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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 TRICO ELECTRIC COOPERATIVE, INC, AN ARIZONA NONPROFIT CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR RELATED APPROVALS.	**DOCKET NO. E-01461A-15-0363** **THE ENERGY FREEDOM COALITION OF AMERICA'S NOTICE OF DIRECT TESTIMONIES OF WILLAM A. MONSEN AND PATRICK J. QUINN**

The Energy Freedom Coalition of America ("EFCA") hereby submits the Direct Testimonies of William A. Monsen and Patrick J. Quinn in the above-referenced matter.

Respectfully submitted this 29th day of July, 2016.

/s/ Court S. Rich

Court S. Rich
Rose Law Group pc
Attorney for EFCA

Original and 13 copies filed on
this 29th day of July, 2016 with:

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IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC, AN ARIZONA NONPROFIT CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR RELATED APPROVALS.	**DOCKET NO. E-01461A-15-0363**

DIRECT TESTIMONY OF WILLIAM A. MONSEN

July 29, 2016

TESTIMONY OF WILLIAM A. MONSEN REGARDING PROPOSED SETTLEMENT ON BEHALF OF THE ENERGY FREEDOM COALITION OF AMERICA (EFCA)
(Docket No. E-01461A-15-0363)

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TESTIMONY OF WILLIAM A. MONSEN REGARDING PROPOSED SETTLEMENT ON BEHALF OF THE ENERGY FREEDOM COALITION OF AMERICA (EFCA)
(Docket No. E-01461A-15-0363)

I. Introduction and Summary of Testimony

Q. Please state your name, position and business address.

A. My name is William A. Monsen. I am a Principal at MRW & Associates, LLC (MRW). My business address is 1814 Franklin Street, Suite 720, Oakland, California.

Q. On whose behalf are you providing this testimony?

A. I am providing this testimony on behalf of the Energy Freedom Coalition of America (EFCA).

Q. Have you previously testified in this docket?

A. Yes. I submitted direct opening testimony on behalf of EFCA.[1]

Q. What is the purpose of your testimony in this proceeding?

A. My testimony reviews the proposed Settlement Agreement (Proposed Settlement) between Trico Electric Cooperative (Trico) and the Utilities Division (Staff) of the Arizona Corporation Commission (Commission) to revise Trico's revenue allocation and rate design.[2] Based on this review, I recommend either rejecting the Proposed Settlement or that the Commission implement several changes to the Proposed Settlement as they relate to residential customers who install distributed solar generation.

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[1] Direct Testimony Of William A. Monsen On Behalf Of The Energy Freedom Coalition Of America (EFCA), Docket No. E-01461A-15-0363. June 1, 2016 (Monsen Direct Testimony)
[2] In The Matter Of The Application Of Trico Electric Cooperative, Inc., An Arizona Nonprofit Corporation, For A Determination Of The Current Fair Value Of Its Utility Plant And Property And For The Establishment Of Just And Reasonable Rates And Charges Designed To Realize A Reasonable Rate Of Return On The Fair Value Of The Plant And Properties And For Related Approvals, Docket No. E-01461A-15-0363, "Settlement Agreement," July 8, 2016 (Proposed Settlement).

Q. How is your testimony organized?

A. My testimony is organized around several components of the Proposed Settlement. First, I will address the proposed grandfathering of existing solar DG customers under Trico's current net metering tariff. I will then discuss the rate design that the Proposed Settlement would adopt. I next address the Proposed Settlement's buyback rate for excess generation from solar DG customers. Finally, I discuss other issues that would impact residential solar DG customers.

Q. Please summarize your recommendations and conclusions.

A. In general I recommend that the Commission reject the Proposed Settlement or at least make changes to the Proposed Settlement to rectify several issues that would create serious regulatory uncertainty and potentially violate Commission policy, as well as modify certain provisions that are unsupported and may harm customers.

Trico has proposed to aggressively change certain residential rate elements, particularly with regard to customers who choose to buy or lease solar DG systems. The Proposed Settlement would adopt many of Trico's proposed rate changes in some fashion. As discussed below, the Proposed Settlement would significantly increase Trico's current fixed monthly charge, while reducing the bill credits that it offers for any excess solar generation that is exported from the customer to the Trico grid. Neither Trico nor any other party has adequately suppoted these changes. Furthermore, the Proposed Settlement would adopt an inherently unfair approach to grandfathering existing residential solar DG customers onto its current NEM tariff, as it would set a retroactive deadline of May 31, 2016 for submitting NEM applications, fail to ensure that these customers are grandfathered beyond Trico's next rate case, and fail to ensure that these customers will continue to receive comparable value for their solar DG ouput as compared to their current rates by, among other things, failing to retain the current rate design under which solar DG customers currently take service.[3] Given these issues, I recommend that the Commission reject the Proposed Settlement unless modified as follows:

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[3] Proposed Settlement, p. 3

1. The Commission should modify the Proposed Settlement's grandfathering provision such that it:

    a. Applies to all NEM customers that have existing solar DG or customers that submitted a completed interconnection application by no more than 30 days after a final decision in this docket regarding NEM and rate design issues for solar DG customers is no longer appealable;

    b. Grandfathers both (1) the ability to use NEM but and (2) the rate design that is in place today for NEM customers;

    c. Clearly state that the grandfathering applies to both Trico's NEM rules under Schedule NM and Trico's current residential rate design; and

    d. Affirmatively states that grandfathering for existing NEM customers and NEM customers who apply for interconnection prior to 30 days after the issuance of a decision regarding NEM and rate design issues for solar DG customers in this docket will run through the shorter of (1) the term of the customer's interconnection agreement or (2) 20 years from date system was installed.

2. The Commission should order Trico to adopt a minimum monthly bill that is trued up annually for residential customers that is revenue neutral relative to its current fixed charge in place of a fixed charge. Alternatively, the Commission should direct Trico to reduce its monthly fixed charge to $10/customer/month as recommended by the Southwest Energy Efficiency Project (SWEEP).

3. The Commission should reject the Proposed Settlement's $0/kW residential demand charge and freeze on Trico's TOU rate option. Instead, the Commission should direct Trico to develop a demand billing pilot program designed to provide a random selection of residential customers with appropriate metering equipment and educate them on demand charges and managing their electricity demand, and to demonstrate customer understanding and acceptance of demand charges prior to bringing forward a proposal to implement a residential demand charge in its next rate case.

4. The Commission should reject the Proposed Settlement's export rate approach to incorporating the results of the Value of Solar proceeding, and instead rule that:

    a. All NEM and DG customer rate design issues shall be considered in a second phase of this proceeding;

    b. No changes to NEM or DG customer rates shall be adopted until a final decision has been issued in Phase 2 of this proceeding;

    c. All customers requesting an interconnection agreement between now and the issuance of a final decision in Phase 2 of this proceeding will be grandfathered onto current NEM and DG rates, *including* their current rate design; and

d. Phase 2 of this proceeding will explicitly incorporate the results of the Value of Solar proceeding.

5. The Commission should require Trico to complete a meaningful study of demand billing intervals of different durations and customer demand profiles prior to implementing a demand charge, whether for $0/kW or any other amount. The Commission should also require Trico to be able to fully discuss customer usage and demand profiles prior to imposing a demand charge of any amount on residential customers, and to submit such a discussion in its next General Rate Case if Trico wishes to propose a residential demand charge, due to the importance of this information in determining the most appropriate billing interval and educating customers.

6. The Commission should reject the Proposed Settlement's return trip fee for customers who install distributed generation.

II. The Proposed Settlement's Grandfathering Provision Is Vague and Amounts to Retroactive Ratemaking

Q. What is the Proposed Settlement's grandfathering provision?

A. The Proposed Settlement would grandfather existing solar DG customers or customers that submitted a completed interconnection application by May 31, 2016 on Trico's existing net metering tariff.[4] Under the Proposed Settlement, "Trico members who applied for DG interconnection on or before May 31, 2016 will be grandfathered on the current net metering tariff at least until the Commission issues a decision in Trico's next rate case and with the expectation that grandfathering will continue for the remaining term of the member's interconnection agreement or for 20 years, whichever is shorter"[5] and "[g]randfathering only applies to the current net metering tariff as set forth in Section 9.1 above."[6]

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[4] Proposed Settlement, pp. 5-6.
[5] Proposed Settlement, p. 7
[6] Proposed Settlement, p. 7

Q. Do you have concerns about this proposal?

A. Yes. While I applaud Trico and Staff for proposing to grandfather existing solar DG customers on the existing net metering tariff, the grandfathering provision of the Proposed Settlement are unfair and should be modified to avoid retroactive ratemaking and to ensure that existing solar DG customers maintain their current rate design (e.g., a two-part rate) as is typical for other Arizona utilities that offer grandfathering.

Q. Why is this proposal unfair?

A. The proposed cutoff date in the Proposed Settlement is arbitrary. As discussed in my direct testimony, it would be inappropriate and harmful to set a cutoff date in advance of a final decision by the Commission in this proceeding. The Commission has agreed with this position.[7]

In addition, the Proposed Settlement would not grandfather existing solar DG customers on their current <u>rate design</u>. Given that Trico's application explicitly stated its desire to provide these customers with rate certainty as a matter of fairness,[8] this appears to be an oversight on the part of Trico and Staff that is easily corrected.

Q. Have other Arizona utilities typically proposed new mandatory rate structures for solar DG customers when they proposed to grandfather customers on NEM?

A. It is my understanding that they have not. For example, Arizona Public Service recently proposed grandfathering rules for solar DG customers that would allow customers to remain on their current retail rate.[9] UNSE and Tucson Electric Power proposed three-part

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[7] Monsen Direct Testimony pp. 7-10

[8] Direct Testimony of Vincent Nitido on Behalf of Trico Electric Cooperative, Inc. Docket No. E-01461A-15-0363. October 23, 2015. (Nitido Testimony) p. 16

[9] Direct Testimony of Charles A. Miessner on Behalf of Arizona Public Service Company. Docket No. E-01345A-16-0036. June 1, 2016. p. 45.

rates including demand charges that would be mandatory only for new DG customers.[10] Additionally, the ALJ Recommendation issued in UNSE's rate case noted that UNSE proposed several residential rate options that will allow solar DG customers to select a rate design similar to the one that they have previously been billed under.[11] For this reason, the Proposed Settlement is an outlier with regards to grandfathering.

A. The Proposed Settlement's Net Metering Grandfathering Deadline is Harmful, Amounts to Retroactive Ratemaking, and is Contrary to Commission Policy

Q. Why is the Proposed Settlement's grandfathering cutoff date harmful?

A. Generally speaking, arbitrary limits on grandfathering will create regulatory uncertainty for all of Trico's existing members that either installed solar DG after the arbitrary deadline or planned to install solar DG in the future. This uncertainty would undermine Trico's stated goal of sustainable development of DG on its system. Furthermore, it creates broad regulatory uncertainty by setting a precedent for retroactive ratemaking on the part of the Commission.

Q. Has the Commission previously taken a position on this issue?

A. Yes. My direct testimony discusses at length the Commission's previous statements that grandfathering periods should not begin prior to the date of a final decision by the Commission.[12]

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[10] Direct Testimony of David G. Hutchens on behalf of Tucson Electric Power Company. Docket No. E-01933A-15-0322. November 5, 2015. pp. 21-22; and Direct Testimony of David G. Hutchens on behalf of UNS Electric, Inc. Docket No. E-04204A-15-0142. May 5, 2015. p. 12.

[11] Docket No. E-04204A-15-0142. Recommendation of Administrative Law Judge Jane L. Rodda. July 20, 2016 (ALJ Recommendation), p. 29,

[12] Monsen Direct Testimony pp. 7-10

Q. Is there any additional information on this issue that the Commission should consider?

A. Yes. The recently-issued ALJ Recommendation in UNSE's General Rate Case that is pending before the Commission adopts a cutoff for grandfathered solar DG systems that is at odds with the Proposed Settlement's approach to setting a deadline for grandfathering new DG interconnections. UNSE, like the Proposed Settlement, proposed to establish an arbitrary grandfathering.[13] The ALJ firmly rejected this approach, finding that:

> "[t]he Company's proposed June 1, 2015 for determining which DG customers shall be subject to newly proposed rate options or net metering treatment is not reasonable. Going forward, any DG customer who files an interconnection agreement prior to the effective date of a Decision in phase two of this proceeding shall be treated the same as a DG customer who filed for interconnection prior to that date."[14]

In the ALJ Recommendation, "phase two" refers to a new phase that would be added to the UNSE general rate case that would start after the Commission issues its decision in the Value of Solar docket.[15]

Q. What do you recommend?

A. The Commission should either reject the Proposed Settlement or, similar to the recommendation I made in my direct testimony regarding Trico's application[16] and consistent with the approach in the ALJ Recommendation in the UNSE General Rate Case, modify the Proposed Settlement's grandfathering provision such that it applies to all NEM customers that have existing solar DG or customers that submit a completed

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[13] UNSE proposed a grandfathering date of June 1, 2015.

[14] ALJ Recommendation, p. 137, Finding of Fact 66.

[15] In the matter of the Commission's Investigation of Value and Cost of Distributed Generation Docket E-00000J-14-0023, January 24, 2014.

[16] Monsen Direct Testimony, pp. 9-10.

interconnection application by no more than 30 days after a final decision regarding NEM and rate design issues for solar DG customers in this docket.

B. The Proposed Settlement's Grandfathering Provision Improperly Allows for Revising the Rate Design of Grandfathered NEM Customers

Q. Why does the Proposed Settlement's grandfathering provision improperly allow Trico to revise the rate design for grandfathered NEM customers?

A. The grandfathering provision in the Proposed Settlement does not grandfather rate design because the Proposed Settlement states that customers would be grandfathered on the current net metering tariff, but makes no statement about the rate structure or rate design that customers would actually pay or be credited for excess DG generation under. In Section 9.1, the Proposed Settlement states that "[i]n concert with Sections VII and VIII of this Agreement, all Trico members who applied for DG interconnection on or before May 31, 2106 will *be grandfathered on the current net metering tariff...*"[17] Section 9.2 of the Proposed Settlement then states that "[g]randfathering only applies to the current net metering tariff as set forth in Section 9.1 above."[18]

Q. What would be the impact of adopting the Proposed Settlement's grandfathering provision as written with regard to customer rates?

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[17] Proposed Settlement, p. 7 (emphasis added)
[18] Proposed Settlement, p. 7

A. Customers would only be assured of being grandfathered on Trico's current NEM tariff, Schedule NM.[19] Schedule NM sets rules for crediting DG customers based on the number of kWh that they consume and produce. However, Schedule NM does not establish rates for the customers; those are established in the customer's otherwise applicable tariff. Thus, the grandfathering provisions in the Proposed Settlement does not in any way preserve the rate design that is currently in place for NEM customers. Therefore, the treatment of grandfathered solar DG customers in practice may change significantly due to changes in the structure of Trico's standard residential tariff, Schedule RS1, particularly given that the Proposed Settlement would freeze the alternative Schedule RS2TOU.[20]

Q. Why are changes in rate design important to residential solar DG customers?

A. Residential customers who have installed DG systems are billed based on both NEM rules and their underlying residential rate schedule. As discussed above, Trico's Schedule NM only sets the rules for crediting DG customers' deliveries to the grid. The underlying rate design on the customers' residential rate schedule is critically important for two reasons:

1. A change in rate design, such as implementing a demand charge, could dramatically change the credit for a customer's energy deliveries to the grid, even if the NEM rules still credit that customer in the same manner. Under Trico's Schedule NM, customers are credited for energy delivered to the grid by

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[19] Standard Offer Tariff Net Metering Tariff Schedule NM Effective September 1, 2015 (See Exhibit WAM-1)
[20] Proposed Settlement, p. 5

offsetting kWh consumed with kWh delivered. If Trico were to implement a demand charge for residential customers while maintaining the same expected revenue per customer, it would correspondingly reduce energy rates. This would result in a reduction in the credit a DG customer would receive for their deliveries to the grid.

2. A change in rate design, such as implementing a demand charge, could dramatically alter how much of a customer's bill that customer can directly avoid by consuming energy on-site that was produced by the DG system. In the example above, if a solar DG customer's otherwise applicable tariff changes from a two-part to a three-part rate, the energy rate for the three-part rate would be lower than the energy rate for the two-part rate. Thus, any self-generated energy that is used on-site would generate less savings for the customer under the new rate design.

Thus, changing customers' rate design can change the benefit of the bargain that customers expected when they chose to install solar DG.

Q. Would the potential impact of changes in rate structure on customers undermine the purpose of grandfathering customers onto the current net metering rate schedule?

A. Yes. Changes in rate design could cause significant increases in customers' bills after installing a DG system, which would undermine the basic goal of grandfathering.

Q. Did Trico originally propose to fully grandfather customers who apply for a DG interconnection prior to the cutoff deadline in its Application?

A. Yes. The testimony of Vincent Nitido clearly shows this:

> Trico has proposed to "grandfather" Members who applied for a DG interconnection prior to March 1, 2015 under the existing net metering tariff, because those Members acquired and sized their DG systems based on the tariffs at that time without knowledge of the proposed changes. Trico's Board believes it should not dramatically change cost structure for these original DG systems as a matter of fairness. Applying a demand charge to those grandfathered Members would be inconsistent with the Board's determination in that regard.[21]

Thus, Trico's testimony indicates that it intended to grandfather solar DG customers who meet its grandfathering criteria onto <u>both</u> Trico's current NEM rules and current rate structure.

Q. How is the Proposed Settlement in conflict with Trico's testimony?

A. Shifting a portion of residential customers' rates from energy charges to a demand charge, for example, would be a dramatic and unexpected change in cost structure in the context of Mr. Nitido's testimony language above, and it would economically harm solar DG customers by reducing the value of their NEM energy deliveries. Unfortunately, the Proposed Settlement as written would allow for such a change to the underlying residential rates that apply for solar DG customers. Thus, taken with Trico's previous statements in this proceeding, the Proposed Settlement's grandfathering provision is either poorly worded or a significant departure from Trico's previous position.

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[21] Nitido Testimony, p. 16

Q. What do you recommend?

A. I recommend that the Commission either reject the Proposed Settlement or revise the Proposed Settlement to (1) grandfather not only the ability to use NEM but also the rate structure that is in place today for NEM customers and (2) clearly state that the grandfathering applies to both Trico's NEM rules under Schedule NM and Trico's current residential rate design. The Commission could accomplish this either by directing Trico to maintain its current rate structure for all customers or by directing Trico to adopt an optional rate structure consisting of only fixed and energy charges specifically for these DG customers.

Q. Are you proposing to freeze rates for grandfathered NEM customers?

A. No. In future rate cases, the rates paid by grandfathered NEM customers would reflect the revenue requirement that is allocated to those customers. Thus, those customers would pay their fully allocated cost of service.

C. The Proposed Settlement Would Provide Only a Limited Guarantee of Future Regulatory Treatment for Existing Solar DG Customers

Q. Why is the Proposed Settlement's language regarding the length of time for which customers would be grandfathered on Trico's current NEM tariff vague and problematic?

A. The Proposed Settlement as filed would only guarantee grandfathering of existing DG customers on Trico's current NEM tariff until roughly late-2018 or early-2019. Section 9.1 of the Proposed Settlement first states that customers who applied for interconnection before the cutoff date will be grandfathered at least until the Commission issues a decision in Trico's next rate case[22], which could be as early as 2018 given that the Proposed Settlement would allow for a test year of the 12 month period ending on June 30, 2018 in Trico's next rate case.[23] In the same sentence, the Proposed Settlement states that customers would then (i.e., as of Trico's next rate case), have an "expectation" that grandfathering will continue for the remainder of the customer's interconnection agreement or 20 years, whichever is shorter.[24] This language clearly leaves open the door to eliminating grandfathering in Trico's next rate case, which again would contradict Trico's expressed desire for fair treatment of DG customers eligible for grandfathering. It would also cause significant uncertainty to customers considering solar DG before the grandfathering deadline.

Q. What do you recommend?

A. I recommend that the Commission either reject the Proposed Settlement or modify the Proposed Settlement to affirmatively state that grandfathering for existing NEM customers and NEM customers who apply for interconnection prior to 30 days after the issuance of a decision regarding NEM and rate design issues for solar DG customers in this docket will run through the shorter of (1) customer interconnection agreement or (2) 20 years from date system was installed.

III. The Proposed Settlement's Residential Rate Design Has Several Fatal Flaws

Q. What changes would the Proposed Settlement make to Trico's residential electric rate design?

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[22] Proposed Settlement, p. 7
[23] Proposed Settlement, p. 3
[24] Proposed Settlement, p. 7

A. The Proposed Settlement includes the following key changes in its residential electric rate design:

- Increase residential fixed charges from $15/customer/month to $24/customer/month.[25]
- Introduce a 24/7 peak demand rate of $0.00/kW without a minimum demand requirement and with peak demand defined as the highest 15-minute interval demand during the month.[26]
- Introduce a two-tiered inclining block energy rate for non-TOU customers, with the first 800 kWh/month billed at a reduced rate relative to kWh in excess of 800 kWh/month.[27]
- Freeze Rate Schedule RS2TOU to prevent any additional customers from being added onto that rate schedule.[28]

Q. Do you agree with the residential rate design in the Proposed Settlement?

A. Not entirely. I have several concerns regarding certain aspects of the residential rate design proposal that I discuss in this section (I will address the inadequacy of the Proposed Settlement's buyback rate for excess generation credits under Trico's NEM program later in my testimony).

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[25] Proposed Settlement, p. 4.
[26] Proposed Settlement, p. 4.
[27] Proposed Settlement, Attachment C, p. 1.
[28] Proposed Settlement, p. 5.

Q. What are your concerns regarding Proposed Settlement's specific residential rate design elements?

A. I am concerned with the magnitude of the increase in Trico's fixed charge for residential customers, which is now even larger than the fixed charge proposed in Trico's application, as well as the Proposed Settlement's continued focus on using a fixed charge rather than a minimum bill approach to ensure customers pay their fair share of infrastructure costs. I am also concerned by the proposals to include a residential demand charge for the first time and to freeze Trico's residential time-of-use rate schedule, Schedule RS2TOU. I discuss each of these concerns below.

A. The Proposed Settlement Includes an Excessive Residential Fixed Charge

Q. What was the magnitude of the increase that Trico proposed in its residential fixed charge in its application?

A. Trico proposed to increase its fixed charge by approximately 33% for customers on flat rates and by 26% for its residential TOU customers.[29]

Q. Is the magnitude of Trico's proposed increase in its residential fixed charge in its initial application reasonable?

A. No. I noted in my opening testimony that this is a significant change in rates. This is particularly true given that the fixed charge is a component to which customers cannot adapt their electric consumption, so it would be especially impactful for customers that have relatively low usage.

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[29] Direct Testimony of Karen Cathers on Behalf of Trico Electric Cooperative, Inc. October 23, 2015 (Cathers Testimony), pp. 10-11. (\$20-\$15)/\$15 = ~33%. (\$24-\$19)/\$19 =~26%.

Q. Is such a significant rate increase consistent with good ratemaking practices?

A. No. As discussed by Bonbright, gradual rate changes are preferable to sudden changes.[30]

Q. Does the Proposed Settlement also include a significant increase in Trico's residential fixed charge?

A. Yes. In fact, the Proposed Settlement includes an even more extreme change in Trico's residential fixed charge: it would increase this charge by 60% (i.e., from $15/customer/month to $24/customer/month).[31]

Q. Is a large increase in the residential fixed charge the only way to reduce any alleged intra-class subsidy?

A. No. As discussed in my direct testimony, an alternative would be a monthly minimum bill that is trued up on an annual basis. In addition, Trico could also redesign its TOU rates, which could result in a more robust solar DG program. This would be consistent with Staff's recommendations in the Sulfur Springs Valley Electric Cooperative's general rate case, where Staff recommended that Sulfur Springs continue to offer TOU rates.[32]

Q. Do other parties believe that Trico's current monthly fixed charge for its residential customers is too high and that, as a result, an increase in the monthly fixed charge would be unreasonable?

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[30] Bonbright, Danielsen, and Kamerschen "Principles of Public Utility Rates," 1988, p. 383 (see Exhibit WAM-2)

[31] Proposed Settlement, p. 4. ($24-$15)/$15 = 60%

[32] In The Matter Of The Application Of Sulphur Springs Valley Electric Cooperative, Inc., For A Hearing To Determine The Fair Value Of Its Property For Ratemaking Purposes, To Fix A Just And Reasonable Return Thereon, To Approve Rates Designed To Develop Such Return And For Related Approvals. Staff's Closing Brief Docket No. E-01575A-15-0312. July 14, 2016 (Closing Brief). p. 11. (see Exhibit WAM-3)

A. Yes. During public comments on July 19, 2016 in this docket, a representative of SWEEP indicated that Trico's current monthly fixed charge is too large and should be reduced from $15 to $10.

Q. What do you recommend?

A. I recommend that the Commission reject the Proposed Settlement's recommendation to increase the monthly fixed charge and to direct Trico to adopt a minimum monthly bill that is trued up annually for residential customers that is revenue neutral relative to its current fixed charge. Alternatively, the Commission should direct Trico to reduce its monthly fixed charge to $10/customer/month as recommended by SWEEP. In addition, as discussed more fully below, the Commission should direct Trico to re-examine and revise the structure of its current TOU rates.

B. The Proposed Settlement Would Introduce a Confusing $0/kW Demand Charge

Q. What is the demand charge that the Proposed Settlement would implement?

A. The Proposed Settlement would implement a mandatory residential demand charge of $0/kW.[33]

Q. On what time interval would Trico bill residential customers for demand charges under the Proposed Settlement?

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[33] Proposed Settlement, p. 4.

A. Trico would bill customers based on the highest 15-minute interval demand during each month.[34]

Q. What are your concerns regarding the proposed mandatory $0/kW demand charge?

A. I have many concerns. Trico does not appear to have a good rationale for such a rate. Demand charges are burdensome and confusing to customers, especially if they have never taken service under such a tariff. There would be little or no educational value to customers associated with this new rate element. A mandatory demand charge is not the favored rate design in other dockets or jurisdictions. Finally, Trico's infrastructure is not ready to implement such a tariff and, as a result, cannot provide useful information to customers to support educational goals. I discuss each of these points below.

1. There is no clear purpose for the $0/kW demand charge

Q. What is the intended purpose of implementing a $0/kW residential demand charge?

A. There does not appear to be a clear purpose for this charge. Clearly, the demand charge does not increase revenue collection. Therefore, there must be some other purpose for the charge. However, in response to discovery, Trico has given several contradictory reasons for the $0/kW demand charge. Trico states that the rationale behind this rate element is "[t]o put in place a tariff that Trico members can reference with respect to demand information on their bill, in order to assist them in understanding how demand rates work…."[35] However, Trico also states that "[t]he $0/kW demand charge is not intended

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[34] Proposed Settlement, p. 4.
[35] Trico Response to EFCA DR 5-12(a) (see Exhibit WAM-4)

to provide education about demand charges."[36] While Trico states that the demand charge is not intended to provide education, it also states that the demand charge "provides a tool and opportunity for the member to receive education."[37] These contradictory and confusing responses make clear that there is no clear, legitimate purpose for implementing this new rate element.

2. Demand charges would be burdensome and confusing to residential customers

Q. Are demand charges potentially confusing to customers that have never had such charges in the past?

A. They could be, particularly without extensive, well-planned education prior to implementing them. For example, it would likely be challenging for such customers to understand that in order to reduce these charges they would need to, if billed based on 15-minute intervals, monitor their usage in each of the 2,918 quarter-hour intervals that exist on average in a month.[38] This would be a significant change from simply monitoring overall usage.

Q. Do demand charges impose significant lifestyle challenges on residential customers?

A. They could. In recent testimony regarding San Diego Gas & Electric's (SDG&E's) ongoing General Rate Case before the California Public Utilities Commission, a ratepayer advocacy organization, the Utility Consumers Action Network (UCAN),

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[36] Trico Response to EFCA DR 5-12(e) (see Exhibit WAM-4)
[37] Trico Response to EFCA DR 5-12(e) (see Exhibit WAM-4)
[38] 2,918 intervals = 30.4 days per average month * 24 hours per day * 4 quarter-hour intervals per hour

addressed customer the challenges facing residential customers if demand charges were imposed. In particular, that testimony observed that demand charges:

> ...require customers to keep track of random events which have no intrinsic value to anyone. Customers do not want to be rate computers, but to reduce their demand charge they need to have the following scenario in mind **every winter morning**: "My coffee-maker is running, and it's chilly so my furnace fan is running. That means I shouldn't turn on the toaster and the hair dryer at the same time at 7 am or I could get a higher demand charge. I need to wait 15 minutes to use that toaster." This kind of price signal is totally disconnected from either causation of or avoidance of utility costs. It is also a waste of the very limited amount of brainpower that most people want to spend on their electric rates. So customers will eventually screw up, pay up, and give up.[39]

The same UCAN testimony observes that "[i]f a utility wants to reduce feeder loads and defer construction, a time of use rate component at times when most feeders are peaking will do a better job than a demand charge"[40] and that the Ontario Energy Board conducted an analysis with residential focus groups that found "[t]here is no template for measuring maximum use that people are used to in the way they understand TOU."[41]

3. The $0/kW demand charge provides no educational value

Q. Does the Member Education Program defined in the Proposed Settlement need a $0/kW demand charge to succeed?

A. No. Trico's stated objectives for its Member Education Program further emphasize the lack of clear purpose for the demand charge, as they include "(a) the nature and operation of demand rates; (b) how members can utilize demand rates to reduce monthly bills; and

[39] Direct Testimony of Garrick Jones and William P. Marcus on behalf of Utility Consumers Action Network. California Public Utilities Commission Application 15-04-012. July 5, 2016 (UCAN Testimony) p. 43 (emphasis in original). (see Exhibit WAM-5)
[40] UCAN Testimony p. 44. (see Exhibit WAM-5)
[41] UCAN Testimony. p. 42. (see Exhibit WAM-5)

(c) information on tools available from Trico and third parties to help members manage demand…"[42] Furthermore, Trico has not yet formulated a plan for how it will educate members on how to utilize demand rates to reduce monthly bills.[43] Thus, it is entirely premature to adopt a new demand charge with the intention of providing information or educational tools when there has been 1) no education plan formulated and 2) no clear need or purpose for implementing a new rate element for educational purposes established.

Q. Would a $0 charge paired with providing the customer with a line item on their bill disclosing the customer's date and time of their monthly maximum demand educate or otherwise effectively inform customers about how demand charges function and could impact their bills?

A. I do not believe so. A $0 bill line item would serve only to confuse customers without providing them any additional information about the cause for their demand and how to manage it. A well-designed education program could more effectively provide this information to customers without prematurely introducing a new rate element. There is no need for a new $0 rate component for Trico to education or provide information to its customers.

[42] Proposed Settlement, p. 7
[43] Trico Response to EFCA DR 5.11(e) (see Exhibit WAM-4)

4. Mandatory demand charges are contrary to findings in other dockets and jurisdictions

Q. Have other utilities proposed mandatory demand charges for residential customers?

A. Yes. For example, UNSE proposed such a demand charge in its ongoing General Rate Case.

Q. How has this proposal been received?

A. Not only was the proposal strenuously opposed by parties to the proceeding, the ALJ Recommendation in that docket rejected UNSE's proposal. Instead, the ALJ Recommendation 1) accepted as reasonable a transition of residential customers to TOU rates and 2) accepted as reasonable the offering of multiple customer options, including the TOU rates and traditional two-part or three-part rates with a demand charge component.[44] Notably, the ALJ Recommendation would also require UNSE to transition customers to new rate structures by proposing "a transition plan which includes an educational program and timeframe for Commission approval" with two-part volumetric rates to be effective in the interim.[45]

Q. Does the Proposed Settlement propose transition steps such as those in the ALJ Recommendation in the UNSE General Rate Case?

A. No.

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[44] ALJ Recommendation, p. 137, Finding of Fact 59.
[45] ALJ Recommendation, p. 137, Finding of Fact 60 and 61.

Q. Has the issue of the necessary and sufficient conditions which should be met prior to consideration of mandatory residential demand charges been addressed in other proceedings before the Commission?

A. Yes. The UNSE ALJ Recommendation comments at length on requirements for implementing residential demand charges, stating that

> [i]n order for customers to understand how demand charges work and how they can manage their energy consumption to save money, or at least not incur a bill increase, requires education and tools available to monitor their load. Although the necessary meters that can measure demand are close to being ubiquitous in UNSE's service areas, an education plan has not been formalized, nor have tools for managing load been made available....The public distrust or antipathy to the proposal has convinced the Company and the Commission that any transition to three-part rates will require a massive public education effort before we can say with any degree of certainty that mandatory residential demand rates in UNSE's service territory are in the public interest.[46]

Q. Has Trico met the criteria outlined in the UNSE ALJ Recommendation?

A. No. As I have described above, Trico has not proposed even a basic education plan for its residential customers regarding demand charges. Additionally, as discussed below, Trico does not have the basic metering equipment universally installed to adequately measure, record, and bill demand in a way that would also allow customers to understand the cause of their demand charges or how they might mitigate those charges, and would need to invest millions of dollars even to be able to educate its residential customers.

Q. Have regulated utilities in other states tried to propose demand charges for DG customers?

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[46] ALJ Recommendation, pp. 65-66.

