

ORIGINAL



0000144766

BEFORE THE ARIZONA CORPORA

COMMISSIONERS

- BOB STUMP- CHAIRMAN
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

RECEIVED  
 2013 MAY -8 P 2:07  
 AZ CODE COMMISSION  
 DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

MAY 08 2013

DOCKETED BY 

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  
26  
27

IN THE MATTER OF ARIZONA PUBLIC ) DOCKET NO. E-01345A-10-0394  
 SERVICE COMPANY REQUEST FOR )  
 APPROVAL OF UPDATED GREEN POWER )  
 RATE SCHEDULE GPS-1, GPS-2 AND GPS-3. )

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01345A-12-0290  
 ARIZONA PUBLIC SERVICE COMPANY FOR )  
 APPROVAL OF ITS 2013 RENEWABLE )  
 ENERGY STANDARD IMPLEMENTATION FOR )  
 RESET OF RENEWABLE ENERGY ADJUSTOR. )

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01933A-12-0296  
 TUCSON ELECTRIC POWER COMPANY FOR )  
 APPROVAL OF ITS 2013 RENEWABLE )  
 ENERGY STANDARD IMPLEMENTATION )  
 PLAN AND DISTRIBUTED ENERGY )  
 ADMINISTRATIVE PLAN AND REQUEST FOR )  
 RESET OF RENEWABLE ENERGY ADJUSTOR. )

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-04204A-12-0297  
 UNS ELECTRIC, INC. FOR APPROVAL OF ITS )  
 2013 RENEWABLE ENERGY STANDARD )  
 IMPLEMENTATION PLAN AND DISTRIBUTED )  
 ENERGY ADMINISTRATIVE PLAN AND )  
 REQUEST FOR RESET OF RENEWABLE )  
 ENERGY ADJUSTOR )

NOTICE OF FILING

Tucson Electric Power Company and UNS Electric, Inc., through undersigned counsel,  
 hereby file the Rebuttal Testimony of Carmine Tilghman regarding the Track and Record issue.

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  
26  
27

RESPECTFULLY SUBMITTED this 8<sup>th</sup> day of May 2013.

TUCSON ELECTRIC POWER COMPANY

By 

Michael W. Patten  
Roshka DeWulf & Patten, PLC  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

and

Bradley S. Carroll, Esq.  
Tucson Electric Power Company  
88 East Broadway Blvd., MS HQE910  
P. O. Box 711  
Tucson, Arizona 85702

Original and 13 copies of the foregoing  
filed this 8<sup>th</sup> day of May 2013 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copies of the foregoing hand-  
delivered/mailed this 8<sup>th</sup> day of May 2013 to  
the following:

Jane Rodda  
Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
400 West Congress  
Tucson, Arizona 85701

Teena Jibilian  
Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Janice M. Alward  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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

Thomas A. Loquvam  
Pinnacle West Capital Corporation  
400 N. 5<sup>th</sup> Street, MS 8695  
Phoenix, Arizona 85004

Court Rich  
Rose Law Group pc  
6613 North Scottsdale Road, Suite 00  
Scottsdale, Arizona 85250

C. Webb Crockett  
Patrick Black  
Fennemore Craig PC  
2394 E. Camelback Road, Suite 600  
Phoenix, Arizona 85016

1 Kevin C. Higgins  
Energy Strategies LLC  
215 South State Street, Suite 200  
2 Salt Lake City, Utah 84111

3 Kevin Koch  
P. O. Box 42103  
4 Tucson, Arizona 85733

5 Michael L. Neary  
AriSEIA  
6 111 West Renee Drive  
Phoenix, Arizona 85027

7 Greg Patterson  
8 Munger Chadwick  
2398 E. Camelback Road, Suite 240  
9 Phoenix, Arizona 85016

10 Christopher D. Thomas  
Fred E. Breedlove III  
11 Squire Sanders  
1 East Washington, 27<sup>th</sup> Floor  
12 Phoenix, Arizona 85004

13 Scott S. Wakefield  
Ridenour Hienton & Lewis PLLC  
14 201 North Central Avenue, Suite 330  
Phoenix, Arizona 85004

15 Timothy M. Hogan  
16 Arizona Center for Law in the Public Interest  
202 E. McDowell road, Suite 153  
17 Phoenix, Arizona 85004

18 David Berry  
Western Resource Advocates  
19 P. O. Box 1064  
Scottsdale, Arizona 85252

20 Kyle J. Smith  
21 General Attorney  
Office of the Judge Advocate General  
22 U. S. Army Legal Services Agency  
9275 Gunston Road  
23 Fort Belvoir, VA 22060

