

**COMMENTS OF BERKSHIRE HATHAWAY ENERGY ON
THE NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS’
DRAFT MANUAL ON DISTRIBUTED ENERGY RESOURCES COMPENSATION**

September 2, 2016

Berkshire Hathaway Energy maintains a portfolio of locally managed businesses that share a vision for a secure and sustainable energy future, delivering affordable, safe and reliable service each day to more than 11.6 million electric and gas customers and end-users around the world. Among these businesses are three U.S. based vertically integrated regulated electric utilities, MidAmerican Energy Company, which provides regulated electric service in Illinois, Iowa, and South Dakota; NV Energy, which provides regulated electric service in Nevada; and PacifiCorp, which provides regulated electric service in California, Idaho, Oregon, Utah, Washington and Wyoming.

Berkshire Hathaway Energy owns more renewable energy than any other regulated utility. Through our businesses, we have invested \$17.2 billion in renewable energy projects and will continue to advance renewable generation and implement advanced technologies, including those supporting distributed energy resources. The efficient deployment of distributed energy resources will be facilitated by rate structures designed to be fair to all customers, in part by preventing intra-class cross subsidization, and by ensuring that all customers that use the power grid share in the cost of its operation and maintenance.

Berkshire Hathaway Energy is engaged with regulators, stakeholders, and customers in the communities we serve on the topic of distributed energy resource policies and rate design. In that respect, the National Association of Regulatory Utility Commissioners’ (NARUC) *Manual on Distributed Energy Resources Compensation* (Manual) is timely and will be an informative resource for interested stakeholders on some of the many considerations implicated by distributed energy resources. Berkshire Hathaway Energy commends NARUC and NARUC’s staff subcommittee on rate design for the thoughtful effort put forth to compile the Manual and for the opportunity to provide comments.

Berkshire Hathaway Energy supports the targeted comments on the draft Manual submitted by the Edison Electric Institute, some of which are summarized in the following key points:

- The time to reconsider rate design is now; net energy metering in its simplest form is not a sustainable compensation mechanism for distributed energy resources.
- The power grid is the enabling platform that allows central station generation, distributed energy resources, and emerging technologies to work together and for the benefit of customers. All customers who use the grid should continue to share in the cost of its operation and maintenance, and the fundamental regulatory principle of assigning costs to causers is increasingly important.
- The Manual will benefit from balanced discussions on a variety of rate design options.

Further elaborating on the first point, among the Berkshire Hathaway Energy regulatory jurisdictions presently taking action to address the shortcomings of net energy metering as a rate design for distributed energy resources are states with lower penetration levels, including Iowa and Oregon, and states with higher penetration levels, including Nevada and Utah. Staff of the Public Utility Commission of Oregon issued a draft report in July 2016 in which it recommends phasing out utility-funded incentives for solar and closing net metering programs in their present form to new service due to the potential for cost shifts. The Iowa Utilities Board issued a July 2016 order directing utilities to make changes to their net metering tariffs, including compensation for excess generation. In late 2015, the Utah Public Service Commission concluded the initial phase of an investigation and issued an order adopting a framework to assess costs and benefits of net metering. Finally, following a December 2015 order establishing new net metering rules, Nevada is in the midst of a challenging environment of litigation, ballot initiatives, and consumer education.

Taking proactive steps while penetration levels are low has the important advantages of: (1) addressing intra-class subsidization before it reaches levels of greater significance; (2) providing a greater level of investment certainty to customers who install distributed energy resources and the businesses that provide them; and (3) enhancing customer satisfaction by providing an environment more conducive to thoughtful and timely consumer education on these complex and

emerging issues. Rate design proceedings and customer education can be lengthy, ongoing processes, while a number of factors can cause distributed energy resource penetration levels to increase sharply over a short period, quickly swallowing up this opportunistic time. In this light, Berkshire Hathaway Energy asks that NARUC's staff subcommittee on rate design consider reframing the discussion on the urgency of rate design reform in connection with distributed energy resource penetration levels (Draft Manual at Pgs. 60-62, Section VI.A.).

As the energy industry evolves, the development of regulatory mechanisms that support the ability of energy companies to maintain the power grid and build smarter energy infrastructure is essential. Mechanisms that provide energy companies with a fair opportunity to recover joint and common, as well as fixed costs, become increasingly important as customer diversity increases. In this regard, Berkshire Hathaway Energy also supports the inclusion of a variety of rate design options in the Manual, some of which may be useful on their own or in combination with another. For instance, alternative mechanisms such as performance based structures or revenue decoupling are tools that, properly applied, can provide balanced outcomes. Full revenue decoupling can also be an effective tool for addressing fixed cost recovery, particularly during rate transition periods or to enable implementation of pilot programs. Such tools are not, however, substitutes for fair, efficient and equitable pricing designs and structures.

Again, Berkshire Hathaway Energy commends NARUC and NARUC's staff subcommittee on rate design for compiling the Manual as resource tool and for the opportunity to provide comments along with other stakeholders through this public process.