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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE- Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

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AZ CORP COMMISSION
DOCKET CONTROL

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

STAFF'S NOTICE OF FILING
RESPONSIVE TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Responsive
Testimony of Robert G. Gray in the above docket.

RESPECTFULLY SUBMITTED this 28th day of March 2016.

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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

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

DOCKET NO. E-01933A-15-0239

RESPONSIVE
TESTIMONY
OF
ROBERT G. GRAY
PUBLIC UTILITY MANAGER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

MARCH 28, 2016

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**EXECUTIVE SUMMARY
TUCSON ELECTRIC POWER COMPANY
DOCKET NO. E-01933A-15-0239**

My responsive testimony addresses the direct testimony filed by the Residential Utility Consumer Office ("RUCO") and the Energy Freedom Coalition of America ("EFCA") on March 11, 2016. I make the two following two additional recommendations beyond those contained in my Direct Testimony. Staff recommends that the RCS program include a third party owned component where Tucson Electric Power Company("TEP") would solicit the same amount of generation capacity from a third party owned supplier at the same time as TEP implements utility-owned generation for the RCS program. Staff further recommends that rather than having the 15 percent provision for the RCS program, TEP adjust the customer's charge each following year for any movement in the customer's average monthly usage higher or lower in the previous year.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Robert G. Gray. I am a Public Utilities Manager employed by the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”). My
5 business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Are you the same Robert G. Gray that filed direct testimony in this proceeding?**

8 A. Yes.

9
10 **Q. What is the purpose of your Responsive Testimony?**

11 A. My Responsive Testimony discusses certain issues raised in the Direct Testimony of
12 Residential Utility Consumer Office (“RUCO”) and the Energy Freedom Coalition of
13 America (“EFCA”) and provides a clarification regarding references to a “Staff analysis.”

14
15 **Q. Have you reviewed the Direct Testimony of EFCA and RUCO in this proceeding?**

16 A. Yes. I have reviewed the Direct Testimony of EFCA Witnesses Charles J. Cicchetti, R.
17 Thomas Beach, and David W. Deramus. I have also reviewed the Direct Testimony of
18 RUCO Witness Lon Huber.

19
20 **DISCUSSION OF EFCA TESTIMONY**

21 **Q. Does EFCA express concerns regarding Tucson Electric Power Company (“TEP”)
22 being anticompetitive and monopolistic?**

23 A. Yes. All three EFCA witnesses express such a concern. In regard to the TORS program, as
24 both TEP and RUCO have noted, the initial 600 installations under the pilot program are a
25 relatively small portion of the DG market during that time, as was noted during the
26 Commission’s consideration of the initial pilot program. Staff believes that if TEP were to

1 implement a program that dominated or monopolized the DG marketplace that would
2 certainly be a concern. Staff continues to recommend against expansion of the TORS
3 program for the reasons stated in my direct testimony.

4
5 Regarding the RCS program, Staff believes that inclusion of a third party option of some sort
6 would help alleviate such concerns regarding this program. Although Staff is recommending
7 that the RCS program be considered for approval in TEP's general rate proceeding, Staff
8 encourages parties, as a part of this proceeding, to present information and proposals
9 regarding how they believe third parties could participate in TEP's RCS program.

10
11 **Q. Does Staff have a recommendation for a way to implement third party participation in**
12 **the RCS program?**

13 A. Yes. A relatively simple way for third parties to participate in the RCS program would be to
14 require TEP, whenever it constructs or issues an RFP to construct utility-owned RCS
15 capacity, to issue a companion RFP to construct the same amount of third party owned
16 capacity for use by TEP under the RCS program. TEP could then enter into a purchased
17 power agreement to acquire the production from the third party owned facility to serve
18 customers on the RCS program. Staff recommends that the RCS program include a third
19 party owned component where TEP would solicit the same amount of generation capacity
20 from a third party owned supplier at the same time as TEP implements utility-owned
21 generation for the RCS program.

22
23 **Q. Please discuss the three EFCA witnesses' concerns regarding customers under the**
24 **TORS or RCS programs getting up to 15 percent in additional free electricity.**

25 A. Staff agrees with EFCA that customers could get up to 15 percent in additional electricity
26 without having their bill adjusted upward. While it seems unlikely that most customers would

1 track and control their consumption at the level of detail needed over an annual period to
2 take full advantage of this provision, it is possible that certain customers would do so.
3 Therefore Staff recommends that rather than having the 15 percent provision for the RCS
4 program, TEP adjust the customer's charge each following year for any movement in the
5 customer's average monthly usage higher or lower in the previous year. For example, if a
6 customer paid \$100 per month in 2017 and in 2017 their usage was 108 percent of the usage
7 level used to set the \$100 charge, the customer's monthly charge would be adjusted upward
8 to \$108 for 2018. And each year thereafter the monthly charge would be reset to reflect the
9 previous year's usage level.

