

Exhibit No. __ (MEF-6T)
Dockets UE-140762, et al.
Witness: Mark E. Fulmer

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT
COMPANY,

Respondent.

UE-140762 and UE-140617
(consolidated)

In the Matter of the Petition of

PACIFIC POWER & LIGHT
COMPANY,

For an Order Approving Deferral of
Costs Related to Colstrip Outage.

DOCKET UE-131384 (consolidated)

In the Matter of the Petition of

PACIFIC POWER & LIGHT
COMPANY,

For an Order Approving Deferral of
Costs Related to Declining Hydro
Generation.

DOCKET UE-140094 (consolidated)

CROSS-ANSWERING TESTIMONY OF

Mark E. Fulmer

For

THE ALLIANCE FOR SOLAR CHOICE

November 14, 2014

1 **1. INTRODUCTION AND SUMMARY**

2 Q. **Please state your name.**

3 A. My name is Mark Fulmer.

4

5 Q. **Did you provide responsive testimony on October 10, 2014 on behalf of The Alliance
6 for Solar Choice (“TASC”) in this docket?**

7 A. Yes.

8

9 **Q: What is the purpose of this cross-answering testimony?**

10 A: I am responding to three issues raised in the testimony of the Utilities and Transportation
11 Commission Staff (“Staff”) Witness Jeremy Twitchell. First, Mr. Twitchell erroneously
12 identifies distributed generation as a cause for Pacific’s sales decline. Second, I do not
13 find Mr. Twitchell’s arguments for the \$13 basic charge to be persuasive and continue to
14 recommend that the basic charge be set at \$9 per month. Third, I can support Mr.
15 Twitchell’s recommendation for a three-tier inverted block energy rate, although the
16 actual rates would have to be worked out to reflect, among other things, a lower monthly
17 basic charge.

18 **2. STAFF MISIDENTIFIES DISTRIBUTED GENERATION AS A CAUSE FOR
19 PACIFICORP’S SALES DECLINE**

20 **Q: Is Staff’s identification of distributed generation as a cause for Company’s slow load
21 growth and inability to collect its authorized revenue requirement reasonable?¹**

¹ JBT-1T, p. 23.

1 A: No- at least with respect to solar distributed generation. Per PacifiCorp's response to
2 WUTC Data Request 84 (provided as Exhibit__MEF-7), as of December 31, 2013, there
3 were only 141 net metering customers in the utility's Washington State service area.
4 This represents only 0.1% of the PacifiCorp's Washington State customer base, and
5 likely an even smaller fraction of its energy requirement. Clearly, this cannot be
6 construed to be a meaningful cause for any PacifiCorp's Washington State sales decline.

7 **3. STAFF'S ARGUMENTS FOR THE HIGHER RESIDENTIAL FIXED CHARGES**
8 **ARE MISPLACED**

9 **Q: What is Staff's position concerning the residential basic charge?**

10 A: Staff recommends increasing the basic charges from \$7.75 per month to \$13.00 per
11 month. This represents a 68% increase to the basic charge and is only \$1.00 per month
12 less than what PacifiCorp requested in its application.

13

14 **Q: What are Staff's rationales for supporting this level of basic charge?**

15 A: In general, Staff echoes the Company's reasons for the large increase: the need to collect
16 a greater fraction of the Company fixed costs through a fixed charge.² As I discussed in
17 my opening testimony, there are other, less distorting ways to address the issues of
18 revenue stability and the collection of utility fixed cost. Staff Witness Twitchell goes as
19 far as calling out one—decoupling—and points out other utilities in Washington that
20 have such a mechanism in place.³

21

22 **Q: How did Staff arrive at the \$13 per month residential basic charge?**

² JBT-1T, pp. 26-27.

³ JBT-1T, p. 24.

1 A: Staff witness Twitchell states that the \$13 per month basic charge “reflects the impact of
2 moving the Residential customer class’s share of line transformer costs into the basic
3 charge.”⁴

4
5 **Q: Mr. Twitchell justifies this by arguing that transformers are a fixed component of**
6 **the distribution system that does not vary based on usage.⁵ Do you agree?**

7 A: No. As I stated in my responsive testimony,

8
9 Poles, wires, and distribution transformers, while in general are sunk costs
10 (once in place), they are not strictly speaking proportional to the number
11 of customers nor fixed. Instead, they are sized to meet the peak demand
12 on a circuit, and in the long run, represent a marginal cost, as they can
13 change with reduced or increased demand on the circuit. As such, they are
14 long-run marginal investments that are a function of peak demand, not the
15 number of hookups. For non-residential customers with meters that can
16 measure demand, these costs should be for the most part collected via
17 demand (per-kW) or time-of-use differentiated volumetric (per-kwh)
18 charges. But, like with transmission costs and sunk generation costs, since
19 residential meters cannot measure peak demand, as explained in more
20 detail below, it is more appropriate to collect these costs via the energy
21 charges rather than customer charges.

