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 AZ CORP COMMISSION  
 DOCKET COMMISSIONER

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**DOUG LITTLE  
CHAIRMAN**

**BOB STUMP  
COMMISSIONER**

**BOB BURNS  
COMMISSIONER**

**TOM FORESE  
COMMISSIONER**

**ANDY TOBIN  
COMMISSIONER**

15 **IN THE MATTER OF THE )**  
 16 **APPLICATION OF TRICO )**  
 17 **ELECTRIC COOPERATIVE, INC, )**  
 18 **AN ARIZONA NONPROFIT )**  
 19 **CORPORATION, FOR A )**  
 20 **DETERMINATION OF THE )**  
 21 **CURRENT FAIR VALUE OF ITS )**  
 22 **UTILITY PLANT AND PROPERTY )**  
 23 **AND FOR INCREASES IN ITS )**  
 24 **RATES AND CHARGES FOR )**  
 25 **UTILITY SERVICE AND FOR )**  
 26 **RELATED APPROVALS. )**

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

Arizona Corporation Commission

**DOCKETED**

**NOV 02 2016**

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**ENERGY FREEDOM COALITION OF AMERICA'S  
 POST-HEARING REPLY BRIEF**

November 2, 2016

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1 Energy Freedom Coalition of America (“EFCA”), through its undersigned counsel, hereby  
2 submits its Post-Hearing Reply Brief.

3 **MEMORANDUM OF POINTS AND AUTHORITIES**

4 **I. INTRODUCTION.**

5 Trico Electric Cooperative, Inc. (“Trico” or the “Company”) has not presented the data,  
6 studies, or analyses necessary to support its requested changes to its rate design, the net metering  
7 (“NEM”) export rate, or its customer charges. The Company failed to prove the existence of,  
8 amount, or causation of any under-recovery. On the contrary, the record is clear that the Company  
9 has not experienced any under-recovery and continues to have significant positive margins. In  
10 failing to support its proposals with the requisite data, studies, or analyses, Trico has not satisfied  
11 its burden of proof and the Commission rules require the Commission to reject Trico’s proposals.

12 Trico’s proposals palpably run afoul of Commission policy. They are also dissonant with  
13 the recent Value and Cost of Distributed Generation (the “Value of Solar docket”) Recommended  
14 Opinion and Order (the “Value of Solar ROO”) and the decision in the Sulphur Springs Valley  
15 Electric Cooperative, Inc. (“SSVEC”) rate case by: (1) seeking to avoid full grandfathering of  
16 distributed generation (“DG”) customers under current rates and tariffs through the end of this rate  
17 case; (2) attempting to adopt a three-part rate design without having designed or implemented any  
18 form of an education plan; (3) trying to adopt new NEM tariffs without developing a reasonable  
19 value of solar or adopting a plan to account for the outcome of the pending Value of Solar docket;  
20 and (4) acting in a manner contravening the principles of gradualism in seeking an increase in its  
21 customer charge to \$24.00.

22 Accordingly, as a matter of law, Commission policy, and Trico’s failure to meet its burden  
23 to properly support its proposals, the Commission should reject the proposed changes to Trico’s  
24 rate design and, therefore, reject the terms of the proposed settlement agreement entered into with  
25 the Utilities Division of the Arizona Corporation Commission (“Staff”) (the “Proposed  
26 Settlement”).

1 **II. TRICO HAS FALLEN WELL SHORT OF ITS BURDEN TO DEMONSTRATE A**  
2 **COST SHIFT OR THAT THE COST SHIFT JUSTIFIES THE IMMEDIATE**  
3 **ADOPTION OF THE PROPOSED SETTLEMENT'S NEM TARIFFS.**

4 **A. Trico Failed to Prove that Trico Under-Recovers from DG Customers and**  
5 **Grossly Overstated any Alleged Under-Recovery.**

6 Staff and the Company base their arguments in support of changes to NEM and new rate  
7 designs for DG customers on the allegation that the Company is under-recovering from DG  
8 customers. The recently issued ROO adopted by the Commission in SSVEC's rate case<sup>1</sup> (in an  
9 as-of-yet unnumbered final Decision) is illustrative as the record in that case was similarly devoid  
10 of facts regarding DG customers' alleged under-recovery. As highlighted by Administrative Law  
11 Judge Martin in the recent SSVEC ROO, "we do not believe that the Cooperative [SSVEC] has  
12 demonstrated that the entirety of its under-recovery can be attributed to the adoption of rooftop  
13 solar in its service area."<sup>2</sup> Trico similarly has not demonstrated that its alleged under-recovery is  
14 from DG and in fact, has not demonstrated *any* real under-recovery from DG.

