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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY
FOR APPROVAL OF ITS 2016 RENEWABLE
ENERGY STANDARD IMPLEMENTATION
PLAN.

Docket No. E-01933A-15-0239

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
Responsive Testimony of Lon Huber in the above-referenced matter.

RESPECTFULLY SUBMITTED this 28th day of March, 2016.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 28th day
of March, 2016 with:

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TUCSON ELECTRIC POWER COMPANY
2016 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN
DOCKET NO. E-01933A-15-0239

RESPONSIVE TESTIMONY
OF
LON HUBER

ON BEHALF OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE

MARCH 28, 2016

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1 I. RESPONSE..... 1

1 **I. RESPONSE**

2 **Q. Have you previously filed testimony in this docket?**

3 A. Yes, I previously submitted direct testimony in this case.

4

5 **Q. What is the purpose of your response testimony?**

6 A. Upon review of the direct testimony of Parties, I do not have any substantial
7 additions to my direct testimony. That said, my responsive testimony
8 touches on a few miscellaneous topics covered by Staff and EFCA
9 witnesses.

10

11 **Q. Are there areas of agreement between RUCO and Staff?**

12 A. Yes, we both agree about the waiver and Renewable Energy Standard and
13 Tariff (REST) distributed generation (DG) definition change. We also share
14 similar perspectives on the proposed community solar program. Both
15 RUCO and Staff believe there should be room for third party business
16 models and participation.¹ RUCO emphasizes the importance of a third
17 party program while Staff emphasizes third party ownership.

18

19 **Q. Are there other areas of alignment?**

20 A. Yes, RUCO agrees with Staff that the Advisory Committee should be
21 merged with the APS advisory group.

¹ Page 17 line 10 of Gray Direct

1 **Q. Are there areas of agreement between RUCO and EFCA?**

2 A. There is some agreement on a slim set of issues, although the tone and
3 manner of addressing those issues may be substantially different. RUCO
4 agrees that the proposed community solar program should be expanded
5 beyond residential home owners. RUCO also believes that the Company
6 should, and is, being exposed to some form of private sector discipline. The
7 big disagreement on this latter point is that RUCO believes this can be
8 accomplished within the current regulatory framework as opposed to having
9 the company offer solar through an unregulated subsidiary.

10

11 **Q. How is RUCO proposing to exert private sector discipline?**

12 A. Mainly through the "cost parity" principle.

13

14 **Q. Please explain.**

15 A. The net ratepayer cost per TEP owned PV system cannot be more than
16 the fixed cost shift from a similarly sized net metered PV system.

17

18 **Q. Is this Commission policy?**

19 A. Yes, on page 22 Decision No. 74884 states the following:

20 "IT IS FURTHER ORDERED that Tucson Electric Power Company should
21 ensure that the cost of the utility-owned residential distributed generation
22 program is similar to that of third-party programs. Accordingly, TEP should
23 commit to cost parity with current net metering rates, and if rate design is

1 addressed in the future in a way that materially impacts existing net energy
2 metering participants, TEP should evaluate options for existing solar
3 customers, as well as TEP DG customers, to minimize any cost parity
4 issues between the two groups and unintended impacts.”

5

6 **Q. What happens if the cost is higher?**

7 A. The overage would not be recovered by the Company.

8

9 **Q. What forum is this “cost parity” issue most appropriate for?**

10 A. The current TEP rate case. That is where the Company is seeking recovery.

11

12 **Q. Will this forum also address issues related to the Company’s current
13 net metering and rate design proposals?**

14 A. Yes, in fact RUCO believes that the Company is installing TEP-Owned
15 Residential Solar (“TORS”) systems under a relative high degree of risk
16 given their June 1, 2015 grandfathering proposal.

17

18 **Q. Please explain.**

19 A. If the Company’s proposed changes reduce the fixed cost shift by 50% (a
20 figure used for illustrative purposes) then the revenue requirement for
21 Company systems would have to match this 50% lower cost shift amount.

22

23

1 **Q. How does this address EFCA concerns?**

2 A. TEP does not have a blank check for these systems. TORS systems cannot
3 be costlier than the non-participant cost shift spurred on by third party
4 systems. Moreover, if there is no grandfathering for third party systems then
5 TEP is also not afforded grandfathering in terms of a financial comparison.
6 This means if rate design significantly lowers the fixed cost shift, the
7 Company would be installing these systems at a reduced ROE or loss to
8 shareholders. The burden would not fall on ratepayers. In other words, if
9 TEP's rate design proposal "eviscerates" the third party market it would
10 likely "eviscerate" their program - to borrow a term used by Dr. Cicchetti.

11

12 **Q. Does this address Staff's concerns as well?**

13 A. Not entirely. Staff focuses on Renewable Energy Credit (REC) acquisition
14 costs. While RUCO feels that this is important, the REST is a long-term
15 target and the Company is responsible for meeting this mandate. The
16 present or future Commission may or may not grant a waiver. RUCO views
17 the actions of the Company as a means of mitigating some of this risk.
18 RUCO's central position is that this mitigation strategy should not cost more
19 than the cost shift from third party systems. Moving forward, the DG
20 definition change may alter RUCO position in terms of investment
21 allocation.

22

23

1 **Q. Does this conclude your response testimony?**

2 **A. Yes, it does.**