

ORIGINAL



0000144538

BEFORE THE ARIZONA CORPORATION COM

RECEIVED

2013 APR 24 A 11: 56

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

- 1
- 2 BOB STUMP
CHAIRMAN
- 3 GARY PIERCE
COMMISSIONER
- 4 BRENDA BURNS
COMMISSIONER
- 5 BOB BURNS
COMMISSIONER
- 6 SUSAN BITTER SMITH
COMMISSIONER

7
8 IN THE MATTER OF ARIZONA PUBLIC
9 SERVICE COMPANY REQUEST FOR
10 APPROVAL OF UPDATED GREEN POWER
11 RATE SCHEDULE GPS-1, GPS-2, AND
12 GPS-3.

Docket No. E-01345A-10-0394

11 IN THE MATTER OF THE APPLICATION OF
12 ARIZONA PUBLIC SERVICE COMPANY
13 FOR APPROVAL OF ITS 2013 RENEWABLE
14 ENERGY STANDARD IMPLEMENTATION
15 FOR RESET OF RENEWABLE ENERGY
16 ADJUSTOR.

Docket No. E-01345A-12-0290

14 IN THE MATTER OF THE APPLICATION OF
15 TUCSON ELECTRIC POWER COMPANY
16 FOR APPROVAL OF ITS 2013 RENEWABLE
17 ENERGY STANDARD IMPLEMENTATION
18 PLAN AND DISTRIBUTED ENERGY
19 ADMINISTRATIVE PLAN AND REQUEST
20 FOR RESET OF ITS RENEWABLE ENERGY
21 ADJUSTOR.

Docket No. E-01933A-12-0296

18 IN THE MATTER OF THE APPLICATION OF
19 UNS ELECTRIC, INC. FOR APPROVAL OF
20 ITS 2013 RENEWABLE ENERGY
21 STANDARD IMPLEMENTATION PLAN AND
22 DISTRIBUTED ENERGY ADMINISTRATIVE
23 PLAN AND REQUEST FOR RESET OF ITS
24 RENEWABLE ENERGY ADJUSTOR.

Docket No. E-04204A-12-0297

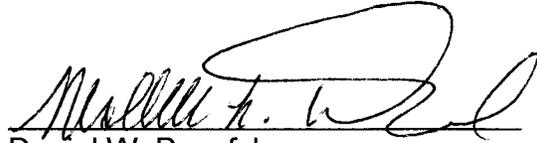
Arizona Corporation Commission
DOCKETED

APR 24 2013

1 **RUCO'S NOTICE OF FILING**

2 The RESIDENTIAL UTILITY CONSUMER OFFICE ("RUCO") hereby provides
3 notice of filing the Direct Testimony of Lon Huber, in the above-referenced matter.

4 RESPECTFULLY SUBMITTED this 24th day of April, 2013.

5 

6 Daniel W. Pozefsky
7 Chief Counsel

8
9
10
11 AN ORIGINAL AND THIRTEEN COPIES
12 of the foregoing filed this 24th day of April,
13 2013 with:

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007

18 COPIES of the foregoing hand delivered/
19 mailed this 24th day of April, 2013 to:

20 Teena Jibilian
21 Administrative Law Judge
22 Hearing Division
23 Arizona Corporation Commission
24 1200 West Washington
Phoenix, Arizona 85007

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Thomas A. Loquvan
Pinnacle West Capital Corporation
400 N. 5th Street, MS 8695
Phoenix, AZ 85004
Attorney for Arizona Public Service Co.

1 Michael W. Patten
Roshka DeWulf & Patten, PLC
2 One Arizona Center
400 E. Van Buren Street, Suite 800
3 Phoenix, AZ 85004
Attorneys for Tucson Electric Power
4 and UNS Electric, Inc.