A. Yes. Over the last few years, regulated utilities in several states other than Arizona have proposed mandatory demand charges for residential DG customers.

Q. What were the results of these proposals?

A. The proposals were either rejected by the state's regulatory commission or withdrawn by the utility in all but one instance.[47] The exception is the case of Black Hills Power in Wyoming, where the Wyoming Public Service Commission approved the proposal of a compulsory demand charge for DG customers.[48] However, it is worth noting that this demand charge was approved as part of a settlement agreement.

In the following instances compulsory demand charges for residential customers were rejected by the state regulatory Commission:

1. California - Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric: The California Commission decided that the new NEM tariff should not include any additional fixed charges, including demand charger, until the Commission authorizes such charges for all residential customers.[49]
2. Idaho - Idaho Power Company: The Idaho Commission expressed concern

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[47] There are also applications under consideration in Texas and Oklahoma.
[48] Wyoming Public Service Commission, Case No. 13788, *In The Matter Of The Application Of Black Hills Power, Inc., For A General Rate Increase Of $2,782,883 Per Annum In Its Retail Electric Service Rates,* "Findings of Fact, Conclusions of Law, and Order," November 13, 2014 (see Exhibit WAM-6)
[49] California Public Utilities Commission, Docket No. R.14-07-002, *Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering,* Decision 16-01-044. February 5, 2016, pp. 2, 66-67, 69-70, 72, 75, 114. (see Exhibit WAM-7)

that the Company's proposal would serve as a disincentive to distributed generation, and would go against the state's Energy Plan, thus rejecting the proposal.[50]

3. Nevada: Nevada Power Company: The Nevada Commission decided that the ratepayer acceptance of demand charges is important, and unknown and thus a demand charge for residential and small commercial customers would not be acceptable.[51]

In the following jurisdictions, utilities proposed mandatory demand charges for residential customers but eventually withdrew their proposals:

1. Arkansas – Oklahoma Gas & Electric[52]
2. Georgia – Georgia Power Company[53]
3. Kansas – Westar Energy[54]
4. Montana – Montana-Dakota Utilities Company[55]

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[50] Idaho Public Utilities Commission, Case No. IPC-E-12-27, *In the Matter of Idaho Power Company's Application for Authority to Modify its Net Metering Service and Increase the Generation Capacity Limit*, Order No. 32846, July 3, 2013, p. 12-13 (see Exhibit WAM-8)

[51] Nevada Public Utilities Commission, Docket No. 15-07041 *Application of Nevada Power Company d/b/a NV Energy for Approval of a Cost of Service Study and Net Metering Tariffs*, Modified Final Order, p. 147. (see Exhibit WAM-9). A similar application by Sierra Pacific Power was also filed in Docket No. 15-07042, and this is covered under this order.

[52] Arkansas Public Service Commission, Docket No. 15-075-TF, *In the Matter of Request for Approval of Changes to Net Metering Tariff to Comply with Act 827 of 2015,* Filed July 22, 2015. OG&E withdrew its residential distributed generation demand charge proposal in a revised filing dated August 4, 2015. (see Exhibit WAM-10)

[53] Georgia Public Service Commission, Docket No. 36989, *Georgia Power's 2013 Rate Case*, Order Adopting Settlement Agreement, December 23, 2013, p. 15 (see Exhibit WAM-11)

[54] Kansas Corporation Commission, Docket No. 15-WSEE-115-RTS, *In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company to Make Certain Changes in Their Charges for Electric Service*, Order Approving Stipulation and Agreement. September 24, 2015, p. 13-17 (see Exhibit WAM-12)

5. South Dakota – Black Hills Power[56]

Q. Aside from regulated utilities, do you have any other examples of utilities proposals for demand charges for residential DG customers?

A. Yes. In February 2015, the Board of Directors for Salt River Project (SRP), an unregulated public utility that serves nearly 1 million electricity customers in central Arizona, approved the implementation of demand charges for residential DG customers.[57] The Board approved a new three-part rate structure for these customers, with a per kW demand charge, as well as an increased fixed charge.[58]

Q. What was the impact of these changes on solar DG applications in the SRP jurisdiction?

A. Subsequent to the decision, the number of applications for solar DG plummeted in 2015. The following figure shows the monthly applications from January 2011 through December 2015. Aside from an unusual dip in May 2011, and an exceptional spike in December 2014, the number of applications averaged at least 200 per month from 2011 to the end of 2014, with the numbers steadily increasing in 2014, until January 2015 when application numbers take a deep dive, and average around 34 per month for 2015.

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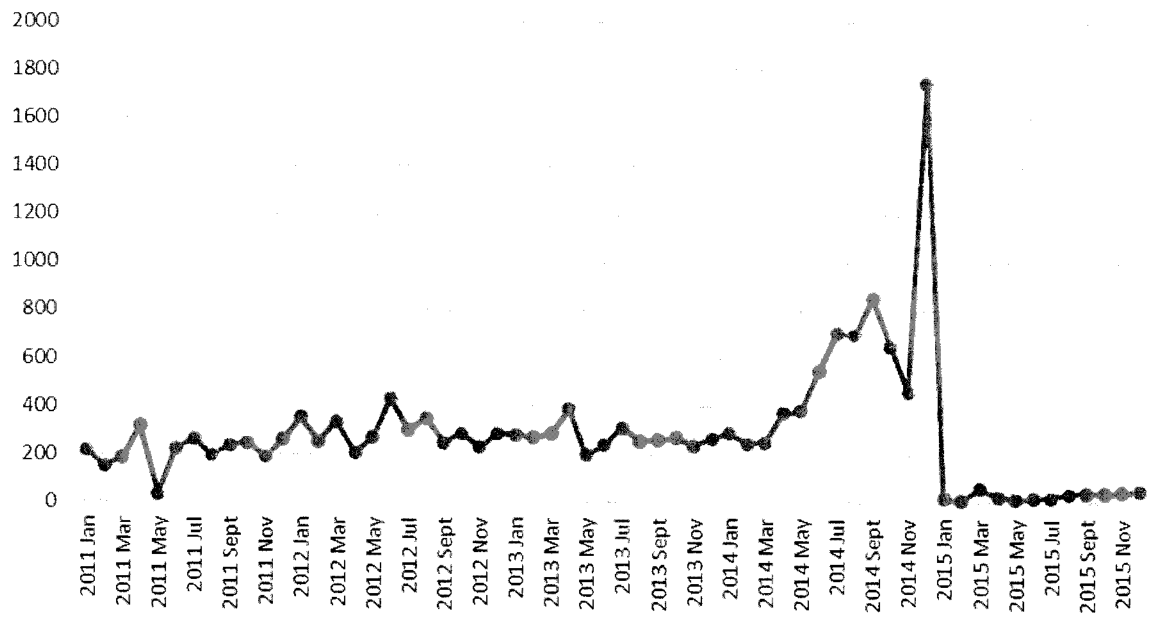
[55] Montana Public Service Commission, Docket No. D2015.6.51, *In the Matter of the Application of Montana-Dakota Utilities Co. for Authority to Establish Increased Rates for Electric Service in the State of Montana*, "Stipulation to Withdraw Proposed Demand Charge for Residential Net Metering Customers," November 18, 2015, p. 2 (see Exhibit WAM-13)

[56] South Dakota Public Utilities Commission, Docket No. EL14-026, *In the Matter of the Application of Black Hills Power, Inc. for Authority Increase its Electric Rates,* Filed March 31, 2014. Black Hills withdrew its residential distributed generation demand charge proposal when it entered into a Settlement Stipulation with the South Dakota Public Utilities Commission Staff through a joint motion filed on December 9, 2014 (see Exhibit WAM-14)

[57] "SRP Board Approves Reduced Price Increase," February 26, 2015 (see Exhibit WAM-15)

[58] SRP Website (see Exhibit WAM-16)

Figure 1: SRP Residential Solar Applications[59]



The following table shows the average number of applications per month for the years 2011 – 2015.

Table 1: Average Monthly Solar DG Applications in SRP 2011-2014[60]

Year	Average Monthly Applications
2011	210
2012	297
2013	274
2014	601
2014 without December	497
2015	34

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[59] Data obtained from: http://arizonagoessolar.org/UtilityPrograms/SaltRiverProject.aspx, last accessed: 7/27/2016. The data used are net of withdrawn or cancelled applications

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As can be seen from the table, there is a sharp decline in the average monthly applications for residential DG in 2015. Even leaving out the anomalous month of December 2014, the average monthly applications declined by a whopping 93% in 2015, compared to 2014. As can be seen, the implementation of the demand charge on residential DG customers in SRP territory, the only instance of its kind presently, had a very adverse effect on the adoption of solar DG by residential customers in the SRP service territory.

Q. What do you conclude from this?

A. While many utilities have proposed demand charges, to date these proposals have been almost uniformly rejected or withdrawn. Where a demand charge was implemented, there was a significant drop-off of applications for DG facilities.

5. Trico's metering and billing infrastructure is inadequate to provide useful data to customers

Q. Does Trico currently have the technical capability to effectively provide useful information to most residential customers about how demand charges function and how demand charges could impact their bills?

A. No. According to Trico, it has:

> approximately 32,280 residential rate meters that are configured on the Landis and Gyr PLC system. Approximately 30,930 of this configuration group brings in a single demand read for every day, however this data is not currently transferred to Trico's billing system as it is not currently used for billing. To bill with the demand data for this many accounts Trico would need to contract with our billing software consultants at National Information Solutions Cooperative (NSC) to

> complete the necessary programming changes, which we anticipate would take several months to accomplish.[61]

Thus, for the majority of Trico's 46,086 active meters,[62] Trico's meters are capable of taking only a single demand reading each day. It is unrealistic to expect that giving a customer at most a single daily demand value would help the customer understand how they actually consume energy throughout the day, much less from 15-minute interval to 15-minute interval. Considering that there are, on average, 2,918 quarter-hour intervals in a month[63], I am not convinced that Trico's proposal to provide a customer with a single snapshot of their monthly maximum demand will result in any load shifting or equitable change in fixed cost recovery.

Q. Please explain why most of Trico's current meters would not provide adequate information to customers for them to respond to demand charges?

A. In order for customers to potentially understand demand charges and how to modify their behavior to reduce those demand charges, customers would need to understand not only their maximum daily demand but also their demand in many other hours of the day. Without knowing the hour and magnitude of maximum demand along with demand in the several hours before and after maximum demand occurs in each day of the month, customers would be required to simply guess how they should change their energy usage, and any changes may be ineffective in reducing demand charges. For example, if a

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[61] Trico Response to Staff DR 2-8 (see Exhibit WAM-4)
[62] Trico Response to Staff DR 2-8 (see Exhibit WAM-4)
[63] 2,918 intervals = 30.4 days per average month * 24 hours per day * 4 quarter-hour intervals per hour

customer shifts some demand from the hour in which their maximum demand occurred to the following hour, the actual magnitude of that customer's maximum demand for billing purposes may not change if the original demand in those two hours was similar. Knowledge of their actual load profile would still not guarantee that customers would understand and modify their behavior such that they could reduce their monthly demand and related billing totals, but it would at least give them a better opportunity to understand how to do so.

Q. Are there other delays associated with movement toward implementing a demand charge for residential customers?

A. Yes. Trico admits that it would require several months of work to upgrade its billing infrastructure to process and bill with this data.[64]

Q. Why did Trico seek to implement a demand charge with a 15-minute interval as opposed to a longer time interval?

A. Trico states that its standard metering and billing is based on a 15-minute interval for all of its over 40,000 accounts.[65] Trico asserts that it would take re-programing or replacing of metering and billing interface software as well as changing of all the existing demand rate tariffs to make a change to this standard.[66]

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[64] Trico Response to Staff DR 2-8 (see Exhibit WAM-4)
[65] Trico Response to EFCA DR 5-1(e) (see Exhibit WAM-4)
[66] Trico Response to EFCA DR 5-1(e) (see Exhibit WAM-4)

Q. How much would it cost for Trico to measure, record, and provide billing demand for all customers in 15-minute intervals?

A. According to Trico, "[t]o upgrade Trico's current PLC system to a system capable of providing 15-minute interval data would cost in excess of $10 million, which does not include the write-off Trico would need to take for retirement of the current system approximately 10 years early."[67]

Q. Please summarize the infrastructure upgrades Trico would need to make to fully implement demand charges for its residential customers.

A. Trico would need to (1) replace over 30,000 meters to show most or all residential customers their demand profile over the course of each day in an effort to teach them how to adapt their usage of electricity, (2) implement major billing infrastructure upgrades simply to bill customers based on a single maximum demand data point each day, and (3) upgrade its billing system to provide 15-minute interval data at a cost of $10 million in addition to a write-down for retirement of its current system.[68]

Q. Would the upgrades required for Trico to fully implement demand charges allow for it to study and/or implement demand billing intervals other than 15 minutes?

A. Not immediately. Trico would need to make significant metering and billing upgrades to change the time interval over which it bills for demand charges. As discussed above, Trico would require major upgrades simply to fully implement residential demand

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[67] Trico Response to Staff DR 2.11 (see Exhibit WAM-4)
[68] Trico Responses to Staff DR 2.8 and DR 2.11 (see Exhibit WAM-4)

charges on a 15-minute interval basis. Trico would need to make additional changes to its metering and billing infrastructure to implement alternative demand billing intervals.[69]

6. Conclusion: Trico is not ready to implement a demand charge and should pilot such a change before adoption

Q. Do you believe that Trico's rationale supporting this demand charge based on 15-minute demands is reasonable?

A. No. Trico's rationale demonstrates that it is not in a strong position to implement residential demand charges nor to educate its customers about them. Trico's rationale is also somewhat misleading, due to the fact that Trico has also stated that it would take significant changes to billing infrastructure simply to bill customers for demand. Also, as discussed above, demand charges present residential customers with significant challenges in terms of understanding their function and how to respond. Given that there are roughly 3,000 15-minute intervals each month, and demand charges would be billed based on customer demand in just one of these intervals, Trico would be asking customers to monitor and adjust their behavior based on each of these 3,000 intervals. While responding to any demand charge may be difficult for residential customers, applying a 15-minute billing interval would be particularly burdensome.

Q. What do you recommend?

A. The Commission should reject the Proposed Settlement's $0/kW demand charge. The proposed demand charge is confusing and provides no educational value, especially since

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[69] Trico Response to EFCA DR 5.1(e) (see Exhibit WAM-4)

customers would be almost completely in the dark regarding the basis for the demand charge. Before implementing a demand charge, Trico should develop a demand billing pilot program designed to provide a random selection of residential customers with appropriate metering equipment and educate them on demand charges and managing their electricity demand. This is the only action that the Commission should allow Trico to take with regard to residential demand charges at this time. The results of this pilot could be used by Trico to demonstrate customer understanding and acceptance of demand charges. The Commission should direct Trico to demonstrate customer understanding and acceptance of demand charges in its next General Rate Case. If Trico cannot make that demonstration, it should not pursue a new demand charge. On the other hand, if the results of the pilot program are promising and Trico can clearly demonstrate that is customers understand and accept demand charges, the Commission should consider having Trico develop and pursue a broad-based educational program and to bring forward a metering and billing infrastructure upgrade plan in its next General Rate Case.

C. The Proposed Settlement Would Freeze Trico's Residential TOU Rate Option Prematurely and Without Support

Q. How would the Proposed Settlement modify Trico's existing residential TOU rate option?

A. The Proposed Settlement would freeze Trico's residential TOU rate option, not allowing any new customers to opt onto this tariff.[70]

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[70] Proposed Settlement, p. 5.

Q. Did Trico discuss its rationale for freezing the residential TOU rate option in its application?

A. No, Trico did not propose freezing this rate option in its application.

Q. Does Staff contend that freezing the residential TOU rate option is reasonable?

A. Staff's opening testimony in this docket did express support for freezing Trico's residential TOU rate option. Additionally, Staff recently filed a brief in the General Rate Case for another electric cooperative, Sulphur Springs Valley Electric Cooperative (SSVEC), that explicitly opposed freezing SSVEC's residential TOU rate option and rejected the exact rationale used by Trico as described above. In that brief, Staff stated that

> Staff does not believe that it is appropriate to freeze the existing TOU rate schedules. According to the Company, its customers' lack of interest in TOU rates relates to the fact that the Company's power supply from Arizona Electric Power Cooperative ("AEPCO") is not time-differentiated. However, Staff believes that AEPCO's rates could be structured differently in the future, and if so, the attractiveness of the Company's TOU rates may increase. Staff further believes that both the existing and the proposed TOU rates are not harmful to the Company's operations, and Staff recommends that the Company continue to offer TOU rates for its residential, commercial, and large power customers.[71]

It is unclear to me why Staff has agreed, without explanation, in this proceeding to sign onto a settlement that takes the exact opposite position from that which Staff took just a few weeks earlier.

Q. Has Trico or Staff provided any studies or analysis in support of freezing Trico's residential TOU rate schedule?

A. No.

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[71] Docket No. E-01575A-15-0312. Staff's Closing Brief. July 14, 2016. p. 11. (see Exhibit WAM-3)

Q. Why does Trico contend that freezing the residential TOU rate option is reasonable?

A. According to Trico, it "is a distribution only cooperative and purchases its power and transmission at wholesale. Trico's wholesale power providers price the power through a fixed monthly charge and a monthly energy rate that does not change by time of day. This results in Trico's RS2TOU Members reducing their usage without a corresponding benefit to the system or utility costs."[72]

Q. Do you agree with Trico's rationale?

A. No. While Trico's wholesale generation costs may not vary over the course of the day, its infrastructure costs, including generation capacity, transmission capacity, and distribution capacity are ultimately time-dependent. The capacity of any utility's infrastructure is necessarily tied to times when the need for that capacity is greatest. In other words, infrastructure costs are driven by customer behavior during certain times of the day. Properly designed, TOU energy rates have better customer acceptance than demand charges and may provide a more effective price signal to customers regarding these costs compared to demand or fixed rates due to better alignment with utility costs.[73] In addition, freezing and/or eliminating these TOU rates would unnecessarily cut off the ability of residential customers to control their bills by adjusting their consumption.

Q. Why can TOU energy rates provide a superior price signal to demand or fixed charges?

A. The cost for infrastructure such as generation, transmission, and distribution capacity is ultimately tied to the time of day during which the overall demand for this capacity is greatest, not to the demand of individual customers. Signaling to customers to reduce

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[72] Trico Response to EFCA DR 5-6(a) (see Exhibit WAM-4)
[73] Docket No. E-00000J-14-002. Direct Testimony of B. Thomas Beach. February 25, 2016. pp. 27 (FN 24) and 28 (see Exhibit WAM-17).

usage during certain periods of the day may, in fact, be more effective in reducing the need for infrastructure capacity than signaling to customers to reduce usage through demand charges because TOU rates are more easily understood.

Q. Do you have other concerns regarding the freezing of Trico's residential TOU tariff?

A. Yes. I am concerned with taking an approach of eliminating a rate option prior to determining that it is not the best, or even an effective, way to induce price responsiveness from residential customers. This approach also appears to be contrary to the ALJ Recommendation in the UNSE General Rate Case. The ALJ Recommendation stated that it is reasonable to transition customers to TOU rates, while maintaining optional rates with different structures, including a demand charge, on an optional basis.[74] It also envisioned the Commission maintaining a two-part volumetric rate structure until the Commission approves default TOU rates and other rate options.[75] Thus, the ALJ Recommendation provided a clear preference for multiple rate options, a smooth, gradual transition to new rate structures while maintaining existing options, and a TOU rate structure. It would seem entirely premature, then, to eliminate Trico's TOU rate option without strong rationale and support.

Q. Did the ALJ Recommendation in the UNSE General Rate Case discuss the rationale in favor of maintaining residential rates consisting only of fixed and energy charges?

A. Yes. The ALJ Recommendation referenced James Bonbright's <u>Principles of Public Utility Rates</u> as follows:

> The administration of *any* [emphasis in original] standard or system of rate making has consequences, some of which are costly or otherwise harmful; and these consequences may warrant the rejection of one system in favor of some

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[74] ALJ Recommendation, p. 137, Finding of Fact 59.
[75] ALJ Recommendation, p. 137, Finding of Fact 61.

> other system admittedly less efficient in the performance of its recognized economic functions. Thus an elaborate structure of rates designed to make scientific allowance for the relative cost of different kinds of service may possibly be rejected in favor of a simpler structure more readily understood by consumers and less expensive to administer. And thus a system of rate regulation that would come closest to asserting a company of its continued ability to earn a capital-attracting rate of return may be rejected in favor of an alternative system that runs less danger of removing incentives to managerial efficiency. The art of rate making is an art of wise compromise.[76]

The ALJ Recommendation would, based on this thinking, adopt several alternate rate designs, including a TOU rate option, rather than turning to a mandatory three-part rate.

Q. What do you recommend?

A. I recommend that the Commission reject the Proposed Settlement related to the premature freezing of the residential TOU tariff. In addition, the Commission should consider directing Trico to conduct a pilot study of residential TOU adoption and marketing effectiveness.

IV. Trico's Proposed Buyback Rate for Excess Energy Produced by Distributed Solar Generation Customers is Inadequate

Q. What does this section of your testimony address?

A. I discuss the Proposed Settlement's flawed proposal regarding compensation for excess energy deliveries by solar DG customers. The Proposed Settlement's buyback rate would not compensate solar DG customers for costs that they avoid on the Trico system and it would force new solar DG customers to accept significant pricing uncertainty and risk.

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[76] ALJ Recommendation, p. 64.

A. The Proposed Settlement would arbitrarily set the buyback rate for excess generation from new solar DG customers and would not compensate solar DG customers for costs that they avoid

Q. Under the Proposed Settlement, at what rate would customers be credited for solar DG generation delivered onto the Trico distribution grid?

A. According to the Proposed Settlement, "[t]he export rate, for energy generated from a new DG member's system and delivered back to Trico ("excess energy"), will be set at $0.0770/kWh. All excess energy from a new DG member will be credited to the member for the billing period at the export rate."[77]

Q. How did the Proposed Settlement arrive at the export rate of $0.0770/kWh?

A. According to Trico, the export rate "represents about a half way point between the current Trico avoided cost rate and Trico's current retail residential rate.... [t]his number was derived through settlement discussions and not through pricing analysis."[78] Trico also reiterates its belief that "[t]he actual cost of wholesale power that Trico avoids by purchasing DG energy export is the Trico avoided cost as discussed in Trico' original rate application."[79] Thus, Trico's position as to its avoided cost as well as the Proposed Settlement's export rate completely ignore concepts discussed in the Commission's Value of Solar proceeding other than brown wholesale energy. The Proposed Settlement's export rate is also arbitrary and unsupported in the record.

Q. Please discuss the other costs that should be considered in setting Trico's export rate.

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[77] Proposed Settlement, p. 6.
[78] Trico Response to EFCA DR 5-9(a) (see Exhibit WAM-4)
[79] Trico Response to EFCA DR 5-9(a) (see Exhibit WAM-4)

A. I discussed these costs extensively in my direct testimony.[80] In particular, Trico has provided no evidence that there is zero value with regard to solar DG avoiding transmission and distribution infrastructure costs, and in fact made no attempt to study these issues. Additionally, evidence suggests that there is at a minimum some avoided substation and transmission cost value; my direct testimony discusses the fact that there is no backflow from residential customer distribution circuits onto the transmission system, which indicates that any excess DG output is consumed on the circuit on which it is produced. In light of this discussion, it is entirely premature and inappropriate to adopt a settled export rate that ignores this value. The appropriate methodology for evaluating these and other considerations in determining the value of solar DG is currently under discussion in the Commission's Value of Solar proceeding, as the Proposed Settlement acknowledges.[81]

Q. What do you recommend?

A. I recommend that the Commission reject the Proposed Settlement's export rate.

B. The Proposed Settlement's provision for updating Trico's solar DG buyback rate within 18 months would create uncertainty and inequity

Q. How would the Proposed Settlement incorporate the outcome of the Commission's Value of Solar proceeding?

A. The Proposed Settlement would agree to hold the current docket open for up to 18 months, during which period Trico or Staff can request that the Commission update the export rate that would be set by the Proposed Settlement, and that any new proposed export rate would be subject to an expedited hearing if requested.[82]

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[80] Monsen Direct Testimony, pp. 23-28 and 29-31.
[81] Proposed Settlement, pp. 6-7.
[82] Proposed Settlement, pp. 6-7.

Q. What concerns do you have with this approach?

A. Aside from prematurely adopting an arbitrary and inappropriate export rate, the proposed approach would create significant uncertainty for customers for up to an additional 18 months beyond when the Commission issues a decision in the instant proceeding. Customers will have no idea what export rate Trico will ultimately offer them, and in the meantime will face a dramatically reduced economic value of installing solar DG. Furthermore, the Proposed Settlement inexplicably limits the ability to request an update of Trico's export rate to Trico or Staff but neither party is <u>obligated</u> to request an update if the outcome of the Value of Solar proceeding is favorable or potentially favorable to DG customers. Moreover, the Proposed Settlement would not provide an avenue for other intervenors to request such an update. The Proposed Settlement's approach is, therefore, unfair to customers and other parties.

Q. Are there any other considerations regarding how the Value of Solar proceeding should be incorporated into a decision in pending rate cases?

A. Yes. The ALJ Recommendation in the UNSE General Rate Case stated that "[a] consistent application of the eventual findings and conclusions of the Value of DG docket promotes good public policy and is in the public interest"[83] and that "[i]t is reasonable to hold the net metering and rate design portion of this docket for the Residential and SGS Classes open for a second phase of this proceeding to commence shortly following the conclusion of the Value of DG docket in order that the findings in that docket can be applied to UNSE's net metering tariffs..."[84] Furthermore, the ALJ Recommendation would find it reasonable to consider UNSE's proposed NEM riders and rates, along with other parties' recommendations, in phase two of that proceeding.[85] Thus, the ALJ Recommendation has clearly expressed that any major changes to DG customer rates and

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[83] ALJ Recommendation, p. 137, Finding of Fact 63.
[84] ALJ Recommendation, p. 137, Finding of Fact 64.
[85] ALJ Recommendation, p. 137, Finding of Fact 74.

NEM policy be made *after* the Value of Solar proceeding has been concluded without adopting significant changes in the interim.

Additionally, this approach is consistent with Staff's argument in its closing brief in the SSVEC General Rate Case. In its closing brief, Staff argued that it "is unable, without further policy direction from the Commission, to support changes to NEM in this case"[86] and stated that "Staff determined that, based in part on the status of the VOS [Value of Solar] docket, it does not want to formulate a policy direction in this case before the conclusion of the VOS case."[87]

Q. Do you agree with the approach described in the ALJ's Recommendation issued in the UNSE General Rate Case?

A. Yes. It makes far more sense to eliminate the many problems associated with adopting a temporary export rate, to allow the ongoing proceeding addressing the value of solar DG to conclude, and then to have a full consideration of parties' recommendations at that time than to adopt the Proposed Settlement's approach.

Q. What is your recommendation?

A. The Commission should reject the Proposed Settlement's approach to incorporating the results of the Value of Solar proceeding, and instead rule that:

> 1. All NEM and DG customer rate design issues shall be considered in a second phase of this proceeding;
>
> 2. No changes to NEM or DG customer rates shall be adopted until a final decision has been issued in Phase 2 of this proceeding;
>
> 3. All customers requesting an interconnection agreement between now and the issuance of a final decision in Phase 2 of this proceeding will be grandfathered

[86] Docket No. E-01575A-15-0312. Staff's Closing Brief. July 14, 2016. p. 7.
[87] Docket No. E-01575A-15-0312. Staff's Closing Brief. July 14, 2016. p. 6.

onto current NEM and DG rates, *including* their current residential rate design under Schedule RS-1; and

4. Phase 2 of this proceeding will explicitly incorporate the results of the Value of Solar proceeding.

V. Other issues

Q. Would the Proposed Settlement require Trico to study its demand billing practices along with its $0/kW residential demand charge?

A. Yes. Section 12.3 of the Proposed Settlement would require Trico to, in its next General Rate Case, "present a study of the impact of billing demand on a 15-minute interval versus a 60-minute interval" and "discuss customer usage and demand profile to the extent available."[88]

Q. Do you have any concerns regarding the Proposed Settlement's requirement that Trico present these study results in its next General Rate Case?

A. Yes, I have two concerns. First, as discussed earlier in my testimony, Trico has requested that the Commission adopt a 15-minute interval as the basis for billing residential customers under the proposed demand charge. It would seem premature to adopt this approach to billing without first studying it, given that Trico contends that adopting a demand charge in the Proposed Settlement would help customers to understand demand charges. In fact, studying, or even changing, the demand charge billing window after implementing a 15-minute billing interval would possibly undermine customers' ability to fully understand demand charges.

Second, as discussed earlier in my testimony, Trico's metering and billing infrastructure does not appear to be capable of facilitating a meaningful study of customer demand profiles, rendering the study required by the Proposed Settlement all but useless.

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[88] Proposed Settlement, p. 8.

Q. Does the Proposed Settlement's required study regarding demand billing and usage profiles raise any other concerns?

A. Yes. The fact that the study would only require Trico to "discuss customer usage and demand profile to the extent available"[89] indicates that Trico is not yet adequately prepared to implement a residential demand charge and educate its residential customers on its structure and potential bill impacts. If Trico is unable to fully discuss customer usage and demand profiles, it will be nearly impossible for Trico to set proper price signals via a demand charge and to communicate clearly with residential customers.

Q. What is your recommendation regarding section 12.3 of the Proposed Settlement?

A. The Commission should reject this portion of the Proposed Settlement and require Trico to complete a meaningful study of demand billing intervals and customer demand profiles prior to implementing a demand charge for residential customers, whether for $0/kW (or any amount). The Commission should also require Trico to be able to fully discuss customer usage and demand profiles prior to imposing a demand charge of any amount on residential customers, and to submit such a discussion in its next General Rate Case if Trico wishes to propose a residential demand charge.

Q. Do you have any other concerns with the Proposed Settlement?

A. Yes. Under Section 13.3 of the Proposed Settlement, Trico's DG interconnection agreements would incorporate a "return trip fee for a return trip to inspect installations of DG interconnections where the return trip is due to a customer or installer issue."[90] This appears to create an inequitable situation where the burden would always be on the customer or DG installer to prove that the return trip was not the fault of a customer or installer. It is also unclear to whom the customer and/or installer would appeal the imposition of return trip fees. If Trico is collecting the fee based on whether or not it

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[89] Proposed Settlement, p. 8.
[90] Proposed Settlement, p. 8.

caused the return trip and is also adjudicating whether the fee was correctly imposed on the customer and/or installer, that would clearly create a conflict of interest that would be unfair and damaging to the customer.

Q. What do you recommend regarding the Proposed Settlement's return trip fee?

A. The Commission should reject the return trip fee in the Proposed Settlement in this docket. It would be reasonable for the Commission to allow Trico to propose it in its next General Rate Case subject to the requirement that Trico clearly describe how responsibility for return trips to customers with a DG system installed would be determined and how disputes would be adjudicated.

VI. Conclusions

Q. Does this complete your testimony?

A. Yes.

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Exhibit WAM-4: Trico Data Request Responses

This exhibit contains the following data request responses: EFCA DR 5-1, EFCA DR 5-6, EFCA DR5-9, EFCA DR 5-11, EFCA DR 5-12, Staff DR 2-8, Staff DR 2-11

Exhibit WAM-5: Excerpt from Direct Testimony of Garrick Jones and William P. Marcus on behalf of Utility Consumers Action Network. California Public Utilities Commission Application 15-04-012.

Exhibit WAM-6: Wyoming Public Service Commission, Case No. 13788, In The Matter Of The Application Of Black Hills Power, Inc., For A General Rate Increase Of $2,782,883 Per Annum In Its Retail Electric Service Rates

Exhibit WAM-7: Excerpt from California Public Utilities Commission, Docket No. R.14-07-002, *Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering,* Decision 16-01-044.

Exhibit WAM-8: Excerpt from Idaho Public Utilities Commission, Case No. IPC-E-12-27, *In the Matter of Idaho Power Company's Application for Authority to Modify its Net Metering Service and Increase the Generation Capacity Limit*, Order No. 32846

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Exhibit WAM-13: Excerpt from Montana Public Service Commission, Docket No. D2015.6.51, *In the Matter of the Application of Montana-Dakota Utilities Co. for Authority to Establish Increased Rates for Electric Service in the State of Montana*, "Stipulation to Withdraw Proposed Demand Charge for Residential Net Metering Customers

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Exhibit WAM-1: Standard Offer Tariff Net Metering Tariff Schedule NM Effective September 1, 2015

ELECTRIC RATES

TRICO ELECTRIC COOPERATIVE, INC.
8600 W. Tangerine Road
Marana, Arizona 85653
Filed By: Vincent Nitido
Title: General Manager/CEO

Effective Date: September 1, 2015

STANDARD OFFER TARIFF

NET METERING TARIFF
SCHEDULE NM

Availability

Net Metering service is available to all customers of Trico Electric Cooperative, Inc. (Cooperative) with a qualifying Net Metering Facility. Participation under this schedule is subject to availability of enhanced metering and billing system upgrades. The electric energy generated by or on behalf of the customer from a qualifying Net Metering Facility and delivered to the Cooperative's distribution facilities may be used to offset electric energy provided by the Cooperative during the applicable billing period.

