

15-07041

Public Utilities Commission of Nevada
Electronic Filing

Submitted: 2/1/2016 11:24:32 AM

Reference: 56dc3762-c5ee-4f58-a454-2b58f6c08434

Reference:

Filed For: NPC and SPPC

In accordance with NRS Chapter 719,
this filing has been electronically signed and filed
by: /s LynnDInnocenti

By electronically filing the document(s),
the filer attests to the authenticity of the electronic signature(s) contained therein.

This filing has been electronically filed and deemed to be signed by an authorized
agent or
representative of the signer(s) and
NPC and SPPC

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Application of NEVADA POWER COMPANY d/b/a NV
Energy for approval of a cost of service study and net
metering tariffs.

Docket No. 15-07041

Application of SIERRA PACIFIC POWER COMPANY
d/b/a NV Energy for approval of a cost of service study
and net metering tariffs.

Docket No. 15-07042

VOLUME 1 OF 2

NPC/SPPC'S SUPPLEMENTAL DIRECT TESTIMONY

DESCRIPTION	PAGE NUMBER
Transmittal Letter	2
Testimony	3
Exhibit 1	62
Exhibit 2	81



February 1, 2016

Ms. Trisha Osborne
Assistant Commission Secretary
PUBLIC UTILITIES COMMISSION OF NEVADA
1150 East William Street
Carson City, Nevada 89701-3109

Re: Docket Nos. 15-07041 and 15-07041: Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of a cost of service study and net metering tariffs

Dear Ms. Osborne:

Pursuant to the Commission's January 25, 2016, enclosed for filing please find the Supplemental Direct Testimony of Shawn M. Elicegui on behalf of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy. Mr. Elicegui's supplemental direct testimony includes four exhibits providing documentary evidence response to the Commission's questions. A single workpaper, an executable version of an Excel spreadsheet, supporting Table Elicegui Supplemental Direct-1, will be served on all parties of record. This workpaper can be provided to the Commission upon request.

Please contact me at 775-834-5694 or belliot@nvenergy.com, if you have any questions regarding this matter.

Best regards,

/s/ Elizabeth Elliot
Elizabeth Elliot
Associate General Counsel

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Nevada Power Company d/b/a NV Energy
Sierra Pacific Power Company d/b/a NV Energy
Net Metering and Distributed Generation Cost of Service and Tariff Design
Docket Nos. 15-07041 and 15-07042

PREPARED SUPPLEMENTAL DIRECT TESTIMONY
OF

SHAWN M. ELICEGUI

1. Q. PLEASE STATE YOUR NAME, OCCUPATION, BUSINESS ADDRESS AND PARTY FOR WHOM YOU ARE FILING TESTIMONY.

A. My name is Shawn M. Elicegui. My current position is Senior Vice President, Regulation and Strategic Planning, for Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy (“Sierra Pacific”) (together with Nevada Power, the “Companies”). My business address is 6100 Neil Road in Reno, Nevada. I am filing testimony on behalf of the Companies.

2. Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE IN THE UTILITY INDUSTRY.

A. I have been employed by Sierra Pacific since February 2009. Between 2009 and 2013, I served as an Associate General Counsel for the Companies. I focused on matters related to rate making and resource

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

planning. In December 2013, I assumed responsibility for leading the regulatory and long-term resource planning functions for the Companies. I hold a Bachelor of Arts in Political Science and International Affairs from the University of Nevada Reno. I earned a law degree from the University of California, Davis. Before joining the Companies in 2009, I was a shareholder in the law firm of Lionel Sawyer & Collins.

3. Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed direct testimony in this case on July 31, 2015. That testimony was defended in the Commission’s August 21, 2015 hearing to establish interim rates and tariffs (through December 31, 2015) for new net energy metering (“NEM”) customers. I filed prepared rebuttal testimony with the Commission on November 10, 2015 and sponsored my direct and rebuttal testimony in the hearings addressing the rates and tariffs for all net metering customers to take effect on January 1, 2016. That testimony was heard November 18-20, 2015.

