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ADMITTED TO PRACTICE IN:  
ARIZONA, COLORADO, MONTANA,  
NEVADA, TEXAS, WYOMING,  
DISTRICT OF COLOMBIA

August 25, 2016

Arizona Corporation Commission  
DOCKETED

AUG 25 2016

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

DOCKETED BY *JK*

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AZ CORP COMMISSION  
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2016 AUG 25 A 11:00

Re: Tucson Electric Power Company  
Docket No. E-01933A-15-0239  
Docket No. E-01933A-15-0322

To Whom It May Concern:

Enclosed for filing in the above-referenced matter are the original and 13 copies of the prepared Surrebuttal Testimony of Greg Bass on behalf of Noble Americas Energy Solutions, LLC.

Thank you for your assistance

Sincerely,

*Lawrence V. Robertson, Jr.*

cc: Hearing Division  
All parties of record

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **GREG BASS**

4  
5 **Question No. 1- Please State your name, and your business affiliation.**

6  
7 Answer No. 1- My name is Greg Bass. I am Director of Western Regulatory and Legislative  
8 Affairs for Noble Americas Energy Solutions, LLC ("Noble Solutions"). My business address is  
9 401 West A Street, Suite 500, San Diego, California.

10  
11 **Question No. 2- Are you the same Greg Bass whose prepared Direct Testimony was filed**  
12 **with the Commission's Docket Control in this proceeding on June 24, 2016.**

13  
14 Answer No. 2- Yes.

15  
16 **Question No. 3- What is the purpose of your providing Surrebuttal Testimony at this time?**

17  
18 Answer No. 3- My Surrebuttal Testimony has two (2) purposes. First, I want to express Noble  
19 Solutions' support for the prepared Surrebuttal Testimony of Kevin Higgins, in which he responds  
20 to the July 25, 2016 prepared Rebuttal Testimony of Tucson Electric Power Company ("TEP")  
21 witness Craig Jones, as the same pertains to (i) buy-through programs in general, and (ii) the  
22 specific form of buy-through program proposed and discussed by Mr. Higgins in his June 24, 2016  
23 prepared Direct Testimony. As previously indicated in my June 24, 2016 prepared Direct  
24 Testimony, Noble Solutions joins Freeport Minerals Corporation ("Freeport") and Arizonans for  
25 Electric Choice and Competition ("AECC") in supporting the form of buy-through program  
26 proposed by Mr. Higgins in this proceeding for TEP's system. Second, I also want to express  
27 Noble Solutions' support for the opt-out form of competitive generation service program which  
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1 Mr. Higgins' is offering for Commission consideration in this proceeding, as an alternative to the  
2 form of buy-through program offered and previously discussed in his prepared Direct Testimony.

3  
4 **Question No. 4- Are Freeport, AECC and Noble Solutions, by offering this opt-out**  
5 **alternative program through Mr. Higgins, in effect withdrawing their previous support for**  
6 **the buy-through program discussed in his June 24, 2016 prepared Direct Testimony; and, if**  
7 **so, is that because the Commission declined to approve a buy-through program in the**  
8 **recently decided UNS Electric rate case?**

9  
10 Answer No. 4- No, quite the contrary. Noble Solutions supports both the buy-through and the opt-  
11 out programs which are the subject of Mr. Higgins' prepared Direct Testimony and prepared  
12 Surrebuttal Testimony. They are simply being offered for Commission consideration as alternative  
13 forms by means of which qualifying customers could obtain electric generation service from a  
14 provider other than TEP. In that regard, the circumstances surrounding TEP's system operations  
15 are different from those which were before the Commission in the UNS Electric rate case, as are  
16 the details of the buy-through program we are proposing for TEP versus the form of program we  
17 had proposed for UNS Electric.

