NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
DOCKET NO. DE 16-576

Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer-Generators

Closing Statement Freedom Energy Logistics (FEL)

Introduction

This proceeding was held pursuant to RSA 362-A:9, XVI. An Order of Notice was issued on May 19, 2016. Four days of evidentiary hearings were held in late March 2017. These hearings featured "dueling" settlements propounded by the Energy Future Coalition and the Utility Coalition (which includes the Office of Consumer Advocate and the Office of Energy Planning), as well as an innovative proposal by the City of Lebanon for a real-time pricing/net metering pilot program.

1. **Net Energy Metering Transition to a Value-based Compensation System**

The Commission should adopt a framework for implementation of renewable Distributed Energy Resources ("DER") that entails a transition (Phase I) from Net Energy Metering ("NEM") to a value-based compensation system (Phase 2) ("VDER"). Staff Witness Faryniarz set out key reasons in support of this recommendation:

> A) there is currently a relatively low penetration of DG in New Hampshire, and consequently there is not yet an unreasonable cost shift or lost revenue problem compared to other non-distributed generation influences; B) the record on benefits and costs of distributed generation to the distribution and transmission systems of the utilities, consumption and export patterns for NEM customers, and how DG could be integrated to lower system costs is insufficient to create at this time a final NEM tariff; and C) the ratemaking principle of gradualism suggests incremental reforms -- for instance, taking the system benefits charge and stranded costs, also referred to as "non-bypassable charges," out of grid export compensation and conversion of kilowatt-hour banking to monthly monetary credits.

Testimony of Stan Faryniarz, Tr. Day 3 (Afternoon Session) at p. 88.

2. **Instantaneous Netting or Monthly Net Metering**

The Eversource distribution companies in Massachusetts and Connecticut utilize Monthly Net Metering and have not proposed that Instantaneous Netting be adopted in those states. Tr. Day 1 (Morning Session) at p. 115. There is simply no basis for New Hampshire to get out in front of

Massachusetts and Connecticut on this matter which could well create end-user confusion and complicate marketing efforts by the DER providers and marketers.

The Commission should not consider adopting Instantaneous Netting at least until Phase 2 is completed and further data and information becomes available from other states on the benefits and costs of Instantaneous Netting.

3. **Inclusion or Exclusion of Distribution Costs in Export Rate**

There is no basis for the Commission to exclude all distribution costs from the Export Rate. This is tantamount to saying that no distribution investment can ever be avoided by the implementation of DER. This matter cannot be properly resolved until the VDER studies are concluded in Phase 2. Phase 2 should encompass an enlightened and *independent* view of the costs that are avoided over the long-term.

4. **ES/PSNH Generation Auction – Effect of Stranded Costs on DER Economics**

It is entirely plausible to assume that if the auction of the PSNH/Eversource generation is completed as presently contemplated in the fourth quarter of 2017, the PSNH/Eversource default service rate contained in the export rate will do down while the non-bypassable stranded costs included in the import charge will increase. In other words, the default service rate will be the result of competitive bidding, and there will be a substantial amount of stranded cost that will become a non-bypassable charge.

This is the extent of the information that is available in the record of this proceeding. Stated differently, none of the testimony or exhibits in the record of this proceeding provide any specific information on the impact that the divestiture will have on PSNH/Eversource rates or the resulting costs or benefits of DER.

PSNH/Eversource remained silent on this matter in this proceeding. However, some highly relevant information seems to be contained Docket No. DE 14-238. *See*, e.g., the Direct Testimony of Eric Chung, Exhibit G. The Commission may wish to take administrative notice of this information.

5. **Reasonable Opportunity to Invest in DER**

RSA 362-A:1 declares, in part, "that net energy metering for eligible customer-generators may be one way to provide a *reasonable opportunity* for small customers to choose interconnected self-generation, [and] encourage private investment in renewable energy resources… .” (Emphasis added.) Similarly, in the Order of Notice issued in this proceeding, the Commission stated that

> [i]n connection with such alternative net metering tariff development, the Commission will be guided by the legislative purposes stated in HB 1116, including, among other things, the continuance of reasonable opportunities for electric customers to invest in and interconnect customer-generator facilities and receive fair compensation for such locally produced power… .