Net Metering Facility means a facility for the production of electricity that:

a. Is operated by or on behalf of the customer and is located on the customer's premises;
b. Is intended primarily to provide part or all of the customer's requirements for electricity;
c. Uses Renewable Resources, a Fuel Cell or CHP (as defined below);
d. Has a generating capacity less than or equal to 125% of the customer's total connected load, or in the absence of customer load data, capacity less than or equal to the customer's electric service drop capacity; and
e. Is interconnected with and can operate in parallel and in phase with the Cooperative's existing distribution system.

Service under this tariff is available provided the rated capacity of the customer's Net Metering Facility does not exceed the Cooperative's service capacity. The customer shall comply with all of the Cooperative's interconnection standards. The customer is also required to sign and complete a net metering application prior to being provided Net Metering Service.

Net Metering Facilities with generation capacity that exceeds 1,000 kilowatts, which are interconnected presently, or desire to become interconnected, may, at Arizona Electric Power Cooperative's option, be subject to the negotiated terms and conditions set forth in multilateral contracts among the customer, Arizona Electric Power Cooperative, Southwest Transmission Cooperative and the Cooperative.

Metering

Metering installed for the service provided under this tariff shall be capable of registering and accumulating the kilowatt-hours (kWh) of electricity flowing in both directions in a billing period.

NET METERING TARIFF
SCHEDULE NM

Monthly Billing

If the kWh energy supplied by the Cooperative exceeds the kWh energy that are generated by the customer's Net Metering Facility and delivered back to the Cooperative during the billing period, the customer shall be billed for the net kWh energy supplied by the Cooperative in accordance with the rates and charges under the customer's Standard Rate Schedule.

If the kWh energy generated by the customer's Net Metering Facility and delivered back to the Cooperative exceeds the kWh energy supplied by the Cooperative in the billing period, the customer shall be credited during subsequent billing periods for the excess kWh energy generated. The Cooperative shall apply the credit by using the excess kWh energy generated during the billing period to reduce the kWh energy supplied (not kW or kVA demand or customer charges) and billed by the Cooperative during the subsequent billing periods.

Customers taking service under time-of-use rates who are to receive credit in a subsequent billing period for excess kWh energy generated shall receive such credit during the following billing periods during the on- or off- peak periods corresponding to the on- or off- peak periods in which the kWh energy were generated by the customer.

Each Calendar Year, for the customer bills produced in October (September usage) or in the last billing period that the customer discontinues service under this tariff, the Cooperative shall issue a check or billing credit to customers with Net Metering Facilities for the balance of any credit due in excess of amounts owed by the customer to the Cooperative for Non-Firm Power. The payment for any remaining credits shall be at the Cooperative's Annual Average Avoided Cost. The Cooperative's Annual Average Avoided Cost shall be set at $0.03662 per kWh. Any payment for Firm Power will be pursuant to a separate contract.

Administrative Charge

In order to determine accurate billing and usage, net metering customers will need to have interval meter data available (minimum data collection of every half hour). This information is needed to ensure accurate billing and to calculate the net kWh energy billed or credited to the customer's account. The following table shows the incremental costs for the increased data collection applicable to all rate classes.

Administrative Charge		**Monthly Rate**
Monthly Data Cost		$3.38

NET METERING TARIFF
SCHEDULE NM

Definitions

1. Annual Average Avoided Cost: Defined as the average annual wholesale fuel and energy costs per kWh energy purchased from the Cooperative's wholesale power supplier during the calendar year. The Cooperative's Annual Average Avoided Cost shall be set at $0.03662 per kWh.

2. Calendar Year: The Calendar Year is defined as October 1 through September 30, for the purpose of determining the billing credit for the balance of any credit due in excess of amounts owed by the customer to the Cooperative.

3. Renewable Resource: Means natural resources that can be replenished by natural processes, including biomass, biogas, geothermal, hydroelectric, solar or wind.

4. Combined Heat and Power or CHP: Means a system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility (also known as cogeneration).

5. Fuel Cell: Means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. The source of the chemical reaction must be from Renewable Resources.

6. Non-Firm Power: Electric power which is supplied by the customer's generator at the customer's option, where no firm guarantee is provided, and the power can be interrupted by the customer at any time.

7. Firm Power: Electric power available from the customer's facilities, upon demand, at all times with an expected or demonstrated reliability that is covered by a separate multiparty purchase agreement among the customer, the Cooperative, Arizona Electric Power Cooperative and Southwest Transmission Cooperative.

8. Time Periods: Mountain Standard Time shall be used in the application of this rate schedule. On-peak and off-peak time periods will be determined by the applicable Standard Rate Schedule.

9. Standard Rate Schedule: Any of the Cooperative's retail rate schedules with metered kWh charges.

Exhibit WAM-2: Excerpt from Bonbright's "Principles of Public Utility Rates"

Principles of Public Utility Rates

Second Edition

by
JAMES C. BONBRIGHT
ALBERT L. DANIELSEN
DAVID R. KAMERSCHEN

with assistance of
JOHN B. LEGLER

Public Utilities Reports, Inc.
Arlington, Virginia

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and acceptability. However, the sequence in which the ten attributes are presented is not meant to suggest any order of importance. Moreover, there is, perforce, some inconsistency and redundancy in any such listing. We are simply trying to identify the desirable characteristics of utility performance that regulators should seek to compel through edict.

Revenue-related Attributes:

1. Effectiveness in yielding total revenue requirements under the fair-return standard without any socially undesirable expansion of the rate base or socially undesirable level of product quality and safety.

2. Revenue stability and predictability, with a minimum of unexpected changes seriously adverse to utility companies.

3. Stability and predictability of the rates themselves, with a minimum of unexpected changes seriously adverse to ratepayers and with a sense of historical continuity. (Compare "The best tax is an old tax.")

Cost-related Attributes:

4. Static efficiency of the rate classes and rate blocks in discouraging wasteful use of service while promoting all justified types and amounts of use:

   (a) in the control of the total amounts of service supplied by the company;

   (b) in the control of the relative uses of alternative types of service by ratepayers (on-peak versus off-peak service or higher quality versus lower quality service).

5. Reflection of all of the present and future private and social costs and benefits occasioned by a service's provision (i.e., all internalities and externalities).

6. Fairness of the specific rates in the apportionment of total costs of service among the different ratepayers so as to avoid arbitrariness and capriciousness and to attain equity in three

Exhibit WAM-3: In The Matter Of The Application Of Sulphur Springs Valley Electric Cooperative, Inc., For A Hearing To Determine The Fair Value Of Its Property For Ratemaking Purposes, To Fix A Just And Reasonable Return Thereon, To Approve Rates Designed To Develop Such Return And For Related Approvals. Staff's Closing Brief Docket No. E-01575A-15-0312. July 14, 2016

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE–CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICAITON OF SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., FOR A HEARING TO DETERMINE THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RETURN THEREON, TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN AND FOR RELATED APPROVALS.

DOCKET NO. E-01575A-15-0312

STAFF'S CLOSING BRIEF

I. INTRODUCTION.

Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur Springs" or the "Company") is a certificated Arizona-based non-profit rural electric distribution cooperative. Sulphur Springs provides electric service to more than 58,000 customers in Cochise County, and portions of Santa Cruz, Pima, and Graham Counties, Arizona.[1] The Company's current rates were approved on March 19, 2014 in Decision No. 74381.[2] That rate case was processed under A.A.C. R14-2-107, the Commission's rule governing streamlined rate cases for cooperatives.

Sulphur Springs filed its application requesting a permanent rate increase, under A.A.C. R14-2-103, using a December 31, 2014 test year.[3] The Company filed under this rule because of the changes it is seeking to rate design and adjustors that would not be permitted pursuant to the streamlined rate case rule. The Company proposed a $3,101, 498, or 3.17 percent revenue increase, from $97,703,142 to $100,804,640. The proposed revenue requirement would produce an operating margin after interest expense on long-term debt of $7,234,777, for a 6.41 percent rate of return on an

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[1] Ex. A-1, at pp. 1-2.
[2] *Id.* at 2.
[3] *Id.* at 2.

original cost rate base of $208,373,755, and an operating Times Interest Earned Ratio ("TIER") of 2.20.[4]

II. REVENUE REQUIREMENT.

Staff initially recommended the same total annual revenue as the Company, $100,804,640.[5] However, as discussed below, Staff revised its initial recommendation on rate case expense, thereby ultimately recommending a revenue requirement of $100,874,563 (Ex. S-3, Sch. CSB-1, l. 10).[6] This revenue requirement will produce an operating margin of $7,234,777.[7]

III. RATE BASE.

The Company's filing treated original cost rate base the same as fair value rate base. Staff supports this proposal.[8] Staff made no adjustments to rate base, and is recommending total rate base of $208,373,755.[9]

IV. BASE COST OF POWER.

The Company proposed to change its base cost of power rate from $0.072127 per kWh to $0.065857.[10] Staff concluded that the base cost of $0.065857 is reasonable and more closely aligns with the Company's current cost of power, and Staff recommends the adoption of this base cost of power.[11] In addition, the Company agrees with Staff's recommendation.[12]

V. DEBT SERVICE COVERAGE RATIO.

The Company calculated a debt service coverage ratio of 1.94, whereas Staff calculated a DSC of 1.85. Staff's calculation is different, as it excludes non-operating revenue from interest and capital credits. Non-operating revenue tends to vary from year to year, and Staff's calculation measures the Company's ability to make principal and interest payments based solely on the Company's core operating results. Because operating results are generally more consistent than non-operating results, Staff submits that its calculation of DSC provides a more reliable indication of the

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[4] Ex. S-1at 4-6.
[5] Ex. S-1 at 4.
[6] Tr. at 93.
[7] Ex. S-3, Sch. CSB-4.
[8] Ex. S-1 at 5
[9] Ex. S-1, Sch. CSB-2.
[10] Ex. S-1 at 7.
[11] Ex. S-5 at 2.
[12] Ex. A-6 at 3.

Company's ability to service its debt. Staff therefore recommends that it's DSC of 1.85 be adopted.[13] Moreover, the Company did not dispute Staff's recommendation.

VI. ADJUSTOR MECHANISMS.

The Company's adjustor mechanisms include the Power Cost Adjustor, the Renewable Energy Standard Tariff Surcharge Adjustor ("REST Adjustor"), and the Demand-side Management Surcharge Adjustor ("DSM Adjustor").[14] Staff is not recommending any changes to any of the adjustors, except that:

(a). The DSM adjustor rate has been set at $0.00027 per kWh since June 27, 2013. Staff believes that it would be beneficial for the Company to file a new implementation plan in accordance with A.A.C. R14-2-2418(B), no later than June 1, 2017.[15] Staff also believes that the Company's next implementation plan should include an adjustor reset.[16]

(b). Staff is proposing that the Company file a comprehensive plan of administration ("POA") for each of its adjustor mechanisms. The purpose of a POA is to describe the intended functioning of the adjustor, including how the adjustor rate may be reset. In particular, POAs should include a specific list of the types of costs permitted to be recovered through each adjustor, to ensure that no inappropriate costs are recovered through the adjustors.[17]

The Company accepts Staff's recommendations with respect to the DSM adjustor rate and the implementation of a POA for each adjustor.[18] Indeed, the Company avows that it will work with Staff to devise acceptable POAs.[19] Staff recommends that these be approved by the Commission.

VII. SERVICE CHARGES AND CONDITIONS.

The Company proposed several changes to its Service Charges and Conditions, and filed a redlined version of the changes on February 26, 2016. Staff confirmed with the Company that the February 26, 2016, filing reflects all of the Company's proposed changes to its Service Charges and

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[13] Ex. S-1 at 9.
[14] Ex. S-5 at 3.
[15] Ex. S-5 at 4.
[16] Id. at 4.
[17] Ex. S-5 at 5.
[18] Ex. A-6 at 4.
[19] *Id.*

Conditions.[20] The types of changes that the Company is proposing involve renumbering the sections, correcting typographical or other minor errors, and clarifying or updating existing language.[21] The Company is also proposing certain changes in some of its service charges. The Company and Staff did not initially agree on all of the Company's proposals, but eventually resolved all of these issues, as explained below.

The Company proposed the following changes with respect to its Service (or Miscellaneous Charges), to:

a. Increase the Service Call During Business Hours charge from $50.00 to $75.00,

b. Increase the Service Call After Hours charge from $75.00 to $100,

c. Increase the Non-Pay Collection During Business Hours charge from $40.00 to $60.00, and

d. Increase the Service Connect Callbacks charge from $40.00 to $50.00.[22]

Staff agreed with these proposed charges,[23] and recommended that the Company inform ratepayers who request these services in advance of the costs that they will incur. Ratepayers should also be informed that a current list of all service charges is available and is prominently located on the Company's website. Further, if a service issue occurs due to problems on the Company's side of the meter, or due to any maintenance for which the Company should be responsible, the ratepayer should not be charged service charges for such repairs.[24] In its rebuttal testimony, the Company agreed with Staff's recommendations concerning listing all service charges on its website. The Company also agreed that it should not charge ratepayers for problems that occur on the Company's side of the meter or for regular repairs and maintenance that the Company should undertake in the normal course of business.[25]

Regarding the Company's proposed changes to its service conditions, Staff initially agreed with all of the Company's proposed changes except relating to responsibility for meter socket

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[20] Ex. S-6 at 2.
[21] *Id.*
[22] S-5 at 6.
[23] *Id.*
[24] *Id.*
[25] A-6 at 3.

enclosures and recommended against the Company's proposed deletion of a table listing the costs relating to distribution line extensions.[26] However, after consideration of Mr. Huber's rejoinder testimony and discussion with the Company, Staff is now agrees with all of the Company's proposed changes, and finds them to be acceptable.[27]

VIII. RATE CASE EXPENSE.

The Company originally requested $200,000 in rate case expense. However, in its rebuttal testimony, the Company increased its request by $209,770 to $409,770.[28] Prior to filing surrebuttal testimony, Staff had not reviewed the Company's invoices supporting its request for additional rate case expense. Therefore, Staff continued to recommend $200,000 for rate case expense, but reserved the right to update its recommendation at the hearing.[29] Before the hearing commenced on May 17, Staff reviewed the Company's supporting documents and then revised its recommendation for rate case expense to $409,770 at the hearing.[30]

IX. ENGINEERING EVALUATION.

Staff concluded that the Company is operating and maintaining its system properly, completing system improvements and upgrades efficiently and reliably, and maintaining acceptable levels of system losses and service interruptions from 2010 through 2014.[31]

X. NET ENERGY METERING.

The Company is proposing certain changes to its Net Metering (NM-1) tariff. Staff initially recommended some revisions to the Company's net metering tariff, but during the course of this case, Staff ultimately took no position regarding changes to the Company's net metering tariff.[32] Staff also believes that it will be helpful to recount the record evidence on this issue.

The Company is proposing to revise its Tariff NM-1 to be applicable to existing net metering customers only.[33] Existing NM customers will continue to be eligible to receive full retail rate

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[26] S-6 at 3.
[27] Tr. at. 229:7-13, 235: 9-11, 538:1-10, 540:2-20.
[28] Ex. A-6 at 25-26.
[29] Ex. S-2, p. 2.
[30] Tr. at 229:1-6.
[31] Ex. S-4 at 3.
[32] Tr.at 556:10-35, 739, 741, 749-50.
[33] Ex. A-5 at 17.

compensation for all excess distributed energy. Existing Residential DG customers would have the option of taking service under the Company's new Residential Distributed Generation rate and utilizing the new DG tariff for compensation of excess generation.[34] Initially, Staff recommended that the existing NM-1 tariff be frozen, and that a new rider be proposed for new DG customers.[35] Staff also initially recommended the elimination of banking for the Company's DG customers, and recommended that the export rate should be set higher than avoided cost and lower than the retail rate.[36]

Through its surrebuttal testimony, Staff explained its change in recommendations regarding net metering. Staff's initial recommendations on NM were based on the assumption that a decision in the Value and Cost of DG proceeding[37] (the "VOS" docket) would be entered before the conclusion of the Company's case.[38] Direct testimony was filed in Sulphur Springs' rate case before the VOS hearings began. Staff reviewed information and testimony from the VOS case, regarding areas that might directly impact Staff's initial NM recommendation in the rate case. Staff determined that, based in part on the status of the VOS docket, it does not want to formulate a policy direction in this case before the conclusion of the VOS case.[39] Staff also initially recommended that this case be held open for 12 months to address any future changes to net metering, but withdrew this recommendation at the hearings.[40]

The Director of the Utilities Division explained at the hearing that the purpose of his surrebuttal testimony was to further clarify the interrelationship of Staff's NM and rate design testimonies, and to continue to urge the parties to this case to settle all issues.[41] He noted that the VOS docket, which was on-going at the time of the hearings in this case, has rooftop DG as a focus area, and proposed changes to NM from that case are a possibility. In addition, the Commission is considering several other electric utility cases that address NM and residential rate design as it relates

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[34] Ex. A-5 at 17.
[35] Ex. S-9 at 5.
[36] *Id.* at 7.
[37] Docket No. E-00000J-14-0023.
[38] Ex. S-10 at 4-5.
[39] Ex. S-11 at 5.
[40] Tr. at 552.
[41] Ex. S-11 at 1.

to alleged under recovery of fixed costs.[42] He also explained how the Company's request for separate DG tariffs could have possible adverse impacts on payback and internal rate of return for DG customers.[43]

As Staff witness Thomas Broderick testified in his surrebuttal testimony, Staff is unable, without further policy direction from the Commission, to support changes to NEM in this case.[44] In short, Staff believes that it would be premature for it to make more specific recommendations in this case.

XI. RATE DESIGN.

Rate design is the most contested issue in this case. The Company proposed numerous changes to its tariffs, including two new tariffs that would apply only to distributed generation customers. The Company has proposed these changes to correct its alleged failure to adequately recover its fixed costs. The Company is also proposing a change to its tariff for residential customers without distributed generation, and proposes to freeze its time-of-use tariff so that it will not be open for any future customers. Staff agrees with certain aspects of the Company's proposed changes to rate design. Specifically, Staff agrees that the monthly service availability charge in the standard residential rate should be increased from $10.25 to $25.00 in four steps over four years.[45] However, Staff disagrees with the Company's proposed creation of new residential rate schedules for customers who have installed DG and new customers who may install DG.[46]

A. New Distributed Generation Tariffs.

The Company is proposing two distributed generation tariffs, each of which would have a customer charge of $50.00 per month; the customer charge for each new tariff would be phased in over a four year period. The energy charge for the proposed tariff (Tariff DG-E) for existing DG customers would be fixed at the existing energy charge. The energy charge for the proposed tariff for

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[42] *Id.*
[43] *Id.*
[44] Ex. S-11 at 3; Tr. at 1-4, 23-25, 749-750.
[45] Ex. A-5 at 16; Ex. S-8 at 5.
[46] Ex. S-8 at 3, 8.

new Residential Customers with Distributed Generation installed after April 14, 2015 (Tariff DG) would be decreased slightly in phases over a four year period.[47]

Staff recommends that the Commission reject both of these proposals. The Company explained that these tariffs are proposed to address the Company's issue of lost fixed costs.[48] However, Staff attributes the Company's inability to recover all fixed costs to shortcomings in its rate design, rather than to the existence of DG customers on its system.[49] Staff also believes that, because Tariff DG-E increases the customer charge while holding the energy charge constant, this proposal will result in an increase in rates without a determining fair value and without a determination of the impact on the Company's fair value rate of return, which may be prohibited. *Scates v. Arizona Corporation Commission,* 118 Ariz. 531, 578 P.2d 612 (App. 1978).

Staff and the Company agree on the cost of service for the residential class as a whole.[50] Evidence in the record demonstrates that the total fixed cost for residential customers is $80.24 per customer per month.[51] However, the Company did not perform a cost of service study that specifically broke out the DG customers as a separate class from the overall residential class.[52] Instead, the Company performed a separate analysis that simply added together the purchased power demand costs, and the distribution wire costs that it is required to pay regardless of how much power a customer uses to arrive at a $50 customer charge. The Company acknowledges that, although it lacks the technical capability to obtain the specific information necessary to perform a cost of service study that separates DG customers into a separate class, such a study would have been useful in justifying a separate rate class for DG customers.[53]

In addition, Staff believes that the Company's proposal is likely to slow the adoption of rooftop DG in the Company's territory.[54] According to Staff's modeling,[55] the pace of solar

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[47] Ex. S-7, p. 11, l. 4-20.
[48] Ex. A-5 at 15-16.
[49] Ex. S-7 at 13; Ex. S-8 at 3-4.
[50] Ex. S-7 at 10; Ex. A-6 at 8.
[51] *Id.*
[52] Ex. S-7 at 2-3; Ex. A-4 at 6-7.
[53] Tr. at 345-46.
[54] Tr. at 792-93.
[55] Ex. S-12.

installation would be expected to decrease if the Company's proposal were approved.[56] Based upon the results of Staff's model, at a $50.00 per month charge for a DG customer, the results would be an adverse solar market, and rooftop solar would not be a commercially viable investment.[57]

Staff recommends that the Commission deny the Company's request for the new DG tariffs. The Company has not carried its burden of proof that DG customers alone are responsible for any shortfall in fixed cost recovery, as there is no cost of service study that supports the Company's proposal. Staff's recommended changes in rate design will better address these issues, and In addition, Staff recommends that all new and existing DG customers should remain on their current rate schedule.[58]

B. Changes to Existing Residential Tariffs.

The Company is requesting an increase in the monthly service availability charge for its standard residential rate from $`10.25 to $25.00 over four years.[59] The Company argues that the change will allow a greater recovery of fixed customer related costs through the fixed charge and will help to reduce subsidies between members of the same rate class.[60]

In its direct testimony, Staff proposed an increase in the monthly residential availability charge from $10.25 to $27.00, to be phased in over two years, with a decrease in the energy charge over two years.[61] In its surrebuttal testimony, Staff revised this recommendation: Staff now proposes an increase to $25.00 (instead of $27.00) per month over a four-year phase in.[62] Staff also recommends that the Energy Charge be adjusted over four phases to fully recover the revenue shortfall (approximately $315,000) so that the revenue requirement for the residential class will be met.[63]

Staff first recommended that the new Residential and Residential TOU rates be phased in over two years, instead of four, because Staff believed that the compressed time frame would be less

[56] Tr. at 1049:8-10.
[57] Tr. at 991:14-20.
[58] Ex. S-8 at 8.
[59] Ex. A-5 at 16.
[60] *Id.* at 16.
[61] Ex. A-5 at 16.
[62] Ex. S-8 at 5.
[63] *Id.* at 6.

confusing.[64] However, after further consideration, Staff agreed that the Company had spent considerable time, including numerous customer meetings, communicating to its customers the need for an increase in the customer charge to $25.00 over a four-year period. Staff also recognized that a longer implementation time frame supports gradualism in rate design by increasing the recovery of fixed costs through the fixed charge in a gradual manner.[65]

As a result, Staff believes that a $25.00 system availability charge implemented over four years in an acceptable method for implementing an increase to the Company's residential fixed charge. Staff therefore recommends the implementation of a $25.00 per month system availability charge for all residential customers, phased in over four years, as well as an adjustment in the Energy Charge over the same four-year period.

C. The Company's DG Proposal Does Not Violate A.A.C. R14-2-2305.

EFCA contends that the Company's proposal for separate DG tariffs would violate A.A.C. R14-2-2305, which prohibits discriminatory charges against net metered customers.[66] This provision reads:

> Net Metering charges shall be assessed on a nondiscriminatory basis. Any proposed change that would increase a Net Metering Customer's costs beyond those of customers with similar load characteristics or customers in the same rate class that the Net Metering Customer would qualify for if not participating in Net Metering shall be filed by the Electric Utility with the Commission for consideration and approval. The charges shall be fully supported with cost of service studies and benefit/cost analyses. The Electric Utility shall have the burden of proof on any proposed charge.

Staff does not support the Company's requests for separate DG tariffs. Nonetheless, Staff disagrees with EFCA's contention that separate DG tariffs would be impermissible. Because EFCA did not explain why it believes the Company's proposal would violate the Rule, Staff presumes that EFCA looks solely to the language of the Rule for its argument.

The Company performed a cost of service study for the residential class of customers, and Staff accepted the Company's cost of service study.[67] The Company did not perform a cost of

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[64] *Id.* at 5.
[65] *Id.* at 5.
[66] Ex. EFCA-6 at 11.
[67] Ex. A-6 at 11; Ex. S-7 at 5.

service study for the residential DG as a sub class of the overall residential class.[68] However, the Company did perform a cost of service study for the residential class of customers, and Staff accepted the Company's cost of service study. The plain language of the Rule requires a cost of service study; therefore, Staff believes, by performing a cost of service study, the Company has satisfied this part of the Rule's requirement.

In addition, the Company performed an analysis of the lost fixed costs that it claims to under-recover due to current DG installations, and Staff accepted the Company's evidence of a test-year under recovery of $1,139,013.[69] Staff submits that this evidence satisfies the benefit/cost analyses requirement of the rule. The Company also provided evidence that DG customers have different load characteristics than other residential customers participating in energy efficiency measures.[70] The Company's evidence confirmed that the load characteristics are not similar,[71] so the DG proposal does not violate the Rule in that regard.

For the foregoing reasons, Staff believes that the proposed DG tariffs do not violate the Rule's prohibition against discrimination. However, as Staff details in a separate section of this brief, the DG tariffs are not in the public interest at this time and should not be approved.

C. Time of Use Rates.

The Company asserts that it has not had much interest from its members in signing up for TOU rates, and is requesting to freeze the TOU rate schedules and eventually phase them out.[72] Staff does not believe that it is appropriate to freeze the existing TOU rate schedules. According to the Company, its customers' lack of interest in TOU rates relates to the fact that the Company's power supply from Arizona Electric Power Cooperative ("AEPCO") is not time-differentiated. However, Staff believes that AEPCO's rates could be structured differently in the future, and if so, the attractiveness of the Company's TOU rates may increase. Staff further believes that both the existing and the proposed TOU rates are not harmful to the Company's operations, and Staff recommends that the Company continue to offer TOU rates for its residential, commercial, and large power customers.

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[68] Ex. A-6 at 11.
[69] Ex. A-5 at 12-13; Ex. S-9 at 3.
[70] Ex. A-6 at 12-13.
[71] Tr. 347-349.
[72] Ex. A-6 at 24-25.

Staff recommends that the Service Availability Charge be increased to $26.50 per month for all customers on the Residential TOU rate schedule, that this increase be phased in over four years, and that the energy charge for the TOU rate schedule be adjusted in each phase to ensure that the level of revenue approved by the Commission for the residential class is met.

XII. CONCLUSION.

Staff respectfully requests that the Commission adopt its recommendations on the disputed issues for the reasons stated above.

RESPECTFULLY SUBMITTED this 14th day of July, 2016.

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Exhibit WAM-4: Trico Data Request Responses

This exhibit contains the following data request responses: EFCA DR 5-1, EFCA DR 5-6, EFCA DR5-9, EFCA DR 5-11, EFCA DR 5-12, Staff DR 2-8, Staff DR 2-11

ENERGY FREEDOM COALITION OF AMERICA'S
FIFTH SET OF DATA REQUESTS TO
TRICO ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01461A-15-0363
July 20, 2016

EFCA 5.1: Please provide the information requested below related to the demand charge proposed in Trico's Amended Application. For each request, please provide all supporting data, analyses, and any other related documentation. If in Excel format, please ensure that all formulas and links remain intact.

a) Please discuss in detail the rationale for proposing a fixed monthly demand charge of $4/month, based on a minimum billed demand of 2 kW at $2/kW? Please discuss why the billed demand was based on non-coincident versus coincident peak demand?
b) Please describe in detail how the minimum and maximum demand billing determinant of 2 kW was determined. What is the significance of this value?
c) How many zero bills annually would this demand charge apply to? Please separate by the RS1, RS2TOU, and GS1 schedules.
d) Please discuss in detail why the $4/month minimum billed demand charge was the same for residential and GS1 customers. Please provide all analyses and workpapers supporting this aspect of the proposed rate.
e) Why did Trico seek to implement a demand charge with a 15-minute interval vs a 30- or 60-minute interval? Did Trico conduct any comparative analyses regarding a 15-, 30- or 60-minute demand intervals?
f) Please provide all available 15- and/or 60-minute interval data for residential and small commercial customers in Trico's service territory. Please redact all identifying customer information.
g) Please discuss in detail the difference between the $4 fixed monthly demand charge and a $4 increase in the monthly fixed charge for residential and commercial customers?
h) Why did Trico seek to implement a demand charge rather than a fixed charge increase?
i) Did Trico conduct outreach or provide notice to customers before and/or after filing the Amended Application regarding its proposal to implement demand charges on residential and small commercial customers? If yes, please provide:
    1. All notice and outreach documentation. Please specify documentation targeted to commercial and/or residential customers.
    2. The number of customers in each rate class notified.
    3. Any questions or comments received by Trico from residential and/or commercial customers.

RESPONSE:

a) Please see the testimony of Vincent Nitido and David Hedrick in Trico's Amendment to Application re Rate Design (E-01461A-15-0363).

b) Please see the testimony of Vincent Nitido and David Hedrick in Trico's Amendment to Application re Rate Design (E-01461A-15-0363).

c) The number of zero bills is only available by revenue class. Revenue class one includes both RS1 and RS2TOU, which has a total of 13,252 zero kWh bills for the 2014 test year, out of a total of 487,572 bills or 2.7% of the bills are zero bills. We do not have available the zero kWh bills for the GS1.

d) The $4/month was a threshold to moderate the billing impacts. The monthly fixed cost for GS1 as indicated on Schedule G-6.0 is the sum of PP Demand ($26.67), Dist Wires Demand ($24.69) and Dist Wires Customer ($38.54), totaling $89.90.

e) Trico's standard metering and billing is based on a 15-minute interval for all of its over 40,000 accounts. This metering and billing standard was initiated years ago and has been vetted through many rate cases. To make a change to this standard would take re-programing or replacing of metering and billing interface software as well as changing of all the existing demand rate tariffs. Trico did not conduct any comparative analysis of different intervals.

f) See EFCA 3.1 and the associated attachments, which include the interval data.

g) There would be no difference in the dollar amount of the bill. Please see also the response to 5.1(h).

h) Trico believes that a demand charge is a fairer way to allocate fixed grid related costs between customers as it reflects the actual use of the grid, whereas a fixed charge is paid by all customers at the same amount regardless of the actual amount that each customer uses the grid.

i) No, Trico does not typically notify customers of changes during a rate case proceeding until a final decision has been reached by the Commission. During the course of a rate case, Trico, the Commission Staff or other parities may propose different modifications to rates and/or charges that may impact a Member's bill in different ways. The Commission is not bound by any party's proposal, and may accept, reject, or modify any proposed rate, charge or term of service.

RESPONDENT: Karen Cathers, Chief Operating Officer

ENERGY FREEDOM COALITION OF AMERICA'S
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July 20, 2016

EFCA 5.6: Please provide the information requested below in addition to any supporting data, documentation, or analysis related to Section 6.3 of Trico's Settlement Agreement.

a) Why is Trico seeking to freeze Rate Schedule RS2TOU?
b) How many customers are currently on this schedule? Please provide an itemization of the number of customers that have been added to this rate schedule by month since it has opened.
c) For how long will customers frozen under this rate remain on this rate?
d) Will customers on this schedule be subject to the $0/kW demand rate?
e) At what date will this rate schedule be frozen?
f) When does Trico anticipate providing "notice to its members that it will propose to eliminate this rate schedule in its next rate case"?

RESPONSE:

a) Trico is a distribution only cooperative and purchases its power and transmission at wholesale. Trico's wholesale power providers price the power through a fixed monthly charge and a monthly energy rate that does not change by time of day. This results in Trico's RS2TOU Members reducing their usage without a corresponding benefit to the system or utility costs.

b) Please see the Response to EFCA 1-29(b) which includes Residential TOU from 2005 through 2015 by month. Trico first implemented the Residential TOU in 1992. Data is not available prior to 2005.

c) The Settlement Agreement contemplates that the RS2TOU would be frozen until the next Trico rate case at which time Trico would propose to eliminate the rate. The ultimate period for freezing Rate Schedule RS2TOU is up to the Commission.

d) Yes, that is Trico's understanding in order to be able to accurately track billing determinants for analysis and to provide the member with demand information.

e) The Settlement Agreement contemplates that this rate schedule would be frozen at the time of the rate case decision by the Commission.

f) Trico would provide notice once the Commission has made a decision regarding the treatment of the RS2TOU.

RESPONDENT: Karen Cathers, Chief Operating Officer

ENERGY FREEDOM COALITION OF AMERICA'S
FIFTH SET OF DATA REQUESTS TO
TRICO ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01461A-15-0363
July 20, 2016

EFCA 5.9: Please provide the information requested below related to Section 8.2 of Trico's Settlement Agreement. For each request, please provide all supporting data, analyses, and any other related documentation. If in Excel format, please ensure that all formulas and links remain intact.

a) Please discuss Trico's justification for pricing all hourly exports at \$0.077/kWh and all studies, data, or analysis of any kind that support such pricing.
b) Please show how this modification to the export rate impacts Trico's cost recovery.
c) Does Trico anticipate that this modification to their DG compensation structure will impact adoption of DG in their service territory?
d) Is the current cost of Trico's export rate recovered through the WPCA in accordance with the WPCA POA? If not, please explain.