5 C. Webb Crockett
Patrick J. Black
6 Fennemore Craig
3003 N. Central Ave., Suite 2600
7 Phoenix, AZ 85012-2913
Attorneys for Freeport-McMoRan and
8 AECC

9 Kevin Koch
2333 E. 1st Street
10 P.O. Box 42103
Tucson, AZ 85733

11 Court S. Rich
12 Rose Law Group, PC
6613 N. Scottsdale Rd., Suite 200
13 Scottsdale, AZ 85250
Attorneys for SEIA

14 Greg Patterson
15 Munger Chadwick
2398 E. Camelback Rd., Suite 240
16 Phoenix, AZ 85016
Attorneys for Alliance

17 Michael L. Neary, Executive Director
18 AriSEIA
111 W. Renee Dr.
19 Phoenix, AZ 85027

20 Timothy M. Hogan
Arizona Center for Law in the Public
21 Interest
202 E. McDowell Rd., Suite 153
22 Phoenix, AZ 85004
Attorneys for WRA
23

24

Christopher D. Thomas
Fred E. Breedlove III
Squire Sanders
1 E. Washington, 27th Floor
Phoenix, AZ 85004
Attorneys for Sonoran Solar, LLC

Scott S. Wakefield
Ridenour Hinton & Lewis, PLLC
201 N. Central Ave., Suite 330
Phoenix, AZ 85004-1052
Attorneys for Wal-Mart Stores, Inc. and
Sam's West, Inc.

Kyle J. Smith
Regulatory Law Office (JALS-RL/IP)
Office of the Judge Advocate General
U.S. Army Legal Service Agency
9275 Gunston Road
Fort Belvoir, VA 22060-5546
Attorney for United States Department of
Defense and all other Federal Executive
Agencies

Douglas V. Fant
Law Offices of Douglas V. Fant
3655 W. Anthem Way, Suite A-109
PMB 411
Anthem, AZ 85086
Attorney for Interwest Energy Alliance

By *Cheryl Praulob*
Cheryl Praulob

ARIZONA PUBLIC SERVICE COMPANY
TUCSON ELECTRIC POWER COMPANY
UNS ELECTRIC, INC.

DOCKET NO. E-01345A-10-0394
DOCKET NO. E-01345A-12-0290
DOCKET NO. E-01933A-12-0296
DOCKET NO. E-04204A-12-0297

DIRECT TESTIMONY

OF

LON HUBER

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

APRIL 24, 2013

1 **INTRODUCTION**

2 **Q. Please state your name, position, employer and address.**

3 A. Lon Huber. I am a consultant for Arizona's Residential Utility Consumer
4 Office ("RUCO"), 1110 W. Washington, Ste 220, Phoenix, AZ 85007.

5
6 **Q. Please state your educational background and work experience.**

7 A. I started working in the renewable energy field in 2007 at the Arizona
8 Research Institute for Solar Energy (AzRISE) at The University of Arizona.
9 I became a solar energy policy fellow in Washington DC for a
10 congressional office in 2009. In 2010, I became the Governmental Affairs
11 staffer for TFS Solar, an integrator based in Tucson. I was hired by
12 Suntech America in 2011 as a Manager of Regional Policy where I was
13 the point person for the company in every key solar market except
14 California and Hawaii. During that time I was elected Arizona State Lead
15 by member companies in the Solar Energy Industry Association (SEIA). In
16 2013, I moved to my own consulting firm .

17
18 I obtained a Bachelor of Science in Public Administration degree,
19 specializing in Public Policy and Management, from the University of
20 Arizona in 2009. I also received a Masters of Business Administration from
21 the Eller College of Management at the same university.

22

23

24

1 **Q. Please state the purpose of your testimony.**

2 A. The purpose of my testimony is to present RUCO's recommendations
3 regarding renewable energy credit (REC) transfer and compliance
4 accounting mechanisms for Arizona's renewable energy standard.

5

6 **Q. By way of background, please explain REC transfers and the issue**
7 **that is before the Commission.**

8 A. In the present system, utilities offer incentives to prospective distributed
9 generation (DG) renewable energy system owners. This incentive is
10 designed to facilitate the installation of the system and the transfer of
11 renewable energy credits to the utility over a particular timeframe. The
12 utility then uses those acquired RECs to show compliance as specified in
13 A.A.C. R14-2-1805.

14

15 At the moment, it appears that the residential solar market and perhaps a
16 limited number of commercial sectors are on the verge of no longer
17 needing an incentive to facilitate installations. If no incentive is taken, the
18 utility will not be able to acquire RECs in the traditional manner. If this
19 occurs, and continues to occur for a sustained period of time, then utilities
20 will have to establish a new mechanism to induce REC transfer to meet
21 compliance with the distributed generation portion of the renewable
22 energy standard. The alternative to the formation of a new inducement for

1 RECs would be to change the rules of the renewable energy standard in
2 such a way that makes the issue of REC attainment irrelevant.