22
23 Thus, Staff’s lumping the transformer costs in with retails service, meter and line drop
24 costs for inclusion in the fixed charge is inappropriate. The transformer costs are
25 removed from the basic service charge, that charge drops to the \$9 per month level that I
26 recommended in my opening testimony.

27 **3. STAFF’S THREE-TIER RESIDENTIAL RATE DESIGN IS REASONABLE**

28 **Q: Beyond the increase in the base charge, is Staff’s proposing any other major**
29 **residential rate change?**

⁴ JBT-1T, p. 26.
⁵ JBT-1T, pp. 26-27.

1 A: Yes. Staff is proposing changing the number of residential rate tiers from two to three.
2 Currently the first rate block is for all usage up to 600 kilowatt-hours (kWh) per month
3 and the second block is for all usage greater than 600 kWh in a month. Staff proposes
4 increasing the size of the first block to the first 800 kWh/month and dividing the upper
5 block into two blocks: one for usage between 800 and 1700 kWh/month and a top block
6 for all usage above 1,700 kWh/month.⁶ The increase of the first block to 800 kWh is so
7 that it approximately corresponds to the inelastic usage: “the usage required to support
8 basic living necessities such as refrigeration, cooking and hot water.”⁷ The second block
9 cutoff, 1,700 kWhs, corresponds to the average winter use of a Washington PacifiCorp
10 residential customer.⁸

11 With respect to the rates in each block, Staff proposes decreasing the rate in first
12 and second blocks (relative to PacifiCorp’s recommendation) and collecting the rate
13 increase (and shortfall from the lower first two blocks) via the increased fixed charge and
14 the third block rate of 11.996¢/kWh.

15
16 **Q: Do you find Staff’s three tier proposal to be reasonable?**

17 A: In general, I find adding a third rate block to be reasonable, and well as Staff’s proposed
18 cutoffs between the blocks. However, given my recommendation that the basic charge be
19 set at no more than \$9 per month, the actual rates would of course have to differ. For
20 example, using Staff’s total revenue requirement and a \$9 per month basic charge, the
21 shortfall from the reduced customer charge could be collected equally from each of the
22 three rate blocks. Table 1, below, shows the Staff’s recommended rates and the rates

⁶ JBT-1T, p. 27.

⁷ JBT-1T, p. 28.

⁸ JBT-1T, p. 28.

1 with the reduced basic charge and the basic charge revenue difference split equally
2 between the three blocks.

3
4 **Table 1. Staff and TASC Three-Tier Rate Designs**

	Staff	TASC
Basic Charge, \$/month	13.00	9.00
1 st block (0-800kWh), ¢/kwh	6.472	6.674
2 nd block (801-1700 kWh), ¢/kwh	9.170	9.542
3 rd block (1701+ kWh), ¢/kwh	11.996	12.594

5
6 **4. TASC CONCURS WITH STAFF POSITION THAT A DEMAND RATE FOR DG**
7 **CUSTOMERS IS INAPPROPRIATE**

8 **Q: What is Staff’s response to PacifiCorp’s anticipated distributed generation (“DG”)**
9 **rate proposal?**

10 A: Staff witness Twitchell states that imposing a demand rate on residential customers, as
11 suggested by PacifiCorp, would be inappropriate.⁹ He notes that it would be unduly
12 discriminatory, not reflect the operations of the Utility’s Washington system,¹⁰ and
13 recommends that the “Commission indicate that such a proposal would not be acceptable
14 and should not be included in the Company’s next general rate case.”¹¹ He goes on to
15 note that that distributed generation is the subject of ongoing Commission workshops.

16
17 **Q: Do you concur with Staff’s position opposing demand charges in residential rates?**

18 A: Yes. As I had noted in my October 10, 2014 testimony, I was concerned about the Utility’s
19 DG rate study and in particular about its premature conclusion that demand charges were

⁹ JBT-1T, p. 38.

¹⁰ JBT-1T, pp. 38-40.

¹¹ JBT-1t, p. 38.

1 appropriate. The Staff's testimony outlined well why it is premature to include demand
2 charges as an element of a DG-specific residential tariff, and rightly points out that they
3 should not even be considered.

4

5 **Q: Does this conclude your testimony?**

6 A: Yes.