



PUBLIC MEETING

Utah Committee of Consumer Services

July 14, 2015



Welcome & Business



Case Updates



Case Updates

- Deer Creek Mine Closure
 - Settlement agreed that overall decision was in the public interest
 - Maintained prudence review of future associated costs
- Schedule 38
 - Most issues settled
 - Commission ordered on capacity contribution study
 - Ellis Hall filed motion for reconsideration
- MSP (multi-state process)
 - On hold
 - New proposal will be presented by PacifiCorp on July 20



New and Ongoing Cases

- New Cases
 - RMP Solar Subscription Tariff
 - Wexpro II Property
- Ongoing Cases
 - Net Metering
 - Integrated Resource Plans (PacifiCorp and Questar)
 - TS Tariff
 - 3 Universal Service Fund requests
 - Energy Balancing Account
 - Schedule 37 (appeal, comments on new filing)
 - Schedule 38 (term of PPA contracts)
 - Misc. DSM Filings



Open and Public Meetings Act Training



Policy Objectives



Overview of Types of Cases



Types of Cases

- Resource Related
 - Demand-side management
 - Integrated Resource Plan
 - Avoided costs (method and QF contracts)
 - Certificate of Public Convenience and Necessity/Significant Energy Resource Decision
- Rate Related
 - General Rate Cases
 - Major Plant Addition (single item rate case)
 - Energy Balancing Account, Questar passthrough filing, other riders
- Misc.
 - Implementation of new tariffs (e.g. Subscription Solar)
 - Task Forces from Past cases (e.g. Net Metering)
 - Complaints
 - Special Contracts
- Telecom
 - Universal Service Fund requests
 - ETC (eligible telecommunications carrier) designation for purposes of providing Lifeline service
 - Occasional other filings



Net Metering



Overview of Presentation

- Net Metering Process To Date
- Background: Ratemaking Process and Principles
- Ratemaking and Cost of Service Challenges/Questions associated with Net Metering
- Next Steps



Net Metering Process To Date



Process Background: Net Metering

- Rocky Mountain Power proposed a \$4.25/month facilities charge for residential net metering customers in its last general rate case
 - The net metering issue went to hearing in summer 2014
 - The Commission ultimately ruled that the evidence was inadequate to implement a new charge (with a rare dissent from Commissioner LeVar)
 - Follow up net metering docket opened
- The net metering docket kicked off with a series of workgroup meetings and background presentations. Topics included:
 - 4/27: Solar characteristics; Impacts of solar & net metering on distribution system; Value of solar and distribution system planning.
 - 5/12: Distributed generation in the 2015 IRP; Overview of how solar is valued for avoided costs; Range of cost-benefit factors for NEM.
 - 6/25: DSM costs tests; Cost-effectiveness of NEM building off of cost-effectiveness practices.
 - 7/8: Cost of service and rate design; Rate design options for addressing NEM impacts; Rate design challenges created by NM.



Other Process Steps

- Initial Comments on scope filed February 6 by the Office, Division of Public Utilities, Salt Lake City Corp, Utah Clean Energy, TASC (The Alliance for Solar Choice), Sierra Club, Boulder County Chapter of CRES, UCARE (Utah Citizens Advocating for Renewable Energy), and Rocky Mountain Power
- RMP filed a brief requesting the Commission to limit the scope of evidence and rule on the proper interpretation of the statute.
- Commission ruled and indicated:
 - Statute is interpreted to mean the relevant costs and benefits are those that accrue to the utility or its non-net metered customers in their capacity as ratepayers of the utility.
 - No limits to costs and benefits were imposed, but the Commission indicated it would not be receptive to those that aren't "reasonably subject to quantification and verification."
 - Also clarified that this phase is specifically to design the analytical framework for determining whether the benefits of the net metering program will exceed the costs (to both the utility and non net metering customers)
 - Step Two (not at issue in this docket) is for the Commission to determine a just a reasonable ratemaking structure in light of the results of the analysis.