4. Q. HAVE YOU PREVIOUSLY SUBMITTED A STATEMENT OF QUALIFICATIONS IN THIS PROCEEDING?

A. Yes, my statement of qualifications was submitted with my direct testimony. That testimony has been marked as Exhibit 39A.

1 **I. OVERVIEW OF TESTIMONY**

2

3 **5. Q. PLEASE PROVIDE AN OVERVIEW OF YOUR SUPPLEMENTAL**
4 **DIRECT TESTIMONY.**

5 A. This supplemental direct testimony addresses the Commission’s January
6 25, 2016 Order (“Rehearing Order”) in these consolidated dockets. The
7 Commission has asked for additional evidence on several specific matters,
8 all of which relate to its determination that new net energy metering
9 (“NEM”) rules and tariffs adopted in its December 23, 2015 Order
10 (“Original Order”) and implemented on January 1, 2016, should apply to
11 all NEM customers, regardless of the vintage of their systems. That
12 finding is set forth in Paragraph 108 of the Original Order. Particularly,
13 the Commission has asked for additional evidence, including documentary
14 and testamentary evidence, “upon which to base a decision to implement
15 a grandfathering program, especially in light of the substantial subsidy that
16 such a program would preserve.”¹ My supplemental testimony does not
17 address (nor should the supplemental testimony of other parties address)
18 other findings in the Commission’s Original Order.

19
20 To that end, my testimony addresses the following subjects and is
21 organized as follows:

22

23

24 ¹ Rehearing Order, Paragraph 8.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Section II. Summary of the Commission’s December 23, 2015 Order

Section: III. Description of the documentary evidence requested in the Rehearing Order.

A. A description of all notifications provided to NEM customers and/or NEM program applicants. These documents are provided in **Exhibit Elicegui-Supplemental-Direct-1.**

B. A description of all vintages of interconnection agreements between the Companies, NEM customers, and/or NEM program applicants. These documents are provided in **Exhibit Elicegui-Supplemental-Direct-2.**

Section IV: Restatement of the Companies’ responses to the Presiding Officer’s questions from the August 19, 2015 Prehearing Conference.

Section V: Answers to the questions posed by the Commission in Paragraph 11 of the Rehearing Order in the order in which the questions were posed.

Section VI: The Companies’ proposal for managing NEM1 customers’ transition to cost-based rates.²

² As explained below, the Companies define “NEM1 customers” as customers who valid, complete applications for net metering service as of September 10, 2016.

1 **6. Q. WHAT IS THE COMPANIES' PROPOSAL IN THIS LIMITED**
2 **PROCEEDING?**

3 A. The Companies propose that the Commission evaluate and choose one of
4 seven alternatives for eliminating the “substantial subsidy” (*i.e.* cost
5 shifting) created by old net metering rules. The cost shifting is the product
6 of a 1997 pilot program that required the Companies to provide service to
7 NEM customers with a specific rate structure designed to encourage what
8 was then a new technology and a nascent industry.

9
10 The Companies propose to use September 10, 2015 as the point of
11 demarcation for NEM customers who would qualify for the change
12 management strategy adopted by the Commission. This represents the last
13 date upon which a NEM customer was included under the 235 MW cap
14 established by SB 374. The seven options for managing change described
15 below are:

