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BEFORE THE ARIZONA CORPORATION COMMISSION

7 BOB STUMP, Chairman
8 GARY PIERCE
9 BRENDA BURNS
10 BOB BURNS
11 SUSAN BITTER SMITH

12 IN THE MATTER OF ARIZONA PUBLIC
13 SERVICE COMPANY REQUEST FOR
14 APPROVAL OF UPDATED GREEN POWER
15 RATE SCHEDULE GPS-1, GPS-2, AND GPS-3.

Docket No. E-01345A-10-0394 ✓

16 IN THE MATTER OF THE APPLICATION OF
17 ARIZONA PUBLIC SERVICE COMPANY FOR
18 APPROVAL OF ITS 2013 RENEWABLE
19 ENERGY STANDARD IMPLEMENTATION FOR
20 RESET OF RENEWABLE ENERGY ADJUSTOR.

Docket No. E-01345A-12-0290 ✓

21 IN THE MATTER OF THE APPLICATION OF
22 TUCSON ELECTRIC POWER COMPANY FOR
23 APPROVAL OF ITS 2013 RENEWABLE
24 ENERGY STANDARD IMPLEMENTATION PLAN
25 AND DISTRIBUTED ENERGY
ADMINISTRATIVE PLAN AND REQUEST FOR
RESET OF RENEWABLE ENERGY ADJUSTOR.

Docket No. E-01933A-12-0296 ✓

IN THE MATTER OF THE APPLICATION OF
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.

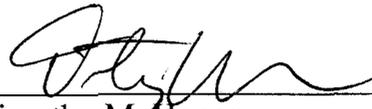
Docket No. E-04204A-12-0297

**NOTICE OF FILING REBUTTAL
TESTIMONY OF DAVID BERRY ON
BEHALF OF WESTERN RESOURCE
ADVOCATES**

1 Western Resource Advocates ("WRA"), through its undersigned counsel, hereby
2 provides notice that it has this day filed the rebuttal testimony of David Berry in this matter.
3

4 DATED this 8th day of May, 2013

5 ARIZONA CENTER FOR LAW IN
6 THE PUBLIC INTEREST

7 By 
8 Timothy M. Hogan
9 202 E. McDowell Rd., Suite 153
10 Phoenix, Arizona 85004
11 Attorneys for Western Resource Advocates

12 ORIGINAL and 13 COPIES of
13 the foregoing filed this 8th day
14 of May, 2013, with:

15 Docketing Supervisor
16 Docket Control
17 Arizona Corporation Commission
18 1200 W. Washington
19 Phoenix, AZ 85007

20 COPIES of the foregoing
21 Electronically mailed this
22 8th day of May, 2013, to:

23 All Parties of Record
24
25



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, *Chairman*

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

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

DOCKET NO. E-01345A-10-0394

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS 2013 RENEWABLE ENERGY STANDARD IMPLEMENTATION FOR RESET OF RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01345A-12-0290

IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF ITS 2013 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN AND DISTRIBUTED ENERGY ADMINISTRATIVE PLAN AND REQUEST FOR RESET OF ITS RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01933A-12-0296

IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC., FOR APPROVAL OF ITS 2013 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN AND DISTRIBUTED ENERGY ADMINISTRATIVE PLAN AND REQUEST FOR RESET OF ITS RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-04204A-12-0297

**Rebuttal Testimony of
David Berry
Western Resource Advocates
May 8, 2013**

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Rebuttal Testimony of David Berry

Docket Nos. E-01345A-10-0394, E-01345A-12-0290, E-01933A-12-0296,
and E-04204A-12-0297

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1 Introduction

2
3 Q. Please state your name.

4
5 A. My name is David Berry.

6
7 Q. Did you previously file direct testimony in this matter?

8
9 A. Yes, on behalf of Western Resource Advocates (WRA).

10
11 Q. What is the purpose of your rebuttal testimony?

12
13 A. I address the lack of support for the utilities' proposal to eliminate the distributed
14 renewable energy requirement from the Renewable Energy Standard, and the devaluation
15 of renewable energy credits (RECs) inherent in Staff's proposal and RUCO's initial position.
16

17 Lack of Support for Eliminating the Distributed Renewable Energy Requirement

18
19 Q. Did any of the other parties filing testimony on April 24, 2013 support the utilities' proposal
20 to eliminate the distributed renewable energy requirement (A.A.C. R14-2-1805) of the
21 Renewable Energy Standard?
22

23 A. No. Wal-Mart "would oppose any attempt to permanently eliminate any portion of the DE
24 carve-out" (p. 8, line 20-21). The Department of Veterans Affairs suggests that utilities
25 "purchase the RECs needed to comply with the [distributed renewable energy
26 requirement]. This will ensure appropriate compensation to the current REC owner and
27 uphold the integrity of the REC system, while appropriately incentivizing further investment
28 in renewable energy generation in the Affected Utilities' service territories" (p. 3, lines 14-
29 18). The Army states that the utilities' proposals, including removal of the distributed
30 energy carve-out, "would likely negatively affect the value of RECs and viability of
31 renewable energy projects in Arizona. This would then negatively impact the economic
32 valuation of renewable energy projects by EITF" (p. 9, lines 4-6). NRG states that "the
33 Commission should reject the utilities' proposal to issue a temporary waiver from the DE
34 requirement and then make a permanent change to the RES Rules by eliminating the DE
35 requirement altogether" (p. 3, lines 5-7).
36

