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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

Arizona Corporation Commission

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1 **RUCO'S NOTICE OF FILING**

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

4 RESPECTFULLY SUBMITTED this 22nd day of May, 2013.

5 
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8 Chief Counsel
9
10
11

12 AN ORIGINAL AND THIRTEEN COPIES
13 of the foregoing filed this 22nd day of May,
14 2013 with:

15 Docket Control
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18 Phoenix, Arizona 85007

19 COPIES of the foregoing hand delivered/
20 mailed this 22nd day of May, 2013 to:

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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

SURREBUTTAL TESTIMONY
OF
LON HUBER

MAY 22, 2013

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1 **INTRODUCTION**

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

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

5
6 **Q. Please state the purpose of your Surrebuttal Testimony.**

7 A. The purpose of my Surrebuttal Testimony is to respond to the pre-filed
8 Rebuttal Testimony of Carmine Tilghman for Tucson Electric Power
9 Company (TEP) and UNS Electric, Inc (UNS).

10

11 **Q. Please summarize your Surrebuttal Testimony?**

12 A. RUCO would like to stress that under Track and Monitor, or any policy that
13 directly reduces renewable energy targets based on the kWh output of a
14 customer's system, an invalidation of a customer's RECs would occur due
15 to a double counting violation. Although the customer would technically
16 still own his or her RECs, those RECs would be barred from sale in any
17 official market. Furthermore, RUCO believes that this proceeding is not the
18 appropriate vehicle to investigate a significant revision of the REST rules
19 and/or inquiry into DE subsidies.

20

21

22

23

1 **SURREBUTTAL TO TEP**

2 **Q. Does RUCO have any comments regarding Mr. Tilghman's testimony**
3 **on behalf of TEP and UNS?**

4 A. Yes. RUCO appreciates TEP's effort to put forward policies aimed at
5 solving the REC transfer issue. RUCO also appreciates TEP's willingness
6 to generally support Staff's Track and Monitor, which is admittedly very
7 similar to TEP's Track and Reduce proposal. However, the assertion that
8 the Track and Monitor proposal would afford the system owner the ability
9 to sell RECs into voluntary markets is misguided. There is a clear double
10 counting violation; a one for one offset is taking place. Put simply, when a
11 homeowner's renewable energy system produces one kWh of electricity,
12 the DE requirement of the REST is then reduced by one kWh. According
13 to the U.S. Department of Energy:

14 "Double counting occurs when a) more than one party
15 at the same time claims the renewable energy
16 attributes from renewable energy generation (as
17 either RECs or as renewable energy), i.e., the
18 renewable energy is "double sold" to other
19 customers."¹

20
21 According to Center for Resource Solutions' *Best Practices in Public*
22 *Claims for Green Power Purchases and Sales:*

23 "Once a REC is claimed and retired, either by public
24 statements, use toward a state RPS, retired in a
25 tracking system or through other means, it is
26 considered double-counting of the benefits of the
27 renewable energy generation if another party claims
28 the retired REC."

¹ U.S. Department of Energy. Renewable Energy Requirement Guidance for EP ACT 2005 and Executive Order 13423. 2008.

1 As stated on page eight of Mr. Tilghman's Rebuttal Testimony:

2 ".....Staff's Track and Monitor mechanism would
3 reduce the utilities' percentage requirement by the
4 amount of renewable energy interconnected to their
5 systems - and allow the utilities to meet the remaining
6 RES percentage requirement through the use of the
7 other eligible renewable energy resources."
8

9 This is a clear double counting issue, both in terms of public statements
10 and use towards the state's renewable energy goals. By applying a
11 customer's energy generation towards a renewable energy standard, the
12 utility is making claims to the renewable energy attributes of the
13 customer's system. The double counting is particularly stark when a
14 customer sells their RECs out of state. Any claims to those elections go to
15 the REC buyer. The producer is now just generating null electricity. If a
16 utility were to count this null electricity as renewable energy and apply it
17 toward their renewable energy obligations, a double counting would occur.
18

19 **Q. How would RUCO recommend Staff's proposal be modified to**
20 **maintain the integrity of the RECs?**

21 **A.** RUCO would recommend that a baseline for DE renewable energy uptake
22 be set that is not explicitly tied to the REST, perhaps based off of a
23 percentage of historic or projected market levels. If the market hits that
24 baseline by the end of the year, then the DE portion of the REST is
25 reduced by that year's incremental requirement.
26

1 **Q. Can you please provide an example of how this would work?**

2 A. For hypothetical purposes only, say the average historical market level for
3 residential DE in a utility's service territory is 6 MWs. Under a revised
4 Track and Monitor, a target of say 4.5 MW would be set (or some
5 percentage of the historic average). If by December 31st of the year that
6 level has been reached, the incremental amount of that year's residential
7 DE target, currently set to ~ 0.075 percent of retail sales until 2015-2016,
8 would be subtracted from the DE carve-out. If the trigger is not reached
9 and the utility is under compliance, then the traditional course of action in
10 place today would be followed. Because any past year that met the
11 threshold was subtracted from the utility's obligation, the utility would not
12 have to catch-up for years past.

