

Control Number: 46831



Item Number: 728

Addendum StartPage: 0

**SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831**

**APPLICATION OF EL PASO
ELECTRIC COMPANY TO
CHANGE RATES**

**§
§
§**

**BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS**

RECEIVED

PM 2:33

**COMMISSION STAFF'S RESPONSE TO SOLAR ENERGY INDUSTRIES
ASSOCIATION'S FIFTH REQUEST FOR INFORMATION
QUESTION NOS. SEIA 5-1 THROUGH SEIA 5-5**

The Staff of the Public Utility Commission of Texas (Staff) stipulates that the following response(s) to request(s) for information/request(s) for admission/request(s) for production may be treated by all parties as if the answers were filed under oath.

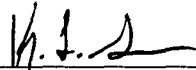
728

Dated: August 3, 2017

Respectfully Submitted,

**PUBLIC UTILITY COMMISSION OF TEXAS
LEGAL DIVISION**

Margaret Uhlig Pemberton
Division Director



Katherine Lengieza Gross
State Bar No. 24065610
Kennedy R. Meier
State Bar No. 24092819
Matthew Arth
State Bar No. 24090806
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
(512) 936-7277
(512) 936-7268 (facsimile)
Katherine.Gross@puc.texas.gov

**SOAH DOCKET NO. 476-17-2686
PUC DOCKET NO. 46831**

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 3, 2017, in accordance with 16 Tex. Admin. Code § 22.74.



Katherine Lengieza Gross

SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831

**COMMISSION STAFF'S RESPONSE TO SOLAR ENERGY INDUSTRIES
ASSOCIATION'S FIFTH REQUEST FOR INFORMATION
QUESTION NOS. SEIA 5-1 THROUGH SEIA 5-5**

- SEIA 5-1** Please refer to Mr. Abbott's cross-rebuttal testimony at page 41 where he states: "Furthermore, Mr. Lucas fails to show that NEM kWh for DG customers better correlates to CP values than does NCP – which is fundamentally necessary to support his opposition to the NCP demand charge in the first place. Mr. Marcus does this analysis, and finds that, for DG customers, NCP better reflects CP demand than kWh does: "The relationship of NCP demand to class peak was stronger than that of energy and class peak," In other words, EPE's proposed NCP demand charge better reflects CP cost-causation than the status-quo."
- a) Did Mr. Abbott perform his own analysis on the relationship between CP values and NEM kWh and/or NCP values? If so, please provide all analyses and workpapers in their original format with formulas intact.
 - b) If Mr. Abbott did not perform his own analysis the relationship between CP values and NEM kWh and/or NCP values, is his conclusion ("In other words, EPE's proposed NCP demand charge better reflects CP cost-causation than the status-quo.") based solely on the testimony of Mr. Marcus? If it is not, please explain and provide all sources of justification for this statement.
 - c) Admit that the quote that Mr. Abbott uses from Mr. Marcus's testimony correctly refers to the relationship between NPC and *class peak* (i.e. MCD), not to the relationship between NCP and CP. If deny, please explain why.
 - d) Admit that Mr. Marcus's correct testimony on the relationship between 4CP, average demand (i.e. energy), and NCP is found on lines 2-4 of page 55 of Mr. Marcus's testimony and states: "When looking at 4CP, average demand or energy and NCP demand were approximately equivalent, though average demand had a slightly stronger relationship."
 - e) To the extent that Mr. Abbott relied solely on Mr. Marcus's testimony to support his claim, admit that Mr. Abbott's statement that "In other words, EPE's proposed NCP demand charge better reflects CP cost-causation than the status-quo" is erroneously based on an incorrect interpretation of Mr. Abbott's testimony, and that Mr. Marcus's actual conclusion – that for DG customers energy had a slightly stronger relationship to 4CP values than did NCP – is the opposite of Mr. Abbott's conclusion. If deny, please explain why.