RESPONSE: a) The \$0.0770 also represents the Residential, first 800 kWh block, Power Supply portion of the rate of \$0.0770 per kWh. The \$0.0770 represents about a half way point between the current Trico avoided cost rate and Trico's current retail residential rate. As discussed during the settlement meeting using this rate, the current subsidy between classes that Trico faces is largely from the residential class and this is the residential of Power Supply rate. This number was derived through settlement discussions and not through pricing analysis. The actual cost of wholesale power that Trico avoids by purchasing DG energy export is the Trico avoided cost as discussed in Trico's original rate application.

b) See EFCA 5.5(b).

c) No, because under the Settlement Agreement proposal the equivalent rate that the DG Member will receive for their DG system output will be about the same as Tucson Electric Power Company currently provides under full retail net metering.

d) Trico does not currently have an export rate. Under the current net metering the DG energy is netted against the DG Members load that occurs during time when the DG system does not provide energy. The fixed cost associated with wholesale power and transmission that is not recovered currently from DG Members that net their load is recovered through the WPCA by shifting the fixed cost to other non-DG Members.

RESPONDENT: Karen Cathers, Chief Operating Officer

ENERGY FREEDOM COALITION OF AMERICA'S
FIFTH SET OF DATA REQUESTS TO
TRICO ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01461A-15-0363
July 20, 2016

EFCA 5.11: Please provide the information requested below related to Trico's proposed Member Education Program.

a) What are the objectives of Trico's Member Education Program?
b) What is the anticipated cost of Trico's Member Education Program? Please itemize anticipated costs.
c) Has Trico started conducting outreach under its Member Education Program?
d) Please provide a timeline of the Member Education Program implementation and roll-out. Please include costs and objectives for each phase.
e) How does Trico anticipate it will educate members on how to "utilize demand rates to reduce monthly bills"?
f) Which information from third parties does Trico anticipate utilizing to "help members to manage demand"?
g) With regard to Trico's Smart Hub application:
    1. Please discuss the functions and usefulness of this application?
    2. How do customers access Smart Hub?
    3. How many customers currently use this service daily, monthly?
    4. What information and customer-specific data does Smart Hub provide to customers?
    5. What does Trico identify as the limitations to the Smart Hub application?
    6. How does Trico plan to modify the Smart Hub application to meet the objectives of its Member Education Program?

RESPONSE: a) See Section 10 of the Settlement Agreement. The member outreach and education will include: (a) the nature and operation of demand rates; (b) how members can utilize demand rates to reduce monthly bills; and (c) information on tools available from Trico and third parties to help members to manage demand (including Trico's Smart Hub® application). Trico's education materials will highlight technology solutions including programmable thermostats and load controllers as means that could be used to minimize demand charges and monthly bills.

b) Trico has not yet formulated an estimated cost of the member outreach and education program. The Cooperative anticipates formalizing and implementing this program upon approval of the Settlement Agreement by the Commission.

c) No

d) Trico has not yet formulated a timeline.

e) Trico's plan is not yet formulated.

f) Trico may seek assistance from third part consultants and/or other rural cooperative agencies.

g) (1) The Smart Hub application allows Members to make payments, view billing history, request payment extensions, monitor daily usage within the current billing period prior to billing. For Members with cell based meters' hourly usage data is available. Members can also view historical usage data, do usage comparisons between months, find average usage. Members can view and report outages, in addition, request notifications for outage updates. There is also a Contact Us via email for various reasons; budget billing request, mailing address change, request to disconnect a service, electronic transfer inquiry, Smart Hub and miscellaneous inquiries. (2) Members access Smart Hub from Trico's website trico.coop. An email and password are required for login. Smart Hub can also be accessed on Apple and Android mobile devices by downloading from the Apple Store and Google Play, email and password required for login. (3) Currently Trico has 21,324 active Smart Hub users. See the attached EFCA 5.11(g) related usage of Smart Hub. (4) In addition to the items in response 1 above, Members can also view personal account information, stored and auto payment methods (credit card and checking account information). (5) A computer, Apple or Android mobile device is required to access the application. (6) Trico will modify the application such that Members will be able to view their peak demand for the current billing month and previous months as well as the date and time it occurred. For Members with cell based meters' hourly peak demand information will be available.

RESPONDENT: Karen Cathers, Chief Operating Officer

ENERGY FREEDOM COALITION OF AMERICA'S
FIFTH SET OF DATA REQUESTS TO
TRICO ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01461A-15-0363
July 20, 2016

EFCA 5.12: Please provide the information requested below related to Section 12.1 of Trico's Settlement Agreement. Please provide all supporting data, analyses, and any other related documentation. If in Excel format, please ensure that all formulas and links remain intact.

a) What is the rationale behind Trico's $0/kW demand charge?
b) What is the basis for the $0/kW rate?
c) Did Trico consider requesting authority to implement a demand charge pilot program rather than a $0/kW demand charge? If yes, please discuss. If no, why not?
d) Has Trico conducted any customer surveys or related research regarding ratepayer opinion on demand charges?
e) Explain with particularity each way, if any, that Trico believes the $0/kW demand charge will help educate its members about demand charges.

RESPONSE:

a) To put in place a tariff that Trico members can reference with respect to demand information on their bill, in order to assist them in understanding how demand rates work and what their own demand profile looks like, without economic implication to the members pending an opportunity for Trico to analyze demand data for all residential and small commercial members and to conduct outreach and education regarding how members can utilize demand rates to reduce their bills. Including the demand element in the billing program also allows Trico to accurately track billing determinants related to demand and to easily utilize historical demand data to answer member questions.

b) See a) above.

c) Trico did not consider implementing a demand charge pilot program, as the Cooperative believes an elective pilot program would only apply to a small segment of the membership, and would not provide the Cooperative with system wide demand information nor with as good an opportunity to provide all of its residential and small commercial members with outreach and education regarding the operation of demand rates and how they can be used to lower a member's electric bill.

d) No. Based on informal discussions with members at various Cooperative functions (town hall meetings, member events, annual meetings, etc.), Trico believes there is a level of confusion and uncertainty among the membership regarding demand rates and how they work. Trico believes the better approach from a Cooperative standpoint is to educate all of its members regarding demand rates while simultaneously analyzing demand data for the entire membership to determine whether and how to implement demand rates in the future.

e) The $0/kW demand charge is not intended to provide education about demand charges, it provides a tool and an opportunity for the member to receive education from the Cooperative and learn how demand rates work without economic consequences. See a) above.

ENERGY FREEDOM COALITION OF AMERICA'S
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July 20, 2016

RESPONDENT: Vincent Nitido, CEO/General Manager

STAFF'S SECOND SET OF DATA REQUESTS TO
TRICO ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01461A-15-0363
JANUARY 28, 2016

Metering Questions

STF 2.8 Please describe Trico's meters and meter reading systems, providing detail on the extent to which they can measure and record demand data.

RESPONSE:
Trico currently has 46,086 active meters on our system. Approximately 33,522 of the active meters are configured using the Landis and Gyr Power Line Carrier (PLC) system. The other 12,564 are configured using a cell based SmartSync system. Of the total 46,086 active meters 43,761 are for residential classes and the remaining 2,325 are for non-residential classes. All of the non-residential class meters can measure and record demand data. See the attached STF 2.8 Attachment Summary of Trico Meters.

The 12,564 meters configured using the cell based SmartSync system measure and record demand on 15-minute intervals. However, roughly 11,481 of these SmartSync meters are used for residential classes that do not currently bill for demand. To bill with the demand data, additional programing of the billing software would be necessary.

Trico has approximately 32,280 residential rate meters that are configured on the Landis and Gyr PLC system. Approximately 30,930 of this configuration group brings in a single demand read for every day, however this data is not currently transferred to Trico's billing system as it is currently not used for billing. To bill with the demand data for this many accounts Trico would need to contract with our billing software consultants at National Information Solutions Cooperative (NISC) to complete the necessary programming changes, which we anticipate would take several months to accomplish.

Trico has approximately 700 meters that are configured the Landis and Gyr PLC system for a time-of-use rate classes. This configuration group does not send back a demand read every day due to limitations on the capacity of the data that can be returned. To measure and record demand for these more complex rate class meters, Trico would need to replaced them with the cell based SmartSync technology.

Trico currently has 647 Landis and Gyr PLC system Turtle-1 meters that cannot measure and record demand. Trico also has three mechanical meters still in-service that cannot measure and record demand. These 650 meters would need to be replaced for measuring and recording of demand for these services.

RESPONDENT:
Karen Cathers, Chief Operating Officer

STAFF'S SECOND SET OF DATA REQUESTS TO
TRICO ELECTRIC COOPERATIVE, INC.
DOCKET NO. E-01461A-15-0363
JANUARY 28, 2016

STF 2.11 Are the existing meters accurately measuring, recording, and billing demand and kWh data for all customer classes? Can the existing meters measure, record, and provide billing demand in 15 minute intervals?

RESPONSE:
Please see the response for STF 2.8 related to the meters Trico has that measure and record demand. Currently Trico's entire residential customer class of approximately 43,761 meters are not billed demand. All Trico meters measure, record and bill energy (kWh) for all customer classes.

The majority of Trico's current meters cannot provide 15-minute interval data. Trico has approximately 12,564 meters configured using a cell based SmartSync system that are capable of providing 15-minute demand interval data. The remaining 33,522 meters configured on using the Landis and Gyr Power Line Carrier (PLC) system and mechanical meters are not capable of providing 15-minute demand interval data, although 30,930 can measure and record a daily or monthly demand. To upgrade Trico's current PLC system to a system capable of providing 15-minute interval data would cost in excess of $10 million, which does not include the write-off Trico would need to take for retirement of the current system approximately 10 years early.

RESPONDENT:
Karen Cathers, Chief Operating Officer

Exhibit WAM-5: Excerpt from Direct Testimony of Garrick Jones and William P. Marcus on behalf of Utility Consumers Action Network. California Public Utilities Commission Application 15-04-012.

Marginal Cost, Revenue Allocation and Rate Design Policy Issues for San Diego Gas and Electric Company

Prepared testimony of
Garrick F. Jones
William Perea Marcus

JBS Energy, Inc.
311 D Street
West Sacramento
California, USA 95605
916.372.0534

on behalf of
Utility Consumers Action Network

California Public Utilities Commission
Application 15-04-012

July 5, 2016

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charges have persisted despite technological obsolescence. But they should not be expanded to residential customers.

Using a smart meter to deliver a residential demand charge instead of a time of use rate is like using a sophisticated video camera to take grainy snapshots.

Customers also mistrust demand charges. A recent focus group study in Ontario, Canada, where time of use (TOU) rates have been in place for several years and customers are thus fairly sophisticated, suggests that residential customers do not understand demand charges and believe that such charges are demanding perfection in their conservation efforts. The Ontario Energy Board conducted an analysis with residential focus groups that raised concerns about maximum monthly usage charges (another term for demand charges) in addition to TOU rates that Ontario customers understand:

> The concept of maximum use during peak times is difficult for people to understand and raised concern among a few. There is no template for measuring maximum use that people are used to in the way they understand TOU. It was not obvious how this would be calculated.
>
> Without precise details of this there was concern expressed by some that small lapses in their conservation efforts will mean they will have to pay a high price for that (even if they conserve diligently on the vast majority of days during peak times). So there will be questions of fairness if they have conserved on the vast majority of days during peak demand times and essentially helped to reduce peak consumption.[35]

There are a number of reasons why residential demand charges are a bad idea.

1. They blunt incentives to conserve – even during peak periods - once a maximum demand is hit. Here is a personal example. Because it was 108 degrees in the Central Valley and I had a houseguest, I ran both air conditioners in my house and clearly hit a maximum demand in the last week of June that I haven't seen in a couple of years. With a demand charge, I would have far less incentive to conserve energy – even on other hot days that stress the system which might be a little cooler or without the houseguest – because I would

[35] The Gandalf Group, Ontario Energy Board Distribution Charge Focus Groups: Final Report, October 9, 2013, p. 9.

already be tens of dollars of fixed charges in the hole and my savings from reducing energy use would be limited.

2. They require customers to keep track of random events which have no intrinsic value to anyone. Customers do not want to be rate computers, but to reduce their demand charge they need to have the following scenario in mind **every winter morning**: "My coffee-maker is running, and it's chilly so my furnace fan is running. That means I shouldn't turn on the toaster and the hair dryer at the same time at 7 am or I could get a higher demand charge. I need to wait 15 minutes to use that toaster." This kind of price signal is totally disconnected from either causation of or avoidance of utility costs. It is also a waste of the very limited amount of brainpower that most people want to spend on their electric rates. So customers will eventually screw up, pay up, and give up.
3. They give customers who are connected to gas incentives to get rid of electric stoves and ovens and electric dryers. Before bringing in a residential demand charge, an electric utility should have the obligation to inform customers them that an electric stove is one of the worst things to own if there's a demand charge – either non-coincident or peak period only, because the oven plus the air conditioner will trigger the charge. If SDG&E were in competition with an independent gas utility, which it is not, it would be handing the gas utility a great marketing plan to poach load from the electric utility because gas would be far more cost-effective by avoiding demand charges.
4. Residential demand charges have bizarre impacts on cost-effectiveness of energy efficiency to customers – which are not necessarily the same as cost-effectiveness to the utility or society. Getting a more efficient air conditioner (or even a smaller one of the same efficiency) can avoid a demand charge, but weatherizing one's house so an existing air conditioner runs less frequently but produces the same number of kilowatts when it turns on, will not reduce the customer's bills nearly as much, even if it has similar effects on system peak demand.
5. Specifically, residential non-coincident demand charges such as those proposed by SDG&E for distribution can work at cross-purposes with time-of-use energy rates. A customer does everything she can to not use peak period energy, and when the peak period is over turns on energy-consuming equipment. Bingo! High demand charge to penalize her for following the TOU price signals. And more customer confusion.

6. If a utility wants to reduce feeder loads and defer construction, a time of use rate component at times when most feeders are peaking will do a better job than a demand charge. If it wants to build as many feeders as possible to expand rate base without demand reductions getting in the way, a demand charge is the best way to build them and get customers to pay for them.

But having briefly made these points, which I will expand upon in far more detail at a later time if SDG&E actually proposes something instead of just talking about policy, I now analyze the major objection to residential demand charges. They are not cost-based.

Demand charges systematically overcharge small users. The summation of the analysis below is that residential customers using less than 300 kWh use 15% less demand per unit of energy than the system average but would pay 27% more demand charges that the system average. Residential customers using over 1000 kWh use approximately the same amount of demand per unit of energy as the system average but would pay 32% less demand charges per unit of energy than the system average. The large customers are subsidized by the small customers. Demand charges (or other fixed charges for costs that vary with usage) are Robin Hood in reverse.

The Commission should reject residential demand charges out of hand for creating intra-class subsidies of big users, before even thinking about dealing with the rest of the problems caused by their implementation that I discussed above.

B. Some Key Concepts in Analyzing Demand Charges

Critical concepts in analyzing demand charges are load diversity and coincidence.

Load diversity reflects the fact that the utility does not expect to experience the maximum NCP load of each individual customer at the same time, on parts of the system that do not serve a single customer (i.e., all parts of the system other than service lines to an individual customer and specific transformers that serve one single customer). As a result, the utility does not need to build most of its system to meet the sum of each customer's NCP. The system becomes more diverse (i.e., the load that the system must carry becomes a smaller fraction of the sum load of the individual customers) as more customers are aggregated. SDG&E's engineering manuals suggest that load diversity even for sizing transformers is 70% for single-family customers with air conditioning, 60% for multi-family customers with air conditioning, and 50% for customers without air

Exhibit WAM-6: Wyoming Public Service Commission, Case No. 13788, In The Matter Of The Application Of Black Hills Power, Inc., For A General Rate Increase Of $2,782,883 Per Annum In Its Retail Electric Service Rates

Joint Exhibit A

Before the Public Service Commission
of the State of Wyoming

In the Matter of the Application of
Black Hills Power, Inc.

For an Increase in Electric Rates

STIPULATION AND AGREEMENT

Docket No. 20002-91-ER-14

Record No. 13788

July 28, 2014

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EXHIBITS FOR ELECTRIC SETTLEMENT

EXHIBITS	**DESCRIPTION**
Joint Exhibit A	Stipulation and Agreement
Joint Exhibit B	Final Tariffs (clean and legislative)
Joint Exhibit C	Summary Revenue Requirement
Joint Exhibit D	Revenue Requirement Model (Statements A-R)
Joint Exhibit E	Class Cost of Service
Joint Exhibit F	Rate Design
Joint Exhibit G	Customer Impact Analysis
Joint Exhibit H	ECA Base Cost Calculation and Example

5. On May 20, 2014, the OCA timely filed testimony and exhibits of Anthony J. Ornelas supporting Black Hills Power's proposed return on equity of 9.75%.

The OCA also timely filed the testimony and exhibits of Denise Kay Parrish with a number of test year updates and comments as well as additional adjustments to the test year data. Overall, the OCA supported an increase in annual revenues of approximately $2.4 million. The OCA also raised some concerns regarding Black Hills Power's proposed changes to its ECA.

6. Subsequently, the Stipulating Parties engaged in settlement discussions, which resulted in this Stipulation.

7. The Commission's hearing in this docket is scheduled to commence on August 20, 2014.

II. THE STIPULATION

The Stipulating Parties agree to settlement of the Rate Case as follows:

1. **Tariffs.** The Stipulating Parties agree that rates for electric service shall be set forth in the tariffs attached as Joint Exhibit B. Included in the tariffs are updated avoided cost rates on tariff sheet no. 46 and updated wording on the Residential Demand Service Tariff (tariff sheet no. 8).

2. **Revenue Requirement.** The Stipulating Parties agree that the revenue requirement shall be as generally set forth in the answer testimony of the OCA, and as further modified during settlement discussions held by the Stipulating Parties. The Stipulating Parties agree to an operating revenue increase for Black Hills Power of $2,251,814 above current operating revenues, as shown on Joint Exhibit C, attached hereto and incorporated by this reference. The Stipulating Parties agree that Joint Exhibit C, when viewed in the context of the

RESIDENTIAL DEMAND SERVICE (OPTIONAL)

AVAILABLE

At points on the Company's existing secondary distribution lines supplied by its interconnected transmission system.

APPLICABLE

At the customer's election, to any single-family private dwelling unit supplied through one meter with qualifying minimum usage of 1,000 kWh per month on average. ~~This rate will be applicable for service provided during the first complete billing period following the installation of appropriate metering equipment.~~ C C

This schedule shall not be optional and shall apply to all residential customers taking service for all of their electric load requirements which are in excess of the simultaneous output from generation located at their dwelling and/or sell to the Company all output which is in excess of the simultaneous customer electric load. Residential customers who have installed generation to partially meet their electricity requirements prior to October 1, 2014 shall be allowed to remain on another residential service schedule for as long as they remain a Customer or 10 years, whichever is less. N

This schedule is not applicable to a residence which is used for commercial, professional, or any other gainful enterprise; however, if the domestic use can be separately metered, this schedule is applicable to the metered domestic portion of energy use.

A single-family dwelling in which four sleeping rooms or more are rented or are available for rent, is considered non-domestic and the applicable General Service Rate shall apply.

CHARACTER OF SERVICE

Alternating current, 60 hertz, single phase, at nominal voltages of 120/240 volts.

NET MONTHLY BILL

Rate C

Customer Charge $~~16.50~~15.50 D

Energy Charge
All usage at ~~4.50¢~~$0.06457 per kWh I

Demand Charge
All kW of Billing Demand at $~~6.75~~8.25 per kW I

Minimum
The Customer Charge.

RESIDENTIAL DEMAND SERVICE (OPTIONAL)
(continued)

C

BILLING DEMAND

Customer's average kilowatt load during the fifteen-minute period of maximum use during the month.

Maximum Value Option WY916 C

Optional time-of-use metering is available for customers owning demand controllers ready to receive a controls signal. When residential time-of-use meter is used for billing purposed, the Billing Demand is the customer's average kilowatt load during the fifteen minute period of maximum on-peak use during the month. The ON-PEAK periods are Monday through Friday, 7:00 a.m. to 11:00 p.m. from November 1st through March 31st and Monday through Friday, 10:00 a.m. to 10:00 p.m. from April 1st through October 31st. Due to the expansions of Daylight Savings Time (DST) as adopted under Section 110 of the U.S. Energy Policy Act of 2005, the time periods shown above will begin one hour later for the period between the second Sunday in March and first Sunday in April, and for the period between the last Sunday in October and the first Sunday in November. In addition to the normal OFF-PEAK periods, the following holidays are considered OFF-PEAK: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, and Christmas Day.

COST ADJUSTMENT(S)

The above schedule of charges shall be adjusted in accordance with the Cost Adjustment(s) shown on tariff Sheet No. ~~66~~62. C

When the billing period includes a change in the charges of an above mentioned Cost Adjustment tariff, the customer's bill shall be prorated accordingly.

PAYMENT

Net monthly bills are due and payable fifteen (15) days from the date of the bill, and after that date the account becomes delinquent. A late payment charge of 1.5% on the current unpaid balance shall apply to delinquent accounts. A nonsufficient funds check charge of $15.00 shall apply for returned checks. If a bill is not paid, the Company shall have the right to suspend service, providing ten (10) days written notice of such suspension has been given. When service is suspended for nonpayment of a bill, a Customer Service Charge will apply.

RESIDENTIAL DEMAND SERVICE (OPTIONAL)

(continued)

C

TERMS AND CONDITIONS

1. Service will be rendered under the Company's General Rules and Regulations.

2. Service provided hereunder shall be on a continuous basis. Service under this rate shall be for a minimum of twelve consecutive months and thereafter unless the customer then elects to have service provided under other applicable residential service rates.

3. Company-approved water heaters shall have a tank capacity of not less than 30 gallons and an electric capacity of not more than 4,500 watts at 240 volts. If two elements are used, interlocking controls are required to prevent simultaneous operation.

TAX ADJUSTMENT

Bills computed under the above rate will be increased by the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental authority as a result of laws or ordinances enacted, which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

Exhibit WAM-7: Excerpt from California Public Utilities Commission, Docket No. R.14-07-002, *Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering,* Decision 16-01-044.

ALJ/AES/jt2/ar9 **Date of Issuance 2/5/2016**

Decision 16-01-044 January 28, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering.	Rulemaking 14-07-002 (Filed July 10, 2014)

(See Appendix E for List of Appearances.)

DECISION ADOPTING SUCCESSOR TO NET ENERGY METERING TARIFF

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DECISION ADOPTING SUCCESSOR TO NET ENERGY METERING TARIFF

Summary

This decision implements some of the provisions of Assembly Bill (AB) 327 (Perea), Stats. 2013, ch. 611. AB 327, among other things, adds Section 2827.1 to the Public Utilities Code, requiring the Commission to develop "a standard contract or tariff, which may include net energy metering (NEM), for eligible customer-generators with a renewable electrical generation facility that is a customer of a large electrical corporation."

In this decision, the Commission:

- Ensures that customer-sited renewable distributed generation continues to grow sustainably by creating a successor to the existing NEM tariff that includes a new NEM tariff, with modifications;
- Follows the fundamental approach to residential rate reform expressed in Decision (D.) 15-07-001, by
  - Declining to impose any demand charges, grid access charges, installed capacity fees, standby fees, or similar fixed charges on NEM residential customers while the Commission is working on how, if at all, any such fees should be developed for residential customers;
  - Continuing to rely on the minimum bill established in D.15-07-001 as a mechanism for ensuring that customers using the NEM successor tariff contribute through their bill payments to the costs of maintaining the services of the electric grid for all customers;
  - Maintaining the requirement that non-residential NEM customers pay any demand charges, standby fees, or similar fixed charges that are part of the underlying rate for their customer class, regardless of the requirements of the NEM tariff under which they receive service.

understand for residential customers, asserting that such customers spend only a few minutes a year focused on their utility bills. They also state that the Commission rejected a demand charge as too complex a proposal in R.12-06-013, the residential rates proceeding. In addition, the Solar Parties state that PG&E's proposed demand charge would overcharge NEM customers for their use of the distribution system.

The Sierra Club opposes PG&E's demand charge because it argues that the demand charge does not provide a price signal that correlates with grid needs, and is not aligned with cost causation because costs driven by peak demand should not be recovered by a non-coincident demand charge.

CSE states that demand charges should recover costs for all customers, not just DG customers, since demand charges recover costs related to the transmission and distribution system.

ORA does not oppose the proposal, but believes it would be a dramatic shift to go from current NEM to PG&E's proposed approach, and believes the proposal requires additional vetting because it essentially creates a new solar rate class.

The Solar Parties, TURN, 350 Bay Area, CSE, NLine, and CCOF oppose PG&E's proposal to transition to a monthly true up, stating that it will diminish the value of renewables, would increase customer confusion, and undermine customer adoption.

Since PG&E's proposal is expressed as the creation of a demand charge on a subset of residential customers--NEM residential customers--it is, in effect, an effort to revisit the Commission's determination in D.15-07-001 that fixed charges, including demand charges, should not be imposed on residential customers before default TOU rates have been established in 2019. That decision was made after extensive party participation and Commission deliberation. It should not be revised through the back door of a demand charge in the NEM successor tariff.

For these reasons, and those noted in Section 2.11.6, below, PG&E's successor tariff proposal should not be adopted.

2.11.3.1. Interconnection Fees

PG&E's proposal for interconnection fees should be adopted in part. PG&E's witness Daniel Gabbard identified a fee of $100 for interconnection of systems smaller than 30 kW. This is roughly in accord with SCE's costs, described below. PG&E, however, also proposed a fee of $1,600 for systems between 30 kW and 1 MW. Mr. Gabbard stated that the interconnection of systems larger than 30 kW is referred on an individual basis to PG&E engineers, thus accounting for the large difference in the proposed fee.

Because PG&E's fee proposal is not supported by actual cost data, the same amount should be charged for all interconnections of systems smaller than 1 MW under the NEM successor. The actual amount should be calculated based on the interconnection costs shown in PG&E's June 2015 AL 4660-E, filed in accordance with D.14-05-033 and Res. E-4610. In the calculation of the interconnection fee, PG&E may include only the following costs from its filing: NEM Processing and Administrative Costs, Distribution Engineering Costs, and Metering Installation/Inspection and Commissioning Costs. The interconnection fee amount should be included in PG&E's successor NEM tariff filed pursuant to the requirements of this decision. If changes to the interconnection fee are required in the future, the process set out in Section 2.14.1.1, below, should be followed.

SCE's proposal raises two principal issues, in addition to the overarching issue in all the utility proposals of whether the proposal demonstrates appropriate cost causation for the charges sought to be imposed. First, SCE's proposed compensation rate is based on the utility avoided cost used in the Public Tool model. However, it is not at all clear at this time that the Public Tool's avoided cost, or indeed any proposed utility avoided cost, captures both costs and potential benefits (e.g., locational benefits of DER) that are important.

Second, SCE's proposed grid access fee for residential and small commercial customers is a fixed charge that would be collected from residential NEM customers, though fixed charges may not be imposed on residential customers as a whole until the process set in motion by D.15-07-001 is completed. Although Section 2827.1(b)(7) allows a fixed charge for NEM successor tariff customers that is different from that for all residential customers, SCE does not present a compelling case for imposing the grid access fee now. Indeed, SCE does not fully support its grid access charge as a fixed charge. Rather, SCE's witness Behlihomji expresses a preference for using a demand charge, characterizing the proposed grid access charge as "a demand charge proxy."[85]

SCE seeks support for its view in language in D.15-08-005 that is supportive of the concept of a demand charge for NEM customers.[86] The rates of residential customers were not addressed in that decision. Its language on demand charges, which are now part of the rates of commercial and industrial customers, should not be stretched beyond their context in that decision.

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[85] Ex. 16 at 5.

[86] *See* D.15-08-005 at 33-34, Conclusion of Law 9.

Transmuting what SCE states is a demand charge into what it calls a fixed charge does not, however, solve the problem. It simply changes the description of a fixed charge to be imposed on residential customers (NEM successor tariff residential customers) that has not been developed in accordance with the process the Commission set out in D.15-07-001.

For these reasons, as well as those set out in Section 2.11.6, below, SCE's successor tariff proposal should not be adopted.

2.11.4.1. Interconnection Fees

SCE's proposal for interconnection fees--that all customers pay a $75 interconnection fee and all non-residential customers pay all Rule 21 supplemental review fees, study costs and upgrade costs – should, however, be adopted in part, as modified. SCE's witness Barsley testified that SCE had studied its actual costs for interconnection of NEM customers' systems and concluded that a fee of $75 would recover its costs. There is no dispute that this fee is cost-based and reasonable, being based on the information provided in SCE's AL 3239-E, pursuant to Res. E-4610 and D.14-05-033.

SCE has not, however, provided cost data or support for its proposal to have non-residential customers pay additional study and upgrade costs. Therefore the same interconnection fee should be charged to all customers installing systems smaller than 1 MW, regardless of customer class. The interconnection fee amount should be calculated based on the interconnection costs shown in AL 3239-E. In the calculation of the interconnection fee, SCE may include only the following costs from its filing: NEM Processing and Administrative Costs, Distribution Engineering Costs, and Metering Installation/Inspection and Commissioning Costs. The interconnection fee amount should be included in SCE's successor NEM tariff filed pursuant to the

The Sierra Club opposes the grid use charge because it argues that as a demand charge, the grid use charge does not provide a price signal that correlates with grid needs; it is also not aligned with cost causation because costs driven by peak demand should not be recovered by a non-coincident demand charge. CSE states that demand charges should recover costs for all customers, not just DG customers, since they recover costs related to the transmission and distribution system.

ORA does not oppose SDG&E's proposal, but believes it would be a dramatic shift to go from current NEM to SDG&E's proposed approach, and believes the proposal requires additional vetting because it essentially creates a new solar rate class.

SDG&E's proposal for what are in effect mandatory TOU rates for NEM customers at the inception of the successor tariff is premature and suffers from the same difficulties as PG&E's TOU proposal, discussed in Section 2.11.3, above.

SDG&E's default unbundled rate proposes fixed charges, demand charges, and compensation rates that are significantly harsher to the NEM successor tariff customer than those proposed by PG&E and SCE. The proposed fixed charge is seven times that proposed by SCE; the proposed demand charge is three times that proposed by PG&E. The proposed compensation rate is half or less than that proposed by the other two utilities. The fundamental change to the NEM tariff that these proposals would make is not adequately justified by SDG&E.

For these reasons, as well as the reasons set out in Section 2.11.6, below, SDG&E's proposed default unbundled rate for NEM customers should not be adopted.

methodological and cost basis for the fixed charges proposed by the IOUs for the NEM successor tariff are not simple, and far from consistent. Although it is possible for the Commission to impose fixed charges for NEM customers while not having them for other residential customers, the more prudent course would be to wait until the process for determining categories of fixed charges for residential customers, set in motion by D.15-07-001 and being carried forward in PG&E's Phase 2 proceeding, has borne fruit.

The economic idea of a demand charge, as PG&E and SCE note, is appealing. In principle, a demand charge can send customers an economic signal to adjust their energy usage based on system impacts. For large and sophisticated customers, that signal is in place in their current rates. As the Commission noted in D.15-07-001, however, and as echoed by a number of parties in this proceeding,[88] demand charges can be complex and hard for residential customers to understand. Since the vast majority of NEM customers are residential customers, it is reasonable to consider the NEM successor tariff in light of the needs of residential customers. From that perspective, the NEM successor tariff should not incorporate a demand charge, following the course on demand charges and other fixed charges set in D.15-07-001.

Requiring participation in available TOU rates can be an effective way to align the incentives of customers on the NEM successor tariff with system needs. The Commission adopts this element of the IOUs' proposals.

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[88] They include the Solar Parties and TURN.

7. In order to ensure that interconnection fees for NEM customers are just and reasonable, any such fees for systems smaller than 1 MW in size should be based on each IOU's costs of interconnection, using the actual costs recorded in their respective June 2015 advice letters, filed in compliance with D.14-05-033 and Res. E-4610. The actual amount of the fee should include only the following costs from the advice letter filings: NEM Processing and Administrative Costs, Distribution Engineering Costs, and Metering Installation/Inspection and Commissioning Costs.

8. In order to provide for appropriate notice and customer participation, any changes to interconnection fees proposed by an IOU for its NEM successor tariff customers must be made by Tier 2 advice letter, served on the service list for this proceeding, or in any subsequent proceeding in which the NEM successor tariff is part of the scope of the proceeding.

9. In accordance with Section 2827.1(b)(7), the Commission has the authority to impose fixed charges for the NEM successor tariff that are different from the fixed charges for residential customers, but is not required to do so.

10. In order to promote consistency with the Commission's process for making changes to the rate structure for residential customers, the NEM successor tariff should not include any fixed charges, including but not limited to demand charges, grid access fees, or similar charges, unless and until the Commission authorizes the introduction of fixed charges for all residential customers.

11. In order to ensure that customer-sited renewable DG systems larger than 1 MW seeking to use the NEM tariff do not have significant impact on the distribution system, customers installing such systems should be required to pays all Rule 21 interconnection and upgrade costs.

