

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

**Petition of NSTAR Electric Company and Western
Massachusetts Electric Company, each doing business as
Eversource Energy, Pursuant to G.L. c. 164, § 94 and
220 C.M.R. § 5.00 et seq., for Approval of General Increases
in Base Distribution Rates for Electric Service and Approval
of a Performance Based Ratemaking Mechanism.**

D.P.U. 17-05

Surrebuttal Testimony of

Tim Woolf and Melissa Whited

On behalf of

Sunrun Inc. and The Energy Freedom Coalition of America, LLC

Regarding Performance-Based Regulation, the Monthly Minimum Reliability

Contribution, Storage Pilots and Rate Design

May 26, 2017

Table of Contents

I.	INTRODUCTION AND PURPOSE	1
II.	THE COMPANY’S REBUTTAL TESTIMONY.....	1
III.	DEMAND CHARGES.....	4
IV.	PRE-APPROVAL OF THE GMBC	8
V.	RATE ADJUSTMENTS	11

1 **I. INTRODUCTION AND PURPOSE**

2 **Q. Please state your name, title, and employer.**

3 A. **Woolf:** My name is Tim Woolf. I am a Vice President at Synapse Energy Economics,
4 located at 485 Massachusetts Avenue, Cambridge, MA 02139.

5 A. **Whited:** My name is Melissa Whited. I am a Senior Associate at Synapse Energy
6 Economics, located at 485 Massachusetts Avenue, Cambridge, MA 02139.

7 **Q. Are you the same witnesses that provided direct testimony in this docket, in Exhibits**
8 **SREF-TW/MW-1 through SREF-TW/MW-6?**

9 A. Yes.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of our surrebuttal testimony is to respond to some of the points made in
12 Eversource's (the Company's) rebuttal testimony; particularly to the testimony of the
13 Rate Design Panel and the rebuttal testimony of Hallstrom, Conner, Renaud, Schilling,
14 and Eaton on the Grid Modernization Base Commitment (GMBC).

15 **II. THE COMPANY'S REBUTTAL TESTIMONY**

16 **Q. Did the Company rebut many aspects of your direct testimony?**

17 A. No. The Company provided very little rebuttal to our direct testimony. Although our
18 direct testimony addressed many topics related to the minimum monthly reliability
19 charge (MMRC), other rate design proposals, the proposed performance-based

1 ratemaking mechanism (PBRM), treatment of the Grid Modernization Base
2 Commitment, and the proposed energy storage pilots, Eversource referred to our direct
3 testimony on only two points:

4 J The Rate Design Panel claims that “Sunrun asserts that demand charges do
5 not provide efficient price signals because a demand charge does not
6 encourage reduced usage during peak hours, because the price signal is
7 purportedly concentrated in a single hour in the month, and because demand
8 charges reduce incentives for energy efficiency.”¹

9 J The Rate Design Panel claims that “some intervenors asserted that the
10 reasonableness of the company’s proposed consolidated rates can be evaluated
11 according to formulas that they have developed.”²

12 The Company noted that in the time allotted for rebuttal it cannot address in detail every
13 comment or recommendation made by intervenors. The Company also states that it “has
14 not included debate on policy issues in this rebuttal testimony because policy
15 disagreements are better explored in more detail during evidentiary hearings.”³ Instead,
16 while noting that its “silence on any issue should [sic] be interpreted as agreement,”⁴ the

¹ Rebuttal Testimony of the Rate Design Panel, Exhibit ES-RDP-Rebuttal-1, May 19, 2017, p. 11, lines 8-11.

² *Id.*, p. 3, line 15 – p. 4, line 2.

³ *Id.*, p. 2, lines 2-4.

⁴ *Id.*, p. 2, line 1.

1 Company claims to use the rebuttal testimony to “refute certain inaccurate comments”⁵ or
2 “focus on factual errors and/or fact-based claims that either misconstrue or misrepresent
3 the Company’s proposals.”⁶

4 **Q. What do you infer from the fact that the Company provided so little rebuttal to**
5 **your direct testimony?**

6 A. Since the Company did refute certain representations made by others, but did not refute
7 ours (apart from its brief reference to ours, noted above), the obvious inference is that our
8 direct testimony contained no factual errors or misrepresentations that caused the
9 Company concern. Additionally, we find it troubling that the Company has elected not to
10 provide sufficient notice of its views of the issues involved, on the grounds that those
11 issues raise “policy” questions. “Policy” questions can have as profound impacts on
12 ratepayers, including businesses, as can “factual” questions, and in any event, should
13 have evidentiary support. If the Company has any significant differences with our direct
14 testimony, it has an obligation to identify those positions – whether policy-based or fact-
15 based – prior to the hearings so that we, the Commission and other parties have an
16 opportunity to prepare for the hearings.