The Energy Future Coalition, provided guidance to the Commission on what would constitutes reasonable opportunity in this context:

> (Mueller) As I said in my opening remarks, and with reference to the exhibit, there is evidence that the current net metering regime in New Hampshire provides what is probably just barely a reasonable opportunity for individuals to invest. And, if you look at how solar investments happen in New Hampshire, as compared to the surrounding states, you know, it's pretty clear that New Hampshire is not an overheated solar market. Therefore, it's sort of common sense, it's axiomatic, that a relatively small change from that might continue to preserve that reasonable opportunity to invest. Whereas, a very significant change, both to compensation and to customer risk, probably does not.

<u>Tr. Day 1</u> (Morning Session) at p. 128, lines 1 to 10.

6. **<u>Determination of the Amount of Cost Shifting</u>**

In its Final Order in this proceeding the Commission must determine that any alternative tariff avoids an unjust and unreasonable cost shifting. RSA 362-A:9, XVI.

The Utility Coalition’s position in its pre-filed testimony was that the savings from DER should be determined by the ISO-NE Locational Marginal Price (LMP) plus line losses. <u>Joint Testimony of Richard C. Labrecque & Russel D. Johnson</u> at page 16, lines 5 through 16.

In stark contrast, the Energy Future Coalition maintains that the value of DER should be based upon a value-based compensation system in Phase 2 of this proceeding. The recent order issued by the New York Public Service Commission on Net Energy Metering provides important guidance and insight on this matter:

> Compensation under the Value Stack for net hourly injections will be calculated based on the value associated with: 1) Energy Value, based on the Day Ahead hourly zonal locational-based marginal price (LBMP), inclusive of losses;2) Capacity Value, based on retail capacity rates forintermittent technologies and the capacity tag approach for dispatchable technologies based on performance during the peak hour in the previous year; 3) Environmental Value, based on the higher of the latest CES Tier 1 Renewable Energy Certificate (REC) procurement price published by NYSERDA or the Social Cost of Carbon (SCC); and 4) Demand Reduction Value (DRV) and Locational System Relief Value (LSRV)… .

Order on Net Energy Metering Transition, Phase One of Value of Distributed Energy Resources, and Related Matters, State of New York Public Service Commission, Case 15-E-0751 (March 9, 2017), at pages 15 and 16.

Suffice it to say that the amount of cost-shifting, if any, is unknown and must properly be determined through an enlightened and independent view of the of the costs that are avoided over the long-term ("VDER").

7. **Exported Energy: Compensated via a Bill Credit or Sale**

The competing settlement agreements both propose that exports be compensated at the prevailing default service rate. The Commission's final order in this proceeding must make it clear that the utilities must compensate all energy exported through a bill credit.

The exported energy must not be considered to be a sale to the utility because this might result in the utilities seeking to invoke Federal Energy Regulatory Commission jurisdiction over the sale of the exported energy to, and purchase by, the utilities.

8. **City of Lebanon Pilot Program**

The City of Lebanon has proposed real time pricing (RTP) and a net metering pilot for which it seeks authorization from the Commission. The pilot would work outside of default service pursuant to RSA 53-E. Transmission and distribution services would continue to be provided by Liberty Utilities.

The Commission should authorize the City of Lebanon Pilot Program.

9. **Utility Coalition Settlement Agreement**

The Utility Coalition Settlement Agreement contains an extraordinary provision:

> This agreement is expressly conditioned on the Commission's acceptance of all its terms, without change or condition. If the Commission does not accept this agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, shall not be relied on by any party to this proceeding or by the Commission for any other purpose.

Exhibit No. 5 at page 11.

In other words, unless the Commission approves the Utility Coalition Settlement Agreement without change or condition, the Settlement Agreement would require that this proceeding would have to be fully adjudicated.

However, the Commission has ruled previously that this proceeding "is a legislative docket and not an adjudicative proceeding." Order No. 25,980 (January 24, 2017) at p. 8. Accordingly, the Commission may issue an order in this proceeding and in doing so does not have to adhere to RSA 541-A:31 through A 541-A:35 which only apply to an "adjudicative proceeding."

Conclusion

As noted earlier, Mr. Faryniarz has testified that "there is currently a relatively low penetration of DG in New Hampshire, and consequently there is not yet an unreasonable cost shift or lost revenue problem… ." This Closing Statement has previously noted that the amount of cost-shifting, if any, is unknown at this time because the value of DER is yet to be determined.

In addition, it is important to note that the amount of revenue transfer, if any, from DER customers to non-DER customers will decline substantially as a result of the auction of the PSNH/Eversource generation as presently scheduled for the fourth quarter of 2017. At that time, the PSNH/Eversource default service rate contained in the export rate will do down while the non-bypassable stranded costs included in the import charge will increase.

Respectfully submitted,

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