Exhibit WAM-8: Excerpt from Idaho Public Utilities Commission, Case No. IPC-E-12-27, *In the Matter of Idaho Power Company's Application for Authority to Modify its Net Metering Service and Increase the Generation Capacity Limit*, Order No. 32846

Office of the Secretary
Service Date
July 3, 2013

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO MODIFY ITS NET METERING SERVICE AND TO INCREASE THE GENERATION CAPACITY LIMIT	CASE NO. IPC-E-12-27 ORDER NO. 32846

On November 30, 2012, Idaho Power Company applied to the Commission for authority to modify its net metering service. The Company initially said its proposal would impact 350 net metering customers to varying degrees, depending on how they use and generate energy. During this proceeding, the number of net metering customers was updated to 386. Tr. at 18. The Company asked the Commission to issue a final Order by July 1, 2013. *See* Application.

On January 15, 3013, the Commission issued a Notice of Application and Notice of Intervention. *See* Order No. 32715. The Idaho Conservation League; PowerWorks, LLC; Pioneer Power, LLC; City of Boise; Snake River Alliance; and Idaho Clean Energy Association, Inc. intervened in the case, and a prehearing conference was held on March 21, 2013. The Commission then issued an Order setting a case schedule, including public workshops. *See* Order No. 32767. On April 23, 2013, the Commission scheduled technical and public hearings for June 11, 2013. *See* Order No. 32794. The workshops and hearings occurred as scheduled.

Having carefully reviewed the record, including the Application, testimony, and comments, the Commission enters this Order: (1) declining to cap net metering capacity and instead directing the Company to periodically report on its net metering service; (2) declining to modify the net metering pricing structure or move residential and small general service net metering customers into new classes; (3) requiring the Company to issue a per kWh credit for excess generation, with the credits to expire only when the customer ends service; and (4) approving Exhibit 8, that resolves parties' concerns about interconnection language proposed in proposed Schedule 72. The Commission's Order is more thoroughly explained below.

THE APPLICATION

Idaho Power's Application asks the Commission to approve four changes to the net metering service: (1) increasing the net metering cap; (2) changing the net metering pricing structure;

Second, ICL wrongly assumes that net metering systems produce "firm" energy when they actually produce "non-firm power," i.e., power that is supplied or available under a commitment having limited or no assured availability. *Id.* at 400. Because of these flaws, ICL's energy-valuation analysis is irrelevant and should be disregarded. *Id.* at 401. Further, regardless of whether one characterizes the energy as "firm" or "non-firm," the Commission should reject ICL's proposed energy valuation method as being inconsistent with the Commission-approved methods for valuing firm and non-firm generation. *Id.* at 400-401.

c. Rebuttal to ICEA. The Company disputes ICEA's argument that the Company should not change the net metering rate structure to address $74,000 in claimed inequity that is driven by a few customers with annual excess generation. First, the potential inequity is caused by pricing and not excess energy. The $74,000 figure is, therefore, wrong. Second, even if ICEA correctly quantified the potential inequity, the resulting dollar figure would provide little insight into why the Company filed its proposal. In summary, the Company filed its pricing proposal in an effort to accommodate growth of the net metering service and address the shifting of costs from net metering customers to standard service customers before the service grows to where corrections or rate inequities impact many customers. Tr. at 11-15.

d. Rebuttal to the City. The Company disagrees with the City's claim that the Company has not identified the costs it proposes to recover from the new charges set forth in Schedule 6 and 8. The Company bases the proposed Schedule 6 and 8 rates on the publicly available cost-of-service study from its last general rate case. Further, in this proceeding the Company provided the full cost-of-service model to all parties in electronic format, detailed how the study was used to calculate the new rates, listed each component of the Company's revenue requirement by FERC account, and fully described the class allocation and rate design process. Tr. at 15-16.

Commission Decision: Based on our review of the record, we believe that net metering customers have some characteristics that could justify moving them into a separate rate class and onto a different schedule from the general residential and small general service rate classes. However, we are concerned that the Company's proposal is inconsistent with State policy as expressed in the Idaho Energy Plan, will discourage investment in distributed generation, and encourage rate-gaming. Further, we believe dramatic changes such as those proposed in this case—including increasing the monthly customer charge, imposing a new BLC charge, and reducing the energy charge for the residential and small general service customers—should not be examined in isolation but should be fully vetted in a general rate proceeding. Accordingly, at this time we decline to make these changes, change the rate design, or separate the net metering customers from the standard residential service and small general service classes. If the Company wishes to raise these issues again, then it should do so in the context of a general rate case. We agree with the Company that net metering customers do escape a portion of the fixed costs and shift the cost burden to other customers in their class. However, we find that more work needs to be done to establish the correct customer charge for those who net meter.

We find it fair, just, and reasonable to require net metering customers to continue paying the customer charge for their class. It is also reasonable to preclude net metering customers from using their excess net energy credits to offset the customer charge on their bills.

C. Excess Net Energy

The Company proposes to calculate Excess Net Energy as a kWh credit that would expire each December. The other parties oppose this proposal. The parties' testimony and the Company's rebuttal are summarized below.

1. Commission Staff. Staff opposes calculating Excess Net Energy as a kWh credit because the proposal would price every kWh the same regardless of the season in which the energy is generated. Instead, Staff proposes that the Company continue crediting customers on a financial basis using the full retail rate. Excess Net Energy credits would carry forward indefinitely and only expire when the customer ends service. Staff says its proposal would encourage customers to right-size their installations, capture the seasonal differences in retail rates, encourage conservation, and incent future net metering customers to choose generation types that match the Company's higher-priced periods for delivering electricity. Tr. at 355-362.

2. ICEA. ICEA does not oppose the Company ending cash payments at retail rate. Tr. at 319. But ICEA opposes treating Excess Net Energy as a kWh credit rather than a financial credit at retail rates. First, a kWh credit is less liquid, and thus less valuable to customers, than a financial credit. *Id.* at 288-289. Second, the Company's kWh proposal ignores that the value of a kWh varies by time of day and season. Crediting Excess Net Energy at retail rates recognizes this variation in kWh costs. *Id.* at 289-290. Third, ICEA notes that the Company proposes to remove distribution costs from the per-kWh energy charge, which prevents the customer from

Exhibit WAM-9: Excerpt from Nevada Public Utilities Commission, Docket No. 15-07041 *Application of Nevada Power Company d/b/a NV Energy for Approval of a Cost of Service Study and Net Metering Tariffs*

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Application of Nevada Power Company d/b/a NV Energy for approval of a cost-of-service study and net metering tariffs.	))))	Docket No. 15-07041
Application of Sierra Pacific Power Company d/b/a NV Energy for approval of a cost-of-service study and net metering tariffs.	))))	Docket No. 15-07042

At a general session of the Public Utilities Commission of Nevada, held at its offices on February 12, 2016.

PRESENT: Chairman Paul A. Thomsen
Commissioner Alaina Burtenshaw
Commissioner David Noble
Assistant Commission Secretary Trisha Osborne

MODIFIED FINAL ORDER

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Demand Charge

327. Residential and small commercial ratepayers in Nevada have not had a demand charge (demand cost recovery component) in the past.[29] A certain level of ratepayer education would be necessary to implement a demand charge for the NEM ratepayer classes. NEM ratepayers are sophisticated enough to understand demand charges and can reduce their demand impacts in many ways, including how they configure their installations[30] and whether they elect to modify their ongoing usage patterns. However, ratepayer acceptance of this potential rate change is unknown. As a result, now is not the time to adopt a demand charge for residential and small commercial NEM ratepayers, given the other changes taking place in this proceeding.

328. Instead, the Commission approves a two-part tariff consisting of a modified basic service charge and a volumetric commodity charge.

Basic Service Charge

329. The basic service charge shall be calculated by NV Energy to recover the full amount of customer, facilities, and primary and high voltage distribution costs. These costs do not change for a ratepayer after the installation of a NEM system; however, because installation of a NEM system results in less energy delivered by the utility to the NEM ratepayer, a NEM ratepayer will avoid paying for these fixed costs if rates remain designed to collect them through a volumetric charge. A basic service charge is the simplest and most easily understood method to ensure recovery of such fixed costs from a ratepayer regardless of the volume of sales to the ratepayer.

[29] A demand charge is one option designed to recover costs that are based on a ratepayer's unique maximum load. The maximum load is what the utility must be prepared to serve, and the maximum load also triggers a sudden and intense need for electricity. This sudden and intense need for energy is filled by the utility's ability to ramp up and ramp down generating units. For decades, demand charges have been used for large industrial or commercial ratepayers due to the costs and strains put on the utility's systems due to their particular demand characteristics.
[30] Orientation of solar panels can increase generation at different times of the day to suit the load needs of the individual ratepayer. (Ex. 99A at 72.)

Exhibit WAM-10: Excerpt from Arkansas Public Service Commission, Docket No. 15-075-TF, *In the Matter of Request for Approval of Changes to Net Metering Tariff to Comply with Act 827 of 2015*

BEFORE THE

ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF REQUEST FOR APPROVAL **OF CHANGES TO THE OKLAHOMA GAS AND ELECTRIC COMPANY** NET METERING TARIFF TO COMPLY WITH ACT 827 OF 2015	))))	DOCKET NO. 15-___-TF

Direct Testimony

of

Michael K. Knapp, Ph.D.

on behalf of

Oklahoma Gas and Electric Company

July 22, 2015

Guernsey & Company, I evaluated wholesale gas and electric markets in support of its engineering and consulting practice serving municipal, cooperative, and investor-owned utilities. I am a member of the Society of Utility and Regulatory Financial Analysts.

Q. **Have you previously filed testimony before the Arkansas Public Service Commission (the "Commission" or "APSC")?**

A. No. However, I have testified before the Arizona Corporation Commission, the Oklahoma Corporation Commission, and the Texas Railroad Commission.

PURPOSE

Q. **What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony is to sponsor revisions to OG&E's net-metering tariff, Schedule NET-1, Title "Net Metering for 300 kW or Below." I have attached the proposed redline amendments to the tariff as Exhibit MKK-1. I have also attached a clean version of the tariff as Exhibit MKK-2.

Q. **Why is the Company filing this petition?**

A. The Arkansas legislature enacted House Bill 1004 amending certain provisions of Arkansas Legal Code[1] to alter the method of compensation of net-metering customers in certain circumstances.

PROPOSED REVISIONS

Q. **How many revisions does the Company wish to make to Schedule NET-1?**

A. OG&E proposes to make changes to clause 1.1 and to eight other clauses of the net-metering tariff beginning at clauses 2.1 through 2.10. These changes are required to bring the tariff into compliance with the new net-metering legislation.

Q. **What change to clause 1.1 does the Company wish to make?**

A. OG&E proposes to delete:

[1] AR ST Sec. 23-18-603 and AR ST Sec. 23-18-604

1.1 To any residential or any other customer who takes service under standard rate schedules Residential Service Rate (R-I), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-I), Commercial Service Time-of-Use Rate (CS-TOU), General Service Variable Peak Pricing (GS-VPP), Power and Light Rate (PL-I), Power and Light Demand Time-of-Use-Demand (PL-TOU-D), or Power and Light Demand Time-of-Use-Energy (PL-TOU-E) who has installed a net metering facility and signed a Standard Interconnection Agreement for Net Metering Facilities with the Utility. Such facilities must be located on the customer's premise and intended primarily to offset some or all of the customer's energy usage.

The provisions of the customer's standard rate schedule are modified as specified herein.

OG&E proposes to replace with:

1.1 To any residential or any other customer who takes service under any of the following standard rate schedule(s) including Residential Service Rate (R-1), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-1), Commercial Service Time-of-Use Rate (CS-TOU), General Service Variable Peak Pricing (GS-VPP), Power and Light Rate (PL-1), Power and Light Demand Time-of-Use-Demand (PL-TOU-D), and the Power and Light Demand Time-of-Use-Energy (PL-TOU-E) and who has installed a net-metering facility and signed a Standard Interconnection Agreement for Net Metering Facilities with the Utility. Such facilities must be located on the customer's premise and intended primarily to offset some or all of the customer's energy usage.

The provisions of the customer's standard rate schedule are modified as specified herein.

The customer shall be required to notify the utility of any net-metering facility size changes or be subject to a true-up kW-charge retroactively assessed to all billing periods that occurred since the customer changed the sizing of the net metering facility.

If a net-metering customer is taking service under a non-demand base tariff (either Residential Service Rate (R-1), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-1), Commercial Service Time-of-Use Rate (CS-TOU), or the General Service Variable Peak Pricing (GS-VPP) rate schedules) that customer shall have an additional kW-charge of $X.XX per kW of name plate rating of the net- metering facility.

If a net-metering customer is taking service under a demand base tariff, there will not be an additional kW-charge of $X.XX per kW of name plate rating of the Net-metering facility.

Q. **What is the significance of these changes?**

A. The key change is the introduction of a demand charge for net-metering customers.

Q. **Why is OG&E proposing a demand charge in clause 1.1?**

A. This demand charge is intended for the Company to recover the transmission and distribution ("T&D") demand costs associated with integrating the net-metering facility into the utility's T&D system.[2] The Act and its resulting proposed net-metering tariff changes, including the aggregation of energy benefits over multiple customers, have inherently provided further access to T&D facilities by the net-metering facility without any additional associated cost recovery. While current demand tariffs provide some mechanism for recovery of some of these costs, current energy tariffs do not. This cost recovery is addressed by the proposed kW charge.

Q. **What change to clause 2.1 does the Company wish to make?**

A. OG&E proposes to delete:

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[2] AR ST Sec. 23-18-604(b)(1)(A)(*i*)

~~1st~~-2nd Revised Sheet No. 60. 0 CT

Replacing Original Sheet No. 60. 0

OKLAHOMA GAS AND ELECTRIC COMPANY
Name of Company

Kind of Service: Electric Class of Service: Applicable Class

Part I. Schedule No. NET-1

Title: Net Metering for 300 kW or below

PSC File Mark Only

EFFECTIVE IN: All territory served.

1.0 **AVAILABILITY**:

1.1 To any residential or any other customer who takes service under standard rate schedules Residential Service Rate (R-1), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-1), Commercial Service Time-of-Use Rate (CS-TOU), General Service Variable Peak Pricing (GS-VPP), Power and Light Rate (PL-1), Power and Light Demand Time-of-Use-Demand (PL-TOU-D), or Power and Light Demand Time-of-Use-Energy (PL-TOU-E) who has installed a net metering facility and signed a Standard Interconnection Agreement for Net Metering Facilities with the Utility. Such facilities must be located on the customer's premise and intended primarily to offset some or all of the customer's energy usage.

The provisions of the customer's standard rate schedule are modified as specified herein.

The customer shall be required to notify the utility of any Net-metering facility size changes or be subject to a true-up kW-charge retroactively assessed to all billing periods that occurred since the customer changed the sizing of the Net-metering facility.

If a Net-metering customer is taking service under a non-demand base tariff (either Residential Service Rate (R-1), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-1), Commercial Service Time-of-Use Rate (CS-TOU), or the General Service Variable Peak Pricing (GS-VPP) rate schedules) that customer shall have an additional kW-charge of $X.XX per kW of name plate rating of the Net-metering facility. AT

If a Net-metering customer is taking service under a demand base tariff, there will not be an additional kW-charge of $X.XX per kW of name plate rating of the Net-metering facility.

~~1st~~ 2nd Revised Sheet No. 60. 1 CT

Replacing Original Sheet No. 60. 1

OKLAHOMA GAS AND ELECTRIC COMPANY
Name of Company

Kind of Service: Electric Class of Service: Applicable Class

Part I. Schedule No. NET-1

Title: Net Metering for 300 kW or below

PSC File Mark Only

1.2 Net-metering customers taking service under the provisions of this tariff may not simultaneously take service under the provisions of any other alternative source generation or co-generation tariff except as provided in the Net Metering Rules.

2.0 **MONTHLY BILLING:**

2.1 On a monthly basis, the net-metering customer shall be billed the charges applicable under the currently effective standard rate schedule and any appropriate rider schedules with an additional billing provision that demand charges shall be applied to the following non-demand based rate tariffs of Residential Service Rate (R-1), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-1), Commercial Service Time-of-Use Rate (CS-TOU), and the General Service Variable Peak Pricing (GS-VPP) rate schedules. These additional demand charges shall be added to their monthly base bill and shall be assessed at a rate of $X.XX per kW of the facility name plate rating of the Net-metering facility. This demand charge shall be used to compensate the utility for the cost of transmission and distribution (T&D) demand costs associated with integration costs of the DG facility into the utility's T&D system [reference to 23-18-604(b)(1)(A)(*i*)]. All other provisions of the underlying base tariffs shall apply. ~~. Under net metering, only the kilowatt-hour (kWh) units of a customer's bill are affected.~~ AT RT

2.2 If the kWh supplied by the electric utility exceeds the kWh generated by the net-metering facility and fed back to the electric utility during the billing period, the net metering customer shall be billed for the net billable kWh supplied by the electric utility in accordance with the rates and charges under the customer's standard rate schedule.

2.3 If the kWh generated by the net-metering facility and fed back to the electric utility during the billing period exceeds the kWh supplied by the electric utility to the net-metering customer during the applicable billing period, the utility shall credit the net-metering customer with any accumulated net excess generation in the next applicable billing period on a dollar basis (not on a kWh basis) using the process for determining estimated average avoided cost rate by time period as specified in Docket number 81-071-F.~~.~~ AT

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August 4, 2015

Mr. Michael Sappington
Secretary of the Commission
Arkansas Public Service Commission
1000 Center Street
Little Rock, Arkansas 72201

Re: Docket No. 15-075-TF
Oklahoma Gas & Electric Company
Net Metering Tariff Filing

Dear Mr. Sappington:

On July 22, 2015 OG&E filed proposed tariff revisions to its net metering tariff to comply with the provisions of Act 827 of 2015. Subsequent to the filing, OG&E and the General Staff of the Commission have engaged in discussions relative to the tariff filing. OG&E has agreed with the General Staff to make certain revisions to the previously filed tariff.

Attached hereto for filing is an amended tariff, a red-line and clean version, to replace the tariffs filed on July 22nd. Please substitute the attached tariff for the previously filed version. Thank you for your assistance in this matter. Should you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,

Lawrence E. Chisenhall

Attachments

ARKANSAS PUBLIC SERVICE COMMISSION

2nd Revised Sheet No. 60. 1

Replacing 1st Revised Sheet No. 60. 1

OKLAHOMA GAS AND ELECTRIC COMPANY
Name of Company

Kind of Service: Electric Class of Service: Applicable Class

Part I. Schedule No. NET-1

Title: Net Metering for 300 kW or below

PSC File Mark Only

EFFECTIVE IN: All territory served.

1.0 **AVAILABILITY**:

1.1 To any residential or any other customer who takes service under standard rate schedules Residential Service Rate (R-1), Residential Time-of-Use Rate (R-TOU), Residential Variable Peak Pricing (R-VPP), General Service Rate (GS-1), Commercial Service Time-of-Use Rate (CS-TOU), General Service Variable Peak Pricing (GS-VPP), Power and Light Rate (PL-1), Power and Light Demand Time-of-Use-Demand (PL-TOU-D), or Power and Light Demand Time-of-Use-Energy (PL-TOU-E) who has installed a net metering facility and signed a Standard Interconnection Agreement for Net Metering Facilities with the Utility. Such facilities must be located on the customer's premise and intended primarily to offset some or all of the customer's energy usage.

The provisions of the customer's standard rate schedule are modified as specified herein.

1.2 Net-metering customers taking service under the provisions of this tariff may not simultaneously take service under the provisions of any other alternative source generation or co-generation tariff except as provided in the Net Metering Rules.

2.0 **MONTHLY BILLING**:

2.1 On a monthly basis, the net-metering customer shall be billed the charges applicable under the currently effective standard rate schedule and any appropriate rider schedules. Under net metering, only the kilowatt-hour (kWh) units of a customer's bill are affected.

2.2 If the kWh supplied by the electric utility exceeds the kWh generated by the net-metering facility and fed back to the electric utility during the billing period, the net metering customer shall be billed for the net billable kWh supplied by the electric utility in accordance with the rates and charges under the customer's standard rate schedule.

Exhibit WAM-11: Georgia Public Service Commission, Docket No. 36989, *Georgia Power's 2013 Rate Case*, Order Adopting Settlement Agreement

COMMISSIONERS:

CHUCK EATON, CHAIRMAN
H. DOUG EVERETT
TIM G. ECHOLS
LAUREN "BUBBA" McDONALD, JR.
STAN WISE

FILED
DEC 23 2013
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DOCKET # ~~Docket No. 36989~~
DOCUMENT # 151108

In Re: **Georgia Power Company's 2013 Rate Case**

ORDER ADOPTING SETTLEMENT AGREEMENT

Record Submitted: December 4, 2013 Decided: December 17, 2013

APPEARANCES

On behalf of Georgia Public Service Commission Public Interest Advocacy Staff:

JEFFREY STAIR, Esq., DANIEL WALSH, Esq., and ROBIN COHEN, Esq.

On behalf of Georgia Power Company:

KEVIN C. GREENE, Esq., BRANDON MARZO, Esq., JACK JIRAK, Esq., and STEVE HEWITSON, Esq.

On behalf of Association for Fairness in Rate Making:

DAN MOORE

On behalf of The Commercial Group:

ALAN R. JENKINS, Esq.

On behalf of Georgia Association of Manufacturers:

CHARLES B. JONES, III, Esq.

On behalf of Georgia Industrial Group:

RANDALL D. QUINTRELL, Esq.

On behalf of Georgia Municipal Association:

MARCIA RUBENSHON, Esq.

On behalf of Georgia Solar Energy Industries Association, Inc.:

NEWTON M. GALLOWAY, Esq., TERRI M. LYNDALL, Esq., and J. CHADWICK TORRI, Esq.

On behalf of Georgia Watch:

ROBERT B. BAKER, JR., Esq.

On behalf of The Kroger Company:

KURT J. BOEHM, Esq.

On behalf of Metropolitan Atlanta Rapid Transit Authority:

ROBERT B. BAKER, JR., Esq.

On behalf of Resource Supply Management:

JIM CLARKSON

On behalf of Sierra Club:

ASHTEN BAILEY, Esq., and ROBERT UKEILEY, Esq.

On behalf of Southern Alliance for Clean Energy:

KURT EBERSBACH, Esq., and KATIE OTTENWELLER, Esq.

On behalf of U.S. Department of Defense and other affected Federal Executive Agencies:

KYLE J. SMITH, Esq.

BY THE COMMISSION:

I. GEORGIA POWER COMPANY'S 2013 RATE CASE

On June 28, 2013, Georgia Power Company ("Company" or "Georgia Power") filed a traditional electric rate case. This filing was made pursuant to the Georgia Public Service Commission's ("Commission") Order in Docket No. 31958, the Company's 2010 rate case. In 2010 rate case, the Commission voted to approve and issue an Accounting Order three years in term that was to remain in effect through December 31, 2013. The Commission ordered Georgia Power the following regarding its next rate case filing:

> By July 1, 2013, the Company shall file testimony and exhibits required in a general rate case along with supporting schedules required by the Commission to support a "traditional" rate case. The test period utilized by the Company in its rate case filing shall be from August 1, 2013 to July 31, 2014. The Company may propose to continue, modify or discontinue the Alternative Rate Plan. The Company shall also file projected revenue requirements for calendar years 2014, 2015, and 2016. (Docket No. 31958, Final Order, p. 6)

The Company's 2013 rate case filing was made in compliance with the Procedural and Scheduling Order issued by the Commission on May 22, 2013 that identified the procedures that were to be followed in this docket along with corresponding dates on which designated events were set to occur with respect to the Company's filing. In the body of this same order, the Commission, pursuant to O.C.G.A. § 46-2-25, suspended the subject matter of Georgia Power's filing for a period of five months ending January 1, 2014. In addition, the Commission ruled that the proceedings on the Company's filing constituted complex litigation, as that term is defined in O.C.G.A. § 9-11-33.

The Company's 2013 rate case filing was comprised of information responsive to the Commission's rule regarding Minimum Filing Requirements ("MFRs"), exhibits reflecting Georgia Power's cost of service study, sales and revenue forecast, depreciation rates, and cash working capital, and the testimony and exhibits, were offered, of Ron Hinson, Steven Fetter, James H. Vander Weide, Michael T. O'Sheasy, Gregory N. Roberts and the panel of Laura Patterson and Elliot Spencer.

In addition to the Public Interest Advocacy Staff of the Commission ("Advocacy Staff") which has the right by statute to participate in this proceeding, intervention were filed by a number of interested parties. These interested parties were Association for Fairness in Rate Making ("AFFIRM"); the Commercial Group; the Georgia Association of Manufacturers ("GAM"); the Georgia Industrial Group ("GIG"); Georgia Municipal Association ("GMA"); the Georgia Solar Energy Industries Association, Inc. ("GSEIA"); Georgia Watch; the Kroger Company ("Kroger"); Metropolitan Atlanta Rapid Transportation Authority ("MARTA");

Resource Supply Management; Sierra Club; Southern Alliance for Clean Energy ("SACE"); and the U.S. Department of Defense and other affected Federal Executive Agencies ("DOD").

Hearings on Georgia Power's direct case in support of its filing were conducted on October 2 and 3, 2013. Thereafter, on or about October 18, 2013, testimony and supporting exhibits were filed by the Advocacy Staff; DOD; MARTA; the Commercial Group; Kroger; GAM/GIG; AFFIRM; Georgia Watch; and GSEIA. On October 22, 2013, pursuant to the Commission's October 17, 2013 Order Modifying Procedural and Scheduling Order, the Advocacy Staff filed the testimony of Ralph Smith. Hearings resumed on November 5, 6 and 7, 2013, at which time the Advocacy Staff and intervenors presented their respective direct cases.[1]

On November 15, 2013 the Company filed its rebuttal testimony of Dr. Vander Weide, Mr. Fetter, Mr. Roberts, the panel of Ms. Patterson and Mr. Spencer, and the panel of John L. Pemberton, Daniel W. Lindsey and Leslie R. Sibert. On November 15, 2013 a Settlement Agreement was entered into by the Company and Advocacy Staff resolving the contentions raised during the pendency of the proceeding. On November 18, 2013, the Company withdrew the previously filed rebuttal testimony and filed the rebuttal testimony of the panel of Ms. Patterson, Mr. Spencer, Mr. Roberts and Mr. Fetter. In its filing, the Company represented that the Advocacy Staff and the Company had entered into a Settlement Agreement (the "Settlement Agreement") resolving the issues in contention between the two parties. The Settlement Agreement was attached to the Company's rebuttal testimony and a copy is attached hereto as Attachment 1.

The Company presented its rebuttal case on November 25, 2013, at which time the hearings in this matter were concluded. On December 4, 2013, parties in this matter filed proposed orders and briefs.

At each phase of the hearing of evidence in this case the Commission also heard from numerous public witnesses who expressed their views on the Company's application, either individually or on behalf of specific groups

II. COMMISSION ACTION

In its rebuttal testimony, the Company introduced the Settlement Agreement designed to resolve the issues that had been raised in this docket. The Settlement Agreement was executed on behalf of Advocacy Staff and the Company. The following parties also either executed the Settlement Agreement, or expressly indicated their support of the Settlement Agreement: the Commercial Group, GAM, GIG, GMA, GSEIA, Georgia Watch, Kroger, MARTA, Resource

[1] Because of significant and unexpected medical issues, Advocacy Staff Witness King was unable to appear personally before the Commission. Mr. James Garren, an associate of Mr. King, adopted the testimony of Mr. King, appeared before the Commission and was cross-examined. As the recommendations of Mr. King's pre-filed testimony were factored into the terms of the Settlement Agreement, hereinafter the Commission will also refer to the recommendations as testimony as being those presented by Mr. King.

Supply Management, SACE and DOD. The Settlement Agreement was designed to set rates to go into effect January 1, 2014 using a three year Alternate Rate Plan ("ARP") with an earnings band of 10.00% to 12.00%. Rates under the accounting order would be set as described in the Settlement Agreement with a 10.95% return on equity ("ROE"). The Settlement Agreement further provided for the continuation of the Environmental Compliance Cost Recovery ("ECCR") Tariff which will collect certain environmental costs which will be incurred by the Company. The Settlement Agreement further provides for an increase in the municipal franchise fee tariff pursuant to the Commission's final orders in Docket Nos. 21112 and 25060, as well as an increase in the DSM tariffs.

The Settlement Agreement also provides that the traditional base tariffs shall be adjusted in 2015 and 2016 to recover the revenue requirements for traditional base rates, the ECCR tariff, the DSM tariffs, and the municipal franchise fee tariff. The Settlement Agreement also provides for continuation of the Interim Cost Recovery ("ICR") mechanism so that if at any time during the term of the ARP the Company projects that its retail earnings will be lower than 10.00% retail ROE for any calendar year, the Company may petition the Commission for the implementation of an ICR tariff which would be used to adjust the Company's ROE back to 10.00% ROE. The Settlement Agreement also requires the Company to file testimony and exhibits required in a general rate case along with supporting schedules required by the Commission to support a "traditional" rate case by July 1, 2016. The test period for such rate case shall be from August 1, 2016 to July 31, 2017.

At its regular Administrative Session held on December 17, 2013, the Commission voted to adopt the Settlement Agreement.

FINDINGS OF FACT

1.

The Commission finds that the resolution of the matters raised in this docket, as provided in the Settlement Agreement is appropriate and is in the best interest of the State of Georgia. It is supported by testimony and other evidence in the record and will result in just and reasonable rates. In discussing the individual components of the Settlement Agreement, the Commission remains mindful that the Settlement Agreement reflects a compromise among a large number of parties with disparate interests, and that the Settlement Agreement must be considered as a whole. It is plain from reviewing the resolution that no party to the proceeding, including every party that signed on to the Settlement Agreement, prevailed on every issue. However, the Settlement Agreement offers a fair resolution to the full range of issues presented in this docket. It is recognized that in all probability neither the Company, Advocacy Staff nor any of the parties that signed on to the Settlement Agreement would agree *in isolation* to the resolution of a specific issue that is contrary to the position taken by that party. The Commission notes that such a significant number of the parties represented in this proceeding have signed on to the Settlement Agreement, including the overwhelming majority of the parties that sponsored

12.

The Settlement Agreement also provides that the Supplemental Power Service ("SPS") tariff will be withdrawn. As originally proposed by the Company, the SPS tariff would apply to all customers that install and utilize any self-generation (other than emergency generation used during power outages) of any size utilized after January 1, 2014 and require a source of supplementary power, including all residential and small commercial customers that install a small solar panel on their roof in order to reduce their electricity purchases from Georgia Power. (Tr. 1475)

The Commission finds that withdrawal of the SPS tariff is reasonable. As Staff witnesses Watkins and Barber testified, the amount of solar currently installed in Georgia Power's territory is relatively small, and the Company has not projected or provided any evidence that the installation of self-generation systems will grow substantially over the next few years. (Tr. 1479) As such, the Commission has sufficient time to give the proper attention to this important policy decision which will guide the installation of distributed generation systems throughout the state. In addition, while most of the discussions around the country have focused on the shifting of costs and revenue collection associated with solar customers engaged in net metering, the Company's proposed SPS tariff would apply to all supplemental self-generation and is specifically tailored and applicable to those customers that install supplemental self-generation behind the meter and do not sell energy into Georgia Power's grid. (Id.) Finally, the Commission will soon investigate and approve avoided cost amounts to be used in the pricing for the 525 MW of additional Advanced Solar Initiative solar. As the Company will employ a similar methodology to calculate the avoided costs to be used for the pricing for both the Utility Scale and distributed generation programs as was used in the avoided costs determinations for the SPS capacity charge, the Commission finds that it is appropriate to defer this issue to a future time.

13.

The Settlement Agreement provides that the Low Income Senior Discount will be increased by an amount sufficient to offset the impact of the rate increases specified in the Settlement Agreement up to an amount no greater than $18.00. In its rebuttal testimony, the Company testified that in order to help mitigate the impact of the rate increase on its most vulnerable customers over the term of the Settlement Agreement, the Low Income Senior Discount will be increased from the current $14.00 to $18.00. (Tr. 2278) The Commission finds that the increase in the Low Income Senior Discount is reasonable, in the public interest and will offset in part the rate increases specified in the Settlement Agreement.

14.

The Settlement Agreement also requires the Company to further investigate the need for, and costs associated with, providing hourly usage information to all of its metered customers. The Company is required to file this information within six months of the final order in this

> the utility's proposed effective date of the rates. After the initial filing and until new rates go into effect, the utility shall file actual cost of service data as they become available for each month following the actual data which were filed. The utility shall have the burden of explaining and supporting the reasonableness of all estimates and adjustments contained in its cost of service data.

(O.C.G.A. § 46-2-26.1(b))

Georgia Power filed the requisite data on the basis of a test period, and the Settlement Agreement uses the test period as a starting point and then makes necessary and appropriate adjustments to reflect operations during the 12 months following the utility's proposed effective date of the rate. The test period data serves as the benchmark from which adjustments are made for each year of the Alternative Rate Plan. This methodology is consistent both with the statute and with Commission precedent in rate case proceedings dating back to 1998.

3.

The rates resulting from the Settlement Agreement are fair, just and reasonable. By adopting the Settlement Agreement, the Commission retains its jurisdiction to ensure that the Company's rates are fair, just and reasonable.

4.