10
11 **Q. Mr. Cicchetti indicates that he believes that TEP can consider all DG resources**
12 **within TEP's service territory for REST compliance purposes. Do you agree?**

13 A. No. The sentence Mr. Chicchetti references in the REST Rules regarding Commission
14 consideration of all available information must be viewed within the context of the remainder
15 of the REST rules. The same rulemaking (Docket Number RE-00000C-14-0112) that
16 contained the "available information" statement also inserted new language to the REST rules
17 stating that "Any Renewable Energy Credit created by production of renewable energy which
18 the Affected Utility does not own shall be retained by the entity creating the Renewable
19 Energy Credit. Such Renewable Energy Credit may not be considered used or extinguished
20 by any Affected Utility without approval and proper documentation from the entity creating
21 the Renewable Energy Credit, regardless of whether or not the Commission acknowledged
22 the kWhs associated with non-utility owned Renewable Energy Credits." (R14-2-1805.E). A
23 further reading of the record in the 14-0112 docket indicates that the Commission clearly did
24 not intend for TEP to count RECs toward REST compliance that the utility has not explicitly
25 acquired. Staff does not believe any such use of RECs complies with the REST rules.

26

1 **DISCUSSION OF RUCO WITNESS LONG HUBER'S DIRECT TESTIMONY**

2 **Q. Please discuss RUCO's Direct Testimony.**

3 A. RUCO's view on the issues of the residential DG waiver and the consideration of a program
4 like community solar as distributed generation are similar to Staff's. Regarding the RCS
5 program itself, RUCO is supportive of the concept of community solar but has indicated it
6 cannot support the program as currently designed. RUCO expresses two of the same
7 concerns Staff does, with the program being limited to homeowners and the program lacking
8 a third party component.

9
10 **Q. Does RUCO differ from Staff in regard to the TORS program expansion?**

11 A. It appears that with certain modifications RUCO would be supportive of expansion of the
12 TORS program, whereas Staff is not recommending approval of the TORS program
13 expansion. While Staff is certainly supportive of making any program more efficient, in the
14 case of the TORS program, Staff simply believes that TEP's identification of the community
15 solar program as a less expensive alternative to TORS that offers more benefits and can reach
16 more customers makes it problematic to support the TORS program now or in the future
17 absent some change in the relative cost of the rooftop and community solar programs.

18
19 **CLARIFICATION**

20 **Q. Are there references to a Staff analysis in TEP Witness Tilghman's Direct Testimony**
21 **and then responding references to a Staff analysis by EFCA Witness Beach's Direct**
22 **Testimony?**

23 A. Yes. For example, on pages 15-17 of Mr. Tilghman's Direct Testimony he makes numerous
24 references to a "Staff analysis" contained in Staff's Memo (filed on November 3, 2014, in Docket
25 Number E-01933A-14-0248) on TEP's proposed 2015 REST plan and the resulting Commission
26 Decision (No. 74884). Similarly, on pages 4-6 of Mr. Beach's Direct Testimony he provides

1 responding comments on a “Staff analysis.” The focus of this discussion is on a table showing
2 customer bill estimates for an existing non-DG customer, a net-zero DG customer, and a customer
3 under TEP’s proposed TORS program.
4

5 **Q. Does Staff agree with TEP’s characterization of this as a Staff analysis?**

6 A. No. As noted in the Staff Memo under question, the numbers in the table were provided to
7 Staff by TEP and thus represent an analysis TEP conducted and provided to Staff for consideration
8 in regard to the 2015 REST plan. Specifically on page 6 the Staff Memo states that “The table below
9 shows a comparison provided by TEP of what a typical customer pays under different scenarios.”
10 Staff then made some observations based upon the information provided by TEP.
11

12 **Q. In your Direct Testimony you discuss the use of a waiver or up front incentive to**
13 **address REST compliance, rather than the TORS and/or RCS programs. Do you have some**
14 **clarifying discussion regarding this subject?**

15 A. Yes. I indicated that a waiver at no cost or a small up front incentive at a relatively low cost
16 appeared to be lower cost compliance options than TORS and RCS. I should clarify that in
17 discussing the up-front incentive being a low cost option, I was only speaking in terms of the direct
18 cost of the small up-front incentive that would be recovered through the REST budget, without
19 consideration of other costs a rooftop installation may entail. Other things being equal, Staff
20 recognizes that utility-scale installations generally cost less than utility rooftop installations. Thus
21 Staff would emphasize the waiver option, with no cost, over the small up-front incentive option for
22 REST compliance purposes.
23

24 **RECOMMENDATIONS**

25 **Q. Does Staff have any changes to the recommendations contained in your Direct**
26 **Testimony?**

1 A. I make the two following two additional recommendations beyond those contained in my
2 Direct Testimony.

3 1. Staff recommends that the RCS program include a third party owned component
4 where TEP would solicit the same amount of generation capacity from a third party
5 owned supplier at the same time as TEP implements utility-owned generation for the
6 RCS program.

7 2. Staff further recommends that rather than having the 15 percent provision for the
8 RCS program, TEP adjust the customer's charge each following year for any
9 movement in the customer's average monthly usage higher or lower in the previous
10 year.

11

12 **Q. Does this conclude your Responsive Testimony?**

13 A. Yes, it does.