15 When asked to provide all work-papers and documents supporting the alleged under-  
16 recovery and lost fixed costs, Trico failed to present a full analysis or DG cost of service study.<sup>3</sup>  
17 Indeed, Trico has not completed any studies directly related to DG customers' use of the grid.<sup>4</sup>  
18 Trico simply estimated its lost fixed costs by multiplying residential DG installations by Trico's  
19 theoretical average lost fixed costs.<sup>5</sup> Trico has "estimated" every part of its alleged under-  
20 recovery, including the average DG kW usage, monthly kWh production<sup>6</sup> and even the number of  
21 its DG customers. In so doing, Trico's analysis was based only on assumptions of its lost fixed  
22 costs, and did not reflect what *is actually* happening in Trico's service territory. Thus, not only is  
23 the under-recovery amount per DG customer unproven, but as discussed above, the DG customer  
24 counts and alleged under-recovery are grossly inflated as well.

25 Witness after witness testified for Staff and Trico that they do not know even the amount

26 <sup>1</sup> Docket No. E-01575A-15-0312.

27 <sup>2</sup> SSVEC ROO at 16:23-24.

28 <sup>3</sup> Monsen Direct Test., EFCA Ex. EFCA-10 at 32:7-12.

<sup>4</sup> Monsen Direct Test., EFCA Ex. EFCA-10 at WAM-3 (Trico Response to EFCA Data Request 1-35).

<sup>5</sup> Monsen Direct Test., EFCA Ex. EFCA-10 at 32:7-12.

<sup>6</sup> Hedrick Tr., Vol. II at 367:13 – 368:1, 374:9-24; Paladino Tr., Vol. III at 492:22 – 493:3; Van Epps Tr., Vol. III at 542:9-25; Monsen Direct Test., EFCA Ex. EFCA-10 at 32:7-12.

1 the average DG customer pays to Trico in a month. Neither Staff nor Trico could provide *any*  
2 evidence about how many DG customers make monthly payments to Trico in *any* amount  
3 whatsoever. Without any information as to what actual DG usage is and the related payments  
4 made to Trico each month, it is impossible to determine if DG customers are paying the average  
5 residential customer's cost of service. Trico witness Hedrick admitted he was unable to provide  
6 information about how many solar customers made payments at any specific level to Trico on a  
7 monthly basis.<sup>7</sup> Mr. Hedrick admitted during cross examination that he was unaware of how many  
8 customers with DG pay enough to cover their cost of service on a monthly basis:

9  
10 Q. So when I asked you earlier about solar customer bills and if you could tell  
11 me which block they fell in, can you tell me the number of solar customers  
12 that cover their cost of service?

13 A. No.<sup>8</sup>

14 Staff similarly failed to substantiate its claims of DG-caused under recovery with any  
15 substantive evidence. Staff witness Van Epps acknowledged as much, averring that Staff cannot  
16 verify the amount of the under-recovery or cost shift alleged by the Company.<sup>9</sup> Indeed, Staff *did*  
17 *not even try to substantiate* the alleged under recovery asserted by Trico:

18 A. . . . Staff didn't find it necessary to go back and substantiate that number.  
19 We believe that there is a cost shift and the amount of the cost shift, I think,  
20 at this point is irrelevant.

21 Q. Well, would you agree that it would be relevant certainly if the cost shift  
22 were \$1 versus \$1 million. Correct?

23 A. Correct.<sup>10</sup>

24 Despite supporting the notion that an underpayment of revenue was occurring via DG  
25 customers, Staff witness Paladino also admitted that she did not know how many DG customers  
26 paid their cost of service and had actually not seen any information related to how much any DG  
27 customers pay at all.<sup>11</sup>

28 <sup>7</sup> See Hedrick Tr., Vol. II at 367:4-368:1.