The remaining terms and conditions of the Settlement Agreement are reasonable and appropriate. By adopting the Settlement Agreement, the Commission adopts a reasonable resolution of the remaining issues in this docket.

5.

The Commission retains its jurisdiction to ensure that the Company abides by and implements the rates, terms and conditions set forth in the Settlement Agreement adopted herein, and to issue such further order or orders as this Commission may deem proper.

III. ORDERING PARAGRAPHS

WHEREFORE, IT IS ORDERED, that the Settlement Agreement shall be and the same hereby is adopted, that its terms and conditions are fully incorporated herein, and that Georgia Power Company shall comply with said terms and conditions.

ORDERED FURTHER, that the terms and conditions set forth in the Settlement Agreement are just and reasonable and shall take effect for service rendered from and after January 1, 2014.

ORDERED FURTHER, that the tariffs implemented by Georgia Power to implement the aforesaid annual rate increase in the years 2014, the adjustments contemplated in 2015 and 2016, as well as the terms and conditions of the Settlement Agreement shall be subject to review by the Commission to ensure that such tariffs, as implemented, are proper and just.

ORDERED FURTHER, that for purposes of the rate increase in the year 2014, Georgia Power shall file compliance tariffs within 30 days of the issuance of this Order, reflecting rates to implement the rate increases ordered herein. These tariffs shall reflect the rate allocations adopted in this Order, and shall be subject to the Commission's review for final approval.

ORDERED FURTHER, that for purposes of the rate adjustments specified in Section 6 of the Settlement Agreement, the Company shall make compliance filings of the updated tariffs at least 90 days prior to the effective date of the tariffs. Compliance filings shall be served upon all parties of record to this proceeding. Upon receipt of such compliance filing, parties may offer input relative to the filing to the Commission.

ORDERED FURTHER, that all findings, conclusions and decisions contained within the preceding sections of this Order are adopted as findings of fact, conclusions of law, and decisions of regulatory policy of this Commission.

ORDERED FURTHER, that jurisdiction over this proceeding is expressly retained for the purpose of entering such further order or orders as this Commission may deem proper.

ORDERED FURTHER, any motion for reconsideration, rehearing, or oral argument shall not stay the effectiveness of this order unless expressly ordered by the Commission.

The above by action of the Commission in Administrative Session on the 17th of December, 2013.

Reece McAlister Executive Secretary	Chuck Eaton Chairman
12-23-13 Date	12/23/13 Date

Docket No 36989

Order Adopting

Settlement Agreement

ATTACHMENT 1

SETTLEMENT AGREEMENT
Georgia Power Company's 2013 Rate Case
Docket No. 36989

Georgia Power Company ("Georgia Power" or the "Company") and the undersigned stipulating parties agree to the following Alternate Rate Plan ("ARP"), which shall commence January 1, 2014 and shall continue through December 31, 2016. The ARP shall consist of the following terms:

1. Effective January 1, 2014, Georgia Power shall (1) increase its traditional base rate tariffs by $79.555 million, (2) collect an additional $1.464 million through the Demand Side Management ("DSM") tariffs, and as adjusted based on the DSM True up process agreed to by the Company and Staff, (3) collect an additional $25.076 million through the Environmental Compliance Cost Recovery ("ECCR") tariff, and (4) collect an additional 2.18% of the Company's total revenues through the Municipal Franchise Fee ("MFF") tariff, which dollar amount will change as total revenues change as allowed by this ARP in paragraph 6 below, as well as with any future Fuel Cost Recovery ("FCR") changes and future Nuclear Construction Cost Recovery ("NCCR") changes.

2. The Company's retail revenue requirement was calculated using a total return on investment ("ROI") of 7.71%, which incorporates a 50.84% equity level and a return on equity ("ROE") of 10.95%. For Annual Surveillance Reporting ("ASR") purposes, beginning January 1, 2014, the earnings band shall be set at 10.0% to 12.0% ROE and the Company shall report earnings based on the actual historic cost of debt and capital structure. The Company will not file a general rate case unless its calendar year retail earnings are projected to be less than 10.0% ROE. Any retail earnings above 12.0% ROE will be shared, with two thirds being directly refunded to customers, allocated on a percentage basis to all customer groups including RTP incremental usage, and the remaining one-third retained by the Company.

3. The Company will file its ASR by March 15th of the following year.

4. For book accounting and ASR purposes, the schedule for the Nuclear Decommissioning Trust - Tax Funding (reference the attached "Proposed Supplemental Order - Nuclear Decommissioning Costs") shall be approved.

5. The Company's filing, including its application to increase base rates, will be approved as filed with the following reductions to revenue requirement, which have been agreed to for the purposes of settlement and compromise and have been reflected in the tariff adjustments noted in Paragraph 1 above and are detailed in Exhibit A. (Note that the impacts of such changes on the MFF tariff are reflected separately in Paragraph (j) below):

19. The Company will implement the Pre-pay program according to the timeline set forth in the Company's response to STF-5-2 and will notify the Commission if any circumstances arise that will delay implementation of the program.

20. The SPS Tariff will be withdrawn.

21. The Low Income Senior Discount will be increased to by an amount sufficient to offset the impact of the rate increases specified in this agreement up to an amount no greater than $18.00.

22. The Company will further investigate the need for, and costs associated with, providing hourly usage information to all metered customers. The Company will file this information within six months of the final order in this docket. The Commission will then provide further guidance on the issues of whether such a program should be implemented.

23. In conjunction with the ongoing level of review analysis required for in provisions Paragraphs 3, 7, 8 11, 19, and 22 Georgia Power Company shall pay for any reasonably necessary expert assistance to the Commission Staff in an amount not to exceed $200,000 annually. The amounts paid by Georgia Power to pay for this expert assistance shall be deemed a necessary cost of providing service and the Company shall be entitled to recover the full amount of any costs charged to the utility pursuant to O.C.G.A. 46-2-33.

24. By July 1, 2016, the Company shall file testimony and exhibits required in a general rate case along with supporting schedules required by the Commission to support a "traditional" rate case. The test period utilized by the Company in its rate case filing shall be from August 1, 2016 to July 31, 2017. The Company may propose to continue, modify or discontinue this Alternate Rate Plan. The Company shall also file projected revenue requirements for calendar years 2017, 2018, and 2019.

Agreed to this 18th day of November, 2013:

On behalf of the Georgia Public Service Commission
Public Interest Advocacy Staff

On behalf of Georgia Power Company

[Additional Signatures on Next Page]

Exhibit WAM-12: Excerpt from Kansas Corporation Commission, Docket No. 15-WSEE-115-RTS, *In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company to Make Certain Changes in Their Charges for Electric Service*, Order Approving Stipulation and Agreement

2015.09.24 10:47:44
Kansas Corporation Commission

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Pat Apple

In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company to Make Certain Changes in Their Charges for Electric Service)	Docket No. 15-WSEE-115-RTS

ORDER APPROVING STIPULATION AND AGREEMENT

collectively referred to as the "Joint Movants" filed a Joint Motion to Approve Stipulation and Agreement.[41]

31. Upon the filing of the S&A, Westar reached out to the Solar Parties.[42] The Solar Parties indicated that although they could file formal comments indicating their disagreement with certain provisions of the S&A, if certain changes were made to paragraph 39 of the S&A, the Solar Parties would agree not to oppose the S&A.[43] As a result of this, Westar proposed these changes in the Unopposed Addendum.[44] Westar received confirmation that no party to the docket objected to the filing of the Unopposed Addendum.[45]

B. Provisions of the Stipulation and Agreement

32. The S&A begins with a recitation of the Joint Movant's initial positions.[46] As described above, the entirety of the terms contained within the S&A, described below, have been unanimously subscribed to by the Joint Movants to the S&A.[47] Additionally, the terms of the S&A are not opposed by any of the Solar Parties.[48]

33. Stipulated Revenue Requirement: The Joint Movants propose that Westar's net overall annual revenue increase should be set at $78,000,000.[49] This revenue requirement does not include costs recoverable through Commission-approved riders.[50]

34. Rebasing: The Joint Movants propose that Westar roll into base rates the existing balance in the Environmental Cost Recovery Rider (ECRR), including the amount updated in

[41] *See* S&A.
[42] Unopposed Addendum at 2.
[43] *Id.*
[44] *See id.* at 2-3.
[45] *See id.* at 3.
[46] S&A at 2-3.
[47] *See id.*
[48] Unopposed Addendum at 3.
[49] S&A at ¶ 12.
[50] *Id.*

June, 2015, and the existing balance in the property tax surcharge and allocate the discount provided to Interruptible Service Rider (ISR) customers to the other customer classes.[51] By including the roll-in of the ECRR, property tax surcharge, and allocation of the ISR discount, the total base revenue requirement increase is $185,100,000.[52] These rebasing amounts to be rolled into base rates are reflected in Appendix A to the S&A.[53]

35. Rate case expense: The Joint Movants propose that rate case expense in excess of the actual amount included in Staff's filed revenue requirement should be trued up at the end of the case to the actual amount of rate case expense incurred and be added to the agreed-upon revenue requirement.[54] Westar agreed to submit these expenses to Staff for review within 14 days of the close of the record in this case.[55] Staff reports that Westar's total rate case expense is $1,536,649. Of that amount, Staff and CURB costs account for $493,631. This adjustment for rate case expense causes an increase in the revenue requirement of $225,264.

36. Bad debt expense: The Joint Movants propose that bad debt expense in excess of that included in Staff's filed revenue requirement recommendation be calculated as .43% of the net increase in revenue requirement and be added to the stated net increase in revenue requirement.[56] When the Joint Movants drafted the S&A using the agreed-upon revenue requirement increase described above, before accounting for the increase in rate case expenses the bad debt expense amounted to $86,700.[57] Using the revised rate case expense indicated by Staff, the bad debt expense now totals $87,658.

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[51] *Id.* at ¶ 13.
[52] *Id.* at ¶ 13.
[53] *Id.* at ¶ 13; S&A at Appendix A.
[54] S&A at ¶ 14.
[55] *Id.*
[56] *Id.* at ¶ 15.
[57] *Id.* at ¶ 15.

37. Inclusion of Pension and Other Post Employment Benefit (OPEB) Expense: The Joint Movants propose that the $78,000,000 net increase in the annual revenue requirement include a $5,000,000 increase in Pension and OPEB expense from Staff's filed position as stated in the Direct Testimony of Bill Baldry.[58]

38. Nuclear Decommissioning Trust Fund: The Joint Movants propose that Westar utilize Staff's recommendation as stated in the Direct Testimony of Staff Witness Adam Gatewood regarding the appropriate funding level for Westar's nuclear decommissioning trust fund, e.g. $5,772,700.[59]

39. Analog Meter Regulatory Asset: As Westar retires analog meters between October 28, 2015, and the effective date of rate changes in Westar's *next* general rate case, the Joint Movants proposed that Westar place the unrecovered investment in a retired analog meter regulatory asset.[60] The Joint Movants propose Westar be permitted to amortize the balance of the regulatory asset account over five years and recover that amortization amount in the base rates established in Westar's next general rate case.[61] No return on the regulatory asset will be allowed.[62] The Joint Movants agree that this particular ratemaking treatment should have no precedential value.[63]

40. Discontinuance of Environmental Cost Recovery Rider: The Joint Movant's propose that Westar's ECRR should be discontinued.[64] The Joint Movants agree that Westar would do a final update of environmental costs for 2015 that would have been recovered through

[58] *Id.* at ¶ 16.
[59] Direct Testimony of Adam Gatewood Direct on Behalf of Commission Staff at 70 (Jul. 9, 2015); S&A at ¶ 17.
[60] S&A at ¶ 18.
[61] *Id.* at ¶ 18.
[62] *Id.* at ¶ 18.
[63] *Id.* at ¶ 18.
[64] *Id.* at ¶ 19.

the ECRR previously noticed to the Commission, and roll them into base rates established in a proposed abbreviated rate case discussed below.[65]

41. Grid Resiliency: The Joint Movants propose that Westar be permitted to recover up to $50,000,000 of capital investment in grid resiliency improvements completed between October 28, 2015, and March 1, 2017, consistent with improvements proposed as part of the Electric Distribution Grid Resiliency (EDGR) program discussed in the Direct Testimony of Westar witness Bruce Akin and the report sponsored in Westar witness Jeffrey Cummings' Direct Testimony.[66] Plant in-service, less the associated accumulated depreciation and deferred income taxes, would be reflected in rates as a result of the abbreviated rate case discussed below. Westar will work with Staff to develop a process for periodic reporting regarding the investments being made and periodic meetings to provide updates and discussion on such investments.[67]

42. RENEW Tariff: The Joint Movants propose the Commission approve Westar's proposal as discussed in the Direct Testimony of Westar witness Chad Luce to change the pricing of the RENEW tariff to $0.25 per 100 KWh block,[68] a reduction to 1/4 of the current rate.[69]

43. Wind Capacity Programs: The Joint Movants propose the Commission approve Westar's Wind Energy and Wind Capacity Programs discussed in the Direct Testimony of Westar Witness Chad Luce with the modification to the calculation of avoided cost agreed to in the Rebuttal Testimony of Westar Witness John Wolfram.[70] Specifically, the avoided cost for customers participating in these programs shall be Westar's Retail Energy Cost Adjustment

[65] *Id.* at ¶ 19.
[66] S&A at ¶ 20; *See* Direct Testimony of Jeffrey W. Cummings on Behalf of Westar Energy, exhibit JC-1, as amended (Jun. 10, 2015).
[67] S&A at ¶ 20.
[68] *Id.* at ¶ 21.
[69] Direct Testimony of Chad Luce on Behalf of Westar Energy, 13 (Mar. 2, 2015).
[70] S&A at ¶ 22.

(RECA) rate increased by 5% of the [Medium General Service] base energy charge. The Joint Movants agree to add language to the RECA tariff to allow the revenues and costs from the program to be included in the RECA calculation.[71]

44. Solar Energy & Capacity Tariff: The Joint Movants propose the Commission approve Westar's solar energy and solar capacity tariff as described in the Direct Testimony of Chad Luce with the following conditions: (1) Westar will require the initial subscription of a solar project to equal 100% of the capacity of the project before beginning construction; (2) the minimum size for Westar's solar projects under this program shall be 1 MW; and, (3) the rates charged to initial participants will cover 100% of the direct costs of the project.[72]

45. Residential Stability Plan and Residential Demand Plan: The Joint Movants agree that Westar will not implement these proposed tariffs at this time.[73]

46. Community Solar: The Joint Movants agree that Westar will not implement the Community Solar program discussed in the Direct Testimony of Hal Jensen at this time.[74]

47. Subdivision Policy: The Joint Movants propose that the Commission approve the subdivision policy changes in the Direct Testimony of Westar witness Mike Heim (increasing the allowance given to developers for residential subdivisions for the overhead distribution system from $30,000 to $40,000).[75]

48. Street Lighting (SL), Private Area Lighting (PAL), Restricted Institution Time of Day (RITODS): The Joint Movants propose the Commission approve the changes in the Direct

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[71] *Id.* at ¶ 22.
[72] *Id.* at ¶ 23.
[73] *Id.* at ¶ 24.
[74] *Id.* at ¶ 25.
[75] Direct Testimony of Mike Heim on Behalf of Westar Energy, 21 (Mar. 2, 2015) [hereinafter Heim Direct]; S&A at ¶ 26.

Exhibit WAM-13: Excerpt from Montana Public Service Commission, Docket No. D2015.6.51, *In the Matter of the Application of Montana-Dakota Utilities Co. for Authority to Establish Increased Rates for Electric Service in the State of Montana,* "Stipulation to Withdraw Proposed Demand Charge for Residential Net Metering Customers

Service Date: November 18, 2015

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of Montana-Dakota) Utilities Co. for Authority to Establish Increased rates for) Electric Service in the State of Montana)	UTILITY DIVISION DOCKET NO. D2015.6.51

STIPULATION TO NARROW SCOPE OF RATE FILING TO WITHDRAW PROPOSED DEMAND CHARGE FOR RESIDENTIAL NET METERING CUSTOMERS

WHEREAS

The Alliance for Solar Choice ("TASC") and Montana-Dakota Utilities Co. ("MDU") have reached an agreement to narrow the scope of MDU's proposed rate filing and thereby reduce the number of issues to be addressed in testimony and evidentiary hearings.

WHEREFORE, MDU AND TASC AGREE TO THE FOLLOWING ACTIONS IN THIS PROCEEDING:

1. MDU agrees to strike all testimony and proposed tariff revisions that relate to a proposed demand charge for residential net metering customers. The material to be deemed stricken and withdrawn by this Stipulation is:
    a. Testimony of Tamie Aberle, page 7, line 5 through page 8 line 23;
    b. The tariff changes proposed as presented on Volume 4, 1st Revised Sheet No. 44 through 1st Revised Sheet No. 44.2, entitled "Net metering Service Rate 92, in Appendix B to the Application for Authority to Establish Increased Rates for Electric Service dated June 24, 2015;

c. The reference to the above tariff revisions at pages 3 and 4 of MDU's Application for Authority to Establish Increased Rates for Electric Service dated June 24, 2015;

2. MDU agrees that it will not in this proceeding seek to create a new rate class for or to impose a demand charge on customers with behind the meter generation and will not seek or apply any charges (including customer charges) which are different from those applicable to other customers in the same rate class.
3. TASC agrees that it will not file testimony in this proceeding and will withdraw its data requests.
4. TASC plans to assume a monitoring role in this proceeding and reserves the right to file rebuttal or reply testimony if a residential demand charge or any other charge specific to customers with behind the meter generation is raised by another party to the proceeding.
5. TASC reserves the right to object to any settlement which would have the effect described in the paragraph above.
6. The other intervenors in this matter have been contacted and do not object to this Stipulation.

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COUNSEL FOR THE ALLIANCE FOR SOLAR CHOICE (TAS)

CERTIFICATE OF SERVICE

I hereby certify that on November 18, 2015, the foregoing was served via electronic and U.S. mail on:

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Exhibit WAM-14: Excerpt from South Dakota Public Utilities Commission, Docket No. EL14-026, *In the Matter of the Application of Black Hills Power, Inc. for Authority Increase its Electric Rates*

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF BLACK HILLS POWER, INC. FOR AUTHORITY TO INCREASE ITS ELECTRIC RATES	)))))	**SETTLEMENT STIPULATION** **EL14-026**

It is hereby stipulated and agreed by and among Black Hills Power, Inc. ("Applicant" or "Black Hills Power") and the South Dakota Public Utilities Commission Staff ("Staff") (jointly "Party" or "Parties"), that the following Settlement Stipulation ("Stipulation") may be adopted by the South Dakota Public Utilities Commission ("Commission") in the above-captioned matter. In support of its Application for Authority to Increase Its Electric Rates ("Application"), Applicant does hereby offer this Stipulation, the Application and all supporting materials filed March 31, 2014, and thereafter. The Parties offer no answering testimony or exhibits, conditioned upon the Commission accepting the following Stipulation without any material condition or modification.

I. INTRODUCTION

On March 31, 2014, Black Hills Power filed with the Commission the aforementioned Application through which it requested authority to increase annual revenues by approximately $14.6 million.

On June 6, 2014, GCC Dacotah, Inc., Pete Lien & Sons, Inc., Rushmore Forest Products, Inc., Spearfish Forest Products, Inc., Rapid City Regional Hospital, and Wharf Resources (U.S.A.), Inc. (collectively "BHII") filed a Petition to Intervene. On the same date, relating to this Stipulation as precedent in any other current or future rate proceeding or any other proceeding before the Commission.

4) The Parties to this proceeding stipulate that all prefiled testimony, exhibits, and workpapers will be made a part of the record in this proceeding. The Parties understand that if this matter had not been settled, Commission Staff would have filed direct testimony and Black Hills Power would have filed rebuttal testimony responding to certain of the positions contained in the testimony of Commission Staff.

5) It is understood that Commission Staff enters into this Stipulation for the benefit of all of Black Hills Power's South Dakota customers affected by this docket.

III. ELEMENTS OF THE SETTLEMENT STIPULATION

1. Revenue Requirement

The Parties agree that the total revenue deficiency is \$6,890,746. The Parties agree that Black Hills Power's tariffs will be designed to produce an increase in annual base rate levels of \$6,890,746 or approximately 4.35% of total retail revenues at existing rates based on a South Dakota jurisdictional retail revenue requirement of \$165,122,614. The Parties agree to a 7.76% rate of return on rate base.

2. Tariffs

The Parties have agreed to revised tariffs and those tariffs are attached as Exhibit 1 to this Stipulation for presentation to the Commission.

The Parties agree that the rate design to be set forth in the revisions to Black Hills Power's tariffs are just and reasonable and provide for the movement of each customer class toward its associated cost of service. The Parties agree that the increase in rates for electric service will be allocated to the affected rate classes resulting in increases as shown on attached Exhibit 2. The Parties agree that the rates agreed to by the Parties result in just and reasonable rates for all of Black Hills Power's South Dakota customers.

The Parties agree that the revised rate schedules shall be implemented for service rendered on and after March 1, 2015, with the bills prorated so that usage prior to October 1, 2014, is billed at the previous rates, and usage on and after October 1, 2014, is billed at the new rates.

3. Interim Rate Refund

Interim rates were implemented on October 1, 2014. Approval of this Stipulation will authorize a rate increase less than the interim rate level in effect. Black Hills Power agrees to refund customers a portion of the interim rates collected during the period October 1, 2014, through the effective date of new rates, plus interest. Attached hereto as Exhibit 3 is the Interim Rate Refund Plan. The form of the Customer Notice is attached hereto as Exhibit 4.

4. Depreciation Expense

The Parties agree that the depreciation lives and rates presented in this rate case will be the ones in effect with the approval of this Stipulation. The depreciable life of the Cheyenne Prairie Generating Station is 40 years with a depreciation rate of 2.98%.

5. Decommissioning Expense

The Parties agree that the total company decommissioning cost of $9,930,958 is included in the Decommissioning amortization identified in the 10th element of the Stipulation below and included in the revenue requirement. This amount includes the cost of decommissioning the Ben French, Neil Simpson I, and Osage coal-fired generation facilities,

TABLE OF CONTENTS

Black Hills Power, Inc.
Rapid City, South Dakota

Rate Code 10 (SD710)

SOUTH DAKOTA ELECTRIC RATE BOOK

RESIDENTIAL SERVICE

AVAILABLE

At points on the Company's existing secondary distribution lines supplied by its interconnected transmission system within Butte, Custer, Fall River, Lawrence, Meade, and Pennington counties of South Dakota.

APPLICABLE

To a single-family private dwelling unit supplied through one meter for all domestic use including lighting, cooking, and other household uses.

This schedule is not applicable to a residence that is used for commercial, professional, or another gainful enterprise; however, if the domestic use can be separately metered, this schedule is applicable to the metered domestic portion of energy use.

A single-family dwelling in which four sleeping rooms or more are rented or are available for rent, is considered non-domestic and the applicable General Service Rate shall apply.

CHARACTER OF SERVICE

Alternating current, 60 hertz, single phase, at nominal voltages of 120 or 120/240 volts.

NET MONTHLY BILL

Rate

Customer Charge	$9.25	(R)
Energy Charge	All Usage at $0.09989 per kWh	(R)
Minimum	The Customer Charge	

RESIDENTIAL SERVICE

COST ADJUSTMENT

The above schedule of charges shall be adjusted in accordance with the applicable Cost Adjustment tariffs in Section No. 3C, Tariff Sheet No. 11. (T)

When the billing period includes a change in the charges of an above referenced Cost Adjustment tariff, the customer's bill shall be prorated accordingly.

PAYMENT

Net monthly bills are due and payable twenty days from the date of the bill, and after that date the account becomes delinquent. A late payment charge of 1.5% on the current unpaid balance shall be calculated and included as part of each monthly billing. A non-sufficient funds charge of $15.00 shall apply to process a payment from a customer that is returned to the Company by the bank as not payable. If a bill is not paid, the Company shall have the right to suspend service, providing ten (10) days written notice of such suspension has been given. When service is suspended for nonpayment of a bill, a Customer Service Charge will apply.

TERMS AND CONDITIONS

1. Service will be rendered under the Company's General Rules and Regulations.
2. Service provided hereunder shall be on a continuous basis. Customers requesting service for cottages or cabins if discontinued and then resumed within twelve months after service was first discontinued shall pay all charges that would have been billed had service not been discontinued.
3. Company-approved water heaters shall have a tank capacity of not less than 30 gallons and an electric capacity of not more than 4,500 watts at 240 volts. If two elements are used, interlocking controls are required to prevent simultaneous operation.
4. The Company reserves the right to limit electrical demand during time of the Company's peak load.

TAX ADJUSTMENT

Bills computed under the above rate shall be adjusted by the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental authority as a result of laws or ordinances enacted, which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

TOTAL ELECTRIC RESIDENTIAL SERVICE

AVAILABLE

At points on the Company's existing secondary distribution lines supplied by its interconnected transmission system within Butte, Custer, Fall River, Lawrence, Meade, and Pennington Counties of South Dakota.

APPLICABLE

To a single-family private dwelling unit supplied through one meter for all domestic use, including lighting, cooking, household electrical appliances, water heating, space heating, and air conditioning, where electric service is the only source of energy for the dwelling unit, except energy provided by wood burning fireplaces used primarily for aesthetic purposes.

This schedule is not applicable to a residence which is used for commercial, professional or any other gainful enterprise; however, if the domestic use can be separately metered, this schedule is applicable to the metered domestic portion of energy use.

A single-family dwelling in which four sleeping rooms or more are rented or are available for rent, is considered non-domestic and the applicable General Service rate shall apply.

CHARACTER OF SERVICE

Alternating current, 60 hertz, single phase, at a nominal voltage of 120/240 volts.

NET MONTHLY BILL

Rate

Customer Charge	$12.00	(R)
Energy Charge	All usage at $0.07529 per kWh	(R)
Minimum	The Customer Charge	

TOTAL ELECTRIC RESIDENTIAL SERVICE

COST ADJUSTMENT

The above schedule of charges shall be adjusted in accordance with the applicable Cost Adjustment tariffs in Section No. 3C, Tariff Sheet No. 11. (T)

When the billing period includes a change in the charges of an above referenced Cost Adjustment tariff, the customer's bill shall be prorated accordingly.

PAYMENT

Net monthly bills are due and payable twenty days from the date of the bill, and after that date the account becomes delinquent. A late payment charge of 1.5% on the current unpaid balance shall be calculated and included as part of each monthly billing. A non-sufficient funds charge of $15.00 shall apply to process a payment from a customer that is returned to the Company by the bank as not payable. If a bill is not paid, the Company shall have the right to suspend service, providing ten (10) days written notice of such suspension has been given. When service is suspended for nonpayment of a bill, a Customer Service Charge will apply.

TERMS AND CONDITIONS

1. Service will be rendered under the Company's General Rules and Regulations.
2. Service provided hereunder shall be on a continuous basis.
3. Company-approved water heaters shall have a tank capacity of not less than 30 gallons and an electric capacity of not more than 4,500 watts at 240 volts. If two elements are used, interlocking controls are required to prevent simultaneous operation.
4. The Company reserves the right to limit electrical demand during time of the Company's peak load.

TAX ADJUSTMENT

Bills computed under the above rate shall be adjusted by the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental authority as a result of laws or ordinances enacted, which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

Exhibit WAM-15: SRP Board Approves Reduced Price Increase

SRP Board Approves Reduced Price Increase

FOR IMMEDIATE RELEASE

Cuts Increase for First Full Year and Approves Self-Generation Price Plan with Extended Grandfathering Period for Existing Solar Customers

Media resources

Additional information and resources are available:

- Watch this video to learn more about the energy grid
- More information about pricing process at srpprices.com

Following an extensive three-month public process, Salt River Project's publicly elected Board of Directors today approved changes in price plans effective with the April 2015 billing cycle that reduce a proposed 3.9 percent increase to 3.3 percent for the first full year it is in effect. The full 3.9 percent increase will take effect beginning April 2016.

Beginning with the April 2015 billing cycle, the monthly bill for a typical residential customer will increase by about $3.85 until April 2016, when that figure will then average $4.60. Even with the approved increase, SRP's electric prices remain among the lowest in the Southwest.

The Board also approved a new price plan for residential customers who, after Dec. 8, 2014, add solar or other technologies to generate some of their energy requirements. The new price plan is intended and was designed that these rooftop solar customers – who choose to purchase less energy from SRP but still use and rely on the electric grid around the clock – pay their share of costs to maintain and improve the grid.

Management had proposed that existing solar customers be "grandfathered" from moving to the new price plan for a period of 10 years, but the Board today extended that by up to

20 years for SRP customers who installed rooftop solar units to run from the time the system was installed. The Board also voted to allow unlimited transfer of the grandfathering with the sale of the home for all rooftop solar customers. during that 20 year period.

"SRP will continue to support solar energy by seeking low-cost alternatives that provide maximum financial and reliability benefits for all of our nearly 1 million customers," said Mark Bonsall, SRP's general manager and chief executive officer. "Grandfathering continues this support for our existing solar customers, but the new price plan ensures that the cost shift to our 985,000 non-solar customers will not grow."

The new self-generation price plan includes increased charges to better recover fixed costs related to the solar customer's service facilities and their use of the grid, but also reduces the price the customer pays per kilowatt hour for energy.

According to Chief Financial Executive Aidan McSheffrey, a demand charge included in the plan is intended to provide the customers with the ability to manage their energy use so as to maximize their opportunity to save money.

"Rather than solve this cost shift with an additional fixed charge – which does not provide flexibility to save money – our new plan sends a price signal that incents more efficient installations by the solar industry and behavior by the customer that maximizes the value of their solar systems," said McSheffrey.

SRP was able to minimize the approved price increase with more than $45 million in cost cuts by trimming operations, maintenance and capital expenditures.

As a community-based, non-profit public power utility, SRP's revenues are reinvested back into the electric grid for the benefit of all customers. The last price increase was more than two years ago and since that time, SRP has invested more than $1 billion in its electrical system. However, revenues are not keeping pace with several higher-than-anticipated costs, McSheffrey said. The price increase will help:

- **Maintain reliable electric service.** SRP continues to modernize its electric grid (the system of power lines, generating stations and high-tech equipment) to safely and reliably deliver energy. This work includes replacing infrastructure, such as older power poles and underground power lines, and adding new technology to incorporate more renewable energy sources into the grid.
- **Power a growing economy.** Arizona's economy is starting to improve, as evidenced by SRP customers setting two records for energy use this past summer. To meet

increased power demand resulting from growth, SRP must invest in and build new infrastructure.

- **Environmental initiatives.** SRP has invested approximately $73 million during the past two years to add new environmental controls at key Arizona power plants. These upgrades are important, but they add significant expense to existing operations without creating additional power resources.

"Reliability is our most important product," said McSheffrey. "To retain the level of service our customers have come to expect from SRP, we must continue to invest in modernizing our energy grid to adapt to new technologies â€" and that will improve reliability and allow for more customer choice."

Also approved by the Board today is an option for SRP residential customers who own an electric vehicle that will allow them to choose a Time-of-Use price plan that will include a super off-peak period that encourages the charging of electric vehicles overnight when energy is available for a lower cost.

In addition, the Board approved a $3 increase to the monthly credit for low-income customers on the Economy Price Plan (EPP) from $17 to $20 during the winter months. EPP customers would continue to receive a $21 discount on their summer bills.

In light of the price increase, McSheffrey said SRP is committed to continuing its efforts to offer ways to help customers manage their energy use.

"SRP has 20 different residential and business customer energy-saving programs our customers can select from to help reduce energy use and save money on their monthly electric bill," said McSheffrey. "Our optional Time-of-Use pricing plan is one of the largest in the country."

SRP's energy-saving website, www.savewithsrp.com, contains information about rebates and discounts, tips for saving energy and water, how to determine the right price plan, how to install programmable thermostats and reduce cooling costs by shading windows, and how to perform a home energy audit.

SRP is community-based, not-for-profit public power utility and the largest provider of electricity in the greater Phoenix metropolitan area, serving more than 1 million customers.

Exhibit WAM-16: Excerpt from SRP's website accessed July 27, 2016

Changes for new rooftop solar customers

These customers – known as self-generation customers – produce some of their power on their own. When self-generation customers produce more energy than they can use, they sell the extra to SRP. When their home is using more energy than their panels can produce (cloudy days, nighttime, several energy-intensive appliances running at once), they buy power from SRP.

FAQs about self-generation and renewables

Choose any link to get answers to your questions about solar and the Customer Generation Price Plan.

Self-generation

What is a self-generation customer? What new rules did SRP approve regarding self-generation? Why did SRP approve a new price plan for residential self-generation customers? What are the key features of the residential Customer Generation Price Plan? What is a demand charge? How does the Customer Generation Price Plan work? Specifically, how will the overall bill change for new solar customers? How will current self-generation customers be impacted? How will new self-generation customers be impacted? These changes sound like solar customers are being penalized. Why? Isn't the monthly service charge the same as a demand charge? Will net metering continue? How will these changes affect the rooftop solar industry? Does the Customer Generation Price Plan apply only to solar customers? Does this mean SRP no longer supports solar energy?

Sustainable resources

Why is SRP pursuing energy efficiency, solar, wind, geothermal and other renewable projects? Does SRP expect to meet the sustainability goal? What kinds of renewable projects is SRP supporting?