16 Option 1: gradual changes over 4 years,

17 Option 2: gradual changes over 8 years,

18 Option 3: gradual changes over 12 years,

19 Option 4: gradual changes over 16 years,

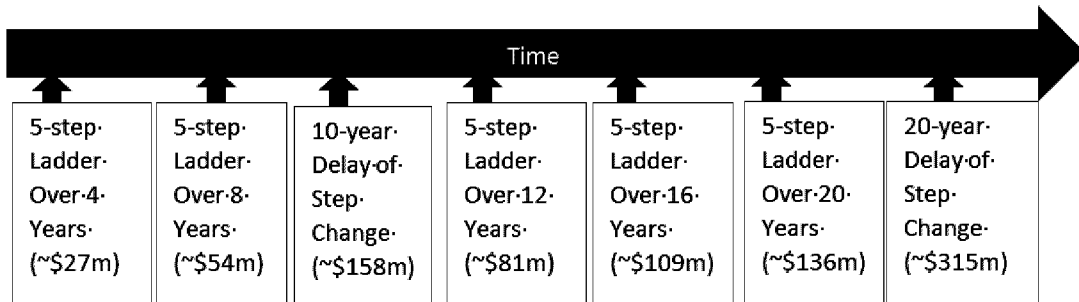
20 Option 5: gradual changes over 20 years,

21 Option 6: delay a course correction for 10 years and, finally,

22 Option 7: delay a course correction for 20 years.

Under options 1 through 5, NEM customers would see four gradual changes of varying lengths over the transition period.³ Under options 6 and 7, customers would only see one step change, and that change would be delayed for the length of the transition period. In evaluating each of these options, the Commission should, as it did in the Original Order, consider the cumulative cost shifting associated with each option when it balances the interests of all utility customers. The following figure shows each of these options, the duration of the transition period, and the total costs that would be shifted to NV Energy’s customers.

FIGURE ELICEGUI SUPPLEMENTAL-DIRECT-1



7. **Q. IS THIS PROPOSAL CONSISTENT WITH NV ENERGY’S JANUARY 25, 2016, PRESS RELEASE?**

A. Yes. In that press release, NV Energy announced that it would make a proposal in this proceeding, and that the proposal would allow for a

³ In addition to the change that occurred on January 1, 2016.

1 transition period of up to 20 years. NV Energy has presented a menu of
2 options to the Commission that take into consideration the divergent
3 interests of its customers. Using the facts found by the Commission in
4 Paragraph 88, the annual cost shift associated with each option can be
5 calculated; each one of the options has different consequences for
6 customers – both those who have committed to install solar on their
7 homes, and those who have not.
8

9 **II. SUMMARY OF ORIGINAL ORDER**

10
11 **8. Q. PLEASE PROVIDE AN OVERVIEW OF THE ORIGINAL**
12 **ORDER.**

13 A. The Original Order was based on the record evidence developed over three
14 lengthy days of hearing. That record consisted of 101 exhibits, which
15 included prepared written testimony from twenty-five witnesses.
16 Together, seven parties opposed changes to net metering rules through
17 testimony from twelve different witnesses.⁴ The Commission’s
18 Regulatory Operations Staff (“Staff”) and the Companies proposed new,
19 albeit different, NEM tariffs and rates for residential and small general
20 service customers who receive some, but not all of their electric energy
21 from distributed renewable generation (“NEM customers”). Between the
22

23 ⁴ Bureau of Consumer Protection (“BCP”), The Alliance for Solar Choice (“TASC”), Vote Solar, Solar Energy
24 Industries Association (“SEIA”), Nevadans for Clean Affordable Reliable Energy (“NCARE”), Bombard
Electric and the Great Basin Network.

1 filing date (July 31, 2015) and the issuance of the Original Order
2 (December 23, 2015), every party to the proceeding exercised its right to
3 discovery (interrogatories and depositions), to cross-examine witnesses,
4 raise and respond to objections, and make oral arguments as appropriate
5 during the hearing. Each party was given the opportunity to submit
6 opening and responsive legal briefs. In short, while the proceeding was
7 compact, it resulted in a robust and thorough record.

8
9 Based on that record, on December 23, 2015, the Commission issued a
10 thorough, well-reasoned order. The Commission, acting in its quasi-
11 judicial capacity, sifted and weighed the evidence, considered the
12 positions of the parties, and reached rational conclusions. The
13 Commission's Original Order included the following major findings.

14 a) NEM customers have unique service and cost characteristics.