18  
19 **Question No. 5- But, doesn't the fact that the Commission declined to approve a buy-through**  
20 **program for UNS Electric suggest that it will be similarly not inclined to approve such a**  
21 **program for TEP?**

22  
23 Answer No. 5- No. In fact, during the August 9-11, 2016 Open Meeting involving the UNS  
24 Electric rate case, the Commission adopted an amendment to the July 20, 2016 Recommended  
25 Opinion and Order ("ROO") to make clear that its reasons for not approving any form of buy-  
26 through program for UNS Electric at this time were based upon the specific characteristics of UNS  
27 Electric's system and the evidentiary record then before the Commission. There is nothing in either  
28

1 the language of the Commission's decision or the transcript of that Open Meeting which suggests  
2 to me that the Commissioners as a matter of principle are not willing to favorably consider some  
3 form of competitive generation service program. Rather, their decision on that question in this  
4 proceeding, as well as in any future electric utility rate case proceeding, will depend upon the  
5 specific factual circumstances then before the Commission.

6  
7 **Question No. 6- Given that response, then why are Freeport, AECC and Noble Solutions at**  
8 **this time offering through Mr. Higgins an opt-out program for consideration as an**  
9 **alternative to the form of buy-through program set forth in his June 24, 2016 prepared**  
10 **Direct Testimony?**

11  
12 Answer No. 6- Simply stated, we "heard" the Commission during the August 9-11, 2016 Open  
13 Meeting in the UNS Electric rate case. More specifically, during the extended Commission  
14 discussion of whether the ROO should be amended in the manner previously described in my  
15 response to Question No. 5, several members of the Commission appeared to express an interest in  
16 having available for consideration in future electric rate case proceedings information and  
17 proposals on competitive generation service in addition to the buy-through program format.  
18 Accordingly, in an effort to be responsive to that expression of interest, Freeport, AECC and Noble  
19 Solutions decided to present the opt-out alternative discussed in Mr. Higgins' prepared Surrebuttal  
20 Testimony for consideration by the Commission in this proceeding.

21  
22 **Question No. 7- Are you aware of a similar program being in effect in any other**  
23 **jurisdiction(s)?**

24  
25 Answer No. 7- Yes. A similar opt-out program offered by Portland General Electric Company  
26 ("PGE") has been in effect for over a decade within the State of Oregon.

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1 **Question No. 8- Has Noble Solutions had any experience with that program? If so, please**  
2 **describe (i) Noble Solutions ' experience under the Oregon program, and (ii) the reasons why**  
3 **Noble Solutions believes the form of opt-out program it is supporting as an alternative in this**  
4 **proceeding would be suitable for approval by the Commission.**

5  
6 Answer No. 8- - The PGE Large Nonresidential Cost-Of-Service Opt-Out ("5-Year Opt Out") is a  
7 program PGE offers to its medium to large commercial and industrial customers. Every year, end-  
8 use customers that qualify for the program have a month-long window to notify PGE that they  
9 intend to move to market-based electricity offered by a 3<sup>rd</sup>-party supplier. PGE calculates its net  
10 stranded costs over a 5-year period, referred to as the Long-Term Transition Cost Adjustment  
11 ("LTTC Adjustment"). Customers who elect this rate schedule are then committed to pay PGE's  
12 distribution and transmission rates along with the LTTC Adjustment. At the end of 5-years, (i) the  
13 LTTC Adjustment is set to 0.0¢ per kWh, and (ii) the end-use customer is at market prices for its  
14 energy component and continues to pay PGE's distribution and transmission rates. If an end-use  
15 customer wishes to return to PGE for cost-of-service energy rates at any time after they have  
16 moved to the 5-Year Opt Out rate schedule, they must give PGE 3-years' notice.