Exhibit WAM-17: Excerpt from Docket No. E-00000J-14-002.
Direct Testimony of B. Thomas Beach

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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 COMMISSION'S INVESTIGATION OF VALUE AND COST OF DISTRIBUTED GENERATION	**DOCKET NO. E-00000J-14-0023** **THE ALLIANCE FOR SOLAR CHOICE'S (TASC) NOTICE OF FILING DIRECT TESTIMONY OF B. THOMAS BEACH**

The Alliance for Solar Choice ("TASC") hereby provides notice of filing the Direct Testimony of B. Thomas Beach in the above referenced matter.

RESPECTFULLY SUBMITTED this 25th day of February, 2016.

Court S. Rich
Attorney for The Alliance for Solar Choice

Arizona Corporation Commission
DOCKETED
FEB 25 2016

DOCKETED BY

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recovered through volumetric rates. The preferred rate design solutions are the following:

- Encourage increased adoption of **time-of-use rates** that align rates more closely to the changes in the utility's costs over the course of a day.[24]

- Adopt a monthly **minimum bill** to recover customer-related costs, thus ensuring that all customers make a minimum contribution to the costs of the utility infrastructure that serves them.

- Remove **public benefit charges** from the NEM export rate, so that all customers contribute to these public purpose programs on the equitable basis of the power they take from the utility system.[25]

These solutions are preferable for the following reasons:

- **Address the central equity issue.** Minimum bills, for example, ensure that all customers make a minimum contribution to the utility infrastructure that serves them. The minimum bill can be set to cover the utility's customer-related costs (for metering, billing, and customer account services) which clearly do not vary with usage. In this way, they address directly the issue of equity between participating and non-participating ratepayers by ensuring that all customers contribute equally to such costs. Similarly, it is equitable for all customers to contribute to public purpose programs on the same basis, that is, based on the amount of service which they take from the utility system.

- **Consistent with cost causation.** TOU rates align rates more closely with the utility's underlying costs than do flat volumetric rates. A minimum bill can be set to assure recovery from all customers of customer-related costs which do not vary with usage. Thus, both TOU rates and minimum bills are consistent with cost causation principles.

- **Encourages customer choice.** Because a minimum bill only imposes a floor on the customer's bill and does not apply if usage remains above the minimum bill level, it provides the greatest scope for customers to impact their energy bills by exercising their free-market choice to participate in self-generation, energy efficiency, or demand response. Similarly, TOU rates send more accurate price signals to customers concerning both the

[24] This can include on-peak volumetric rates that recover capacity-related costs. Residential TOU rates should be kept simple and promoted through outreach and education programs, to ensure customer acceptance. Residential demand charges should be avoided due to their complexity, lack of time sensitivity, and unfamiliarity for residential customers. California has mandated that, once the state's 5% NEM cap is reached, succeeding NEM customers must elect a TOU rates.

[25] California and Nevada have implemented this modification to NEM export rates.

value of their DG output and when it is best to either consume or conserve energy.

- **Customer acceptance.** California, which has the nation's largest distributed solar market, has adopted a $10 per month residential minimum bill for the large electric utilities in that state, and the minimum bill was recently increased in Hawaii, where solar penetration is far higher than any other state. In contrast, attempts to implement monthly fixed charges on solar customers have not been well-received in other states, and have been perceived as efforts to tax solar production such that it would no longer be economic.[26] In essence, minimum bills are perceived as a fair balance between allowing customer choice and ensuring that all customers make an equitable contribution to the costs of utility infrastructure. Significantly, although California and Nevada recently issued very different decisions on net metering, both commissions rejected proposals to apply demand charges to residential solar customers due to concerns with customer acceptance.[27]

- **Non-discrimination.** Many states, including Arizona, have statutory prohibitions against undue discrimination in the design of utility rates.[28] If fixed charges are raised for all residential customers, there can be adverse bill impacts on all low-usage customers, including low-income ratepayers. A minimum bill is more likely to avoid such problems, as it will apply to a relatively small number of non-net-metered customers.

- **Avoid competitive bypass.** A minimum bill can address impacts on non-participants by providing DG vendors with a signal to reduce the sizing of DG systems to keep customers above the minimum bill level, thus reducing the costs of net metering for other ratepayers. This still allows scope for customer choice of DG for usage above the minimum bill level. In contrast, if a fixed charge on residential DG is set too high, as DG and on-site storage technologies continue to develop and as their costs continue to fall, the response of consumers ultimately may be to "cut the cord" completely from utility service, as has happened with landline telephone service in many areas. In my opinion, such a result would be unfortunate, because the utility grid would lose important benefits that DG and on-site storage could provide for all ratepayers, and DG customers would lose the still-important benefits of interconnection to the grid.

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[26] For example, Idaho PUC, Final Order No. 32846 in Case No. IPC-E-12-27 (July 3, 2013), at pp. 3-5.

[27] See PUCN December 23, 2015 Order in Dockets Nos. 15-07-041 and 15-07-042, at p. 91, also CPUC Decision 16-01-044, at pp. 75 and 79.

[28] Ariz. Const. Article XV, § 12.

IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC, AN ARIZONA NONPROFIT CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR RELATED APPROVALS.	**DOCKET NO. E-01461A-15-0363**

DIRECT TESTIMONY OF PATRICK J. QUINN

July 29, 2016

DIRECT TESTIMONY OF PATRICK J. QUINN

ON BEHALF OF ENERGY FREEDOM COALITION OF AMERICA (EFCA)

TRICO DOCKET NO. E-01461A-15-0363

Q. Please state your name and business address.

A. My name is Patrick J Quinn. My business address is 5521 E. Cholla St. Scottsdale, AZ 85254, and my phone number is 602 579-1934.

Q. Please summarize your education and work experience.

A. I have a BS in Mathematics and a MBA from the University of South Dakota. Additionally, I have 30 plus years' experience in the Telecommunications Industry and a consulting business dealing with utility regulation. I also served as the Director of the Residential Utility Consumer Office from January of 2013 until February of 2015.

Q. Have you previously testified before this Commission?

A. Yes. Overall, I have testified more than 50 times before state and federal regulatory commissions on issues including finance, economics, pricing, policy, rate design and other related areas.

Q. Why are you filing testimony in this case?

A. My testimony is in response to the settlement agreement recently filed by the Arizona Corporation Commission (Commission) Staff and Trico Electric Cooperative, Inc., (Company or Trico). In my response I will discuss concerns about the process that lead up to the settlement including late filings which introduced new and unnoticed issues to the case which are unfair and burdensome to the residential consumers. Specifically, I oppose the introduction of mandatory demand charges on all residential consumers and the resulting in an even large increase in basic service charges. The residential customer had little forewarning and time to respond. There is no formal advocate for the residential consumer like

RUCO in this case. Because of the size of the rate case and the fact the Company is a Cooperative and RUCO cannot intervene, it is typical for other advocacy groups like AARP to not intervene. I felt it was important to represent the consumer viewpoint. I am receiving no compensation for this testimony.

Q. Will you be offering testimony related to DG solar customers?
A. No, my testimony is limited to talking about the mandatory demand charge and the fixed charge and the implications those have on all customers. I am also concerned about the excessive funds the Company is expending on this rate case.

Q. What experience do you have in being a consumer advocate?
A. For many years I worked for Qwest and its predecessor companies, the last several years as President of Qwest Arizona. In that position I interacted with consumers on almost a daily basis. In solving consumer issues it became necessary to see issues from their point of view. After my retirement Governor Brewer appointed me to be the Director of the Residential Utility Consumer Office (RUCO). My job there was to represent the residential ratepayers in front of the Commission in rate cases and other utility related filings. In this job I had extensive meetings with consumer and advocacy groups like AARP, HOAs like Sun City and Sun City West and other organizations representing the low income and other residential groups. Based on my work both at Qwest and RUCO I saw a need for more consumer advocacy. I believe I have a unique background that leads to being a consumer advocate. I continue my relationships and work with groups representing residential consumers. I have given presentations on the ills of demand charges in many meetings held by AARP and the Sun City communities involving large groups of residential consumers.

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Q. Have you appeared in any rate cases since leaving RUCO?
A. Yes. I provided testimony and was a witness in the UNS Electric, Inc. (UNSE) case Docket E-04204A-15-0142. My testimony dealt primarily with rate design which opposed mandatory demand charges for all residential customers.

Q. Are there any similarities with this case and the UNSE case?
A. Yes there are many similarities but two stand out and are very concerning.

Q. What are those issues?
A. First, I am concerned with the lack of notification and late timing of the important changes related to mandatory demand charges. Second, I am concerned about the effect of demand charges on residential customers and the ability for residential consumers to meaningfully respond to the significant proposals in the settlement.

Q. How are the timing and notice issues similar in this case?
A. The biggest issue seems to be the notification and timing of the introduction of mandatory demand charges and their effect on rate design. In the UNSE case, the original filing of the company included a $10 increase in basic services charge and proposed demand charges only for customers with roof top solar, about 2 per cent of the customers. While consumer groups do not like demand charges, UNS did not propose them broadly so some consumer advocacy groups like AARP did not intervene.

Generally, about 6 months after the company files its case the interveners file their direct testimony providing evidence on their positions in the case. In the UNSE case, the Commission Staff (Staff proposed mandatory demand charges on all residential and small businesses consumers in its direct testimony. Mandatory demand charges are a very contentious issue and, I am not aware of any state utility commission that has approved demand charges for all residential customers. Finally, UNSE changed its position to request mandatory demand charges for all residential and small business customers. That gave interveners just 30 days to oppose mandatory demand charges in their rebuttal testimony. Also since the date for intervention had passed months ago no new consumer advocate interveners were granted intervention. After hearing concerns from many groups including AARP the Commission decided to hold three public meeting around the state to get consumer input on UNSE's plan. The three turned into four since hundreds of consumers were turned away by the fire marshal from the hearing in Lake Havasu because of too many people. The Commission held two hearing in Lake Havasu attended by hundreds of consumers. The message from almost 100 percent of the consumers at those meetings and other individual consumers was that mandatory demand charges are neither good nor justified. As a result of this public outcry, the company reversed itself again in its post hearing brief and withdrew its request for mandatory demand charges. Staff then reversed course and withdrew its support as well. In the recent UNSE Recommended Opinion and Order (ROO) the hearing examiner recommended against mandatory demand charges.

Q. How is this similar to this case?

A. This scenario is very similar to the filings in this case. The Company in its initial filing on October 23, 2015 proposed that basic service charges be raised $5 and didn't propose any demand charges. Since demand charges were not proposed there was no reason for anyone to expect a proposal including demand charges. The intervention deadline was March 18, 2016. After this, on May 4, 2016, 7 months down the road and just before interveners' direct testimony was due on rate design on March 25, 2016, the company filed for mandatory demand charges on all residential consumers with a minimum fixed monthly charge of $4 per month based on the highest usage during 15 minutes anytime during the month. This assumed a $2 charge on 2 kW of usage.

The stated intent was to educate consumers on demand charges. Because of the timing of the introduction of this demand charge proposal, there are no interveners like RUCO, AARP, AURA or other consumer groups to defend consumers from this unfair charge. Then on July 8, 2016, the Staff and Company filed a settlement agreement. A procedural order was put out that allowed some time for interveners to respond in support or opposition to the settlement. Notably, Steve Jennings, Associate State Director of AARP Arizona, has made public comments on the issue and the Commission held a public comment session on July 19, 2016, similar to the UNSE case. The Arizona Association of Realtors came out against mandatory demand charges.

The company had originally notified residential consumers that they were asking to increase the basic service charge from $15 to $20 and there was no mention of mandatory demand charges. In fact, the public notice published in this case made no mention of the possibility that rate design could be changed. I have reviewed other rate case notices, like the ones in the APS, TEP and UNSE case and they clearly call out that rate design could change. See attached Exhibit A for the notices in all three cases.

In the settlement the original basic service charge of $15 was raised to$24. This increase included the original noticed $5 increase plus the addition of the Company proposed minimum fixed demand charge of $4. The justification for the $4 increase was that the demand charge would be set to $0 for educational purposes. The effect is the basic service charge was raised $9, a 60% increase, as opposed to the original published 33% increase, almost double. The original notice of the rate case by the company noticing a $5 increase on basic charges and no mandatory demand charges does not allow the full vetting of the $9 increase on basic charges or of the ills of demand charges.

Q. What are your concerns about demand charges in general and Trico's proposal to implement them?

A. I have many concerns about mandatory demand charges. Below is a list of many of the concerns.

No state utility commission in the nation has approved mandatory demand charges for all residential consumers.

Demand charges are just another fixed charge as stated in the Company filing.

A comprehensive education plan has to be developed that includes the ability of a consumer to get instantaneous data. Trico has not yet developed such a plan. This is absolutely necessary to avoid broadsiding customers, especially those that are most vulnerable to increases in fixed charges like those on low or fixed incomes. This principal is also articulated in the recent UNSE ROO. ALJ Rhodda wrote "Demand charges, although used for many years in a commercial context, are a new concept for most residential customers. APS has had a voluntary residential demand charge for many years, which for certain customers, generally with high usage, has worked well, allowing them to save money. In order for customers to understand how demand charges work and how they can manage their energy consumption to save money, or at least not incur a bill increase, requires education and tools available to monitor their load. Although the necessary meters that can measure demand are close to being ubiquitous in UNSE's service areas, an education plan has not been formalized, nor have tools for managing load been made available. Thus, we concur with those parties who argue that this is not the time for this utility to require all residential and SGS customers to transition to mandatory three-part rates. The public distrust or antipathy to the proposal has convinced the Company and the Commission that any transition to three part rates will require a massive public education effort before we can say with any degree of certainty that mandatory residential demand rates in UNSE's service territory are in the public interest." UNSE ROO at 65-66.

It is my understanding that the Company meters in place cannot provide information essential for residential consumers to understand, react to and manage these demand charges.

There is not sufficient historical data to determine impacts of demand charges on individual customers.

There is no evidence that residential consumers can respond effectively to demand charges.

Demand charges are more difficult to understand than time-of-use charges.

Residential customers do not have access to equipment and other resources to manage demand usage.

There is confusion around time periods when demand charges apply.

Demand charges are normally assess on the highest usage during one hour in peak demand times usually for a few hours in afternoon and in some cases early evening during the week. In this case demand charges will be assessed 24/7 and in 15 minute increments. Consumers would need to watch usage all day every day to manage their usage. In a 30 day month for example, there are nearly 3,000 fifteen minute intervals that a customer must watch. Just one 15 minute segment out of nearly 3,000 in a month should not set a significant part of a customer's bill. This is an unreasonable way to set a bill.

Companies state that demand charges, three part rate design, recovers costs more equitably, promotes fairness and reduces intra-class subsidization when in fact the opposite is true and they disproportionately impact low-usage customers.

Q. Do you have any personal experience with demand charges?

A. Yes. I am currently on an APS voluntary demand charge plan. This APS demand charges apply to the peak one hour of usage for weekdays from 12 PM until 7 PM, on average this equates to about 140 hours. This excludes weekends and holidays. Under Trico's plan which is 24 hours a day, 7 days a week as mentioned earlier there are nearly 3000 15 minute increments. It is difficult to manage 140 increments let alone 3000. In the APS plan there is a demand charge of about $10/kW that is applied to my peak one hour usage. Last year my demand charges, not my total bill, ranged from about $30 to $150 depending on the month.

Q. Do you have additional concerns with the settlement agreement?

A. Yes. Even though there is a proposed $0 demand charge and therefore no effect on a consumer's bill now, if accepted, the Commission would be approving a new element in rate design that would be approved without sufficient testimony and cross examination on the effects of this new charge. In the next rate case the debate would be on what the $/kW rate should be, not whether there even should be such a rate. Setting it at $0 does not alleviate the need to first decide if this type of rate is good for ratepayers. From my perspective even at $0 this rate is not good for ratepayers and should be rejected.

Additionally the noticed basic service charge was an increase of $5 from $15 to $20, a significant increase. In the May 4, 2016 filing the company proposed a minimum fixed demand charge of $4. Again the first time consumers heard of the demand charge or the fixed amount. To make matters even more onerous, the company and the staff in the settlement agreed to take the demand charge to $0 and then add the $4 fixed demand charge to the basic service charge, bringing the total basic service charge to $24. This is a $9 increase from the original rate and $4 more than the noticed proposed increase to $20. Changes is like this, so late in the process, do not allow for sufficient time to for ratepayers to offer a meaningful counter to the settlement proposal. In the UNSE ROO, the hearing examiner recommended that the fixed charge increase from only $10 to $13 or $15 depending on which usage option the customer chose. The UNSE ROO allows for a six month transition to a $15 rate.

Finally, I have concerns with that the Trico rate case expense cap allowed by the settlement when it initially filed its case, Trico had budgeted for $150,000 in its application. The settlement proposes to cap rate case expenses at $450,000 this is an increase of $300,000 or triple the original budget. It seems unfair that Trico continues to modify its proposed rates and structure to be more harmful to ratepayers while sticking them with the bill.

Q. Could you state your recommendations?

A. Yes. Because of the way demand charges were introduced late in the process and were converted to an increase in the fixed basic service charge, I recommend that the Commission deny the introduction of the demand charges. Clearly there is not enough testimony and discovery to justify demand charges in this case and certainly no data on the additional $4 fixed charge proposed by the Company.

Q. Does that conclude your testimony?

A. Yes.

EXHIBIT A

Procedural Orders Including Language to for Rate Case Notices

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BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION
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<u>COMMISSIONERS</u>

SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROERTIES OF UNS ELECTRIC, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA AND FOR RELATED APPROVALS.

DOCKET NO. E-04204A-15-0142

<u>RATE CASE PROCEDURAL ORDER AND NOTIFICATION OF INTERVENTION</u>

BY THE COMMISSION:

On May 5, 2015, UNS Electric, Inc. ("UNSE" or "Company") filed an Application with the Arizona Corporation Commission ("Commission") for a rate increase.

On May 12, 2015, The Alliance for Solar Choice ("TASC") filed an Application to Intervene. TASC is a solar energy advocacy association whose members include many of the nation's rooftop solar market. No party objected to TASC's intervention.

On May 15, 2015, Noble Americas Energy Solutions LLC ("Noble Solutions") filed for Leave to Intervene. Noble Solutions states that it offers a suite of commodity products and services structured to meet the needs of energy users. No party objected to Noble Solutions' intervention.

On May 27, 2015, Nucor Corporation ("Nucor") filed a Petition to Intervene. Nucor owns and operates a steel mill in Kingman, Arizona which is serviced by UNSE. No party objected to Nucor's intervention.

On June 2, 2015, UNSE filed Revised Schedules H-3 and H-4 in support of its Application.

On June 4, 2015, the Commission's Utilities Division ("Staff") notified UNSE that its application met the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-103, and classified the Company as a Class A utility.

Arizona Corporation Commission
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On June 9, 2015, the Residential Utility Consumer Office ("RUCO") filed an Application to Intervene. RUCO was established by statute for the purpose of representing residential utility consumers in matters before the Commission concerning regulated public service corporations. No party objected to RUCO's intervention.

On June 9, 2015, UNSE filed a Motion for Procedural Schedule which proposed a schedule for this proceeding which was developed in consultation with Staff and RUCO.

Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern the preparation and conduct of this proceeding.

IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall commence on **March 1, 2016, at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's offices, **Room 222, 400 West Congress, Tucson, Arizona 85701**.

IT IS FURTHER ORDERED that **a Pre-hearing Conference** shall be held **on February 26, 2016, at 10:00 a.m.**, at the Commission's **Tucson Offices, Room 222, 400 West Congress, Tucson, Arizona, 85701** for the purpose of scheduling witnesses and the conduct of the hearing. Parties may appear telephonically, but should contact the Hearing Division at (602) 542-4250 to indicate if they will be calling in.[1]

IT IS FURTHER ORDERED that **intervention is granted to RUCO, TASC, Noble Solutions and Nucor.**

IT IS FURTHER ORDERED that any **direct testimony (except that related to rate design and cost of service)** and associated exhibits to be presented at hearing on behalf of **Staff** or **Intervenors** shall be reduced to writing and filed on or before **November 6, 2015.**

IT IS FURTHER ORDERED that any **direct testimony related rate design and cost of service** and associated exhibits to be presented at hearing on behalf of **Staff and Intervenors** shall be reduced to writing and filed on or before **December 9, 2015.**

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[1] The call-in number to participate telephonically is 1-888-450-5996, Access Code 457395#.

IT IS FURTHER ORDERED that any **rebuttal testimony** and associated exhibits to be presented at hearing by the **Company** shall be reduced to writing and filed on or before **January 19, 2016**.

IT IS FURTHER ORDERED that any **surrebuttal testimony** and associated exhibits to be presented by the **Staff and/or intervenors** shall be reduced to writing and filed on or before **February 19, 2016.**

IT IS FURTHER ORDERED that any **rejoinder testimony** and associated exhibits to be presented at the hearing **by the Company** shall be reduced to writing and filed on or before **February 26, 2016**.

IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have been prefiled before February 26, 2016, shall be made on or before the Pre-Hearing Conference.

IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is scheduled to testify.

IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed **on or before October 15, 2015**.

IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and regulations of the Commission, except that through **November 15, 2015,** any objection to discovery requests shall be made within 7 days[2] of receipt and responses to discovery requests shall be made within 10 days of receipt; thereafter, objections to discovery requests shall be made within 5 days and responses shall be made in 7 days;[1] the response time may be extended by mutual agreement of the parties involved if the request requires an extensive compilation effort.

IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel discovery, any party seeking discovery may telephonically contact the Commission's Hearing Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and that the party making such

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[2] "Days" means calendar days.

a request shall forthwith contact all other parties to advise them of the hearing date and shall at the hearing provide a statement confirming that the other parties were contacted.[3]

IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of the filing date of the motion.

IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date of the response.

IT IS FURTHER ORDERED that any motions filed in this matter that are not ruled upon by the Commission within 20 days of the filing date of the motion shall be deemed denied.

IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in this matter, in the following type size, form and style with the heading in no less than 16 point bold type and the body in no less than 10-point regular type:

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF UNS ELECTRIC, INC. Docket No. E-04204A-15-0142

Summary

On May 5, 2015, UNS Electric, Inc. ("UNSE" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in annual non-fuel revenues of $22.6 million. Under its proposal, the Company expects the increase to be offset by a $14.9 million reduction in fuel costs. In addition, UNSE is proposing: to include in its base rates $4.3 million in transmission costs currently recovered through a Transmission Cost Adjustor; a one-year credit to the purchased power and fuel adjustment clause ("PPFAC") to reflect the deferred savings related to the acquisition of Gila River Power Plant Unit 3; modifications to its rate design, its PPFAC, Lost Fixed Cost Recovery mechanism, and Net Metering Tariff for new net metered customers submitting applications for interconnection after June 1, 2015; updated depreciation rates; and modifications to its Tariffs and Rules and Regulations. Under the rates as proposed by the Company, an average residential customer using 983 kWh in summer and 669 kWh in winter would see a monthly increase of $1.99, from $87.83 to $89.82 in the first year, and an additional increase of $7.87, to $97.69, in subsequent years. A customer's bill depends on monthly energy consumption. A customer using less or more than the average would experience a smaller or larger increase.

If you have any questions concerning how the Company's rate proposal will affect your bill or have other substantive questions about this application, you may contact

[3] The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

the Company at: **[COMPANY SHOULD INSERT NAME, ADDRESS, TELEPHONE NUMBER, AND E-MAIL ADDRESS FOR CUSTOMER CONTACTS CONCERNING THE APPLICATION].**

The Commission's Utilities Division Staff and the Residential Utility Consumer Office are in the process of reviewing and analyzing the application and have not yet made recommendations regarding UNSE's request. The Commission will determine the appropriate rate relief to be granted based on the evidence of record in this proceeding. **THE COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY UNSE, STAFF, OR ANY INTERVENORS AND, THEREFORE, THE FINAL RATES APPROVED IN THIS DOCKET MAY BE LOWER OR HIGHER THAN THE RATES DESCRIBED ABOVE.**

How You Can View or Obtain a Copy of the Rate Proposal

Copies of the application and proposed tariffs are available at UNSE's offices **[INSERT ADDRESS]**, and at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona and its Tucson office, 400 West Congress, Suite 218, Tucson, Arizona, and on the internet via the Commission website (/www.azcc.gov/) using the e-Docket function.

Public Hearing Information

The Commission will hold a **hearing** on this matter beginning **March 1, 2016, at 10:00 a.m.**, at the Commission's offices, Room 222, 400 West Congress, Tucson, Arizona, 85701.

Public comments will be taken at the beginning of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. E-04204A-15-0142 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by email. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or (520) 628-6550.

If you do not intervene in this proceeding, you will not receive further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **October 15, 2015,** and send a copy of the motion to UNSE or its counsel and to all parties of record. Your motion must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made, if not yourself.

2. A short statement of your interest in the proceeding (e.g., a customer of the Company, etc.).

3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before October 15, 2015. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at http://www.azcc.gov/divisions/utilities/forms/interven.pdf. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator Shaylin Bernal, E-mail SABernal@azcc.gov, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that the Company shall **mail** to each of its customers a copy of the above notice by **August 31, 2015;** shall cause the above notice to be published at least once in a newspaper of local circulation in its service territory, with **publication** to be completed no later than **August 31, 2015;** and shall make the notice available on its website easily accessible from the homepage.

IT IS FURTHER ORDERED that the Company shall file certifications of mailing and publication as soon as practicable after they have been completed.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing and publication of same, notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized Communications) applies to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that all parties must comply with Rule 33 (c) and (d) of the Rules of the Arizona Supreme Court with respect to practice of law and admission pro hac vice.

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the Rules of the Arizona Supreme Court). Representation before the Commission includes the obligation to appear at all hearings and procedural conferences, as well as all Open Meetings for which the matter is scheduled for discussion, unless counsel has previously been granted permission to withdraw by the Administrative Law Judge.

IT IS FURTHER ORDERED that each party to this matter may opt to receive service of all Procedural and Recommended Orders issued by the Commission's Hearing Division in this matter via e-mail rather than U.S. Mail, as permitted under A.A.C. R14-3-107(B). To exercise this option, a party shall send to HearingDivisionSerivcebyEmail@azcc.gov from the email address at which the party desires to receive service, an e-mail request including the name of the party on whom service is to be made and the docket number for this matter. After a party receives an e-mail confirmation of its request from HearingDivisionSerivcebyEmail@azcc.gov, the party will receive all future Procedural and Recommended Orders issued by the Hearing Division in this matter via e-mails to the address provided by the party, unless and until the party withdraws its request. Service of a document via e-mail shall be considered complete upon the sending of an e-mail containing the document to the e-mail address provided by a party, regardless of whether the party receives or reads the e-mail containing the document.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (3) of the Rules of Civil Procedure.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 22nd day of June, 2015.

Jane L. Rodda

JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed
this 22 day of June, 2015 to:

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By: Tammy Velarde
Tammy Velarde
Assistant to Jane L. Rodda

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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COMMISSIONERS

SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF TUCSON ELECTRIC POWER COMPANY DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA AND FOR RELATED APPROVALS.

DOCKET NO. E-01933A-15-0322

RATE CASE PROCEDURAL ORDER AND NOTIFICATION OF INTERVENTION

BY THE COMMISSION:

On November 5, 2015, Tucson Electric Power Company ("TEP" or Company") filed an Application with the Arizona Corporation Commission ("Commission") for a rate increase.

On November 6, 2015, Freeport Minerals Corporation ("Freeport") and Arizonans for Electric Choice and Competition ("AECC") filed an Application for Leave to Intervene in this matter. Freeport maintains facilities and operations with the State of Arizona that receive electric services from TEP. AECC is a coalition of energy consumers, most of whom are also customers of TEP. No objections to the intervention request were received.

On November 25, 2015, Local Union 1116 International Brotherhood of Electrical Workers AFL-CIO ("IBEW Local 1116") filed an Application for Leave to Intervene. IBEW Local 1116 is the exclusive bargaining representative of approximately 700 non-managerial TEP employees and states it will be directly and substantially affected by the proceeding. No objections to the intervention request were received.

On November 27, 2015, Pima County, a corporate of the State of Arizona and body politic, and which owns and operates numerous facilities within the TEP service area, filed an Application for Leave to Intervene. No objections to the intervention request were received.

On December 7, 2015, the Commission's Utilities Division ("Staff") notified TEP that its Application met the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-103, and classified the Company as a Class A utility.

On December 7, 2015, TEP filed a Motion for Procedural Schedule, in which after consulting with Staff and the Residential Utility Consumer Office ("RUCO"), TEP proposed a schedule for the filing of testimony and a hearing in this matter.

Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern the preparation and conduct of this proceeding.

IT IS THEREFORE ORDERED that the **hearing** in the above-captioned matter shall commence on **August 31, 2016, at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's offices, **Room 222, 400 West Congress, Tucson, Arizona 85701.**[1]

IT IS FURTHER ORDERED that **a Pre-hearing Conference** shall be held **on August 25, 2016, at 10:00 a.m.**, at the Commission's **Tucson Offices, Room 222, 400 West Congress, Tucson, Arizona, 85701** for the purpose of scheduling witnesses and the conduct of the hearing. Parties may appear telephonically, but should contact the Hearing Division at (602) 542-4250 to indicate if they will be calling in.[2]

IT IS FURTHER ORDERED that **intervention is granted to Freeport, AECC, IBEW Local 1116, and Pima County.**

IT IS FURTHER ORDERED that any **direct testimony (except that related to rate design and cost of service)** and associated exhibits to be presented at hearing on behalf of **Staff** or **Intervenors** shall be reduced to writing and filed on or before **June 3, 2016.**

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[1] Given the current schedule of Open Meeting dates in 2016 and the current deadline of December 1, 2016, for a final Commission Order in this matter pursuant to A.A.C. R14-2-103, TEP's proposed schedule may not allow sufficient time for a final Commission Order by the November 2016 Open Meeting date. TEP seeks new rates in place by January 1, 2017. Given these circumstances, keeping the proposed hearing date and extending the deadline for a final Commission order until at least December 31, 2016 is reasonable as it will allow the matter to be heard at a December 2016 Open Meeting with rates approved prior to January 1, 2017. Otherwise, the hearing would need to be earlier. The length of the hearing in this matter (the rule provides the deadline is extended three days for each day of hearing on the merits), or other potential unforeseen circumstances may further affect the deadline and timing of the implementation of new rates.

[2] The call-in number to participate telephonically is 1-888-450-5996, Access Code 457395#.

IT IS FURTHER ORDERED that any **direct testimony related to rate design and cost of service** and associated exhibits to be presented at hearing on behalf of **Staff and Intervenors** shall be reduced to writing and filed on or before **June 24, 2016.**

IT IS FURTHER ORDERED that any **rebuttal testimony** and associated exhibits to be presented at hearing by the **Company** shall be reduced to writing and filed on or before **July 25, 2016.**

IT IS FURTHER ORDERED that any **surrebuttal testimony** and associated exhibits to be presented by **Staff and/or Intervenors** shall be reduced to writing and filed on or before **August 18, 2016.**

IT IS FURTHER ORDERED that any **rejoinder testimony** and associated exhibits to be presented at the hearing **by the Company** shall be reduced to writing and filed on or before **August 25, 2016.**

IT IS FURTHER ORDERED that any objections to any testimony or exhibits which have been prefiled before August 25, 2016, shall be made on or before the Pre-Hearing Conference.

IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is scheduled to testify.

IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-105, except that all motions to intervene must be filed **on or before April 29, 2016**.

IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and regulations of the Commission, except that through **June 30, 2016,** any objection to discovery requests shall be made within 7 days[3] of receipt and responses to discovery requests shall be made within 10 days of receipt; thereafter, objections to discovery requests shall be made within 5 days and responses shall be made in 7 days;[1] the response time may be extended by mutual agreement of the parties involved if the request requires an extensive compilation effort.

IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel discovery, any party seeking discovery may telephonically contact the Commission's Hearing Division

[3] "Days" means calendar days.

to request a date for a procedural hearing to resolve the discovery dispute; that upon such a request, a procedural hearing will be convened as soon as practicable; and that the party making such a request shall forthwith contact all other parties to advise them of the hearing date and shall at the hearing provide a statement confirming that the other parties were contacted.[4]

IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of the filing date of the motion.

IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date of the response.

IT IS FURTHER ORDERED that any motions filed in this matter that are not ruled upon by the Commission within 20 days of the filing date of the motion shall be deemed denied.

IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in this matter, in the following type size, form and style with the heading in no less than 16 point bold type and the body in no less than 10-point regular type:

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF TUCSON ELECTRIC POWER COMPANY
Docket No. E-01933A-15-0322

Summary
On November 5, 2015, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in annual non-fuel retail revenues of $109.5 million, or approximately 12 percent over adjusted test year retail revenues. TEP is also seeking approval of: (1) critical and substantial modifications to its rate design and net metering tariff; (2) modifications to its Purchased Power and Fuel Adjustment Clause mechanism ("PPFAC"); its Environmental Compliance Adjustor ("ECA") and Lost Fixed Cost Recovery mechanism ("LFCR"); (3) updated depreciation rates; (4) modifications to its Tariffs and Rules and Regulations; and (5) other related matters.