24 Douglas V. Fant  
Law Offices of Douglas V. Fant  
25 3655 W. Anthem Way, Suite A-109,  
PMB 411  
26 Anthem, Arizona 85086

27

Daniel Pozefsky  
Residential Utility Consumer Office  
1110 West Washington, Suite 220  
Phoenix, Arizona 85007

By 

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 BOB STUMP, CHAIRMAN  
4 GARY PIERCE  
5 BRENDA BURNS  
6 BOB BURNS  
7 SUSAN BITTER SMITH

8 IN THE MATTER OF ARIZONA PUBLIC ) DOCKET NO. E-01345A-10-0394  
9 SERVICE COMPANY REQUEST FOR )  
10 APPROVAL OF UPDATED GREEN POWER )  
11 RATE SCHEDULE GPS-1, GPS-2 AND GPS-3. )  
12 \_\_\_\_\_ )

13 IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01345A-12-0290  
14 ARIZONA PUBLIC SERVICE COMPANY FOR )  
15 APPROVAL OF ITS 2013 RENEWABLE )  
16 ENERGY STANDARD IMPLEMENTATION FOR )  
17 RESET OF RENEWABLE ENERGY ADJUSTOR. )  
18 \_\_\_\_\_ )

19 IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-01933A-12-0296  
20 TUCSON ELECTRIC POWER COMPANY FOR )  
21 APPROVAL OF ITS 2013 RENEWABLE )  
22 ENERGY STANDARD IMPLEMENTATION )  
23 PLAN AND DISTRIBUTED ENERGY )  
24 ADMINISTRATIVE PLAN AND REQUEST FOR )  
25 RESET OF RENEWABLE ENERGY ADJUSTOR. )  
26 \_\_\_\_\_ )

27 IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. E-04204A-12-0297  
28 UNS ELECTRIC, INC. FOR APPROVAL OF ITS )  
29 2013 RENEWABLE ENERGY STANDARD )  
30 IMPLEMENTATION PLAN AND DISTRIBUTED )  
31 ENERGY ADMINISTRATIVE PLAN AND )  
32 REQUEST FOR RESET OF RENEWABLE )  
33 ENERGY ADJUSTOR )  
34 \_\_\_\_\_ )

35 **REBUTTAL TESTIMONY OF CARMINE TILGHMAN**

36 **ON BEHALF OF TUCSON ELECTRIC POWER AND UNS ELECTRIC**

37 **MAY 8, 2013**

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  
26  
27

**TABLE OF CONTENTS**

I. Introduction..... 1

II. Rebuttal to Staff..... 2

III. Rebuttal to RUCO..... 4

IV. Rebuttal to Other Intervenors ..... 5

    A. Rebuttal to NRG Solar..... 5

    B. Rebuttal to Department of Defense and All Other Federal Executive Agencies .... 6

    C. Rebuttal to Vote Solar Initiative ..... 8

1 **I. INTRODUCTION.**

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

4 A. My name is Carmine Tilghman and my business address is 88 East Broadway, Tucson,  
5 Arizona, 85701.

6  
7 **Q. Did you file Direct Testimony in this proceeding?**

8 A. Yes.

9  
10 **Q. On whose behalf are you filing your Rebuttal Testimony in this proceeding?**

11 A. My Rebuttal Testimony is filed on behalf of Tucson Electric Power Company and UNS  
12 Electric, Inc. (“TEP and UNS Electric” or collectively the “Companies”).

13  
14 **Q. What is the purpose of your Rebuttal Testimony?**

15 A. The purpose of my Rebuttal Testimony is to respond to pre-filed direct testimony of Bob  
16 Gray for the Arizona Corporation Commission Utilities Staff (“Staff”), Lon Huber for the  
17 Residential Utility Consumer Office (“RUCO”), and several of the other Intervenors.

18  
19 **Q. Please summarize your Rebuttal Testimony?**

20 A. The Companies generally support Staff’s “Track and Monitor” proposal because it is very  
21 similar to the Companies’ “Track and Reduce” proposal. However, the testimonies from  
22 the other parties, including Staff, do not address a long-term solution to the issue of what  
23 to do when incentives are no longer being paid for Renewable Energy Credits (“RECs”).  
24 It seems that the parties prefer ongoing waivers of the Renewable Energy Standard and  
25 Tariff Rules (“REST Rules”) instead of addressing the underlying issues caused by the  
26 current structure of the REST Rules. TEP and UNS Electric believe that “Track and  
27 Monitor” is an appropriate interim solution until the REST Rules can be revised to

1 eliminate the REST Rules' Distributed Renewable Energy Requirement ("DG  
2 Requirement").