⁵ *Id.*, p. 2, line 5.

⁶ Rebuttal Testimony of Hallstrom, Conner, Renaud, Schilling, and Eaton, Exhibit ES-GMBC-Rebuttal, May 19, 2017, p. 2.

1 **Q. Did the Company rebut other points that are relevant to your direct testimony?**

2 A. Yes. The Company rebutted several issues that are central to our direct testimony,
3 including the Company's proposal to use a demand charge for the MMRC and the
4 Company's request for pre-approval of the GMBC. I address these points in the sections
5 below, along with the points where the Company cited our testimony.

6 **III. DEMAND CHARGES**

7 **Q. Please explain how the Company's rebuttal testimony characterizes some of the**
8 **intervenors' points about demand charges.**

9 A. As noted above, the Company cites to our testimony where we explain why demand
10 charges do not provide efficient price signals.⁷ The Company's rebuttal testimony does
11 not respond to the reasons we provide demonstrating why demand charges do not provide
12 efficient price signals. Instead, the Company simply notes that "it is not practical or
13 feasible to charge customers based on coincident peak demand."⁸

⁷ Rebuttal Testimony of the Rate Design Panel, Exhibit ES-RDP-Rebuttal-1, May 19, 2017, p. 11, lines 8-11.

⁸ *Id.*, p. 11, lines 18-19. This point about coincident peak demand is made by the Company in rebutting UMASS' direct testimony. However, our testimony recommends the use of coincident peak demand, and this UMASS rebuttal follows the Company's rebuttal of us. So, presumably this point was made in rebuttal to our direct testimony as well as UMASS' testimony.

1 **Q. Does the Company’s rebuttal undermine your argument that the Company’s**
2 **proposed demand charge does not provide efficient price signals because it is not**
3 **based on coincident peak?**

4 A. No. Our point still holds that demand charges that are not applied at the time of local or
5 system coincident peak do not reflect the marginal demand cost at the time they are
6 applied, and therefore will not provide efficient price signals. The Company’s argument
7 that it is not practical or feasible to charge customers based on coincident peak demand
8 does not undermine this point at all. It simply calls into question whether demand charges
9 are an appropriate way to set distribution rates: Why apply demand charges that will not
10 reflect the drivers of demand-related costs and will not provide efficient price signals?

11 **Q. What other points does the Company’s rebuttal testimony make about demand**
12 **charges?**

13 A. The Company aggregates and summarizes the intervenors testimony on this point as
14 follows: “The criticism of proposed demand charges were reduced to an assessment that
15 they do not send appropriate price signals and cannot induce customers to reduce load in
16 response.”⁹ After summarizing all of the intervenors’ testimony in this way, the Company
17 then critiques only one argument made by one intervenor: the argument made by Mr.
18 Phelps and Mr. Gilliam regarding the challenge that some customers may face because of
19 the complexity of demand charges.¹⁰

⁹ Rebuttal Testimony of the Rate Design Panel, Exhibit ES-RDP-Rebuttal-1, May 19, 2017, p. 12, lines 7-9.

¹⁰ *Id.*, p. 12, line 9 – p. 13, line 14.

1 **Q. Do you agree with the Company’s argument that demand charges are not likely to**
2 **be overly complex for net metering customers?**

3 A. No. Again, the Company ignores the evidence presented in our direct testimony, where
4 we show that very few residential customers have voluntarily chosen to use demand
5 charges and we note that the California Public Utilities Commission expressly rejected
6 demand charges for net metering customers on the grounds that they are overly complex.