Upcoming Testimony Development

- Each workgroup meeting was followed by a settlement discussions. The parties were unable to find agreement so the docket will proceed into testimony.
- Testimony will likely be arranged as recommendations on the following topics:
 - How to measure the costs and benefits of the net metering program to the utility.
 - How to measure the costs and benefits of the net metering program to non-net metering customers.
 - How to use the results of those two analyses to incorporate into future rate design.
- Our position re: costs and benefits to the utility will closely follow comments we previously submitted.
- Measuring costs and benefits to non-net metering customers requires a different kind of analysis to capture the relevant issues.



Policy Development

- To explain some of the rate design concerns, we will start with some background on the ratemaking process and principles:
 - Overview of ratemaking process
 - Different rate structures for different classes
 - Residential rates and costs
 - Rate design principles
- Next, we will explain some rate design questions and challenges that have arisen as a result of the discussions to date.

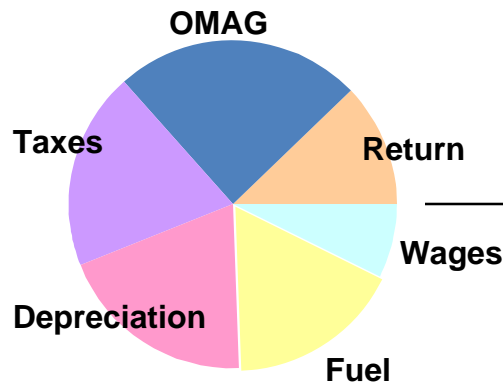


Background: Ratemaking Process and Principles

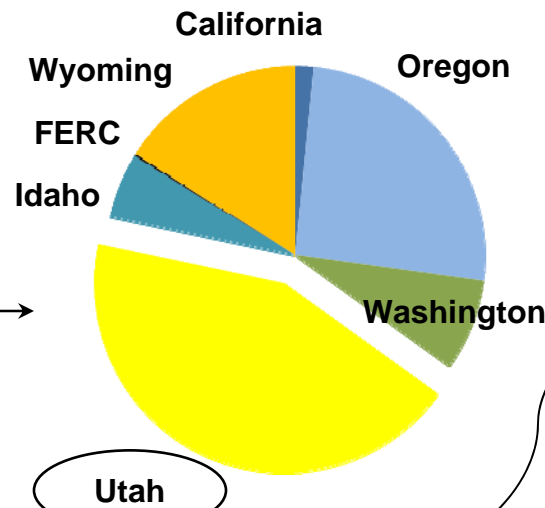
Ratemaking Process

Revenue Requirement

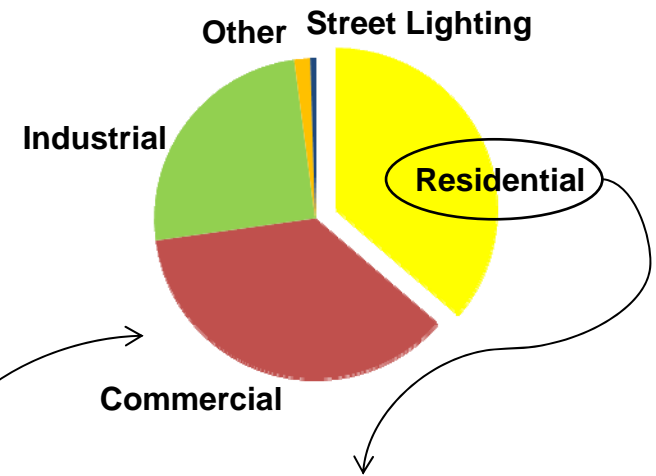
Step 1: Calculation & Normalization



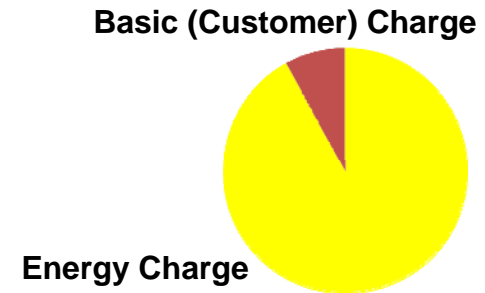
Step 2: Allocation



Step 3: Utah Case Customer Class Cost of Service



Step 4: Residential Class Rate Design





Different Rate Structures for Different Classes

Rate Element	Residential (1)	Small Comm. (23)	Large Comm. (6)*
Monthly Customer Charge	\$6.00	\$10.00	\$54.00
Demand Charge (summer)	NA	\$8.65/kW (0 if < 15 kW)	\$14.27/kW
Energy Charge (summer)	8.9 ¢/kWh (0 – 400)	11.7 ¢/kWh (0 – 1500)	3.8/kWh
	11.5 ¢/kWh (401 – 1000)	6.6 ¢/kWh (over 1500)	
	14.5 ¢/kWh (over 1000)		
Minimum Bill	\$8.00		

*Demand charge actually includes demand & facilities charge. Some rate elements left off for simplification.