Under the rates as proposed by the Company, an average residential customer using 1,150 kWh in summer and 785 kWh in winter would see a monthly increase of $11.91, from $105.57 to $117.48. A customer's bill depends on monthly energy consumption. A customer using less or more than the average would experience a smaller or larger increase.

If you have any questions concerning how the Company's rate proposal will affect your

[4] The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

bill or have other substantive questions about this application, you may contact the Company at: **[COMPANY SHOULD INSERT NAME, ADDRESS, TELEPHONE NUMBER, AND E-MAIL ADDRESS FOR CUSTOMER CONTACTS CONCERNING THE APPLICATION].**

The Commission's Utilities Division Staff is in the process of reviewing and analyzing the application and has not yet made recommendations regarding TEP's request. The Commission will determine the appropriate rate relief to be granted based on the evidence of record in this proceeding. **THE COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY TEP, STAFF, OR ANY INTERVENORS AND, THEREFORE, THE FINAL RATES APPROVED IN THIS DOCKET MAY BE LOWER OR HIGHER THAN THE RATES DESCRIBED ABOVE.**

How You Can View or Obtain a Copy of the Rate Proposal

Copies of the application and proposed tariffs are available at TEP's offices **[INSERT ADDRESS]**, and at the Commission's Docket Control Center at 1200 West Washington, Phoenix, Arizona and its Tucson office, 400 West Congress, Suite 218, Tucson, Arizona, and on the internet via the Commission website (/www.azcc.gov/) using the e-Docket function.

Public Hearing Information

The Commission will hold a **hearing** on this matter beginning **August 31, 2016, at 10:00 a.m.**, at the Commission's offices, Room 222, 400 West Congress, Tucson, Arizona, 85701.

Public comments will be taken at the beginning of the hearing. Written public comments may be submitted by mailing a letter referencing Docket No. E-01933A-15-0322 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by email. For a form to use and instructions on how to e-mail comments to the Commission, go to http://www.azcc.gov/divisions/utilities/forms/PublicCommentForm.pdf. If you require assistance, you may contact the Consumer Services Section at 1-800-222-7000 or (520) 628-6550.

If you do not intervene in this proceeding, you will not receive further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website www.azcc.gov using the e-Docket function, located at the bottom of the website homepage. RSS feeds are also available through e-Docket.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you wish to intervene, you must file an original and 13 copies of a written motion to intervene with the Commission no later than **April 29, 2016,** and send a copy of the motion to TEP or its counsel and to all parties of record. Your motion must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made, if not yourself.

2. A short statement of your interest in the proceeding (e.g., a customer of the Company, etc.).

3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before April 29, 2016. If representation by counsel is required by Rule 31 of the Rules of the Arizona Supreme Court, intervention will be conditioned upon the intervenor obtaining counsel to represent the intervenor. For information about requesting intervention, visit the Commission's website at http://www.azcc.gov/divisions/utilities/forms/interven.pdf. The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case.

ADA/Equal Access Information
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator Shaylin Bernal, E-mail SABernal@azcc.gov, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that the Company shall **mail** to each of its customers a copy of the above notice by **February 19, 2016;** shall cause the above notice to be published at least once in a newspaper of local circulation in its service territory, with **publication** to be completed no later than **February 19, 2016;** and shall make the notice available on its website easily accessible from the homepage.

IT IS FURTHER ORDERED that the Company shall file certifications of mailing and publication as soon as practicable after they have been completed.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing and publication of same, notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized Communications) applies to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that all parties must comply with Rule 33 (c) and (d) of the Rules of the Arizona Supreme Court with respect to practice of law and admission pro hac vice.

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the Rules of the Arizona Supreme Court). Representation before the Commission includes the obligation to appear at all hearings and procedural conferences, as well as all Open Meetings for which the matter is scheduled for discussion, unless counsel has previously been granted permission to withdraw by the Administrative Law Judge.

IT IS FURTHER ORDERED that, as permitted under A.A.C. R14-3-107(B), each party to this matter may opt to receive service of all filings in this docket, including all filings by parties and all Procedural Orders and Recommended Opinions and Orders/Recommended Orders issued by the Commission's Hearing Division, via email sent to an email address provided by the party rather than via U.S. Mail. To exercise this option, a party shall:

1. Ensure that the party has a valid and active email address to which the party has regular and reliable access ("designated email address");
2. Complete a Consent to Email Service form, available on the Commission's website (www.azcc.gov);
3. File the original and 13 copies of the Consent to Email Service form with the Commission's Docket Control, also providing service to each party to the service list;
4. Send an email, containing the party's name and the docket number for this matter, to HearingDivisionServicebyEmail@azcc.gov from the designated email address, to allow the Hearing Division to verify the validity of the designated email address;
5. Understand and agree that service of a document on the party shall be complete upon the sending of an email containing the document to the designated email address, regardless of whether the party receives or reads the email containing the document; and
6. Understand and agree that the party will no longer receive service of filings in this matter through First Class U.S. Mail or any other form of hard-copy delivery, unless and until the party withdraws this consent through a filing made in this docket.

IT IS FURTHER ORDERED that a party's consent to email service shall not become effective until a Procedural Order is issued approving the use of email service for the party. The Procedural Order shall be issued only after the party has completed steps 1 through 4 above, and the Hearing Division has verified receipt of an email from the party's designated email address.

IT IS FURTHER ORDERED that a party's election to receive service of all filings in this matter via email does not change the requirement that all filings with the Commission's Docket Control must be made in hard copy and must include an original and 13 copies.

IT IS FURTHER ORDERED that pursuant to A.A.C. R14-2-103, the **deadline for a final Order** in this matter is extended until at least **December 31, 2016.**

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (3) of the Rules of Civil Procedure.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 14th day of December, 2015.

Jane L. Rodda

JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed
this 14th day of December, 2015 to:

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By RUnquera
Rebecca Unquera
Secretary to Jane L. Rodda

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission
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DOUG LITTLE – Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN

DOCKET NO. E-01345A-16-0036

RATE CASE PROCEDURAL ORDER

BY THE COMMISSION:

On June 1, 2016, Arizona Public Service Company ("APS" or "Company") filed with the Arizona Corporation Commission ("Commission") the above-captioned Rate Case Application.[1] The application, which is based on a test year ending December 31, 2015, seeks a $165.9 million net increase in base rates Among other things, the application also seeks changes in some of its adjustor mechanisms; seeks to establish a new residential and small commercial rate design that moves away from current two-part volumetric rates to three-part demand-based rates; seeks to reduce on-peak time-of-use hours; and seeks to grandfather existing solar customers while modifying net metering arrangements for new solar customers. Pursuant to Commission Decision No. 75047 (April 30, 2015), issues related to APS's proposed Automated Meter Opt-Out Service Schedule will also be addressed in the proceeding on the application.

Parties who have previously been granted intervention in this docket are Richard Gayer, Patricia Ferré, Warren Woodward, IO Data Centers, LLC ("IO"), Freeport Minerals Corporation ("Freeport"), Arizonans for Electric Choice and Competition ("AECC"), Sun City Home Owners Association ("Sun City HOA"), Western Resource Advocates ("WRA"), and Arizona Investment Council ("AIC").

On June 14, 2016, APS filed a Notice of Errata.

[1] On January 29, 2016, APS filed its Notice of Intent to File a Rate Case Application and Request to Open Docket.

On June 14, 2016, Arizona Utility Ratepayer Alliance ("AURA") filed a Motion for Leave to Intervene and Consent to Email Service.

On June 15, 2016, Property Owners and Residents Association, Sun City West ("PORA") filed an Application to Intervene, signed by Al Gervenack and Rob Robbins. Attached to the intervention request was a copy of a May 16, 2016 Resolution of the PORA Board of Directors appointing Mr. Gervenack, PORA Director, as its lay representative in this docket, and Mr. Robbins, PORA President, as its lay representative in the event Mr. Gervenack is unavailable to actively participate in this proceeding. PORA also filed a Consent to Email Service.

On June 16, 2016, Arizona Solar Energy Industries Association ("AriSEIA") filed its Application to Intervene. The filing indicates that on May 10, 2016, the Board of Directors of AriSEIA authorized Mr. Tom Harris, its Chairman, to act on its behalf in this proceeding. AriSEIA also filed a Consent to Email Service, but has not as of this date sent a verifying email from its designated email address for this docket.

On June 16, 2016, Arizona School Boards Association ("ASBA") and Arizona Association of School Business Officials ("AASBO") (collectively "ASBA/AASBO") jointly filed a Motion for Leave to Intervene.

On June 17, 2016, Sun City HOA filed a Clarification.

On June 17, 2016, Cynthia Zwick in her individual capacity and Arizona Community Action Association ("ACAA") jointly filed a Motion for Leave to Intervene. The joint intervention request states that Ms. Zwick is authorized to represent ACAA in this proceeding. ACAA also filed a Consent to Email Service, but has not as of this date sent a verifying email from its designated email address for this docket.

On June 17, 2016, APS filed its Opposition to AURA's Motion for Leave to Intervene.

On June 22, 2016, the Residential Utility Consumer Office ("RUCO") filed a Motion for Leave to Intervene.

On June 22, 2016, APS docketed copies of its lead/lag study and excerpts from the Handy-Whitman Bulletin No. 182 used to calculate its proposed reconstruction cost new less depreciation ("RCND") rate base.

On June 22, 2016, Southwest Energy Efficiency Project ("SWEEP") filed a Motion for Leave to Intervene and a Consent to Email Service.

On June 23, 2016, APS filed its Second Notice of Errata.

On June 24, 2016, AURA filed its Response in Support of Motion to Intervene.

On June 24, 2016, APS filed a copy of the notice it provided to parties of record of the Rate Case Technical Conferences scheduled for July 20, 2016, August 23, 2016, September 29, 2016, and October 26, 2016.

On June 27, 2016, Vote Solar filed a Motion for Leave to Intervene and a Consent to Email Service.

On June 28, 2016, APS filed its Reply in Opposition to Arizona Utility Ratepayer Alliance's Motion to Intervene.

On June 29, 2016, the Electrical District Number Eight and McMullen Valley Water Conservation & Drainage District (collectively, "ED8/McMullen") jointly filed a Motion for Leave to Intervene. ED8/McMullen also filed a Consent to Email Service, but has not as of this date sent a verifying email from its designated email address for this docket.

On July 1, 2016, the Commission's Utilities Division ("Staff") issued a Letter of Sufficiency pursuant to Arizona Administrative Code ("A.A.C.") R14-2-103, classifying APS as a Class A utility.

On July 1, 2016, AURA filed a Motion to Strike.

On July 5, 2016, The Kroger Co. ("Kroger") filed a Motion for Leave to Intervene and a Consent to Email Service.

On July 5, 2016, pursuant to Arizona Supreme Court Rule 39(a), John William Moore, Jr., filed with the Commission a Motion to Associate Counsel *Pro Hac Vice* to associate Kurt J. Boehm and Jody Kyler Cohn as counsel for Kroger in this matter.

On July 5, 2016, APS filed its Reply in Opposition to Arizona Utility Ratepayer Alliance's Motion to Strike.

July 6, 2016, AURA filed its Response to APS's Reply in Opposition to Arizona Utility Ratepayer Alliance's Motion to Strike.

On July 7, 2016, Tucson Electric Power Company ("TEP") filed a Motion for Leave to

Intervene. TEP also filed a Consent to Email Service, but has not as of this date sent a verifying email from its designated email address for this docket.

On July 8, 2016, Pima County filed a Motion for Leave to Intervene. Pima County also filed a Consent to Email Service, but has not as of this date sent a verifying email from its designated email address for this docket.

On July 11, 2016, Staff filed a Request for Procedural Schedule.

On July 12, 2016, Solar Energy Industries Association ("SEIA") filed a Motion for Leave to Intervene. SEIA also filed a Consent to Email Service, but has not as of this date sent a verifying email from its designated email address for this docket.

On July 15, 2016, the Energy Freedom Coalition of America ("EFCA") filed a Motion to Intervene.

On July 18, 2016 Wal-Mart Stores, Inc. and Sam's West, Inc. (collectively, "Walmart") filed an Application for Leave to Intervene and a Consent to Email Service.

On July 19, 2016, Staff filed a Motion to Consolidate, requesting that this docket be consolidated with Docket No. E-01345A-16-0123.

Numerous public comments have been filed in this docket.

<u>Intervention Requests</u>

No party has objected to the Motions to Intervene filed by PORA, AriSEIA, ASBA/AASBO, Cynthia Zwick, ACAA, SWEEP, RUCO, Vote Solar, ED8/McMullen, Kroger, TEP, Pima County, and SEIA.

Accordingly, PORA, AriSEIA, ASBA/AASBO, Cynthia Zwick, ACAA, SWEEP, RUCO, Vote Solar, ED8/McMullen, Kroger, TEP, Pima County, and SEIA should be granted intervention.

<u>AURA's Intervention Request</u>

APS has contested AURA's intervention request.

In its Motion to Intervene, AURA states that it is a nonpolitical, non-partisan organization founded in 2015 "to advise and represent utility ratepayers on vital issues affecting their pocketbook," and to advocate "on behalf of everyday Arizonans to ensure that utilities act responsibly with affordable rates, subject to transparent regulation, while providing sustainable utility services." AURA asserts that it is independent from any government entity, and contends that it is unique in its commitment to all Arizona ratepayers and its advocacy for effective and efficient utility oversight. AURA states that while it does not advocate any particular alternative energy production or efficiency measures, it believes that "all such prudent measures should be part of Arizona's energy portfolio, without undue ratepayer subsidies." AURA indicates that it is particularly interested in APS's rate design proposals and proposals to modify its net metering tariff, but that it wishes to reserve the right to take positions on any other issues in this case. AURA contends that no other party can adequately represent AURA's interests.

APS states that AURA is the Arizona registered trade name for Quinn & Associates, LLC, whose only members are Mr. Patrick Quinn, a registered lobbyist, and his wife.[2] APS states that Mr. Quinn has described Quinn & Associates as a business and political consulting firm, and that Mr. Quinn has testified that AURA is funded by the Energy Foundation, whose mission, according to its website, is "to promote the transition to a sustainable energy future by advancing energy efficiency and renewable energy." APS contends that because AURA is a lobbying firm, it lacks a direct and substantial interest in this docket. APS posits that AURA's participation "is both redundant and almost certain to unduly expand the scope of the docket." APS contends that at a minimum, AURA should be grouped with other intervenors having substantially like interests and positions into a class pursuant to A.A.C. R14-2-105(C). A.A.C. R14-2-105(C) addresses the declaration of a class of "interested persons" for purposes of hearing.

A.A.C. R14-3-105 allows parties who are directly and substantially affected by a proceeding to intervene. AURA has stated an interest in the issue of alternative energy production without undue ratepayer subsidies, and in the issue of the effects of a rate design with demand charges, both of which are implicated by APS's rate case. Rule 105 does not require that a party be a customer, or do business with the utility, in order to have an interest in the proceeding sufficient to intervene. AURA's business form does not preclude intervention, nor does the fact that other parties to a case may have interests similar to those expressed by AURA. It has not been demonstrated at this time that AURA's

[2] The members of Quinn & Associates, LLC are Patrick J. Quinn and Marcia M. Quinn.

participation will unduly broaden the issues in this docket, or that there is a need to declare a class, or classes, of "interested persons" for this docket.

Accordingly, AURA should be granted intervention.

<u>Consents to Email Service</u>

The Commission is appreciative of parties' requests to receive service by email. The Commission will soon be implementing a procedure whereby all filings made by a Commissioner, the Commission's Executive Director, or a Commission Division will be served upon parties who have consented to email service via an email containing either an electronic copy of the filing or a link to access the filing online. Parties who do not consent to email service may not be able to receive some documents, such as Amendments to Open Meeting Agenda items.

Representatives from AURA, PORA, SWEEP, and Vote Solar have opted to receive service of all filings in this docket, including all filings by parties and all Procedural Orders and Recommended Opinions and Orders/Recommended Orders issued by the Commission's Hearing Division, via their designated email addresses rather than via U.S. Mail. AURA, PORA, SWEEP, and Vote Solar have each exercised this option by docketing hard copies of their Consents to Email Service, and by sending emails containing their names and the docket number for this matter to <u>HearingDivisionServicebyEmail@azcc.gov</u> from their designated email addresses. The Hearing Division has verified the validity of their designated email addresses, which now appear on the service list for this matter in addition to their addresses for U.S. Mail. In addition, courtesy email addresses appear for delivery of courtesy emails to other individuals associated with those parties.

The Consents to Email Service filed by AURA, PORA, SWEEP, and Vote Solar should be granted.

Several parties granted intervention by this Procedural Order have requested to receive service by email, but have not as of this date sent an email containing the party's name and the docket number for this matter to <u>HearingDivisionServicebyEmail@azcc.gov</u> from the party's designated email address.[3] Once those parties have accomplished this necessary step so that the Hearing Division may

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[3] As noted in the procedural history above, these parties are AriSEIA, ACAA, ED8/McMullen, Kroger, TEP, Pima County, and SEIA.

verify the party's designated email address for accomplishing service, the party's request will be approved by a subsequent Procedural Order. In addition to the party's designated email address for accomplishing service, additional courtesy email addresses for the party will also be added to the service list at that time.

Lay Representatives

Pursuant to Arizona Supreme Court Rule 31(d)(28), a non-profit organization may be represented before the Commission by a corporate officer, employee, or a member who is not an active member of the state bar, if (1) the non-profit organization has specifically authorized the officer, employee, or member to represent it in the particular matter; (2) such representation is not the person's primary duty to the non-profit organization, but is secondary or incidental to such person's duties relating to the management or operation of the non-profit organization; and (3) the person is not receiving separate or additional compensation (other than reimbursement for costs) for such representation. Arizona Supreme Court Rule 31(d)(28) further states that the Commission or presiding officer may require counsel in lieu of lay representation whenever it is determined that lay representation is interfering with the orderly progress of the proceeding, imposing undue burdens on the other parties, or causing harm to the parties represented.

Mr. Al Gervenack and Mr. Rob Robbins should be authorized to represent PORA as lay representatives in this proceeding.

Mr. Tom Harris should be authorized to represent AriSEIA as lay representative in this proceeding.

Ms. Cynthia Zwick should be authorized to represent ACAA as lay representative in this proceeding.

Requests to Participate *Pro Hac Vice*

The Motion filed by John William Moore, Jr. requesting authority to associate Kurt J. Boehm and Jody Kyler Cohn *pro hac vice* as counsel for Kroger in this matter lists Mr. Moore as the designated member of the Arizona State Bar with whom communication may be made, and upon whom papers should be served. Attached to the filing is a copy of the verified Application for Appearance *Pro Hac Vice* filed with the State Bar of Arizona for Mr. Boehm and Ms. Cohn; a copy of the certificates of good standing from the jurisdictions in which they have been admitted to practice law; and copies of the Notices of Receipt of Complete Application from the State Bar of Arizona.

In the discretion of the Commission, Mr. Boehm and Ms. Cohn should be permitted to appear and participate *pro hac vice* in this matter on behalf of Kroger.

Proposed Procedural Schedule

Staff requests that the following procedural schedule be adopted for this case:

Staff and Intervenor Direct Testimony (except rate design)	Wednesday, December 21, 2016
Staff and Intervenor Direct Testimony (rate design)	Friday, January 27, 2017
APS Rebuttal Testimony	Friday, February 17, 2017
Staff and Intervenor Surrebuttal Testimony	Friday, March 10, 2017
APS Rejoinder Testimony	Friday, March 17, 2017
Prehearing Conference	Monday, March 20, 2017
Proposed Hearing Commencement Date	Wednesday, March 22, 2017

Staff states that APS and RUCO have indicated to Staff that they are in agreement with Staff's proposed schedule. Staff requests that a procedural conference be scheduled, if needed, to discuss the schedule and other procedural matters the parties may have concerning the processing of this case.

The procedural schedule for processing this case proposed by Staff appears to be balanced and fair and should provide sufficient time to conclude the case within 12 months of the sufficiency finding. It will therefore be adopted.

Pending Intervention Requests

The intervention requests filed by EFCA and Wal-Mart will not be ruled upon in this Procedural Order, but will be considered after sufficient time has been allowed for the filing of any responses.

Motion to Consolidate

The Motion to Consolidate filed by Staff will not be ruled upon in this Procedural Order, but will be considered after sufficient time has been allowed for the filing of any responses.

IT IS THEREFORE ORDERED that the **hearing in this matter shall commence on March 22, 2017, at 10:00 a.m.,** at the Commission's offices, 1200 West Washington Street, Hearing Room No. 1, Phoenix, Arizona 85007.

IT IS FURTHER ORDERED that a **pre-hearing conference shall be held on March 20, 2017, at 10:00 a.m.**, at the Commission's offices, 1200 West Washington Street, Hearing Room No. 1, Phoenix, Arizona 85007.

IT IS FURTHER ORDERED that the **direct testimony** and associated exhibits to be presented at hearing on behalf of **Staff and intervenors on issues other than rate design** shall be reduced to writing and filed on or before **December 21, 2016.**

IT IS FURTHER ORDERED that the **direct testimony** and associated exhibits to be presented at hearing **on behalf of Staff and intervenors on rate design issues** shall be reduced to writing and filed on or before **January 27, 2017.**

IT IS FURTHER ORDERED that any **rebuttal testimony** and associated exhibits to be presented at hearing by **APS** shall be reduced to writing and filed on or before **February 17, 2017.**

IT IS FURTHER ORDERED that any **surrebuttal testimony** and associated exhibits to be presented by **Staff and intervenors** shall be reduced to writing and filed on or before **March 10, 2017.**

IT IS FURTHER ORDERED that any **rejoinder testimony** and associated exhibits to be presented at hearing by **APS** shall be reduced to writing and filed on or before **March 17, 2017.**

IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m. on the date the filing is due.**

IT IS FURTHER ORDERED that any **objections to pre-filed testimony or exhibits shall be made before or at the March 20, 2017 pre-hearing conference.**

IT IS FURTHER ORDERED that all testimony filed shall include a **table of contents** which lists the issues discussed.

IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to pre-filed testimony, with the exception of rejoinder testimony, shall be reduced to writing and filed no later than **five calendar days before the witness is scheduled to testify**.

IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the pre-filed testimony of each of their witnesses and **shall file each summary at least two working days before the witness is scheduled to testify**.

IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105, except that **all motions to intervene must be filed on or before November 10, 2017.**

IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and regulations of the Commission, except that until **December 21, 2010**, any objection to discovery requests shall be made within 7 calendar days of receipt,[4] and responses to discovery requests shall be made within 10 calendar days of receipt. Thereafter, objections to discovery requests shall be made within 5 calendar days, and responses shall be made within 7 calendar days. The response time may be extended by mutual agreement of the parties involved if the request requires an extensive compilation effort.

IT IS FURTHER ORDERED that for discovery requests, objections, and answers, if a receiving party requests service to be made electronically, and the sending party has the technical capability to provide service electronically, service to that party shall be made electronically.

IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel discovery, any party seeking resolution of a discovery dispute may telephonically contact the Commission's Hearing Division to request a date for a procedural conference to resolve the discovery dispute; that upon such a request, a procedural conference will be convened as soon as practicable; and that the party making such a request shall forthwith contact all other parties to advise them of the date and time of the procedural conference and shall at the procedural conference provide a statement confirming that the other parties were contacted.[5]

IT IS FURTHER ORDERED that any motions which are filed in this matter and which are not ruled upon by the Commission within 20 calendar days of the filing date of the motion shall be deemed denied.

IT IS FURTHER ORDERED that any responses to motions shall be filed within five calendar days of the filing date of the motion.

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[4] The date of receipt of discovery requests is not counted as a calendar day, and requests received after 4:00 p.m. Arizona time will be considered as received the next business day.

[5] The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

IT IS FURTHER ORDERED that any replies shall be filed within five calendar days of the filing date of the response.

IT IS FURTHER ORDERED that APS shall provide public notice of the hearing in this matter, in the following form and style with the heading in no less than 24-point bold type and the body in no less than 10-point regular type:

PUBLIC NOTICE OF HEARING
ON ARIZONA PUBLIC SERVICE COMPANY'S APPLICATION
FOR A PERMANENT RATE INCREASE
DOCKET NO. E-01345A-16-0036

Summary

On June 1, 2016, Arizona Public Service Company ("APS" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a permanent base rate increase. The application seeks a $165.9 million net increase in base rates. Among other things, the application also seeks changes in some of its adjustor mechanisms; seeks to establish a new residential and small commercial rate design that moves away from current two-part volumetric rates to three-part demand-based rates; seeks to reduce on-peak time-of-use hours; and seeks to grandfather existing solar customers while modifying net metering arrangements for new solar customers. Pursuant to Commission Decision No. 75047 (April 30, 2015), issues related to APS's proposed Automated Meter Opt-Out Service Schedule will be addressed in the rate case proceeding.

The requested gross base rate increase is the sum of three parts: (1) a non-fuel increase of $227.6 million; (2) the revenue-neutral transfer into base rates of $276.6 million currently being recovered through adjustor mechanisms; and (3) a decrease in base fuel costs of ($61.7 million). The net percentage impact of the Company's request on customer bills will be an increase of approximately 5.74% on average. **The actual percentage rate increase for individual customers that would result from the application will vary depending upon the type and quantity of service provided.**

THE COMMISSION'S UTILITIES DIVISION ("STAFF") IS IN THE PROCESS OF REVIEWING AND ANALYZING THE APPLICATION. NEITHER Staff NOR ANY INTERVENOR HAS YET MADE ANY RECOMMENDATION REGARDING APS'S REQUEST. THE COMMISSION IS NOT BOUND BY THE PROPOSALS MADE BY APS, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RATEMAKING TREATMENT OF THE REVENUES AND EXPENSES RELATED TO APS'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS PROCEEDING. THE FINAL RATES APPROVED BY THE COMMISSION MAY BE HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY APS OR BY OTHER PARTIES.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact the Company at: **[COMPANY INSERT NAME, ADDRESS, TELEPHONE NUMBER, AND E-MAIL ADDRESS FOR CUSTOMER CONTACTS CONCERNING THE APPLICATION].**

How You Can View or Obtain a Copy of the Application

Copies of the Application are available from APS **[COMPANY INSERT HOW AND WHERE AVAILABLE]**; at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, during regular business hours; and on the Commission website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **March 22, 2017, at 10:00 a.m.**, at the Commission's offices, Hearing Room #1, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

Written public comments may be submitted by mailing a letter referencing **Docket No. E-01345A-16-0036** to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website (www.azcc.gov) using the "Submit a Public Comment for a Utility" function. If you require assistance, you may contact the Consumer Services Section at 602-542-4251 or 1-800-222-7000.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website (www.azcc.gov) using the e-Docket function. You may choose to subscribe to an RSS feed for this case using the e-Docket function.

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. **Intervention is not required if you want to appear at the hearing and provide public comment on the Application, or if you want to file written comments in the record of the case.**

To request intervention, you must file an **original and 13 hard copies** of a written request to intervene with Docket Control, 1200 West Washington, Phoenix, AZ 85007, **no later than November 10, 2016**. You also **must** serve a copy of the request to intervene on each party of record on the same day that you file the request to intervene with the Commission. **Information about what intervention means, including an explanation of the rights and responsibilities of an intervenor, is available on the Commission's website (www.azcc.gov) using the "Intervention in Utility Cases" link.** The link also includes sample intervention requests.

If you choose to request intervention, your request must contain the following:

1. Your name, address, and telephone number, and the name, address, and telephone number of any person upon whom service of documents is to be made, if not yourself;
2. A reference to **Docket No. E-01345A-16-0036**;
3. A short statement explaining:
   a. Your interest in the proceeding (e.g., a customer of APS, etc.),
   b. How you will be directly and substantially affected by the outcome of the case, and
   c. Why your intervention will not unduly broaden the issues in the case;

4. A statement certifying that you have served a copy of the request to intervene on APS or its attorney and all other parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31, 38, 39, and 42, as applicable.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that <u>all motions to intervene must be filed on or before **November 10, 2016.**</u>

<u>ADA/Equal Access Information</u>
The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Shaylin Bernal, E-mail SAbernal@azcc.gov, voice phone number 602-542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

IT IS FURTHER ORDERED that **APS** shall **mail** to each of its customers a copy of the above notice as a bill insert beginning with the first available billing cycle and shall cause a copy of such notice to be **published at least twice in a newspaper of general circulation** in the service territory of each affected district, with mailing and publication to be completed no later than **August 31, 2016.**

IT IS FURTHER ORDERED that **APS** shall file **certification of mailing and publication** as soon as possible after the mailing and publication have been completed, but no later than **October 3, 2016**.

IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing and publication of same, notwithstanding the failure of an individual customer to read or receive the notice.

IT IS FURTHER ORDERED that AURA, PORA, AriSEIA, ASBA/AASBO, Cynthia Zwick, ACAA, SWEEP, RUCO, Vote Solar, ED8/McMullen, Kroger, TEP, Pima County, and SEIA are hereby granted intervention.

IT IS FURTHER ORDERED that the requests by AURA, PORA, SWEEP, and Vote Solar to receive service of all filings in this docket, including all filings by parties and all Procedural Orders and Recommended Opinions and Orders/Recommended Orders issued by the Commission's Hearing Division, via their respective designated email addresses rather than via U.S. Mail, is hereby approved.

IT IS FURTHER ORDERED that Mr. Al Gervenack and Mr. Rob Robbins are authorized to represent PORA in this proceeding as PORA's lay representatives, pursuant to Arizona Supreme Court Rule 31(d)(28).

IT IS FURTHER ORDERED that Mr. Tom Harris is authorized to represent AriSEIA in this proceeding as AriSEIA's lay representative, pursuant to Arizona Supreme Court Rule 31(d)(28).

IT IS FURTHER ORDERED that Ms. Cynthia Zwick is authorized to represent ACAA in this proceeding as ACAA's lay representative, pursuant to Arizona Supreme Court Rule 31(d)(28).

IT IS FURTHER ORDERED that pursuant to Arizona Supreme Court Rule 31(d)(28), the Commission or presiding officer may require counsel in lieu of lay representation if it is determined that lay representation is interfering with the orderly progress of the proceeding, imposing undue burdens on the other parties, or causing harm to the parties represented.

IT IS FURTHER ORDERED that Kurt J. Boehm and Jody Kyler Cohn are admitted *pro hac vice* in the above-captioned matter.

IT IS FURTHER ORDERED that Mr. Boehm's and Ms. Cohn's address for service of papers and other communication is:

Kurt J. Boehm
Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, OH 45202

IT IS FURTHER ORDERED that the address for service of papers and other communication for the Arizona-licensed attorney designated as local counsel is:

John William Moore, Jr.
7321 North 16th Street
Phoenix, AZ 85020

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizona Supreme Court Rule 42). Representation before the Commission includes appearances at all hearings and procedural conferences, as well as all Open Meetings for which the matter is scheduled for discussion, unless counsel has previously been granted permission to withdraw by the Administrative Law Judge or the Commission.

IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules 31, 38, 39, and 42 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice.*

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized

Communications) applies to this proceeding and shall remain in effect until the Commission's Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that the time periods specified herein shall not be extended pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

IT IS FURTHER ORDERED that, as permitted under A.A.C. R14-3-107(B), each party to this matter may opt to receive service of all filings in this docket, including all filings by parties and all Procedural Orders and Recommended Opinions and Orders/Recommended Orders issued by the Commission's Hearing Division, via email sent to an email address provided by the party rather than via U.S. Mail. To exercise this option, a party shall:

1. **Ensure that the party has a valid and active email address to which the party has regular and reliable access ("designated email address");**
2. **Complete a Consent to Email Service using the form available on the Commission's website (www.azcc.gov) or a substantially similar format;**
3. **File the original and 13 copies of the Consent to Email Service with the Commission's Docket Control, also providing service to each party to the service list;**
4. **Send an email, containing the party's name and the docket number for this matter, to HearingDivisionServicebyEmail@azcc.gov from the designated email address, to allow the Hearing Division to verify the validity of the designated email address;**
5. **Understand and agree that service of a filing on the party shall be complete upon the first of the following to occur: (1) the sending, to the designated email address, of an email containing an electronic copy of the filing or a link to access the filing online; or (2) for a filing made by a Commissioner, the Commission's Executive Director, or a Commission Division, the making of the filing with a service certification including coding indicating that an automatic service email for the filing shall be sent to each party whose consent to email service has been approved;**
6. **Understand and agree that the party may provide additional email addresses on the Consent to Email Service for individuals to whom the party desires to have**

service emails sent as a courtesy, but that these courtesy email addresses are not the designated email address and will not be verified; and

7. **Understand and agree that the party will no longer receive service of filings in this matter through First Class U.S. Mail or any other form of hard-copy delivery, unless and until the party withdraws this consent through a filing made in this docket.**

IT IS FURTHER ORDERED that a party's consent to email service shall not become effective until a Procedural Order is issued approving the use of email service for the party. The Procedural Order shall be issued only after the party has completed steps 1 through 4 above, and the Hearing Division has verified receipt of an email from the party's designated email address.

IT IS FURTHER ORDERED that a party's election to receive service of all filings in this matter via email does not change the requirement that all filings with the Commission's Docket Control must be made in hard copy and must include an original and 13 copies.

IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

DATED this 22d day of July, 2016.

TEENA JIBILIAN
ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered this 22nd day of July, 2016 to:

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Thomas L. Mumaw
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