15 The Commission also found that when the Companies bill
16 NEM customers using prices designed for full requirements
17 service, costs are shifted unreasonably to other customers.⁵
18 These findings are beyond the scope of rehearing and are not
19 addressed in my supplemental direct testimony.

20 b) New classes for residential and small commercial NEM
21 customers should be established.⁶ This finding is beyond the
22

23

⁵ Order, Paragraphs 87, 90, 91.

24 ⁶ *Id.* Paragraphs 92, 93.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

scope of rehearing and is not addressed in my supplemental direct testimony.

c) The same rates and tariffs should be applied to all NEM customers, regardless of the vintage of the NEM system.⁷ *This finding is addressed in my supplemental direct testimony.*

d) The new NEM tariffs for the new NEM classes should have the following characteristics:

i. Basic service charges should be established to recover more of the fixed costs associated with serving NEM customers.⁸ This finding is beyond the scope of rehearing and is not addressed in my supplemental direct testimony.

ii. NEM customers should be compensated for net excess energy delivered to the Companies at a value determined by reference to 11 factors. Based on the evidence presented, the Commission established a value by reference to the Companies' avoided costs, with an adder for line losses.⁹ This finding is beyond the scope of rehearing and is not addressed in my supplemental direct testimony.

iii. A five-step rate ladder applicable to both NEM1 and NEM2 customers should be established to manage the

⁷ *Id.* Paragraph 108.
⁸ *Id.* Paragraph 186.
⁹ *Id.* Paragraph 193.

1 change from the then-existing NEM rules and rates (the
2 Pre-SB 374 Regime”) to the new NEM tariffs.¹⁰ *This*
3 *finding is addressed in my supplemental direct testimony.*
4

5 **9. Q. WHAT WERE THE COMMISSION’S FINDINGS REGARDING**
6 **THE SHIFT IN COSTS FROM NEM CUSTOMERS TO NON-NEM**
7 **CUSTOMERS?**

8 A. In Paragraph 88 of its order, the Commission found that the Pre-SB 374
9 Regime resulted in an unreasonable cost shift. Specifically, the
10 Commission found that when a single family residential customer installs
11 distributed, renewable generation under the Pre-SB 374 Regime,
12 approximately \$623 of cost responsibility is shifted annually to other NV
13 Energy customers. In northern Nevada, the annual cost shift is
14 approximately \$471 when a single-family residential customer installs
15 distributed renewable generation. The Commission also found that costs
16 are shifted when small general service NEM customers, multi-family
17 residential customers and, in southern Nevada, large residential customers
18 become NEM customers.
19

20 **10. Q. HOW DO YOU UNDERSTAND AND USE THE TERM**
21 **‘GRANDFATHERING’ IN THE CONTEXT OF THIS**
22 **PROCEEDING?**
23

24 ¹⁰ *Id.* Paragraph 196, 197, 198.

1 A. “Grandfathering” is an ambiguous term that might mean different things
2 to different individuals and, therefore, is best understood within the
3 context of managing change associated from one pricing structure and
4 regime (that yields a cost shift) to another pricing structure and regime
5 (that does not include a cost shift). I prefer to use the term “change
6 management” to describe the debate that is the subject of this rehearing.
7 Thus when I describe the Companies’ position and proposals, I will not
8 use the term “grandfathering” and will resort to the term “change
9 management.”

10
11 **11. Q. PLEASE DESCRIBE TASC’S PROPOSAL.**

12 A. In its prepared direct testimony, TASC’s witness Beach offered different
13 grandfathering proposals for three distinct groups of NEM customers.

- 14 • NEM1 customers (defined by TASC as customers who applied for
15 NEM service before September 1, 2015) would continue to take
16 service under the Pre-SB 374 Regime into perpetuity.¹¹ Thus while
17 such customers would be subject to “regular” or “typical”¹²
18 changes in rates (presumably through the setting of Base Tariff
19 Energy Rates and Base Tariff General Rates), those NEM
20 customers would never be subjected to NEM-specific cost
21 analysis, rates or tariffs.