RESPONSE:

- a) Yes. See Mr. Abbott's cross-rebuttal testimony at 43-45 and the "Calculation" tab of "WP Demand vs kWh" of the supplement to Mr. Abbott's Cross-Rebuttal Workpapers for the calculations.
- b) N/A
- c) The quote that Mr. Abbott uses from Mr. Marcus's testimony clearly states that it is referring to the relationship of NCP demand to class peak. Mr. Abbott has not confirmed the accuracy of Mr. Marcus's calculations or analysis.
- d) Mr. Abbott has not confirmed the accuracy of Mr. Marcus's calculations or analysis. The quoted sentence does appear in Mr. Marcus's testimony.
- e) N/A.

Prepared by: William Abbott
Sponsor: William Abbott

SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831

**COMMISSION STAFF'S RESPONSE TO SOLAR ENERGY INDUSTRIES
ASSOCIATION'S FIFTH REQUEST FOR INFORMATION
QUESTION NOS. SEIA 5-1 THROUGH SEIA 5-5**

SEIA 5-2 Please refer to Mr. Abbott's cross-rebuttal testimony at page 41 where he states: "Q. Is it necessary for all residential customers to understand demand charges in order to benefit from them? A. No. It is not even necessary that a majority of residential customers understand demand charges. Because demand charges better reflect cost-causation, even if only a handful of customers change their behavior to reduce their load, this eventually results in a lower allocation of costs to the class than would otherwise be the case – either via a reduction in the allocation of incurred costs, or an avoidance of future costs."

- a) What percentage or number of residential customers constitutes "a handful" as Mr. Abbott uses above?
- b) Does Mr. Abbott believe it is sound ratemaking policy to subject customers to a rate design that they cannot understand?
- c) Does Mr. Abbott believe it is sound ratemaking policy to subject customers to a rate design they cannot respond to because they are not provided essential data, such as the time and date when their peak demand is reached, that is required for such a response?
- d) At what point does the fraction of the residential DG population who are able to understand demand charges become large enough such that Mr. Abbott believes that implementing a demand-based rate design would be sound ratemaking policy?
- e) Hypothetically, if no DG customers were able to understand and respond to a demand charge, does Mr. Abbott still believe that it should be implemented?

RESPONSE:

- a) The above-referenced quote does not appear on page 41. A small quantity or number constitutes "a handful" as used in Mr. Abbott's testimony.
- b) The above-referenced quote does not appear on page 41. Mr. Abbott believes that understandability is one of several criteria relevant to sound ratemaking.
- c) The above-referenced quote does not appear on page 41. Mr. Abbott does not agree with the premise of the question. Mr. Abbott believes that customers' ability to respond may be one of several criteria relevant to sound ratemaking.
- d) The above-referenced quote does not appear on page 41. Mr. Abbott has not

performed such an analysis.

- e) The above-referenced quote does not appear on page 41. Mr. Abbott has not performed such an analysis.

Prepared by: William Abbott
Sponsor: William Abbott

SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831

SEIA 5-3 Please refer to Mr. Abbott's cross-rebuttal testimony at page 63 where he discusses the more immediate and long-term economic impacts of net metering and states: "This reduced income very likely means reduced expenditures in the local economy – a family may choose to eat out at restaurants or see movies less often, or delay a new purchase. The reduced expenditures harm other businesses in the area – a marginally profitable restaurant may become unprofitable and close, or a business may reduce employment or cancel or delay plans for expansion, employee raises, or new hiring."

Please also see EPE's response to SEIA 6-4 where EPE stipulates the cost-shift associated with maintaining the current net metering policy (that is, DG customers remain in the residential rate class and do not face a mandatory three-part rate) is \$1,093,000.

Please also see EPE's response to SEIA 1-22 that shows that 426 kW AC of residential solar DG was installed in EPE's Texas territory in 2014 and 4,686 kW AC of residential solar DG was installed in EPE's Texas territory in 2016.

Please also see NREL's PV-Watts calculator (<http://pvwatts.nrel.gov/pvwatts.php>) showing the default DC to AC conversion ratio is 1.1.