Note: Demand and energy rates are different in the non summer months.

Net Metering customers have their energy costs offset by any kWh generated by their facilities. These customers still pay monthly customer charges and any applicable demand charges or minimum bills.



Residential Rates and Cost Recovery

- The Office asserts that residential monthly customer charge (\$6) covers: meters, service drops, customer billing & accounting expenses. All other costs (fixed and variable) are recovered through volumetric energy rates.
- Average infrastructure costs per residential customer:
 - \$25/month retail & distribution
 - \$31/month transmission & generation
 - (As asserted by RMP in last general rate case, not verified by the Office)
- Ongoing debate regarding what portion of fixed costs should be recovered through fixed charges for residential customers
 - No other customer class has uniform fixed charges
 - What should be minimum level of fixed charges each customer pays? (current minimum bill only covers \$2/month beyond the customer related costs)
- Energy rates set as three-tier, increasing block rates in summer (two in non-summer months.) Designed to reflect cost causation and maintain a base amount of very affordable energy.



Rate Design Principles

- **Fairness:** Try to minimize inter and intra class subsidies. No undue discrimination. Treat similar customers the same and different types of customers differently.
- **Cost Causation:** Set rates based on the actual costs incurred to serve customers in part to send appropriate price signals.
- **Efficiency:** Aim to design rates to result in an efficient use of resources.
- **Stability:** Minimize rate shocks or unexpected changes to rates.
- **Revenue Collection:** Effectively collect the utility's revenue requirement while avoiding significant over or under collection of revenues from individual classes.
- **General Attributes:** simplicity, understandability, feasibility of application and interpretation.

Rate design often involves balancing competing goals.



Challenges/Questions



Net Metering COS/Rate Design Challenges

How should benefits associated with net metering be allocated?

- Do the asserted benefits accrue to the system, the Utah jurisdiction, or the customer class?
- Assigning benefits to the entire system may be inappropriate. Typically, the inter-jurisdictional allocation process direct assigns any generation costs that exceed embedded costs to the state in which they are incurred.
- Current ratemaking methodology implies that benefits associated with net metering accrue within the rate class.
- Net metering analysis and rate proposals must be examined to identify whether they are compatible with current ratemaking or would require a completely new approach.



Net Metering COS/Rate Design Challenges

How should asserted benefits that don't offset actual utility costs be accounted for?

- Utah statutes and general ratemaking principles allow the utility to recover all prudently incurred costs.
- When rates are offset by the inclusion of benefits that do not directly tie to costs incurred by the utility, how should the associated revenues be treated?



Net Metering COS/Rate Design Challenges

How to determine whether net metering customers are paying their fair share of infrastructure costs?

- Regardless of the level of benefits found to be associated with net metering resources, a related and equally important question is the allocation of infrastructure costs.
- Example 1: net metering is not possible without a robust distribution system. No level of benefits eliminates the need for that infrastructure. Is it consistent with ratemaking principles to allow net metering customers access to such infrastructure without contributing to the costs? What level of contribution would be fair?
- Example 2: net metering customers use all or part of the transmission and generation resources during the system peak (and during other monthly peaks.) Is it fair to allow net metering customers access to these system resources without contributing to the costs? What level of contribution would be fair?



