the  
96 market has created significant customer confusion. For example, reproduced below is  
97 a portion of a flyer circulated by the Sierra Club, produced in response to a data request  
98 in this proceeding:

### **The Problem**

Utah's monopoly utility Rocky Mountain Power wants to restrict our freedom to choose how to power our homes and businesses by stifling the growth of affordable, homegrown clean energy solutions like rooftop solar. Our state's solar industry should be allowed to compete fairly in the free market, but Rocky Mountain Power continues to fight free enterprise by trying to stop Utahns from generating their own electricity.

### **The Solution**

Utahns from all walks of life should have the right to choose clean energy solutions like rooftop solar while being compensated fairly for the power they produce and for the benefits they bring to the grid. We must push back against regressive demand charges for any and all customers, recognizing that demand charges take control of utility bills out of the hands of customers and hurt low-income utility customers the most.

### **The Benefit**

According to the Department of Energy, there are already more than 3 times as many jobs in Utah in the clean energy and energy efficiency industries (over 37K) than there are in the fossil fuel industry, both generation and fuel production (nearly 12K). The entire Utah solar industry employs more than 5,894 workers across Utah. Those jobs will continue to grow if we can protect our rooftop solar program from Rocky Mountain Power's attacks.

### **The Call to Action**

Let's protect energy choice -- Don't let an out-of-state-owned monopoly utility destroy our growing rooftop solar industry just so they can make a bigger profit. See the reverse side for actions!

99                    Among other things, this flyer misstates the issues by claiming the Company's  
100                    proposal restricts customers' freedom of choice, doesn't allow the solar industry to  
101                    compete in the free market, that demand charges are regressive for any and all  
102                    customers and hurt low-income the most, and asserts that the Company is simply  
103                    motivated by a "bigger profit." This kind of misinformation about how NEM operates  
104                    and the market impact of NEM is counter-productive to proper price signals that drive  
105                    free markets. In contrast, the flyer fails to disclose that NEM provides a subsidy in the  
106                    form of an above-market price to private generators at a cost to other customers, that

107 demand charges are widely used for all other customers, or that the Company proposed  
108 a deferral in this docket to capture and return to other customers any additional  
109 revenues that may arise from the proposed rates in this proceeding.

110 **Q. A number of intervenors contend that the Company’s proposal would “wipe out”**  
111 **the solar industry.<sup>4</sup> How do you respond to that contention?**

112 A. This contention is misguided and ignores the Commission’s role, which is to establish  
113 just and reasonable rates. The rooftop solar industry should stand on its own without  
114 subsidies from customers. Customers who want to participate in private generation  
115 have the right to continue to do so under the Company’s proposal; we simply ask them  
116 to pay the actual cost of service with an appropriate compensation for energy they  
117 deliver to the grid—no more, and no less. This approach is consistent with the Utah  
118 legislature’s recent decisions on solar tax credits, which recognized the need to phase  
119 out subsidies for the solar industry.<sup>5</sup> The rate structure approved by the Commission  
120 should reflect those determinations by eliminating the subsidies for rooftop solar that  
121 are paid by non-participants. The Net Metering Statute requires the Commission to  
122 evaluate the costs and benefits of net metering and then to set just and reasonable rates  
123 for NEM customers, not rates that create a profit for an industry segment at the expense  
124 of our customers.

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<sup>4</sup> Vivint Solar witnesses Dan Black Direct Testimony, ll. 49-51, and Plagemann Direct Testimony, ll. 243-52; Utah Clean Energy witnesses Tim Woolf Direct Testimony, ll. 162-6 and Whited Direct Testimony, ll. 121-9; Vote Solar witness Rick Gilliam Direct Testimony, ll. 413-16; Clements Direct Testimony, ll. 621-31.

<sup>5</sup> House Bill 23 (2017 Legislative Session), available at <https://le.utah.gov/~2017/bills/static/HB0023.html>; *see also* the following article in the Salt Lake Tribune: <http://www.sltrib.com/home/4891725-155/solar-industry-drops-fight-over-tax>.