<sup>8</sup> *Id.* at 374:4-8.

<sup>9</sup> Van Epps Tr., Vol. III at 558:2 – 559:8.

<sup>10</sup> Van Epps Tr., Vol. III at 559:1-8.

<sup>11</sup> See Paladino Tr., Vol. III at 492:21-493:3.

1 In summary, Trico and Staff have not provided, or do not even possess, data bearing on the  
2 following issues: (1) which energy consumption blocks DG customers either currently fall in or  
3 will fall in upon the adoption of the proposed rates; (2) the average amount that DG customers pay  
4 in their bills; (3) the number of DG customers that currently pay monthly bills sufficient to cover  
5 their cost of service; and (4) the size of the DG systems installed by its customers.<sup>12</sup> Without actual  
6 data, the allegations of under-recovery are merely unproven allegations, and cannot be the basis  
7 for dramatic changes to rate design and NEM.

8 **B. Trico Has Not Demonstrated Any Emergency Requiring Immediate Adoption**  
9 **And Implementation Of Its Proposed Rates Warranting Abandonment Of The**  
10 **Value of Solar Docket Findings.**

11 Trico argues that the proliferation of DG in its territory has gotten so out of hand that the  
12 Company's proposals must be adopted immediately to "stop the bleeding."<sup>13</sup> Despite its claims,  
13 however, the Company failed to provide any credible evidence that its situation is unique or that  
14 its financial livelihood is imperiled. In fact, the Company's testimony told the story of a healthy  
15 utility returning nearly \$7 million in margins and excess revenue to customer credit accounts last  
16 year.<sup>14</sup> The Commission should not rely on the Company's exaggerated claims of financial doom  
17 to foist untested and unprecedented increases to rates and changes to rate designs on its ratepayers.

18 Initially, the Company itself admits that its claims of imminent financial destruction are  
19 tenuous. In its own brief, Trico states that the rate proposals are not being made to "address [a]  
20 revenue deficiency."<sup>15</sup> Additionally, while Trico claims the issues it faces with DG customers are  
21 allegedly more pronounced, the Company admits that "these are not problems unique to Trico."<sup>16</sup>

22 Specifically, Trico claims that its alleged cost shift and the rapid increase in DG throughout  
23 its territory merit Trico's differential treatment. Yet this conclusion is not borne out upon  
24

25  
26 <sup>12</sup> Hedrick Tr., Vol. II at 367:13 – 368:1, 374:9-24; Paladino Tr., Vol. III at 492:22 – 493:3; Van Epps Tr., Vol. III at  
27 542:9-25.

<sup>13</sup> See Trico Post-Hearing Brief at 1:16-21, 6:11 – 10:13, 32:4 – 33:21, 34:19 – 35:2.

<sup>14</sup> Nitido Tr., Vol. I at 140:10-19.

<sup>15</sup> *Id.* at 6:9.

<sup>16</sup> *Id.* at 6:11-13.

1 comparison to the circumstances alleged by the other utilities in this State. Trico has utterly failed  
2 to demonstrate any appreciable difference between its circumstances and those in other rate cases.

3 Trico's claims that immediate action is needed as otherwise the Company may suffer a  
4 flood of DG applications between now and the issuance of a final order are spurious. The  
5 Company itself confirmed that since 2014, the number of DG applications has fallen in its  
6 territory<sup>17</sup> and Trico's reported number of DG installation is inflated.<sup>18</sup> Trico's claims that there  
7 is a pressing need to end cross-subsidies is also suspect. In this very same proceeding, Trico asks  
8 to subsidize customers via a policy of providing free line extensions and adoption of an inclining  
9 block rate. Trico cannot credibly criticize one alleged subsidy as an imminent threat to its profit  
10 margin while simultaneously asking to implement a policy that will create other substantial  
11 subsidies.<sup>19</sup> Indeed, Staff itself: (1) admitted that line extensions and the inclining block rate should  
12 be considered cross-subsidies; (2) was unable to rationalize a policy of opposing DG and  
13 supporting line extensions; and (3) could not articulate a difference between these subsidies.<sup>20</sup>  
14 Further, Trico estimates that the line extension subsidy will cost the Company approximately \$1.5  
15 million per year, which is virtually on par with the cost shift it claims to suffer from DG adoption.<sup>21</sup>