22
23 _____
24 ¹¹ Exhibit 76A, Beach Direct, Q&A 25.

¹² *Id.* p. 32, lines 3-4

- “Interim NEM customers” (customers who applied to interconnect NEM systems after September 1, 2015 and before December 31, 2015), would be treated the same as NEM1 customers, and so would remain under the Pre-SB 374 Regime into perpetuity.¹³
- NEM2 customers (defined by TASC as NEM customers who commence service after December 31, 2015) would be treated the same as NEM1 and Interim NEM customers until new NEM rates were approved in future general rate cases.¹⁴ Using the current schedule for filing and processing general rate cases, NEM2 customers in Sierra Pacific’s service territory would receive service under the Pre-SB 374 Regime through December 31, 2016, and NEM2 customers in Nevada Power’s service territory would service under the Pre-SB 374 Regime through December 31, 2017.

Mr. Beach primarily grounded TASC’s position on grandfathering for NEM1 and Interim NEM customers on the duration of NEM customers’ contracts with rooftop solar providers.¹⁵ Mr. Woolf characterized TASC’s grandfathering proposal as providing “a smooth transition from the current net metering program to the PUCN approved tariff.”¹⁶

¹³ *Id.* Q&A 25. Note: this proposal focuses on the interest of third-parties who install and own rooftop solar systems and then either sell the output of those systems to consumers through a power purchase agreement or lease the system to the consumer, not the interest of the NEM customer.

¹⁴ *Id.*, Q&A 26.

¹⁵ As is reflected in Exhibit Murray-Rebuttal-4 (Exhibit 84A), the typical duration of the contract relied upon by Mr. Beach is 20 years. Because I am unable to calculate the value of the subsidy in favor of NEM1 customers into perpetuity, for purposes of this supplemental direct testimony, I have calculated the subsidy associated with TASC’s proposal over just 20 years.

¹⁶ Exhibit 49A, Woolf Direct, p. 7, lines 2-14.

1 **12. Q. PLEASE DESCRIBE BCP'S PROPOSAL.**

2 A. BCP did not provide a grandfathering proposal in its direct testimony.
3 However, on cross examination, the BCP proposed to manage change by
4 delaying the transition from the Pre-SB 374 Regime to cost-based prices
5 and value-based credits for at least 8 to 10 years.¹⁷ The BCP's proposal
6 was premised on the notion that it would "assure that investments are
7 recovered over the time period expected."¹⁸ It appears that the
8 "investment" being referred to is the NEM customer's investment in a
9 NEM system—*i.e.*, a NEM1 customer's expected pay-back period.¹⁹

10
11 **13. Q. PLEASE DESCRIBE STAFF'S PROPOSAL.**

12 A. In their prepared testimony, Staff proposed to treat all NEM customers the
13 same, regardless of the vintage of their systems, and to implement new
14 NEM rates and tariffs effective January 1, 2016.

15
16 **14. Q. PLEASE DESCRIBE THE COMPANIES' CHANGE**
17 **MANAGEMENT PROPOSAL.**

18 A. In its prepared filing, the Companies did not propose to change the rates
19 and tariffs applicable to NEM1 customers in this proceeding. The

20
21
22 _____
¹⁷ TR Vol. 2, p. 444.

23 ¹⁸ *Id.*

24 ¹⁹ Consumers who lease rooftop solar systems or who purchase the output of a rooftop solar system through
a power purchase agreement do not invest in distributed renewable generation.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Companies proposed to fully implement new cost-based rates for NEM2 customers on January 1, 2016.

15. Q. HOW DID THE COMMISSION ULTIMATELY MANAGE THE CHANGE FROM THE PRE-SB 374 REGIME TO COST-BASED PRICES AND VALUE-BASED CREDITS?