17  
18 The 5-Year Opt Out program as described above is capped at 300 MWa and is currently about  
19 2/3rds subscribed. This program has a number of facets that address the most common concerns  
20 policy makers have about allowing medium and large commercial and industrial customers to buy-  
21 through their incumbent utility's energy procurement. First, the vast majority of the so-called  
22 stranded costs associated with the program are borne by the very customer that caused the utility to  
23 incur these costs. Second, the utility is relieved of any obligation to serve these customers without  
24 appropriate advance notification. This addresses the policy concern that the remaining customers'  
25 rates will be adversely impacted by 5-Year Opt Out customers returning to the utility's  
26 procurement portfolio in times of high market prices. Third, because the 5-year opt out program is  
27 available to all medium and large commercial and industrial customers on a first-come, first served  
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1 basis, a lottery and prescriptive applicability requirements have not been necessary. To date the 5-  
2 Year Opt Out artificial program cap of 300 MWa has not been reached.

3 **Question No. 9- Does Noble Solutions have a preference at this time as between the form of**  
4 **buy-through program and the alternative opt-out program that it is proposing for**  
5 **Commission consideration in this proceeding?**

6  
7 Answer No. 9- At present, Noble solutions does not have a preference, because which type of  
8 program is most appropriate for TEP's system will become better known after the evidentiary  
9 hearings have been concluded in this proceeding, and the viewpoints of all interested stakeholders  
10 (including public comment) are before the Commission. But, Noble Solutions firmly believes that  
11 this rate case is the proverbial "time and place" for the Commission to meaningfully make the  
12 concepts of "customer choice" and "competitive price competition" available to TEP's large  
13 commercial and industrial classes of service in connection with the provision of generation service.  
14 The Commission can do so by approving either of these alternative programs in its decision in this  
15 proceeding.

16  
17 **Question No. 10- Is Noble Solutions a Signatory to the August 15, 2016 Settlement**  
18 **Agreement Regarding Revenue Requirement ("Settlement"), which was docketed in this**  
19 **proceeding on that same day?**

20  
21 Answer No. 10- Yes, you executed the Settlement on behalf of Noble Solutions pursuant to my  
22 authorization.

23  
24 **Question No. 11- Why did Noble Solutions decide to execute the Settlement when it addresses**  
25 **a number of issues on which Noble Solutions has not taken a position in this proceeding?**

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1 Answer No. 11- The Settlement resolves a number of issues that otherwise might have extended  
2 the evidentiary hearings that will be required in order for the Commission to process and  
3 ultimately reach a decision upon TEP's November 5, 2015 rate application. In recognition of that  
4 fact, Section 1.5 of the Settlement expressly indicates that the Settlement will "avoid additional  
5 litigation expense relating to the revenue requirement issues in this proceeding."

6  
7 As the preceding portion of my Surrebuttal Testimony indicates, Noble Solutions is particularly  
8 interested in the buy-through program and the alternative opt-out program discussed in Mr.  
9 Higgins' prepared Direct Testimony and his prepared Surrebuttal Testimony. In that regard,  
10 Section 6.3 of the Settlement expressly provides that "Certain issues related to the Company's rate  
11 application, including but not limited to rate design...the Buy-Through Tariff [etc.]... remain  
12 unresolved by this Agreement, and the Signatories agree to present their respective positions in the  
13 hearing scheduled in this proceeding. This provision is not intended to limit any Signatory's ability  
14 to present its position on these unresolved issues." Such presentation of Noble Solutions' position  
15 on certain of these unresolved issues is precisely what I am doing in my previously-filed prepared  
16 Direct Testimony and this prepared Surrebuttal Testimony.

17  
18 By reducing the number of issues that remain unresolved, Noble Solutions believes that the  
19 Settlement will allow Administrative Law Judge Rodda and ultimately the Commission to  
20 carefully (and, hopefully, favorably) consider (i) the buy-through program and the alternative  
21 opt-out program proposed and discussed by Mr. Higgins, and (ii) the critically important  
22 "customer choice" and "competitive generation price" public policy options that each of these  
23 programs are intended to provide for large commercial and industrial customers on TEP's system.  
24 That is why Noble Solutions decided to become a Signatory to the Settlement.

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1 **Question No. 12- Does that complete your Surrebuttal Testimony?**

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3 Answer No. 12- Yes, it does.

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