3
4 **Q. Is RUCO holding its own workshop on this issue? If so, when and**
5 **why?**

6 A. Yes. May 3, 2013. RUCO believes that the current system of REC
7 transfer and the viability of alternative mechanisms could be greatly
8 impacted by the outcome of the net metering technical conference and
9 subsequent Commission decision. Since this issue is complex with diverse
10 interests and is likely to significantly impact the future of solar in Arizona,
11 the aim is to gather as much information as possible. To that end, RUCO
12 is holding a workshop with the purpose of gathering insight and data from
13 various stakeholders across the state and nation. This will aid us in
14 forming a policy that best fits the interests of ratepayers in Arizona.

15
16 Since key data from various stakeholders will be forthcoming along with
17 discussions on future business models for distributed generation in
18 Arizona, RUCO is still finalizing its position. Consequently, RUCO
19 reserves the right to, and intends to supplement its position in forthcoming
20 testimony.

1 **Q. Does RUCO have a set of guiding principles for policy formulation in**
2 **this matter?**

3 A. RUCO believes that the following guidelines should be used when forming
4 a solution to the REC transfer dilemma:

- 5 • Presents little to no additional cost to ratepayers
- 6 • Statewide applicability with ease
- 7 • Solves utility compliance concerns within a reasonable timeframe
- 8 • Maintains property rights of solar investors (REC integrity)
- 9 • Aligns with forthcoming net metering decision

10 While a perfect solution would encompass all of these principles, RUCO
11 recognizes that the complexity and fluidity of this subject matter might
12 hamper the formation of such an aspirational policy. In which case, RUCO
13 will aim to put forward a policy solution that satisfies as many of the above
14 guidelines as possible.

15
16 **Q. Does RUCO believe there is need to update the Commission's**
17 **policy?**

18 A. RUCO believes that solar energy, the main component of Arizona's
19 renewable energy sector, presents a much different value proposition to
20 both participating and non-participating rate payers than in years past.
21 Dramatic cost declines and other influencers have propelled residential
22 distributed generation (DG) to a point where rate design, not incentives, is
23 currently the main market driver. This change in circumstances, to have
24 happened so far in advance of the state's renewable energy standard
25 target date of 2025, creates a policy issue.

1 The question now is whether this is a short term issue that will get
2 resolved in due course. For example, through rate design changes,
3 federal policy, new utility/industry business models, etc. Or if it represents
4 a long-term policy issue?

5
6 At this juncture, RUCO is unsure. Thus, the need to update the policy, and
7 more importantly, the degree and substance of the update, is ambiguous
8 at this point in time.

9

10 **Q. What is RUCO's initial policy position?**

11 A. RUCO, as previously mentioned, is still in the process of finalizing a policy
12 position. One possible policy solution would be a Rule change – which
13 would change the definition of compliance for the distributed generation
14 portion of the renewable energy standard. The definition change would
15 move DG compliance from a system based on retired RECs to a system
16 based on null electricity (kWhs stripped of their environmental attributes)
17 from customer cited renewable systems hosted on a utility's grid
18 (distribution system). Under this system, the utilities could not claim any
19 renewable energy attributes from those systems. However, the utility
20 would still be required to ensure a certain amount of DG system "hosting"
21 or customer cited "fixed rate/non-fuel based electricity" (or whichever
22 definition best ensures the integrity of the RECs) on their grid.

23

1 The difference between the current DG carve out and this system would
2 be that under the definition change Arizona may not have the ability to
3 claim the renewable energy attributes of some customer cited systems
4 especially if solar investors sell their RECs out of state. Additionally, the
5 utilities could not claim they are receiving 15% of retail sales from
6 renewable energy by 2025 unless they acquired additional DG RECs or
7 installed more utility scale systems. It is important to note that these
8 situations could also occur under a framework with no DG carve out.

9
10 If written carefully and made clear to the public, the above definition
11 change may retain REC integrity for solar investors as well as meet all the
12 guidelines mentioned previously. RUCO intends to ascertain the feasibility
13 of such a policy in the coming weeks.

14

15 **Q. Does this include your direct testimony?**

16 **A. Yes**

17