A. As I describe in more detail below, the Commission adopted an approach that rests between those proposed by TASC and Staff. First, as proposed by Staff, the Commission decided not to treat NEM1 and NEM2 customers differently. Second, the Commission adopted a gradual movement from the Pre-SB 374 Regime to new NEM rates and tariffs. The Commission's adopted a five-step approach effected over four years. The Commission's decision gradually increases prices and reduces credits, achieving cost-based prices and value-based excess energy credits (thereby eliminating an unreasonable cost shift) in four years, by January 1, 2020.

The Commission's selected this process for managing change because of the magnitude of the cost shifts associated with the proposal made by BCP. As I discuss in detail below, the Commission's focus on the level of cost shift associated with any specific proposal was (and, in this limited proceeding, is) appropriate and within the legal authority granted the Commission in SB 374.

1 **III. DOCUMENTARY EVIDENCE REQUESTED**

2
3 **16. Q. IN PARAGRAPH 8 OF THE REHEARING ORDER, THE**
4 **COMMISSION DIRECTS THE COMPANIES TO INCLUDE IN**
5 **THEIR TESTIMONY THE REPRESENTATIONS IT HAS MADE**
6 **TO CUSTOMERS WHO ENTERED INTO AGREEMENTS WITH**
7 **ROOFTOP SOLAR DEVELOPERS TO INSTALL NEM SYSTEMS**
8 **AFTER SB 374 WAS ENACTED ON JUNE 5, 2015. HAVE YOU**
9 **COMPILED THIS INFORMATION?**

10 A. Yes, we have. NEM applicants and customers received several notifications
11 via email and mail. In many cases the applicant is not the host customer, but
12 the installer of the system. At the beginning of July 2015, the Companies
13 required that the host customer's email address be included in the application
14 so they could also be kept up to date on their status notifications. A completed
15 application (one that did not require any additional administrative follow-up)
16 triggered the following customer notifications, all of which are provided in
17 **Exhibit Elicegui Supplemental Direct-1.**

18 **1. Application Submittal Confirmation-** This document notifies the
19 applicant of the application number for the project, and the
20 requirement to submit an application fee. Prior to August 3, 2015 this
21 notification was provided via email. After August 3, notifications
22 were both e-mailed and mailed to the applicant. Below is a brief
23 description of each notification that was sent, whether it was mailed,
24

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

emailed or both, and the timeframe in which each notification was used.

a. Email Notifications:

Version 1: This version was sent to applicants prior to August 3, 2015, and did not reference any position with regard to the cap or the queue.

Version 2: The customer and applicant were notified that the 235 MW capacity cap was quickly being approached, that their application would be counted towards that cap, and that a new rate may be applicable. The e-mail also stated that NV Energy would not be able to guarantee that existing net metering rates would be applicable. This email was sent to customers and applicants beginning August 3, 2015 through August 20, 2015, when the cap was met.

Version 3: The customer was notified that the 235 MW cap has been reached and **new rates** may apply to their system. This email was sent to customers and applicants beginning August 20, 2015 through August 31, 2015.

Version 4: The customer and applicant were notified that the 235 MW cap had been reached and **interim rates** may apply to their system. The slight change in language was made to align with the language included in the interim tariff filed. This email was sent

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

to customers and applicants beginning August 31, 2015 through December 24, 2015.

Version 5: References were removed regarding the 235 MW cap. This version was sent to customers and applicants beginning December 24, 2015, and is currently in use.

b. Mail Notifications:

Important Message Regarding SB 374 V1-- To coincide with the e-mail notification version 2, the customer was notified via mail that the 235 MW capacity cap was quickly being approached and their application would be counted towards that cap and that a new rate may be applicable. For applications submitted beginning August 3, 2015 and through August 31, 2015, this letter was also sent to customers at the host customer address.

Important Message Regarding SB 374 V2- To coincide with the e-mail notification version 3, the customer was notified that the 235 MW cap had been reached and interim rates may apply to their system. For applications submitted August 31, 2015 through October 22, 2015, this letter was sent to customers at the host customer address.