3  
4 **II. REBUTTAL TO STAFF.**

5  
6 **Q. What is the Companies' position regarding Staff's Track and Monitor proposal?**

7 A. Staff's Track and Monitor proposal is almost identical to the Track and Reduce  
8 mechanism that I proposed in my Direct Testimony. In general, the Companies support  
9 Staff's proposal.

10  
11 **Q. Do the Companies have specific comments in response to Staff's reasoning for its  
12 Track and Monitor proposal?**

13 A. Yes. While the Companies generally support a Track and Monitor mechanism, they are  
14 concerned that Staff's desire to be "minimally invasive to the REST rules" will delay and  
15 may preclude the necessary long-term course of action. The Companies recognize that  
16 many of the interested parties are "comfortable" with the existing REST Rules and that  
17 significant change to the REST Rules may be difficult to agree upon in whole. However,  
18 without incentives being paid for RECs, Affected Utilities will continue to require  
19 waivers of the REST Rules until they are modified, even under the Track and Monitor  
20 proposal. The Companies understand that changing the REST Rules may be challenging;  
21 but ultimately the DG Requirement must be addressed. The Companies believe that a  
22 rulemaking docket should be opened to address eliminating the DG Requirement from  
23 the REST Rules. If DG is truly the least cost means to meet the annual requirements, then  
24 there is no longer a need to have a separate carve out for DG.

1 **Q. Does Staff's Track and Monitor proposal still allow the utilities to account for the**  
2 **amount of renewable energy being used to provide electric service absent the DG**  
3 **Requirement?**

4 A. Yes. Eliminating the DG carve out and applying Staff's proposed Track and Monitor  
5 mechanism to the RES requirement in whole would capture all renewable systems  
6 interconnected to the system, while at the same time alleviating the Companies' concerns  
7 related to maintaining the DG carve out requirement. Applied in this manner, Staff's  
8 Track and Monitor mechanism would reduce the utilities' percentage requirement by the  
9 amount of renewable energy interconnected to their systems – and allow the utilities to  
10 meet the remaining RES percentage requirement through the use of the other eligible  
11 renewable energy resources.

12  
13 **Q. Would this also allow the system owners to sell their RECs into voluntary markets,**  
14 **as many of the Intervenors discussed?**

15 A. Yes. Any RECs not acquired by the utility to meet compliance, could then be sold by  
16 DG system owners into other markets. The renewable energy from these systems would  
17 not be used to meet any compliance targets under the "Track and Monitor" approach, so  
18 the fears about these being valueless is unwarranted and premature.

19  
20 **Q. Do the Companies believe the elimination of the DG Requirement should still be**  
21 **considered?**

22 A. Yes. While the Companies recognize Staff's concerns about eliminating the DG  
23 Requirement, maintaining a DG carve out is no longer necessary; and it is inappropriate  
24 to have utility ratepayers continue to subsidize this market. Any rulemaking to modify  
25 the REST Rules would take Staff's concerns into account. Ultimately, the Companies  
26 believe it is a policy decision that will be made by the Commission.

27

1 Further, market forces and customer choice is now driving the DG market more than any  
2 standard the Commission chooses to preserve. Indeed, several of the Intervenors noted  
3 that DG is not driven by the utility incentives and the DG Requirement. For example,  
4 Ms. Fellman for NRG Solar agrees (at page 4 of her Direct Testimony) that “utilities have  
5 no ability to drive customer behavior in the present and the future.” Mr. Huber for  
6 RUCO noted (at page 4 of his Direct Testimony) that rate design, not (utility) incentives,  
7 is the main market driver for installing residential DG. Yet, ironically those Intervenors  
8 still insist on preserving the DG Requirement.  
9

10 **III. REBUTTAL TO RUCO.**

11  
12 **Q. Do the Companies have any comments regarding Mr. Huber’s testimony on behalf**  
13 **of RUCO?**

14 **A.** Yes. The Companies appreciate RUCO’s stated guidelines, as well as RUCO’s  
15 comments that utility incentives are no longer the primary driver of residential DG.  
16 However, while the Companies are aware that policy initiatives at the Federal and State  
17 levels may impact the future of renewable energy, now is the time for the Commission to  
18 address utility subsidies for DG and whether the DG carve out should continue. To wait  
19 until other policy decisions are made will mean ratepayers will pay more than is  
20 necessary to procure the same amount of renewable energy.  
21

22 While changes to Federal or State policy may affect the value of DG, there are clearly  
23 other forces that are driving the DG market. It is simply not necessary to wait for future  
24 policy initiatives to implement Staff’s Track and Monitor approach. Further, this does  
25 not preclude additional changes in response to subsequent Federal or State action to align  
26 the Commission’s goals with such policy actions. The Companies do not believe that this  
27

1 issue should continue to be ignored based on potential or future policy changes that may  
2 or may not come about.

