

State of New Hampshire
Public Utilities Commission

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

Docket No. DE 16-576

**Closing Statement
For the New England Ratepayers Association**

As an independent organization, the New England Ratepayers Association (“NERA”) represents families and business end users of electricity in New Hampshire and New England; and we have approached this docket with a focus on the impacts of a commission determination on the ratepayers of New Hampshire. We believe that the purpose of the General Court was to empower the Public Utilities Commission to better align the net metering tariff to reflect a more fair and transparent form of compensation for distributed generation of electricity.

Among the “Purposes” of HB1116 that was stated in the legislation was:

*“the overall goal of developing competitive markets and customer choice **to reduce costs for all customers,***

*And “it is in the public interest to continue **to provide reasonable opportunities for electric customers to invest in and interconnect customer-generator facilities and receive fair compensation for such locally produced power while ensuring costs and benefits are fairly and transparently allocated among all customers.** [emphasis added]*

To this end, it was in section XVI the legislature instructed the Commission to enter into this docket and specifically:

In developing such alternative tariffs and any limitations in their availability, the commission shall consider: the costs and benefits of customer-generator facilities; an avoidance of unjust and unreasonable cost shifting; rate effects on all customers; alternative rate structures, including time based tariffs pursuant to paragraph VIII; whether there should be a limitation on the amount of generating capacity eligible for such tariffs; the size of facilities eligible to receive net metering tariffs: timely recovery of lost revenue by the utility using an automatic rate adjustment mechanism; and electric distribution utilities' administrative processes required to implement such tariffs and related regulatory mechanisms. The commission may waive or modify specific size limits and terms and conditions of service for net metering specified in paragraphs I, III, IV, V, and VI that it finds to be just and reasonable in the adoption of alternative tariffs for customer-generators. The commission may approve time and/or size limited pilots of alternative tariffs.

Our testimony and discussions within this docket have primarily been focused on the critical elements outlined in section XVI. These include the consideration of the costs and benefits of distributed generation, the avoidance of cost shifts to non-DG customers, and the impact of rates on ALL customers. We would also stress that establishing any new net metering tariff that continues a cost shift is inherently unjust and unreasonable given that such costs shifts are avoidable under a well-structured net metering tariff.

Throughout the docket process within the technical sessions, the settlement discussions and the formal hearings, we believe that most of the other issues specified in section XVI have been adequately addressed by all the intervenors. It is the following areas of disagreement which we believe the Commissioners must focus, and which the Utility/Consumer Settlement (“UCS”) Agreement best and most fairly addresses.

ENERGY CHARGE

This aspect of a net metering tariff goes to the heart of the areas specified in section XVI of HB1116. The essence of the existing cost shift is due to the requirement that the utilities compensate distributed generation facilities for their excess electricity at a rate that is far above alternative sources of electricity at the time and location that the excess electricity is generated. The New England Ratepayers Association consistently argued and has provided testimony, data and references that support the policy choice that the proper level of compensation for distributed generation exports is the Local Marginal Price (“LMP”) at the time of generation. This rate is the only rate that can address the potential for “*unjust and unreasonable cost shifting*” as well as ensure that the “*rate effects on all customers*” is not a distortional one (i.e. not artificially subsidizing one customer to the detriment of another).

In addition, we have advocated that the tariff, in order to best reflect the true value of the excess electricity generated be as granular as possible, using as small a time increment which can reasonably be implemented to properly compensate the generators for the value of the power at the time that it is generated.

While we believe that hourly LMP pricing is the best mechanism to achieve a fair and reasonable tariff, we also recognize that balancing the timely implementation of the necessary

metering and billing practices requires a transition period to achieve. To this effect, the NERA made a significant compromise in joining the UCS Agreement which allows for a tariff that compensates the electricity at a default energy rate.

To this point, we believe the Commissioners should recognize that the default energy rate -- whether on an annual, monthly, or even daily basis – is substantially higher than the just and fair LMP when considered over the course of a year. Depending on the utility, it is 200% to 300% higher than LMP. Even adjusting for time of day and time of year when solar electricity can generate, default rates far exceed any type of average LMP based compensation.

The Commission should recognize that the overwhelming majority of electricity consumers, regardless of rate class choose to purchase electricity at the lowest available cost, which is why utilities have had such little participation in “green” electricity programs. To that end, electricity consumers should not have to pay more as a result of utilities being forced to pay more for electricity from distributed generation than they would from the market. Each time a utility “overpays” for electricity from distributed generators a cost-shift occurs from owners of distributed generation to non-DG owners.

