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

---

Surrebuttal Testimony of Gary W. Hoogeveen

August 2017

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

A. Yes I am.

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

A. I respond to the Joint Proposal of the Office of Consumer Services ("OCS") and Division of Public Utilities ("DPU") that was appended to the rebuttal testimony of OCS witness Michelle Beck as Attachment 1 and DPU witness Dr. Artie Powell as Exhibit 1.1R.

**Q. What is the Company's response to the Joint Proposal?**

A. While the Joint Proposal is different in many respects from the Company's recommendation in its original filing, the structure of the proposal for a new program for customer with private generation addresses many of the Company's concerns with the current NEM structure. As noted in the rebuttal testimonies of OCS witness Ms. Beck, and DPU witness Dr. Powell,[1] the cost of service studies demonstrate that the costs of NEM outweigh the benefits of the program. The Company's filing and the Joint Proposal both recognize the cost shift to non-NEM customers that occurs when NEM customers avoid paying the full costs of their service and are paid retail rates for the energy they produce, which far exceeds the value of that energy. Both of these aspects of the current NEM structure shift costs that are borne by our non-NEM customers. The Company's proposal and the Joint Proposal each attempt to remedy these problems, albeit in different ways. While the proposed structure in the Joint Proposal is different

[1] *See, e.g.*, DPU witness Artie Powell Direct Testimony, ll. 35-37; Powell Rebuttal Testimony, ll. 362; OCS Witness Michele Beck Direct Testimony, ll. 68-71; Beck Rebuttal Testimony, ll. 26-29.

than what is filed in the Company's application, we agree that it is an acceptable structure to address the inherent and ever-increasing cost shift in the current NEM program. However, if the Commission approves the proposed structure, careful consideration should be given to each of the elements and the costs that will be borne by customers that do not elect to generate their own electricity. The way to achieve that objective is to ensure that, even if there is a short transition from the existing structure, the ultimate result should be that private generation customers are paid an amount that is based on an avoided cost rate for the energy they put back into the system.

**Q. Please provide some examples of how the Joint Proposal differs from the Company’s filing.**

A. The Joint Proposal differs in both structure and rate design from the Company’s filing. I think it is most helpful to examine the structure of the Joint Proposal separately from the numeric values of the Joint Proposal’s rate design. Turning first to structure, where the Company’s filing proposes to close Schedule 136 and create a new Schedule 5 that would include all NEM customers in a separate customer class, the Joint Proposal caps the current net metering schedule at the penetration level effective December 31, 2017, and thereafter proposes to create subclasses of grandfathered and transition class customers. In addition, the Joint Proposal recognizes that the exported power is not equivalent to the retail rate as under the current rate design and seeks to address future cost shifting by eliminating monthly kilowatt-hour netting and proposing a future docket to determine the proper rate for exported power, whereas the Company’s proposal makes modifications under the NEM construct to address all issues in this docket. The Company’s proposal consists of two rate options: a three-part rate including a customer charge, on-peak demand charge, and reduced volumetric rate and a two-part rate with a customer charge and time-of-use energy. The Joint Proposal keeps future post-NEM customers in the same customer class as all residential customers and simply lowers the export rate that future post-NEM customers are paid for their excess generation. Finally, while the Company indicated support for modest grandfathering of existing NEM customers, the Joint Proposal expressly identifies grandfathering periods for existing customers as well as proposes a new program with a transition period and transition rate for new customers with private generation. Company witness Joelle R. Steward's rebuttal testimony more fully described the differences between the two structures.

**Q. Does the Company agree with the new program structure as described in the Joint Proposal?**

A. Partially. To be clear, the Company still maintains that the rates it has proposed are the more accurate rate structure for NEM customers. Again, with reference to the more detailed discussion in Ms. Steward's testimony, if certain modifications are made to the Joint Proposal it would address many of the concerns the Company has with the current NEM program. Therefore, if the Commission determines that the structure of the Joint Proposal is an acceptable or preferable alternative, or even because of the desirability for consensus, the Company supports that framework, provided the values in the Joint Proposal are modified for the transition period. We recall the words of the Commission in its November 10, 2015 Order in this docket when it stated "we weigh heavily the fact that unanimity exists among the Division, the Office and PacifiCorp that the established cost of service models provide the proper platform for conducting the cost benefit analysis"[2]. The Company supports the new program structure in the Joint Proposal and views it as a fair and balanced alternative for both NEM and non-NEM customers, provided that the values in the proposal are carefully weighed and applied.

**Q. What are the specific elements that the Company has concerns with?**

A. The Joint Proposal includes ranges of time for grandfathering existing NEM customers and a transition period for the new program customers before the Commission's final compensation rate becomes applicable to all new private generation customers. In addition, the Joint Proposal includes a small reduction in the export rate for the transition customers, and proposes that this rate apply until the above-referenced grandfathering and transition periods expire.