7 **Q. Which of the intervenors’ points regarding demand charges does the Company fail**
8 **to rebut?**

9 A. The Company’s rebuttal testimony does not respond to the key points in our testimony
10 about how the proposed demand charge is inconsistent with the Department’s other long-
11 standing principles of providing efficient price signals, maintaining continuity, and
12 customer fairness.¹¹

13 **Q. Does the Company’s rebuttal testimony make any other assertions about**
14 **intervenors’ arguments regarding demand charges?**

15 A. Yes, the Company states that certain “intervenors have also argued that proposed demand
16 charges fail to meet the Department’s rate design objectives of efficiency, simplicity, or
17 fairness, despite the fact that demand charges are widely deployed today among general
18 service customers.”¹²

¹¹ Direct Testimony Woolf & Whited, Exhibit SREF-TW/MW-1, April 28, 2017, pp. 20-30.

¹² Rebuttal Testimony of the Rate Design Panel, Exhibit ES-RDP-Rebuttal-1, May 19, 2017, p. 13.

1 **Q. Do you agree with the Company’s rebuttal?**

2 A. No. First, the implications of rate designs, and the applicability of the Department’s rate
3 design principles, can vary widely depending upon the customer class. The implications
4 of demand charges for residential and small general service customers could be
5 dramatically different from the implications for large general service customers. There is
6 a good reason why demand charges have generally not been applied to residential and
7 small general service customers in Massachusetts, despite the fact that they have been
8 used for large general service customers for many years: Demand charges for residential
9 and small general service customers do not adhere to the Department’s rate design
10 principles of efficiency, simplicity, continuity, and fairness, as described in page 18-27 of
11 our direct testimony.

12 Second, our testimony provides evidence from across the United States that to date no
13 regulated investor-owned utility in the country has been allowed to impose mandatory
14 demand charges on all residential customers.¹³ In the very few instances where

¹³ In the Company’s response to DPU-46-14, the Company mentions two utilities that require mandatory residential demand charges under explicit conditions. One within the jurisdiction of a Public Utility Commission, Black Hills Power in Wyoming, involves a demand rate that only “appl[ies] to any single-family private dwelling unit supplied through one meter with qualifying minimum usage of 1,000 kWh per month on average.” (Ref <https://www.blackhillsenergy.com/node/995>). The other, Salt River Project (SRP), which is not under the jurisdiction of a PUC, applies a demand rate to distributed generation customers. Since the introduction of SRP’s demand rate, adoption of distributed generation facilities in SRP has declined (http://www.solarpowerinternational.com/wp-content/uploads/2016/09/N255_9-14-1030.pdf ref slide 9).

1 commissions have allowed opt-in residential demand charges, enrollment has been very
2 low.¹⁴ The Company's rebuttal testimony does not address this very relevant evidence.
3 Third, and most importantly, the Company's rebuttal does not respond directly to the
4 many points made by the intervenors about adherence to the Department's principles.
5 Instead, it makes one sweeping generalization that is not responsive to our arguments and
6 not even relevant to residential and small general service customers.

7 **IV. PRE-APPROVAL OF THE GMBC**

8 **Q. Please explain how the Company's rebuttal testimony characterizes the**
9 **Department's ability to review the costs included in the GMBC.**

10 A. In its rebuttal testimony, the Company critiques Dr. Dismukes' assertions about the level
11 of review that the Department would be able to apply to the GMBC. The Company notes
12 that it is requesting that the Department find that the total budget amount for each
13 category of Grid Modernization investment is reasonable and appropriate. The Company
14 claims that such a finding "in no way eliminates or constrains the Department's review of
15 expenditures made in relation to those budgets, including analysis of pre-construction and
16 post-construction cost variances."¹⁵ Later the Company notes that it is "not seeking the

¹⁴ Direct Testimony Woolf & Whited, April 28, 2017, Exhibit SREF-TW/MW-1, p. 23.

¹⁵ Rebuttal Testimony of Hallstrom, Conner, Renaud, Schilling, and Eaton, May 19, 2017, p. 3, lines 5-16.

1 Department's pre-approval of costs, nor seeking a cost review in advance of project
2 completion."¹⁶

3 **Q. Do you agree with the Company's characterization that it is not seeking pre-**
4 **approval of costs?**

5 A. No. The Company is clear that it is "requesting the Department to find that the proposed
6 budget amount associated with each proposed category of investment shown in Table ES-
7 GMBC-2 is reasonable and appropriate."¹⁷ If the Department were to make such a
8 finding, then it would be very difficult for the Department to later make a determination
9 that these budget amounts were unreasonable, inappropriate, or imprudent.