Net Metering COS/Rate Design Challenges

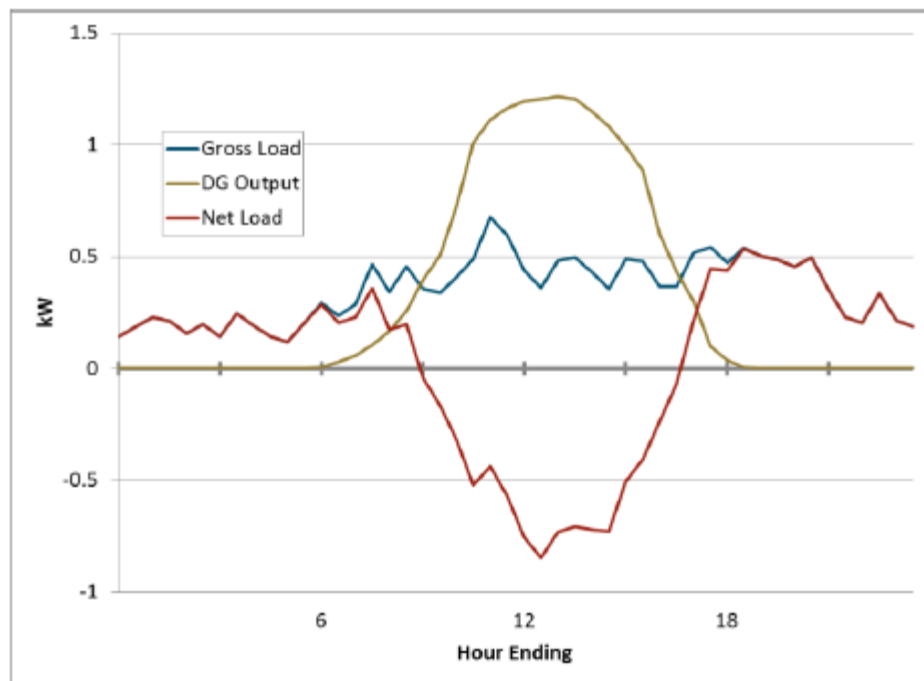
How can costs to other customers be measured to account for potential inter-generational inequities?

- Typically, ratemaking principles encourage matching the time periods in which costs are incurred and in which costs are recovered in rates. Otherwise, inter-generational inequities result.
- Some proposals involve a long-term time horizon for evaluating the level of costs to other customers. How can such an evaluation avoid inter-generational inequities?
- Rates are set on a short term basis and reflect changing levels of costs and revenues. Cost shifts among customers are typically measured by evaluating rates in the context of class cost of service studies.