125 **Q. What is your response to Mr. Fisher’s assertion that the NEM Studies purportedly**  
126 **demonstrate the Company’s existing resources and those planned in its IRP are**  
127 **uneconomic?**<sup>6</sup>

128 A. As an initial matter, Company witness Robert M. Meredith provides a rebuttal of  
129 Mr. Fisher’s assertion and analysis so I will not repeat his arguments here. But it is  
130 important to note that comparing private solar generation with base load resources is  
131 not a fair comparison. The Company has an obligation to serve its customers and relies  
132 on its system resources to meet that obligation. It cannot rely on intermittent resources  
133 alone to meet that obligation. In contrast, NEM customers have no obligation to serve.  
134 They remain connected to the grid, and can draw on that power as they see fit, with any  
135 exported power being simply incidental to their usage. Mr. Fisher’s analysis also  
136 ignores that private solar generation is not subject to the same prudence or reliability  
137 standards, contractual obligations, or other similar requirements of utility-acquired and  
138 -operated resources. While Mr. Fisher argues that rooftop solar provides various long-  
139 term benefits, his analysis assumes that no such benefits are provided by the Company’s  
140 other resources. That is wrong. Finally, this Commission previously ruled in this case  
141 that rooftop solar is not a resource factored into the Company’s resource portfolio.<sup>7</sup>

142 **Q. Some intervenors argue that the Company’s proposal will lead to significant**  
143 **layoffs in the rooftop solar industry.**<sup>8</sup> **Does the Company have a position on this**  
144 **issue?**

145 A. Yes, the Company’s proposal is not an attack on any industry, nor is it intended to cause

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<sup>6</sup> Fisher Direct Testimony, p. 6, ll. 8-12.

<sup>7</sup> Docket No. 14-035-114, Order at 13(November 10, 2015).

<sup>8</sup> Collins Direct Testimony, ll. 186.

146 layoffs. The Company’s proposal is in response to the NEM Statute and the  
147 Commission’s prior orders in this docket. It is the result of the NEM Studies, and seeks  
148 to rectify the cost shifting those studies demonstrate is occurring. Intervenor arguments  
149 regarding potential impacts of this proceeding on the jobs in the solar industry  
150 incorrectly assume it is the Commission’s statutory role to ensure job levels of the solar  
151 industry are maintained. There is no support in the NEM Statute or the Commission’s  
152 prior orders for this assumption. Indeed, the opposite is true. The Commission has  
153 previously ruled that the NEM Statute requires the Commission to consider only costs  
154 that accrue to the “electrical corporation or other customers” rather than “some broader  
155 group.”<sup>9</sup> It rejected claims that other considerations, including “labor market  
156 conditions,” should factor into its analysis.<sup>10</sup> As the Commission noted, such  
157 considerations are outside the scope of the NEM Statute:

158 We find nothing . . . suggesting the legislature desired the Commission  
159 to conduct an all-encompassing analysis that extends to the kinds of  
160 broad societal concerns Intervenors assert are relevant in this docket.  
161 Indeed, Intervenors’ interpretation would require the Commission to  
162 act as a *de facto* legislative body, weighing all societal benefits and  
163 costs and attempting to assign some value to them without direction  
164 from the legislature as to how competing interests ought to be  
165 prioritized and no matter how attenuated they may be from the  
166 business of the electric utility which it is the Commission’s essential  
167 function to regulate. We are not persuaded the legislature intended the  
168 Commission to undertake such an unprecedented analysis, which  
169 would significantly extend the Commission’s regulatory purview  
170 from the business of public utilities to, essentially, the entire arena of  
171 public policy.<sup>11</sup>

172 In addition, intervenor arguments about the potential impact of this proceeding on solar

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<sup>9</sup> Docket No. 14-035-114, Order Re: Conclusions of Law on Statutory Interpretation and Order Denying Motion to Strike, at 12 (July 1, 2015).

<sup>10</sup> *Id.* at 13.

<sup>11</sup> *Id.* at 14-15.

173 jobs fail to acknowledge the impact subsidies and excessive reimbursement rates have  
174 had on those same jobs. The cost of rooftop solar energy is three times the cost of solar  
175 energy provided in the market. Thus, if intervenors were correct that the Company’s  
176 proposal would result in a reduction in jobs, they would also have to concede that the  
177 current excessive rate paid for exported power (together with the other subsidization  
178 received by NEM customers) is artificially inflating the number of solar jobs and  
179 artificially reducing the number of jobs in the remaining solar generation industry that  
180 is operating without such advantages. Also, if the Commission implemented rates to  
181 sustain jobs in the rooftop solar industry, it would necessarily be harming jobs in other  
182 industries that compete with that industry—commercial solar, hydro, wind, geothermal,  
183 coal, natural gas, and so on.