Important Message About Your Rooftop Solar Application V3: The heading of the letter was changed and a new section letting customers know that NV Energy would still be accepting

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

applications was added. This letter was sent to customers beginning October 22, 2015 through December 16, 2015.

NEM 1.1 Attrition Letter- A notification was sent to customers and applicants that due to the cancellation or expiration of projects ahead of them in the queue, their application now falls under the 235 MW cap and would qualify for the Net Energy Metering Rider-1. This letter was sent to customers and applicants weekly as attrition occurred and the first notification was sent to customers at the host customer address who submitted application beginning August 13, 2015 through September 10, 2015.

2. **Reservation Notice-** This document notifies the customer and applicant that the application for an incentive had been approved. It also shows the capacity that is reserved, the incentive rate, the maximum incentive payment that customer may receive and the expiration of reservation.
3. **Incentive Claim Package Receipt Notification-** This document acknowledges receipt of the incentive claim package and notifies the host customer and the applicant of next steps if the incentive claim package is approved.
4. **Pending Meter Set Notification-** This document notifies the customer and applicant that the meter will be set by the meter operations department.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

- 5. **Permission to Operate-** This document notifies the customer and applicant that the renewable energy system has passed all required reviews and inspections and the system may now be turned on by the installer.
- 6. **Pending Payment Notification-** This document notifies the customer and applicant that the incentive payment will be processed and sent to the designated payee.
- 7. **Closeout Letter-** Notification of completion letter.

17. **Q. ARE THESE THE ONLY COMMUNICATIONS BETWEEN THE NEM CUSTOMER AND THE COMPANIES?**

A. No. Other communications are issued if, for example, the incentive application is incomplete, notification that the application fee has not been received, or notification that the incentive claim package is incomplete. Slight variations in the notifications were made to accommodate communications with non-incentive customers. For example, non-incentive customers did not receive an incentive reservation notice. However, the Application Submittal Confirmation notifications the same for both incentive and non-incentive customers.

18. **Q. WHAT ARE THE CONTRACTUAL RELATIONSHIPS BETWEEN THE SYSTEM OWNER, THE NEM CUSTOMER, AND THE COMPANIES?**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A. NEM customers and the system owner (where the customer is not the system owner) are required to execute a standard form letter agreement addressing their interconnection with the applicable utility. Each iteration of the interconnection agreement from 2004 has been compiled and an exemplary copy of each version is attached as **Exhibit Elicegui Supplemental-Direct-2**. The interconnection agreement authorizes the customer-generator to operate in parallel with the utility’s system as long as the provisions of the agreement are met. There are separate agreements for incentivize and non-incentive systems. Incentivized customers and system owners are required to acknowledge that the Portfolio Energy Credits produced by the system belong to the utility, which manages those credits on behalf of the general body of customers. The Agreement also requires that the customer and system owner comply with the Utility’s Electric Rate Schedule No. NMR, Rule 15 and Rule 16.

The Agreements are acknowledged and agreed to by the utility, the customer-generator and the system owner. The addition of the owner-operator as a participant to the agreement was included in 2013. This was the first year in which the utility saw significant participation from third-party providers who through PPAs and leases with homeowners would retain ownership of the solar systems they were installing.

1 19. Q. AS A FOLLOW-UP TO THAT QUESTION, THE COMMISSION
2 DIRECTS THE PARTIES TO ADDRESS WHETHER
3 CUSTOMERS WERE INFORMED THAT RATES MAY CHANGE
4 AS A RESULT OF THE LEGISLATIVE MANDATE THAT THE
5 COMMISSION ESTABLISH NEW RATES TO ELIMINATE ANY
6 UNREASONABLE COST SHIFT AND DETERMINE WHETHER
7 AND THE EXTENT TO WHICH TO APPLY NEW NEM RATES
8 AND TARIFFS TO NEM 1 CUSTOMERS PURSUANT TO
9 SECTION 2.3(3) OF SB 374. HAVE YOU COMPILED THIS
10 INFORMATION?