With this in mind, the Commission should recognize that the UCS Agreement still does not completely address the stated considerations of cost shifts or what we would consider fair and reasonable tariffs, but it is substantially better than the energy rate advocated by the opposing settlement parties.

DISTRIBUTION

The other critical difference between the two settlement agreements is the compensation to distributed generators based on any costs/benefits provided to the distribution system. It has

been NERA's position that while it may require additional data and study to better identify a fair and reasonable compensation level for this aspect of the net metering tariff, there are two aspects which the Commissioners should focus on when they consider the settlement agreements.

First, NERA believes it is incumbent on the beneficiaries of the tariff (i.e. the generators) to provide the burden of proof to quantify the present value benefits of distributed generation on the distribution system. If cost shifts are to be avoided, those benefits must be identifiable and must be adjusted for any costs imposed on the distribution system. It is NERA's contention that the solar advocates have failed to provide a compelling model which properly identifies a universal benefit which justifies compensation of 75% of current distribution costs by the utilities despite the extensive data the utilities have provided under this docket. As NERA argued, none of the studies provided by the solar advocates account for fair and just compensation to the utilities for the use of the utility (and ratepayer) assets in the form of the distribution system – without which the excess electricity would be valueless. In addition, the utilities have indicated that there are very few distribution system circuits which distributed generation will provide ANY benefit as those circuits are not now, nor are likely to be in the future, impacted by any congestion which would require capital costs to upgrade.

While NERA believes that the value provided by distributed generation to the distribution assets of the utilities is de minimis and is possibly negative, the UCS agreement best reflects the best assessment of that value considering the lack of quantifiable evidence to the contrary. The solar advocates have provided models that speculate on substantial "some time in the future" benefits and do not consider the real and immediate costs imposed by distributed generation when it uses the distribution system. In order to implement a more fair and equitable net metering tariff structure the Commission must evaluate the existing data, but that consideration

should require a substantial burden on the beneficiaries of the tariff. Falling short of that burden while imposing additional costs to the utilities (and non-solar ratepayers) would once again impose an unfair and unjustified cost shift.

Finally, it is expected by NERA that as part of the settlement, the Commission and the utilities would expeditiously move to collect the necessary data to better quantify and implement a robust compensation value for the distribution component of the net metering tariff, recognizing that the value may, in fact, be negative. We believe that the alternative proposed by the solar advocates is far beyond a fair and reasonable level of compensation and should be rejected by the Commission.

TRANSMISSION

The third portion of compensation under the net metering tariff is the compensation for the costs/benefits associated with the transmission system. As with the distribution compensation, NERA believes it is incumbent on the beneficiaries of the tariff (i.e. the generators) to provide the burden of proof to quantify the present value benefits of distributed generation on the transmission system. If cost shifts are to be avoided, those benefits must be identifiable.

Unlike with the distribution system, we do not believe there are material burdens imposed by distributed generation on the transmission system. This is not to say that there are not costs imposed on the overall electricity grid by distributed generation assets beyond the local distribution circuits, but the impact on transmission assets are likely de minimis. As with the consideration for distribution, NERA believes that the solar advocates have not identified to the extent necessary justification for any compensation for transmission. Our position is based on the

fact that there is no evidence that small distributed generation provides any material impact on the need for high capacity, high voltage transmission systems that ensure the reliability and durability of the regional grid. In times of the most stress on the regional transmission grid during winter evenings, when the transmission infrastructure is severely and consistently overburdened, distributed generation provides no value whatsoever. In addition, the value provided during summer heat waves are de minimis considering so few periods of stress to the regional grid during those months.

To this effect, the New England Ratepayers Association made a significant compromise in joining the UCS Agreement which allows for a tariff that compensates distributed generation for transmission. Once again, the Commission should recognize that the UCS Agreement on the compensation for transmission still does not completely address the stated considerations of cost shifts or what we would consider fair and reasonable tariffs, but in consideration of the overall tariffs by both parties, we are willing to compromise with the understanding that additional study will better quantify this portion of the tariff.

Given the stated areas of consideration in section XVI of HB1116, it is incumbent on the Commission to focus on the areas of disagreement in the proposed tariffs, which are almost entirely based on the compensation for energy, transmission and distribution. All other areas of consideration under section XVI have been more or less agreed to by the two parties. Based on this and the clear concerns regarding rate effects and costs shifts, we believe that the UCS Agreement is the most fair and justifiable solution that minimizes the near term and long term impacts of a new net metering tariff.