184 Further, in no other instance does the Commission factor into its rate  
185 determinations the impact those rates could have on the employment rate in a particular  
186 industry. Intervenors have provided no justification for why such considerations should  
187 factor into this proceeding, and there is none. The Commission’s duty is to ensure that  
188 customers are receiving power at just and reasonable rates. To do otherwise sets a  
189 dangerous precedence for utility rates to become a bail-out mechanism for troubled  
190 industries.

191 Finally, the Commission has already determined that only costs or benefits that  
192 are “subject to quantification and verification” and that relate to “the utility’s cost of  
193 service” are to be considered.<sup>12</sup> This includes references to actions or events in other  
194 states. As the Commission has previously ruled in this docket, out of state actions or

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<sup>12</sup> *Id.*, at 16.

195 events “[have] little probative value,” and, as a result, evidence of claimed costs or  
196 benefits must be proven relevant and valuable “on [their] own merit.”<sup>13</sup> Intervenors  
197 have provided no Utah-specific evidence that demonstrates the solar job market will be  
198 significantly impacted by the Company’s proposal as opposed to other market factors.

199 **Q. The Division of Public Utilities (“DPU”) and the Office of Consumer Services**  
200 **(“OCS”) propose that the Commission lower the cap on the NEM program and**  
201 **implement a new program to support private generation with a separate**  
202 **compensation rate for exported energy. They propose that the Commission initiate**  
203 **a new proceeding to develop a methodology or formula for calculating the**  
204 **compensation rate.<sup>14</sup> What is the Company’s position on these proposals?**

205 A. As explained in more detail in the rebuttal testimony of Joelle R. Steward, the Company  
206 agrees with the DPU and OCS and would support moving to a new program that would  
207 separately provide compensation to private generation customers for the power they  
208 export to the grid outside the retail rate netting. This approach would provide for a more  
209 transparent and consistent treatment of energy purchases by the Company on behalf of  
210 customers and establish appropriate market signals. To provide more stability for  
211 customers and the solar industry, the Company recommends that the Commission take  
212 steps now to move to this new model.

213 **Q. How do you respond to many in the public who oppose any change to NEM rates**  
214 **based, in large part, on misinformation?**

215 A. Rocky Mountain Power celebrated its 100th anniversary serving Utah customers about

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<sup>13</sup> *Id.*, at 16-17.

<sup>14</sup> Division of Public Utilities witness Artie Powell, Ph.D., Direct Testimony, ll. 454-528, and Office of Consumer Services witness Michele Beck Direct Testimony, ll.337-653.

216 five years ago. We have provided our customers with reliable, low-cost power for many,  
217 many years and are proud of our service and our partnership with our customers. There  
218 is no basis for the assertion that the Company is seeking to undermine the solar industry.  
219 Instead, the Company seeks proper and fair allocation of costs between NEM customers  
220 and other customers. Contrary to popular belief, the Company's generation portfolio is  
221 not reduced by rooftop solar. It is also not true that rooftop solar saves all customers  
222 money. The Company's NEM Studies show that the costs of NEM actually exceed its  
223 benefits, and other customers are paying the average rooftop solar customer \$400 per  
224 year through the NEM subsidies. In the aggregate and if the NEM program is left  
225 unchanged, this will result in a cost shift totaling over \$650 million over 20 years. The  
226 Company strives to protect the air and water and complies with its environmental  
227 requirements, but such considerations cannot be factored under the NEM Statute in  
228 determining a just and reasonable rate for NEM. Finally, the Company's proposal  
229 would not result in fewer choices for customers. The Company supports each  
230 customer's right to choose for themselves whether they want to pay for rooftop solar  
231 or receive all power from the Company. Adoption of the Company's proposal would  
232 not eliminate that right. However, it would result in rates that more fairly reflect the  
233 costs of serving NEM customers and the benefits they provide.

234 **Q. Does this conclude your rebuttal testimony?**

235 A. Yes.