Net Metering COS/Rate Design Challenges

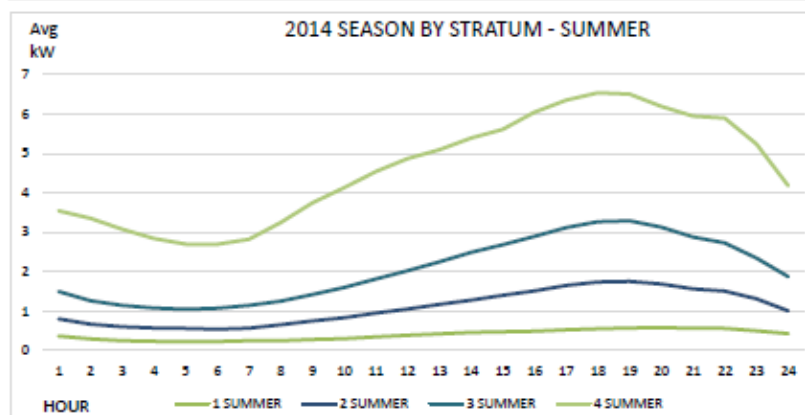
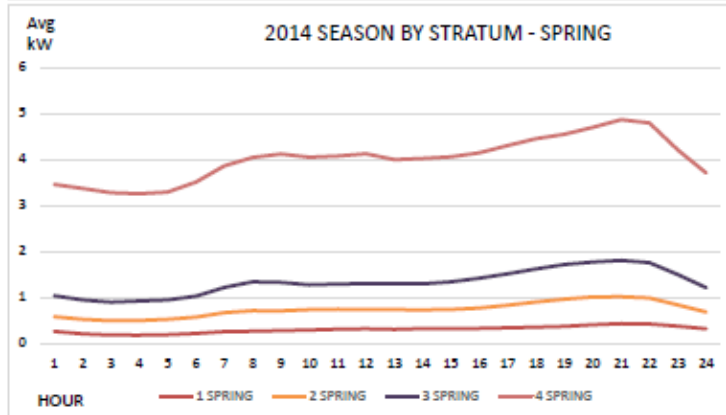
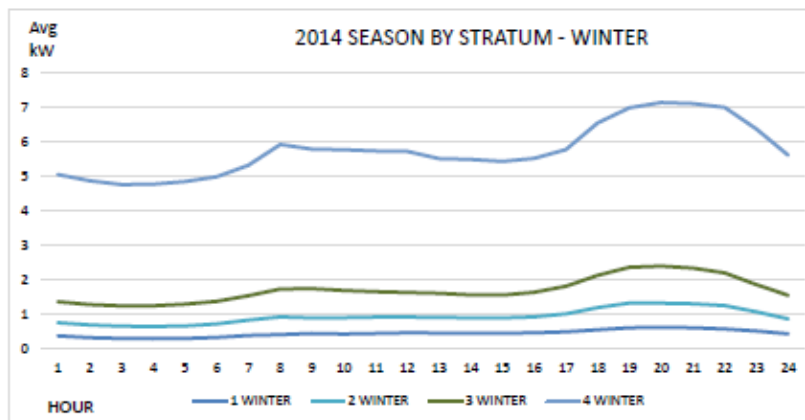
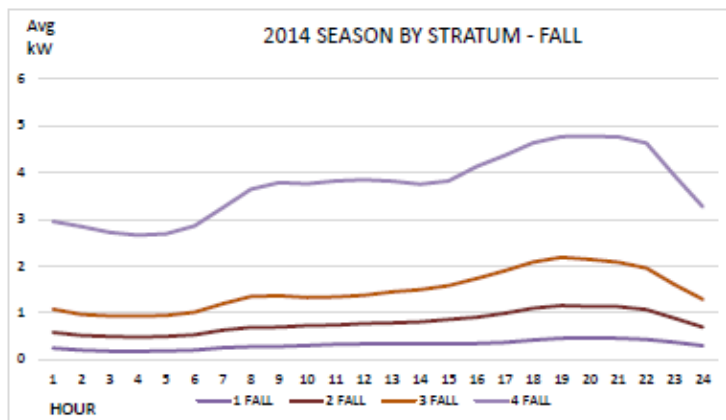
Do residential NEM customers look and act sufficiently like other residential customers to belong in the same rate class?



Source: California Net Energy Metering Ratepayer Impacts Evaluation, Energy and Environmental Economics, Inc., October 28, 2013, Page 34 Figure 6: Load and DG Generation for an Example Residential Customer, <http://www.cpuc.ca.gov/NR/rdonlyres/75573B69-D5C8-45D3-BE22-3074EAB16D87/0/NEMReport.pdf>