16 Trico has utterly failed to demonstrate that it would be unable to provide service or  
17 otherwise function if subjected to a second phase to account for Value of Solar and/or fully  
18 grandfather all DG customers that submit an interconnection application prior to the issuance of a  
19 final order in this case. To the contrary, even with the "proliferation" of DG within its territory,  
20 Trico has testified that the Company is in good financial health, realizes substantial margins, and  
21 has even had sufficient funds to issue significant capital credits to its members.<sup>22</sup> Being in good  
22

23 <sup>17</sup> Cathers Tr., Vol. IV at 803:13-15; Monsen Tr., Vol. IV at 3-9.

24 <sup>18</sup> Trico appears to be citing interconnection applications as actual DG installations, but applications do not  
25 necessarily transition into DG customers. Trico claims that as of July 2016 there were approximately 1700 DG  
26 members but this figure is not accurate. *See* Trico Opening Br. at 6:19. The 1700 total is overstated by over 200  
27 systems based on 551 systems interconnected at the beginning of 2014 according to Trico's opening brief, and 942  
28 systems subsequently installed between 2014 through mid-2016 according to Ms. Cathers. *See* Trico Opening Br. at  
6:15; Cathers Tr. Vol. IV at 802:21-803:10.

<sup>19</sup> Nitido Tr., Vol. I at 149:5 – 150:13, 152:13-24.

<sup>20</sup> Paladino Tr., Vol. III at 532:13 – 533:15; Ford Tr., Vol. III at 693:15 – 695:18; *see also* Nitido Tr., Vol. I at 170:3-  
8 (admitting that in an inclining block rate, those in the higher tier pay more on a per-unit basis once they hit a higher  
tier than those on the lower tier do for the same energy).

<sup>21</sup> Nitido Tr., Vol. I at 150:17-22.

<sup>22</sup> Nitido Tr., Vol. I at 140:10-19, 141:1-5, 142:20 – 143:7, 148:19-25.

1 financial condition, and having failed to demonstrate that its circumstances warrant treatment  
2 different than that extended to other utilities, Trico should not be exempted from engaging in a  
3 second phase, considering the results in the Value of Solar docket, or fully grandfathering all DG  
4 customers that have submitted an interconnection application prior to the issuance of a final order  
5 in this proceeding.<sup>23</sup>

6 Trico has also not justified preempting the outcome of the Value of Solar docket, where  
7 the Recommended Opinion and Order was recently issued. Adopting the DG Energy Export Tariff  
8 on inaccurate and inflated information and creating rate instability, increased costs, and uncertainty  
9 to DG customers, especially when the Value of Solar docket is almost complete, is discriminatory  
10 to DG customers under A.A.C. R14-2-2305 and must be denied.

11 **C. Trico is Discriminating against DG Customers and Ignoring Customers**  
12 **without DG from which it Under-Recovers.**

13 Trico claims it urgently needs changes to DG rates to stem a burgeoning under-recovery.  
14 Yet, the record tells the story of a very healthy utility that just last year assigned to its members'  
15 accounts roughly \$7 million in capital credits resulting from the utility taking in more revenue than  
16 it needed in 2015.<sup>24</sup>

17 Trico's expert Hedrick's testimony demonstrates that even assuming that the unproven  
18 revenue shortfall exists, it is contradictory to blame DG customers for Trico's alleged under-  
19 recovery.<sup>25</sup> By Hedrick's own calculations, approximately 23,000 residential customers within  
20 Trico's service territory (*approximately 60% of the Company's total ratepayers*) fell below the  
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22 <sup>23</sup> EFCA also notes that were Trico actually suffering conditions in need of immediate redress, it could have sought  
23 interim rates utilizing the emergency ratemaking mechanism sanctioned by our Courts. *See Scates v. Ariz. Corp.*  
24 *Comm'n*, 118 Ariz. 531, 535, 578 P.2d 612, 616 (App. 1978). Quite simply, no emergency exists that would merit  
25 adoption of interim rates or the immediate imposition of the proposed rates and rate design here. Trico also argues  
26 these proposed rates are necessary because it does not have a Lost Fixed Cost Recovery ("LFCR") mechanism through  
27 which it may recover certain lost fixed costs. *See* Trico Post-Hearing Brief at 33:6-7. But nothing prohibits Trico from  
28 requesting and obtaining an LFCR.

