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4
5 **BEFORE THE ARIZONA CORPORATION COMMISSION**

6 BOB STUMP, CHAIRMAN
7 GARY PIERCE
8 BRENDA BURNS
BOB BURNS
9 SUSAN BITTER SMITH

10 IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
11 COMPANY FOR THE ESTABLISHMENT OF
JUST AND REASONABLE RATES AND
12 CHARGES DESIGNED TO REALIZE A
REASONABLE RATE OF RETURN ON THE
13 FAIR VALUE OF ITS OPERATIONS
THROUGHOUT THE STATE OF ARIZONA.

Docket No. E-01933A-12-0291

**NOTICE OF FILING TESTIMONY OF
VOTE SOLAR INITIATIVE IN
SUPPORT OF PROPOSED
SETTLEMENT AGREEMENT**

14
15 The Vote Solar Initiative ("VSI"), through its undersigned counsel, hereby provides
16 notice that it has this day filed the testimony of Rick Gilliam in support of the proposed
17 settlement agreement.

18 RESPECTFULLY SUBMITTED this 15th day of February, 2013.

19 Arizona Corporation Commission
20 DOCKETED

21 FEB 15 2013
DOCKET CONTROL
ARIZONA CORPORATION COMMISSION
22
23 2013 FEB 15 P 2:33

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ARIZONA CENTER FOR LAW IN
THE PUBLIC INTEREST

By 
21 Timothy M. Hogan
22 202 E. McDowell Rd., Suite 153
Phoenix, Arizona 85004
23 Attorneys for The Vote Solar Initiative

1 ORIGINAL and 13 COPIES of
the foregoing filed this 15th day
2 of February, 2013, with:

3 Docketing Supervisor
Docket Control
4 Arizona Corporation Commission
1200 W. Washington
5 Phoenix, AZ 85007

6 COPIES of the foregoing
Electronically mailed this
7 15th day of February, 2013 to:

8 All Parties of Record

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01933A-12-0291
TUCSON ELECTRIC POWER COMPANY FOR)
THE ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES)
DESIGNED TO REALIZE A REASONABLE)
RATE OF RETURN ON THE FAIR VALUE OF)
ITS OPERATIONS THROUGHOUT THE STATE)
OF ARIZONA)
_____)

**TESTIMONY OF RICK GILLIAM IN SUPPORT
OF THE PROPOSED SETTLEMENT AGREEMENT
ON BEHALF OF THE VOTE SOLAR INITIATIVE**

FEBRUARY 15, 2013

1 **Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Rick Gilliam. My business address is 1120 Pearl Street, Suite 200 in
4 Boulder, Colorado.

5

6 **Q. Are you the same Rick Gilliam that has previously filed testimony in this**
7 **proceeding?**

8 A. Yes, I am.

9

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

11 A. The purpose of this testimony is to provide Vote Solar's rationale for its support
12 of the proposed settlement agreement in this proceeding.

13

14 **Q. Please summarize your testimony.**

15 A. TEP made a number of proposals in its initial filing in this docket related to cost
16 allocation and recovery mechanisms with which Vote Solar raised a number of
17 concerns. These proposed structural changes were intended to reduce the
18 uncertainty and improve the stability of retail revenue recovery. My direct

1 testimony addressed three of those changes that would affect DG solar
2 customers: the proposed increase to the monthly customer charges; the
3 proposed increase in the demand ratchet for certain customer classes to 100%;
4 and the Lost Fixed Cost Recovery Mechanism.

5
6 The proposed agreement addresses each of these elements in a way that Vote
7 Solar accepts and supports for the purposes of settlement.

8

9 **Q. Please summarize Vote Solar's recommendations in its initial testimony in**
10 **this proceeding.**

11 A. My recommendations in my direct testimony included the following:

- 12 1. Customer Charges: While I recommended that TEP's proposed changes to
13 Customer Charges as submitted be rejected in this proceeding, I also
14 suggested that TEP should provide cost justification for its proposed changes.
- 15 2. Demand Ratchet: I recommended this proposal be rejected in its entirety
16 based on (1) inconsistency with cost causation and rate design principles, (2)
17 the creation of a new, maximized cross subsidy within the applicable rate
18 classes, (3) exacerbation of the existing disparity between demands used for
19 allocation and those used for billing, and (4) increasing the disincentive for
20 customers to invest in technologies that can reduce demand.

1 3. Lost Fixed Cost Recovery: I proposed that TEP's LFCR approach would
2 provide a reasonable balance of interests and administrative efficiency if
3 sales were also adjusted to account for "non-normal" weather, and the
4 adjustment for demand charge revenue impacts was eliminated due to lack of
5 support. In the alternative, I suggested that an appropriate level of demand
6 charge revenue impact could be included based upon a thorough analysis of
7 a representative sampling of such (demand/energy) customers over an
8 extended period of time. Finally, as an alternative to the TEP proposed LFCR
9 mechanism, I indicated a full decoupling approach would have our support.

10
11 **Q. How did the proposed settlement agreement address Vote Solar's**
12 **concerns?**

13 **A. The proposed agreement addressed our concerns as follows:**

14 1. **Customer Charges:** TEP's original proposal for increased monthly
15 customer charges has been reduced by nearly half. While I still believe
16 that electric rate components should be cost-justified, this small increase
17 in the customer charge will have minimal impact on net-metered
18 customers. I encourage the Commission, its staff, and others to seek a
19 cost basis for future changes of this nature.

20 2. **Demand Ratchet:** Here too, the proposed settlement agreement roughly
21 cuts in half the proposed increase in the demand ratchet. While as a

1 matter of principle I don't believe ratchets in general are consistent with
2 cost causation and rate design principles, the ratchet should have little
3 effect on commercial customers who install solar behind their meter.

4 3. LFCR: Of the two adjustments I had proposed to the LFCR mechanism,
5 the sales adjustment for weather was excluded from the proposed
6 settlement. While I felt that this would have had a mitigating effect on the
7 sales reductions TEP is attempting to capture through the LFCR, it was
8 less important to Vote Solar than the adjustment to account for reductions
9 in demand-related revenues. The POA for the LFCR appeared to assume
10 that half of the demand revenues of net-metered customers would be lost
11 due to the solar generation. The proposed settlement includes new
12 language in the POA that clarifies that the actual metered billing demand
13 reduction at the time of the customer's peak will be the basis of the lost
14 demand revenue. This is logical and consistent with the lost revenue
15 concept TEP is seeking to address with this mechanism.

16

17 **Q. Does this conclude your direct testimony?**

18 **A.** Yes, it does.

19