37 Several parties also indicated a need for more information. SEIA stated that it "does not
38 recommend that the DE carve-out requirement be eliminated" (p. 11, lines 1-2). SEIA
39 further points out that more information is needed, including consideration of the impacts
40 of changes to the Commission's net metering policy, before the Commission can develop a
41 long term policy (p. 11 line 20 through p. 12 line 24). Vote Solar recommends that "the
42 Commission not reopen the REST rules at this time, but rather use the time during which
43 incentives for residential solar are still available to investigate the lowest cost options
44 through which utilities could acquire RECs. This will also provide the time necessary for

1 other policies such as net metering to be more thoroughly reviewed in the context of
2 Arizona utilities. This will allow the Commission to make a more reasoned decision based
3 on more information on the economics of residential solar..." (p. 17, starting on line 19).

4
5 Finally, Staff does not support the utilities' proposal to eliminate the DE set-aside (Robert
6 Gray, p. 4, line 20 to page 5, line 20). RUCO has not finalized its position.

7
8 **Devaluation of RECs Inherent in Staff's and RUCO's Proposals**

9
10 Q. Please summarize Staff's proposal.

11
12 A. Mr. Gray proposes a "Track and Monitor" method (p. 7, lines 2-6). Under this method the
13 Renewable Energy Standard requirement would be reduced for each utility on a kWh per
14 kWh basis for all distributed energy that is produced in their service territory where no REC
15 transfer to the utility takes place. Mr. Gray provides numerical examples in Exhibit RGG-2.

16
17 Mr. Gray explains (p. 11, lines 9-14) that all customers' distributed energy production would
18 be metered and they would either fall into: (1) the category where the utility receives the
19 RECs, or (2) the category of production facilities where no incentive is taken and no RECs
20 are transferred to the utility. Production from category 1 would count toward meeting the
21 utility's Renewable Energy Standard compliance requirement, and production from
22 category 2 would reduce the utility's Renewable Energy Standard requirement.

23
24 Mr. Gray further explains (p. 10, lines 15-22) that the Commission should grant a waiver to
25 implement the Track and Monitor approach. If the Track and Monitor approach works, the
26 Commission could consider amending the Renewable Energy Standard rule to incorporate
27 the Track and Monitor method. Mr. Gray indicates that if the Track and Monitor approach
28 were approved by the Commission in this proceeding and implemented in the utilities' 2014
29 Renewable Energy Standard plans, the utilities could report on their experience with the
30 Track and Record method in their 2015 implementation plans.

31
32 Q. Does Staff's proposal conflict with standards set to ensure accountability on RECs sold to
33 retail consumers?

34
35 A. Unfortunately, it does, by creating a double counting predicament for REC owners.
36 According to the Green-e Energy National Standard for Renewable Electricity Products,
37 "Eligible RECs or renewable energy can be used once and only once ... Renewable energy or
38 RECs (or the renewable or environmental attributes incorporated in that REC) that can be
39 legitimately claimed by another party may NOT be used in Green-e Energy Certified REC
40 products."¹

41

¹ Center for Resource Solutions, *Green-e Energy, National Standard Version 2.3*, p. 9.

1 Energy (kWh) produced from eligible renewable resources for which the RECs are not
2 transferred to the utility would be used to reduce the renewable energy requirement under
3 the Track and Monitor method. Thus, the RECs associated with these kWh are implicitly
4 counted to adjust the regulatory requirement. Consequently, those RECs cannot also be
5 used by the customer to meet his or her own renewable energy goals nor can they be sold
6 by the customer to another party because the RECs would be double counted. As a result,
7 in the case where the utility counts renewable kWh from distributed resources to adjust the
8 renewable energy requirement without actually obtaining the RECs, Staff's proposal
9 devalues a customer's RECs without compensation to the customer. One REC cannot serve
10 two purposes.

11
12 Q. Does RUCO's initial position conflict with standards set to ensure accountability on RECs
13 sold to retail consumers ?

14
15 A. Although it is only sketched out, RUCO's initial position seems to suffer from the same
16 problem as Staff's proposal. Utilities would be required by regulation to ensure deployment
17 of a specified amount of distributed renewable energy hosted by customers. Meeting this
18 requirement has the effect of counting the RECs to demonstrate compliance with a
19 Commission rule. However, RUCO does not propose compensating the customers for their
20 RECs. The RECs could not be sold by the customers nor used to meet the customer's own
21 clean energy goals because doing so would double count the RECs. The RECs would
22 therefore be devalued.

23
24 Q. Should the Commission adopt Staff's or RUCO's proposals?

25
26 A. No, because these proposals devalue customers' RECs.

27
28 **Conclusions**

29
30 Q. Please summarize your conclusions.

31
32 A. First, there is no support from Staff and intervenors for eliminating the distributed
33 renewable energy requirement from the Renewable Energy Standard at this time. Second,
34 Staff's proposed Track and Monitor method and RUCO's initial position will render RECs
35 worthless in REC markets and useless in meeting a customer's own clean energy goals,
36 thereby discouraging investment in new distributed renewable energy facilities. Staff's and
37 RUCO's proposals should be rejected.

38
39 Q. Does this conclude your rebuttal testimony?

40
41 A. Yes.