<sup>24</sup> Nitido Tr., Vol. I at 140:10-19.

<sup>25</sup> Trico utilizes Hedrick as an expert witness. Hedrick admits that he exclusively works for utilities (and has hundreds  
of utility clients) and can't recall any occasion in which he has been critical of a utility filing. *See*, Hedrick Tr., Vol.  
II at 361:25-362:10, 363:1-3. This in itself demonstrates that Trico's expert witness is biased against utility  
competitors, such as DG installation businesses and customers, and also has great incentive to provide analysis and  
testimony that will serve the interests of Trico while making him an attractive expert to other utilities throughout the  
nation.

1 average energy consumption.<sup>26</sup> Hedrick explained that any customer, not just a DG customer, that  
2 use less than the average energy consumption fails to cover her cost of service.<sup>27</sup> In other words,  
3 there are exponentially more non-DG customers than DG customers that contribute to the alleged  
4 under-recovery and cost shift that Trico complains of here. Yet the Company disingenuously seeks  
5 to blame all of its issues on DG customers alone.<sup>28</sup>

6 Further, even with sixty percent (60%) of Trico's customers apparently failing to pay for  
7 their cost of service, the Company continues to take in revenues well in excess of its costs. Trico's  
8 CEO and General Manager Nitido stated that in 2015, the Company realized a \$6.9 million  
9 distribution margin, which occurs when its revenue exceeds its costs and other expenses.<sup>29</sup> He then  
10 went on to explain that Trico has had a positive distribution margin for at least the last seven years,  
11 if not longer.<sup>30</sup> The Company has, for the last few years, been fiscally healthy enough to retire  
12 capital credits and disburse such credits to their members.<sup>31</sup> As Nitido confirmed, Trico is not  
13 operating at a loss.<sup>32</sup> Having not experienced any loss whatsoever, Trico simply cannot credibly  
14 claim that its DG customers are creating any appreciable under-recovery, let alone threatening the  
15 financial livelihood of the Company.

16 **III. TRICO FAILED TO FURNISH THE REQUISITE NOTICE IN THIS**  
17 **PROCEEDING, THUS DEPRIVING INTERESTED PARTIES OF THEIR DUE**  
18 **PROCESS RIGHT TO AN OPPORTUNITY TO BE HEARD.**

19 As discussed at greater length in EFCA's post-hearing brief, due process requires that  
20 utilities furnish notice sufficient to give interested parties, such as Trico's own member-customers,  
21 an opportunity to be heard.<sup>33</sup> "[T]he content of the notice must be sufficient to apprise interested  
22 parties of the pendency of the action and to make them aware of the opportunity to present their  
23

24 <sup>26</sup> Hedrick Tr., Vol. II at 373:7-23.

<sup>27</sup> *Id.* at 371:22 – 372:11, 373:7-23.

<sup>28</sup> It should also be noted, Trico has no problem spending \$1.5 million on its line extension subsidies a year. *See*  
Nitido Tr., Vol. I at 150.

<sup>29</sup> Nitido Tr., Vol. I at 140:10-19.

<sup>30</sup> *Id.* at 141:1-5.

<sup>31</sup> *Id.* at 142:20 – 143:7.

<sup>32</sup> *Id.* at 148:19-25.

<sup>33</sup> *See* EFCA Post-Hearing Brief at 5:5 – 15:24; *see also Iphaar v. Indus. Comm'n of Ariz.*, 171 Ariz. 423, 426, 831  
P.2d 422, 425 (App. 1992) (Internal quotations omitted); A.A.C. §§ R14-3-103, -105, and -109; *see also* A.R.S. §§ 41-  
1021, -1022, and -1023 (setting forth specific notice and public participation requirements to engage in rule making).

1 objections.”<sup>34</sup> A failure to sufficiently apprise interested parties in a manner sufficient to give them  
2 an opportunity to participate violates those persons’ Due Process rights.