- a) Has Mr. Abbott performed any analysis on the magnitude of the cross-subsidization that EPE claims is attributable to the current status quo? If, so please provide all analyses that were performed.
- b) Confirm that the cost shift identified by EPE of \$1,093,000 is equivalent to \$0.33 per month per residential customer, or \$4 per year for an average household. This value is calculated by dividing the cost shift by the total count of customer-months (3,313,164) in EPE's test year. If deny, please explain why.
- c) Does Mr. Abbott consider the loss of \$4 per year of disposable income for an average household to be a *de minimus* impact? If not, please explain why.
- d) How many dinners does Mr. Abbott believe a family will have to forgo if they have \$4 less per year in disposable income? How many new purchases, beyond perhaps one additional cup of coffee per year, does Mr. Abbott believe a family will have to delay if they have \$4 less per year in disposable income?
- e) How many restaurants does Mr. Abbott believe will have go out of business, or reduce employment, or cancel or delay plans for expansion, employee raises, or new hiring because EPE families have \$4 less per year to spend on meals or need to delay \$4 worth of purchases per year?

- f) Assuming an average residential installed cost of \$3/watt DC, confirm that the 4,686 kW AC that was installed in 2016 has a retail value of \$15,463,800 (4,686 kW AC x 1.1 kW AC/kW DC x \$3,000/kW DC). If deny, please explain why.
- g) Is it Mr. Abbott's understanding that residential solar panels are typically installed by workers living in or near the city/county of the installation? If not, please explain Mr. Abbott's understanding of where solar panel installers typically live relative to the systems they install.
- h) Does Mr. Abbott believe it to be a reasonable conclusion that more people were employed installing 4,686 kW AC of residential solar panels in the greater El Paso region in 2016 than were employed installing 426 kW AC of solar panels in the greater El Paso region in 2014? If not, please explain why.
- i) Does Mr. Abbott believe that the economic activity created by the installation of roughly \$15.4m worth of DG systems in EPE's territory has a positive effect on the local economy? If not, please explain why.

RESPONSE:

- a) Mr. Abbott has not confirmed the accuracy of SEIA's assertions and has not performed a determination as to the aggregate quantity of cost-shifting over a given period of time.
- b) Mr. Abbott has not confirmed the accuracy of SEIA's assertions and has not performed the requested calculation. Mr. Abbott can confirm that 1,093,000 divided by 3,313,164 equals approximately 0.33; and that 0.33 multiplied by 12 equals 3.96.
- c) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. The information provided is insufficient to enable Mr. Abbott to form an opinion.
- d) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested calculation.
- e) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested calculation.
- f) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested analysis. Mr. Abbott can confirm that $4,686 * 1.1 * 3,000 = 15,463,800$.
- g) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested analysis.
- h) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested analysis.

- i) Mr. Abbott has not confirmed the accuracy of SEIA's assertions. The information provided is insufficient to enable Mr. Abbott to form an opinion.

Prepared by: William Abbott
Sponsor: William Abbott

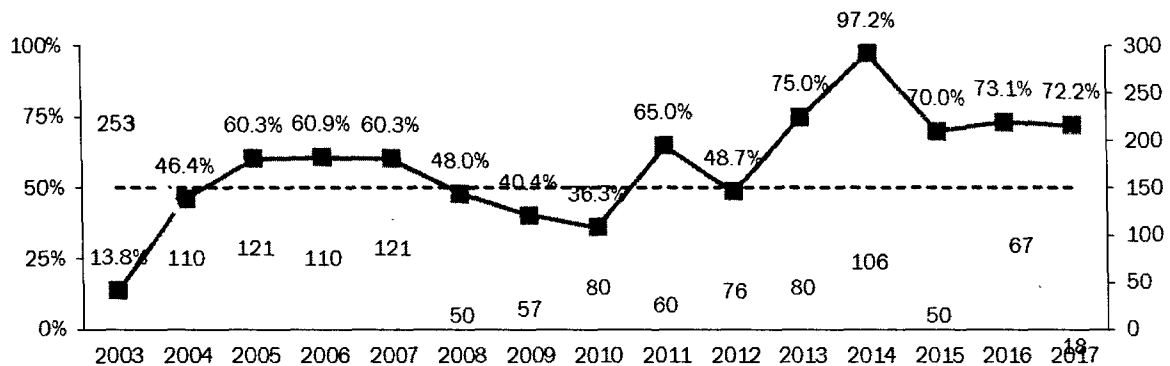
**SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831**