10 **Q. But the Company has stated several times that GMBC expenditures would remain**
11 **subject to the Department's review. Please explain why the Department might be**
12 **limited in its review of expenditures in the future.**

13 A. It is important to distinguish the different types of review that the Department will be
14 able to make in the future. Under traditional Department ratemaking practices, the
15 Department would have the ability to review all aspects of the GMBC expenditures in a
16 future rate case, after the expenditures have occurred. This review would include the
17 reasonableness of the decision to invest in the GMBC projects, the reasonableness of the
18 total expenditures for all GMBC projects, the reasonableness of the allocation of the

¹⁶ *Id.*, p. 8, lines 14-16.

¹⁷ Direct Testimony of Hallstrom, Conner, Renaud, Schilling, and Eaton, May 19, 2017, p. 68, lines 5-6

1 expenditures associated with each proposed category of investments, and the
2 reasonableness of the expenditures themselves.

3 Under the Company's proposal, the Department would essentially pre-approve the
4 decision to pursue the GMBC projects, the total expenditures for all GMBC projects, and
5 the allocation of expenditures for each category of investments. This means that the
6 Department's future "review" would be limited to the reasonableness of the expenditures
7 themselves.

8 In sum, under the Company's proposal the Department may not be able to review the
9 Company's decisions regarding whether to make the GMBC investments. It would only
10 be able to review how well the Company executed those decisions.

11 **Q. Does the Company's proposal curtail the Department's traditional ability and role**
12 **in reviewing the Company's GMBC expenditures?**

13 A. Yes. The pre-approval of GMBC investments requested by the Company would
14 significantly curtail the Department's traditional ability to review the full reasonableness
15 and prudence of these investments. Such a significant departure from traditional
16 ratemaking practice should be taken cautiously, should be fully justified, and should meet
17 several important conditions, as noted in our direct testimony.¹⁸ The Company has not
18 provided this justification, nor met these conditions.

¹⁸ Direct Testimony Woolf & Whited, Exhibit SREF-TW/MW-1, April 28, 2017, pp. 48-52.

1 **V. RATE ADJUSTMENTS**

2 **Q. Please explain the Company’s rebuttal to your testimony regarding a rate**
3 **adjustment “formula.”**

4 A. As noted above, the Company’s rebuttal testimony claims that “some intervenors asserted
5 that the reasonableness of the company’s proposed consolidated rates can be evaluated
6 according to formulas that they have developed.”¹⁹ To back up this assertion, the
7 Company refers to our recommendation regarding increases to the customer charge,
8 where we recommend that the customer charge be increased by no more than the overall
9 class revenue increase. The Company then notes that these “formulas do not provide
10 meaningful or helpful rate design guidance; customers are concerned about the dollar
11 increase, and if relevant, the percent increase in total bills.”²⁰

12 **Q. Do you agree with the way that the Company has characterized your**
13 **recommendation regarding customer charges?**

14 A. No. First, our proposal regarding customer charges is not relevant to the “reasonableness
15 of the Company’s proposed consolidated rates,” as asserted by the Company. Our
16 proposal regarding the customer charge is a reasonable way to increase customer charges
17 moderately, in adherence to the principle of gradualism, and without creating unduly
18 inefficient price signals. The Company’s reference to our customer charge proposal is
19 literally misplaced here.

¹⁹ *Id.*, p. 3, line 15; and p. 4, lines 1-2.

²⁰ *Id.*, p. 4, lines 2-4.

1 Second, the Company did not respond directly to any of the reasons that we provide for
2 our proposal on customer charges. It did not address our points that higher customer
3 charges reduce customer incentive to implement energy efficiency or distributed
4 generation, eventually resulting in higher system costs for all customers.

5 Third, the Company's point about customer concern over the dollar or percentage
6 increase in total bills is not relevant to rate design. Customers with different load shapes
7 will experience different total bills as a result of different rate designs. Therefore, it is not
8 accurate to dismiss a rate design proposal by suggesting that it will not affect the total
9 dollar or percent increase in customers' bills.

10 Fourth, the Company's point about customer concern over the dollar or percentage
11 increase in total bills is inconsistent with the whole concept of rate design and price
12 signals. This point implies that the subcomponent of rates will not matter to customers,
13 just the total rates and bills. This point is inconsistent with the whole purpose of rate
14 design, which is to establish the subcomponents of rates in a way that achieves efficiency,
15 simplicity, continuity, fairness, and earnings stability.

16 **Q. Does this conclude your surrebuttal testimony?**

17 A. Yes, it does.