13
14 **Q. So this revision captures market activity and reduces REST**
15 **obligations if the market is deemed self-sustaining?**

16 A. Yes. The revision makes Track and Monitor a policy that judges the
17 market's self-sufficiency and does not create undue burden on ratepayers.
18 The suggested policy revision essentially gets to the heart of the matter -
19 what to do if the market is robust enough to carry itself. The only intricacy
20 is determining the methodology in setting the baseline figure for DE. If
21 Track and Monitor is adopted with the above policy revision, RUCO
22 recommends that the methodology underpinning the threshold for each
23 market sector (residential and commercial) be established in a technical

1 session with input from all parties. Again, the goal would be to find the
2 level of market activity that indicates self-sufficiency.

3

4 **Q. Would this revision to Track and Monitor maintain REC integrity?**

5 A. Yes, RUCO believes that it will. However, the final wording and
6 implementation must be done carefully. Once a particular year's threshold
7 for market self-sufficiency is met, the DE portion of the carve-out is
8 lowered. This means that the utilities cannot claim the renewable energy
9 in public statements and that the REST is slightly reduced downward from
10 15 percent. Alternatively, the utility scale portion of the REST could fill in
11 for the reduction, which would mimic the outcome of the utilities' proposals
12 to strike the DE carve-out. Thus it would retain the state's 15 percent
13 renewable energy figure.

14

15 **Q. Would the REST rules have to be revised?**

16 A. RUCO does not believe so. Once a market hits the proper threshold, and
17 is labeled self-sufficient for that year, the Commission would waive that
18 year's incremental amount of DE from the utility's requirement.

19

20

21

22

1 **Q. Does RUCO find it inconsistent to state that utility incentives are not**
2 **currently the main market driver of DE demand while at the same**
3 **time advocating against elimination of the DE carve-out at this**
4 **junction?**

5 **A. No.** Mr. Tilghman's argument is predicated on the fact that utilities have
6 no control over the market; therefore, the DE portion of the requirement
7 should be eliminated. RUCO's point is twofold:

8 1. This situation may be temporary. There might not need to be a
9 burdensome reopening of the REST rules if the issue resolves itself
10 in the near term. RUCO is not suggesting the Commission should
11 wait indefinitely until an unknown policy on the federal or state level
12 may or may not be enacted. Rather, let the pending debate around
13 DE play out. Just recently the Commission started the process of
14 having a formal docket around DE subsidies/net metering. This
15 could very well lead to a significant redesign of DE market
16 structures in the near future. This debate is imminent and the
17 outcome could be sweeping.

18 2. If the REC transfer issue was deemed to be a long-term problem
19 there are other policy solutions other than eliminating the DE carve-
20 out to solve it.

21 Also, Mr. Tilghman goes on to suggest that even if the REC transfer issue
22 is short term, the DE carve-out might not be cost effective. Mr. Tilghman
23 states on page four of his Rebuttal Testimony:

1 "...now is the time for the Commission to address
2 utility subsidies for DG and whether the DG carve out
3 should continue."
4

5 **Q. Is the DE carve-out cost effective?**

6 A RUCO is not prepared to answer that question at this time. RUCO also
7 considers it outside the scope of this hearing. Again, there is an ongoing
8 process that may turn into a formal hearing in which the costs and benefits
9 of DE are examined.
10

11 **Q. What is RUCO's view around the scope of this hearing?**

12 A. While RUCO welcomes a robust inquiry into DE subsidies and REST
13 design, RUCO disagrees that it is within the scope of this hearing. It would
14 be unfitting to stuff an issue of such complexity into a hearing tasked to
15 "consider the proposed 'Track and Record' mechanism as well as
16 potential alternatives thereto." In fact, this process was originally set to
17 also consider an amendment dealing with REST design; however, the
18 Commission saw it fit to remove it from the hearing's scope. Finally, as
19 stated, the Commission is moving towards a hearing on DE costs and net
20 metering.
21

22 **Q. What are RUCO's thoughts in terms of timing around this matter?**

23 A. RUCO shares the sentiment that this issue should be resolved within a
24 reasonable timeframe. But the Commission should not put the cart before
25 the horse - why start to implement a potentially inflexible policy solution

1 such as eliminating the DE carve-out now, when a fix could occur through
2 the upcoming net metering/DE cost discussions? Furthermore, why
3 invalidate customer's RECs in haste, or setup a potentially costly auction
4 mechanism before other avenues are exhausted?

5
6 **Q. What are the cost implications of waiting?**

7 A. RUCO does not see any direct cost impacts related to a reasonable
8 waiting period. Mr. Tilghman notes on page nine of his Rebuttal
9 Testimony:

10 "To wait until other policy decisions are made will
11 mean ratepayers will pay more than is necessary to
12 procure the same amount of renewable energy."
13

14 In RUCO's view, it is unclear as to how waiting for a year would cost more
15 to ratepayers. For instance, what is the difference financially to TEP
16 ratepayers if the carve out is eliminated today or in a year from now? TEP
17 is ahead of compliance targets and in the event they fall behind, it is a
18 Commission decision whether more incentives are offered.

19
20 **Q. Does this conclude your surrebuttal testimony?**

21 A. Yes
22