3  
4 **IV. REBUTTAL TO OTHER INTERVENORS.**

5  
6 **Q. Do you have any general comments on the other Intervenors' testimony?**

7 A. Yes. The Intervenors do not propose long-term solutions to the issue of DG Requirement  
8 compliance in the absence of incentive payments. To the extent they propose solutions  
9 (other than a temporary waiver), the solutions involve continuing payments for RECs.  
10 However, those solutions effectively perpetuate the payment of an incentive for RECs to  
11 meet the DG Requirement and result in an unnecessary cost to ratepayers.

12  
13 Moreover, the Intervenors' assertions that the Track and Monitor proposal devalues or  
14 double-counts RECs is misplaced. Any value of RECs to the Affected Utilities is the  
15 result of the legal fiction created under the REST Rules – they are a mechanism to track  
16 compliance. Track and Monitor is an appropriate interim solution but ultimately the  
17 REST Rules need to be revised to address the appropriate scope and nature of DG  
18 Requirement in the future.

19  
20 **A. Rebuttal to NRG Solar.**

21  
22 **Q. Do the Companies have any comments regarding NRG Solar's testimony?**

23 A. Yes. First, Ms. Fellman claims (at page 6 of her Direct Testimony) that the Companies'  
24 proposed Track and Reduce mechanism, which is almost identical to the Staff's proposed  
25 Track and Monitor mechanism, would compromise the utilities' Annual Renewable  
26 Energy Requirement within the REST Rules. However, Ms. Fellman provides no  
27 additional explanation or evidence to support this claim. In fact, the ability to track

1 renewable energy production and adjust the required percentage, regardless of REC  
2 ownership, would accomplish what the REST Rules were intended to do; provide  
3 evidence that a portion of an Affected Utility's retail load is being served by renewable  
4 energy.

5  
6 Second, Ms. Fellman asserts (at page 4 of her Direct Testimony) that the underlying  
7 Commission policy objective is to allow customers the opportunity to participate in the  
8 utilities' respective renewable energy plans through solar installations on their homes,  
9 businesses, and schools – and that the elimination of the DG Requirement would disturb  
10 this policy objective. This is simply not true. Numerous entities – both residential and  
11 non-residential – have installed, or are installing, solar and wind systems without any  
12 regard for the Companies' incentives or the DG Requirement. This is the result of market  
13 forces and policies outside the control of the Companies and highlights the fact that a DG  
14 carve out is no longer necessary.

15  
16 **B. Rebuttal to Department Of Defense and All Other Federal Executive**  
17 **Agencies.**

18  
19 **Q. Do the Companies have any comments or concerns regarding the testimony**  
20 **provided on behalf of Rebuttal to Federal Agencies Testimony?**

21 A. Yes. Ms. Cordova states (at page 3 of her Direct Testimony) that she believes  
22 elimination of the DG Requirement will discourage of growth of distributed renewable  
23 energy production in Arizona. While Ms. Cordova notes the significant investment the  
24 Veteran's Administration ("VA") has made in renewable energy in Arizona, including  
25 more than 4 MW worth of capacity in Tucson alone, she fails to mention that those  
26 investments were made entirely irrespective of the Company's DG Requirement under  
27

1 It is clear that the VA's \$50 million investment for 4 MW is not dependent on any utility  
2 incentives. Consequently, the VA is making those investments independent of whether  
3 the utilities have any DG Requirement, or whether a carve out exists in the REST Rules.  
4 For these reasons, the Companies also dispute Ms. Cordova's statement that a carve out is  
5 necessary to promote DG growth.

6  
7 Further, Ms. Cordova asserts (at page 4 of her Direct Testimony) that the Companies'  
8 proposed Track and Reduce mechanism results in double counting of RECs. The  
9 Companies disagree with that assertion, as no credit is taken for those systems that are  
10 "monitored"; only the REST percentage requirement is affected. Staff has come to a  
11 similar conclusion with its Track and Monitor proposal.