**Q. Does the Company generally agree with the transition periods, grandfathering timetables, and transition export rates proposed in the Joint Proposal?**

A. No. While the Company supports the proposed structure for the new program in the Joint Proposal, the Company is concerned with the specific time periods and rates because they do not fully resolve the issues they are intended to address and lock-in risk to other customers more than under the current NEM program. Fundamentally, the Company is not opposed to grandfathering or a reduction in the export rate. Indeed, the Company's November 2016 compliance filing indicated that the Company is not opposed to the Commission considering a short and reasonable grandfathering period if the Commission deems it to be in the best interests of our customers. However, the

[2] Docket No. 14-035-114, Order at p. 6 (November 10, 2015).

Company has concerns with the length of time proposed by the parties for grandfathering and transitioning, as well as the level of the proposed export rate.

**Q. What are the Company's specific concerns with the proposed transition export rate?**

A. As described in the rebuttal testimony of Michele Beck, the Joint Proposal is based on the assumption that existing NEM customers would receive the full retail rate for their exports for a period of 12-17 years. It also recommends that transition private generation customers would receive 95 percent of the average retail rate for a period of 10-15 years. While this figure is a slightly lower compensation amount for NEM customers' exported generation under the current NEM program, rate is proposed to be locked in without further Commission review over a relatively long duration. For perspective, and as shown in the surrebuttal testimony of Robert M. Meredith, for every one cent above cost-based rates that the Company must pay for transition customers' excess generation, there is an annual cost shift of approximately $1 million to non-NEM customers. Spread over 12-17 years, this results in a cost shift of approximately $15 million to $22 million for each additional cent per kilowatt hour that the export credit price is inflated beyond a comparable cost. The basis for considering a transition period is to provide the industry and customers considering purchasing systems under the current structure some form of gradualism away from the current net metering program. Recognizing that as an issue the Commission will wrestle with, the Company is less persuaded that *future* private generation customers should be given a relatively long transition period with a locked-in export rate. Since both the OCS and DPU acknowledge that the current structure unjustifiably shifts costs from NEM customers to non-NEM customers, a transition period of any length seems unwarranted. In addition, the grandfathering period for existing NEM customers should be modest, and certainly should be based from the date the NEM customer interconnected with our system—not from the date of the Commission's order. While the Company is mindful that the Commission will consider the impact of a rate change on private generation customers, the Company maintains that the purpose of this docket is to weigh the quantifiable costs and benefits of private generation and to implement a new and proper rate structure that would balance those costs and benefits based upon the viewpoint of the *non-NEM customer*. This can and should be done to remove cost shifting over a much shorter period of time.

Hence, while the *structure* proposed by the OCS and DPU could accomplish that goal, the *level* of grandfathering and the *level* of transition export rate proposed appear to be balanced more heavily toward the interests of current and future private generation customers, not the other customers who are subsidizing them. The focus on the impact to private generation customers, to the exclusion of other customers, conflicts with the general intent of the Commission's prior order that stated:

> As a matter of law we conclude Subsection One requires the Commission to consider costs and benefits that accrue to the utility *or its non-net metering customers* in their capacity as ratepayers of the utility. (July 1, 2015 Order at p. 15 (emphasis added)).

**Q. If the Commission adopts the new program structure proposed by the Joint Proposal, does the Company have transition export rate values that the Company believes would be reasonable under the circumstances?**

A. Yes. Taken strictly from the viewpoint of other customers, the Company continues to maintain, as it has throughout this proceeding, that the appropriate export rate for private generation customers' excess generation should be the avoided cost rate, consistent with the rate the Company is required to pay for energy from other independent producers. Any rate in excess of avoided cost will represent an expense borne by other customers. All of the purported socio-economic and environmental benefits of rooftop solar generation also exist—to the extent they exist at all—with large-scale renewable energy developers to whom the Company pays only the avoided cost rate for production.

That said, to the extent the Commission is unwilling to adopt avoided cost as the proper rate for exported generation during the pendency of a new proceeding to develop a methodology for setting the export credit, the surrebuttal testimony of Mr. Meredith contains calculations showing the amount of cost shift to other customers based upon the values in the Joint Proposal, for both the high and low end of grandfathering and transition period included in the Joint Proposal as well based on avoided cost and the mid-point between the retail rate and avoided cost, which was originally proposed by the DPU in direct testimony[3]. For additional perspective on the impact of the fixed term for the transition period, the scenario shows that a five-year transition compared to a 10-year transition period could reduce cost shifting by 12 percent. Utilizing these tables, the Commission is able to make an educated and balanced determination of the appropriate transition export rate and term and appropriate length of grandfathering of NEM customers to implement if the

[3] Powell Direct Testimony, ll. 482-484.

Commission determines that the structure outlined in the Joint Proposal is in the best interests of the Company's Utah customers.

**Q. Does that conclude your surrebuttal testimony?**

A. Yes.