**COMMISSION STAFF'S RESPONSE TO SOLAR ENERGY INDUSTRIES
ASSOCIATION'S FIFTH REQUEST FOR INFORMATION
QUESTION NOS. SEIA 5-1 THROUGH SEIA 5-5**

SEIA 5-4 Please refer to Mr. Abbott's cross-rebuttal testimony at page 63 where he states: "This misalignment and increased risk of inadequate cost recovery could potentially increase the cost of capital for EPE, especially as DG deployment grows, eventually resulting in higher rates for all customers via increased costs of debt or equity."

Please also see below for a summary chart of EEI's Quarterly Financial Update for Q1 2017 showing the number of credit rating actions (light grey line) and the percentage of actions that were credit upgrades (dark grey line), as well as an extract from a table with a snapshot of regulated utilities credit ratings, available at

<http://www.eei.org/resourcesandmedia/industrydataanalysis/industryfinancialanalysis/QtrlyFinancialUpdates/Pages/default.aspx>



	12/31/2012		2017 Q1	
	#	%	#	%
Regulated				
A or higher	2	6%	2	6%
A-	6	17%	11	31%
BBB+	5	14%	11	31%
BBB	13	36%	7	20%
BBB-	6	17%	4	11%
Below BBB-	4	11%	0	0%
Total	36	100%	35	100%

- a) Has Mr. Abbott performed any analysis investigating the relationship between the cost of capital for other utilities and the amount of DG installed on their systems? If so, please provide all analyses.
- b) Does Mr. Abbott agree that the deployment of DG solar has accelerated both within EPE's territory and across the county since 2012?
- c) Confirm that the percentage of rating activities that were upgrades as tabulated by EEI in the chart above were at least 70.0% for the years 2013 through Q1 2017, inclusive. If deny, please explain why.
- d) Confirm that the overall credit rating profile for the set of regulated utilities as tabulated by EEI is higher in Q1 2017 than it was at the end of 2012. If deny, please explain why.

RESPONSE:

- a) The above-referenced quote does not appear on page 63. Mr. Abbott has not confirmed the accuracy of SEIA's assertions. No.
- b) The above-referenced quote does not appear on page 63. Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested analysis.
- c) The above-referenced quote does not appear on page 63. Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested analysis.
- d) The above-referenced quote does not appear on page 63. Mr. Abbott has not confirmed the accuracy of SEIA's assertions. Mr. Abbott has not performed the requested analysis.

Prepared by: William Abbott
Sponsor: William Abbott

SOAH DOCKET NO. 473-17-2686
PUC DOCKET NO. 46831

**COMMISSION STAFF'S RESPONSE TO SOLAR ENERGY INDUSTRIES
ASSOCIATION'S FIFTH REQUEST FOR INFORMATION
QUESTION NOS. SEIA 5-1 THROUGH SEIA 5-5**

SEIA 5-5 Please refer to Mr. Abbott's cross-rebuttal testimony at page 58 where he discusses an analysis by Christensen Associates.

Please also see the "Clients" webpage of Christensen Associates, located at <http://www.caenergy.com/about/clients/>

- a) To the best of Mr. Abbott's knowledge, was the report referenced above developed through a collaborative, open stakeholder process where any interested party could provide feedback that was incorporated into the report?
- b) Does Mr. Abbott have any knowledge of what types of clients Christensen Associates has performed work for in the past?
- c) Does Mr. Abbott agree that the majority of companies listed on Christensen Associates "Clients" page are utility companies?

RESPONSE:

- a) The report referenced above was developed in Project No. 46046, which allowed interested parties, including special interest groups representing the profit interests of rooftop solar providers, to provide feedback that the Commissioners were capable of incorporating into their report.
- b) Not at this time.
- c) Mr. Abbott has not performed the requested analysis.

Prepared by: William Abbott
Sponsor: William Abbott