12  
13 **Q. Do you have any concerns about Ms. Cordova's proposal that utilities continue to**  
14 **purchase RECs to meet the DG Requirement?**

15 A. Yes. That proposal simply continues payments for RECs (as is currently the case with  
16 incentives) and creates an unnecessary cost for ratepayers. For RECs to be purchased  
17 while maintaining the DG Requirement, effectively results in an unnecessary subsidy that  
18 will be paid by non-participating ratepayers. The Companies adamantly oppose any  
19 additional and unnecessary subsidies that would further burden our ratepayers.

20  
21 **Q. Do you have comments on Ms. Ahsing's direct testimony?**

22 A. Yes. Ms. Ahsing testified on behalf of the Federal Agencies as a representative of the  
23 Department of the Army. In her Direct Testimony, Ms. Ahsing distinguished (at page 8,  
24 n.1) between the Companies' definition of distributed energy and the definition provided  
25 by APS. To clarify, the Companies did not define distributed energy. The Companies  
26 only provided the definition of distributed energy set forth in the REST Rules. Ms.  
27 Ahsing also stated (at page 5) that one REC represents one megawatt-hour of energy.

1 But under the REST Rules, one REC is equivalent to one kilowatt-hour of energy.  
2 A.A.C. R14-2-1803.A.

3

4 **Q. Do you agree with Ms. Ahsing that eliminating the DG carve out negatively impacts**  
5 **the value of RECs?**

6 A. No. Ms. Ahsing claims (at pages 8-9 of her Direct Testimony) that the elimination of the  
7 DG carve out would negatively impact the value of REC's and impact the economic  
8 evaluation of renewable projects by the Energy Initiative Task Force ("EITF").  
9 However, simply removing the DG Requirement has no greater impact to the value of  
10 RECs than currently exists in the absence of any utility incentive. It is not the  
11 responsibility of the utilities or its ratepayers – or even the Commission - to preserve  
12 some set value for select customers for their RECs.

13

14 Further, Ms. Ahsing also notes (at page 5 of her Direct Testimony) that RECs are not  
15 required for the Army to meet the National Defense Authorization Act of 2007  
16 ("NDAA") goal for the Army. As I previously stated, the Companies continue to see  
17 renewable energy development in the absence of utility incentives, and challenges the  
18 statements that the DG growth or economic viability is impacted by removing the DG  
19 Requirement.

20

21 **C. Rebuttal to Vote Solar Initiative.**

22

23 **Q. Do the Companies agree with VSI's statement that elimination of the DG**  
24 **Requirement "defeats the purpose of the renewable energy standard"?**

25 A. No. The REST Rules were not created for the purpose maintaining a customer-based  
26 distributed generation carve out, but rather to "reduce air pollution emissions and their  
27 associated external costs and to promote and safeguard the security, convenience, health

1 and safety of Affected Utilities' customers and public in Arizona." (See e.g. Decision No.  
2 69127 (November 14, 2006) at Finding of Fact 234). The DG Requirement can be  
3 accomplished on either side of the meter and *does not need to be owned by a customer*. It  
4 was included to "improve system reliability" (See A.A.C. R14-2-1805(A)).

5 Eliminating the DG Requirement does not "defeat the purpose of the Renewable Energy  
6 Standard" – keeping in mind that all of the benefits of distributed generation can be  
7 achieved through considerably more cost-effective, larger scale projects that are directly  
8 connected to the customer's distribution system.

9  
10 **Q. Would VSI's proposal increase the costs of renewable energy to ratepayers ?**

11 A. Yes. VSI's proposal is to maintain the current DG Requirement in the REST Rules and  
12 to require the utilities to procure the RECs necessary to meet the existing standard. This  
13 is an additional, unnecessary cost of compliance that would further subsidize the few  
14 participating ratepayers, while the many non-participating ratepayers would bear the  
15 burden of those costs.

16  
17 **Q. Do the Companies agree with VSI's assertion that because of the DG Requirement**  
18 **"the money spent on energy stayed in Arizona"?**

19 A. No. This is a common, yet false, claim that the industry makes to justify the substantial  
20 amount of renewable energy subsidies. With the exception of the labor and some of the  
21 electrical components, the majority of the money spent on renewable systems went out-  
22 of-state, and often out of the country, as many panel manufacturers were not located  
23 within the United States. Even today, there are very few components used in a typical  
24 solar system that are manufactured here in the state of Arizona.

25  
26 **Q. Does this conclude your rebuttal testimony?**

27 A. Yes.