11 A. Yes, we have. In addition to the provisions of the notifications set forth in
12 **Exhibit Elicegui-Supplemental-Direct-2**, I direct the Commission to
13 Section 9, Governing Authority of the interconnection agreement. This
14 section states as follows: “This Agreement shall be governed and construed
15 under the laws of the State of Nevada as they may be amended or superseded
16 from time to time. The Public Utilities Commission of Nevada
17 (“Commission”) or the Utility may amend its tariffs upon Commission
18 approval, which amendments are subject to public noticing requirements.”
19

20 **IV. ANSWER TO QUESTIONS FROM PREHEARING CONFERENCE.**

21
22 20. Q. IN PARAGRAPH 9 OF THE REHEARING ORDER, THE
23 COMMISSION DIRECTS ALL PARTIES TO PROVIDE
24

1 **SUPPLEMENTAL DIRECT TESTIMONY ADDRESSING THE**
2 **QUESTIONS ASKED BY THE PRESIDING OFFICER DURING**
3 **THE AUGUST 19, 2015 PREHEARING CONFERENCE. HAVE**
4 **THE COMPANIES ADDRESSED THESE QUESTIONS**
5 **PREVIOUSLY?**

6 A. Yes. At the hearing on the interim rate proposal, held the day after the
7 prehearing conference, the Companies asked for leave in order to ask three
8 additional direct questions addressing the questions raised at the prehearing
9 conference. These questions, and my answers to them, are set forth in the
10 transcript of that hearing beginning at page 71 and extending to page 73.

11
12 **21. Q. HAVE YOU PROVIDED THE COMMISSION WITH AN ANSWER**
13 **TO THE QUESTION OF WHETHER A RATE DESIGN STAYS WITH**
14 **THE ACCOUNT, THE PREMISE, OR THE CUSTOMER?**

15 A. Yes. At the August 20, 2015 hearing I was asked whether the Commission
16 should consider a customer-owned generator as being tied to an address, a
17 premise, or an account.²⁰ My answer remains the same today. The Companies
18 recommend that the Commission consider a customer as a load at a location.
19 As I stated at the August 20, 2015 hearing, this is consistent with the
20 Commission’s finding in Docket No. 02-06041, where Kerr-McGee was
21 allowed to sell its property, that that entity was allowed to assume the benefits
22 of special contract for power from the Hoover project. I stated at the August

23
24

²⁰ TR at 71, lines 18-19.

1 20, 2015 hearing: “stated simply, it would be a load at a location, which
2 would allow a NEM1 customer to sell their property, and then the individual
3 who purchases that property to step into the shoes of the NEM1 customer and
4 continue to receive NEM service under the existing net energy metering
5 rider.”²¹

6
7 **22. Q. HAVE YOU PROVIDED THE COMMISSION WITH AN ANSWER**
8 **TO THE QUESTION OF HOW THE COMPANY PROPOSES TO**
9 **TREAT CUSTOMER-OWNED FACILITIES THAT FAIL OR FALL**
10 **INTO DIS-USE?**

11 A. Yes. I also was asked this question at the August 20, 2015 hearing. I refer the
12 Commission to the transcript at page 72, lines 15-16. My answer remains the
13 same today. Assuming a subset of NEM customers are allowed to continue
14 to take service under the Pre-SB 374 Regime, if, as time passes, facilities
15 within that designation fall out of use, the Company proposes to eliminate
16 those systems from the designation. The vacated position would not be back-
17 filled or replenished.²²

18
19 **23. Q. HAVE YOU PROVIDED THE COMMISSION WITH AN ANSWER**
20 **TO THE QUESTION OF HOW THE COMPANY PROPOSES TO**
21 **TREAT EXPANSIONS OF CUSTOMER-OWNED FACILITIES**

22
23
24 ²¹ TR at 72, lines 9-14.

²² TR at 72, lines 17-23.