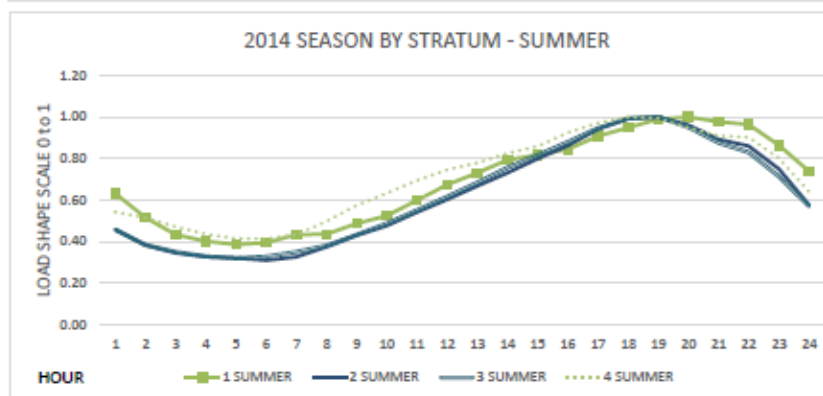
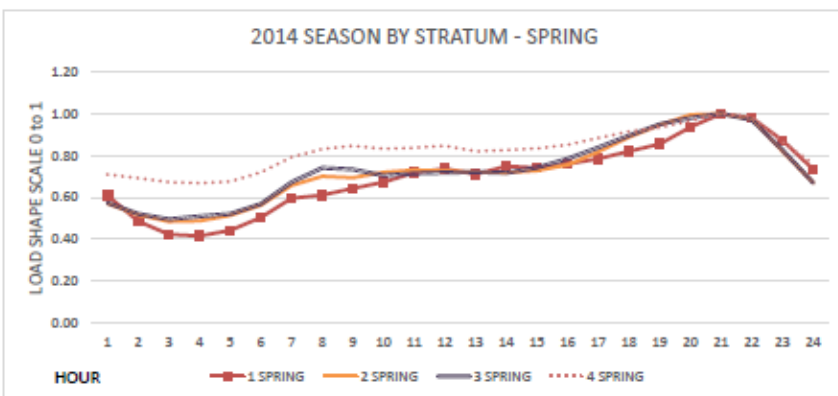
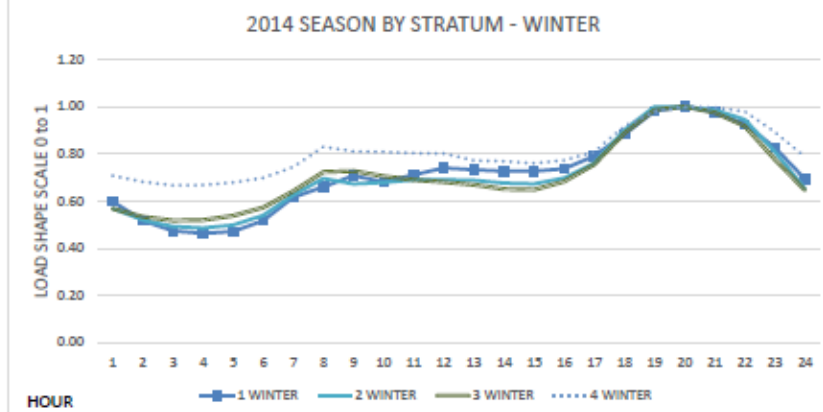
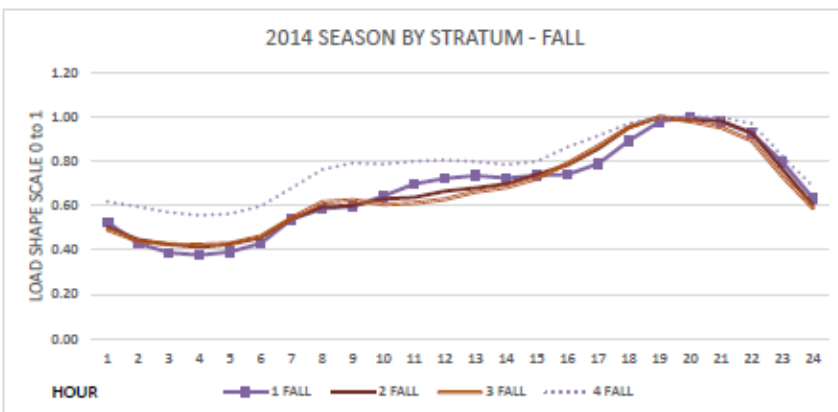


Residential Load Curves





Residential Load Curves (0 to 1 scale)





Net Metering COS/Rate Design Challenges

Does the three-part rate structure of non-residential customers mitigate any of these concerns for non-residential net metering customers?

- Net metering customers in customer classes with demand charges pay a vastly different portion of fixed costs. Demand charges reflect actual resource needs at monthly peaks.
- Questions regarding allocation of benefits may still apply.



Next Steps



Next Steps

- OCS will continue to consider these questions in formulating its positions.
- Determining actual rate design and setting rates (i.e. creating a new customer class, new facilities charges or credits) will take place in the next general rate case.
- It is important to have a reasonable understanding of the ultimate rate design picture so that we can advocate for an appropriate framework to evaluate the impact of net metering on non-net metering customers to produce meaningful information.
- Docket Timelines:
 - Direct Testimony: July 30
 - Rebuttal Testimony: September 8
 - Sur-rebuttal Testimony: September 29
 - Hearings: October 6 – 8. Hold over date October 9.



Other Business



Adjourn
