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BEFORE THE ARIZONA CORP

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

RECEIVED Arizona Corporation Commission

DOCKETED

2013 MAY 30 P 3: 58

MAY 30 2013

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY [Signature]

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 SUMMARY
OF TESTIMONY

Tucson Electric Power Company and UNS Electric, Inc., through its undersigned counsel,
hereby files the summary of Carmine Tilghman's Direct and Rebuttal Testimony in the above-
captioned dockets.

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RESPECTFULLY SUBMITTED this 30th day of May 2013.

TUCSON ELECTRIC POWER COMPANY
UNS ELECTRIC, INC.

By 

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Original and 13 copies of the foregoing
filed this 30th day of May 2013 with:

Docket Control
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Copies of the foregoing hand-delivered/mailed
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By 

**Summary of the Testimony
of Carmine Tilghman on Behalf of
UNS Electric, Inc. and Tucson Electric Power Company
Docket Nos. E-01345A-10-0394, E-01345A-12-0290,
E-01933A-12-0296 and E-04204A-12-0297**

I have filed Direct and Rebuttal Testimony in this case.

In my Direct Testimony, I address the following topics and issues on behalf of Tucson Electric Power Company ("TEP") and UNS Electric, Inc. ("UNSE") (collectively "Companies").

1. The Companies' understanding of the history of Track and Record, including the issues that led to the initial proposal by Arizona Public Service Company ("APS");
2. The potential processes to allow the Companies to meet the distributed generation requirements of the REST rules when they no longer provide incentive payments, and as a result do not obtain Renewable Energy Credits ("RECs") from the customer; and
3. The Companies' preferred approach of amending the REST Rules to modify the current Distributed Generation ("DG") requirement.

The REST Rules (A.A.C. R14-2-1803 and -1805.A) currently require a utility to prove that it is complying with its DG requirement by acquiring RECs through the use of energy from qualified renewable resources.

The key issue here is a compliance dilemma -- how do Affected Utilities meet future distributed generation REST requirements when the Utilities no longer pays an incentive and no longer acquire RECs through that incentive program?

Historically, utilities have offered a cash incentive in exchange for the customers RECs to entice its customers to install renewable systems. However, the cost of solar energy has dropped significantly and the utilities are close to the point of offering zero cash incentives. In fact, the Companies have seen a number of systems installed that did not receive any utility incentive.

These circumstances led APS, TEP, and UNSE to seek Commission guidance on how to meet the RPS requirements in the absence of receiving a customer's RECs, even though our retail sales were being served by renewable resources.

As a result, APS, TEP and UNSE presented a number of options on how to address this issue. In my Direct Testimony, I state that the Companies believe the best solution is to amend the existing REST rules to eliminate the distributed generation carve out, and thereby eliminate the need to procure any additional RECs from customer-sited renewable systems.

The Companies also realize that this solution would take a period of time to accomplish and that short-term solution would be needed in the interim. Therefore, the Companies propose a waiver of the DG requirement while the REST Rules are amended. The Companies also propose a "Track and Reduce" mechanism as part of this interim solution.

In my Rebuttal Testimony, I address certain issues in the pre-filed direct testimony of Bob Gray for the Arizona Corporation Commission Utilities Staff ("Staff"), Lon Huber, Arizona's Residential Utility Consumer Office ("RUCO") and on several of the other Intervenor.

The Companies support the Track & Monitor process as proposed by Staff as an interim solution. However, the Track and Monitor process (and other interim proposals) still require waivers and are at best an interim solution. Moreover, several interim proposals, such as a REC auction, create additional costs that would be passed through to ratepayers. The compliance dilemma can be permanently resolved only by modifying the DG requirements of the REST Rules.