3 Staff seeks to minimize the importance of the required notice, essentially arguing that: (1)  
4 the Company cured any defective notice by sending a bill insert; and (2) that the “catchall”  
5 language providing that the Commission may increase or decrease the proposed rates provided  
6 adequate notice of the proposals that were ultimately adopted in the settlement.<sup>35</sup>

7 Such arguments demonstrate a cavalier attitude towards the importance of the notice  
8 requirements. Staff ignores the fact that the bill inserts are not legal notices and were sent out *only*  
9 *after* the time had passed for any interested party to intervene in this proceeding.<sup>36</sup> Indeed, at the  
10 time the hearing occurred, Trico estimated that *only approximately half* of its customers even had  
11 received the bill insert including information on the new proposals contained in the Proposed  
12 Settlement.<sup>37</sup> These bill inserts, most of which were not even received, obviously did not give  
13 notice sufficient to provide an opportunity to participate.

14 As for the “catchall” language, it neither contemplates that the Commission would adopt  
15 wholly new rate design (the Company initially applied for continued use of its two-part rate design,  
16 and now seeks to impose a three-part rate design with demand charges), nor does it provide for the  
17 Company to raise its rates (as Trico now seeks to do in requesting a \$24.00 customer charge after  
18 initially proposing an increase to a \$20.00 customer charge).<sup>38</sup> But more important is the fact that  
19 when inquiries were made by interested parties concerning this application, Trico *expressly*  
20 *represented that it was not seeking to implement three-part rates with demand charges.*<sup>39</sup>

21 Trico specifically stated that “Trico has received questions from Members regarding  
22 mandatory demand rates, which we believe comes from publicity related to other utilities in the  
23 State or misinformation being provided to Trico’s members from third parties. Trico has responded  
24 that *we have not proposed demand rates* in our rate case for residential customers, but that other

25  
26 <sup>34</sup> *Matter of Rights to Use of Gila River*, 171 Ariz. 230, 237-38, 830 P.2d 442, 449-50 (1992) (quoting  
*Mullane V. Central Hanover Tr. Co.*, 339 U.S. 306, 314, 70 S. Ct. 652, 657 (1950)).

27 <sup>35</sup> Staff Post-Hearing Brief at 5:2-24.

28 <sup>36</sup> Nitido Tr., Vol. I at 114:14 – 115:14.

<sup>37</sup> See Cathers Tr., Vol. IV at 765:16 – 767:1.

<sup>38</sup> See Rate Case Procedural Order at p. 4 (Dec. 3, 2015); Amendment to Application (May 4, 2016).

<sup>39</sup> See EFCA Exhibit 2 at (d).

1 utilities have proposed demand rates and that the Commission is considering rate alternatives.”<sup>40</sup>  
2 In other words, Trico actually received inquiries concerning demand charges and responded that  
3 it was not proposing demand rates and that any suggestion to the contrary constituted  
4 misinformation or confusion stemming from proposals made by other utilities. Thus, the catchall  
5 language cannot cure the defective notice as even after such language was included in its notice,  
6 Trico expressly represented to interested parties that demand charges would not be at issue in this  
7 proceeding and did not change its message until just weeks before the hearing and after the period  
8 for intervention had passed.

9 In sum, “the significant changes were not identified in Trico’s notice provided to customers  
10 until after testimony was due regarding the proposed settlement. So essentially Trico’s customers  
11 had little or no chance to comment on the proposed settlement.”<sup>41</sup> Because Trico failed to proffer  
12 notice sufficient to give interested parties an opportunity to voice their objections, it violated such  
13 parties’ Due Process rights. Further, because these changes occurred subsequent to the deadline  
14 for intervention, parties that likely would have intervened had they known mandatory demand  
15 charges were possible were denied that opportunity. Neither Staff nor Trico presented any  
16 argument sufficient to excuse the Company’s failure to comply with these notice requirements.  
17 Accordingly, any proposal not properly noticed—specifically the request for adoption of a three-  
18 part rate with demand charges and an increase in the customer charge to \$24.00—must be denied.

19 **IV. THE PROPOSED MANDATORY DEMAND CHARGES MUST BE REJECTED.**

20 As demonstrated in EFCA’s briefs, the Company has fallen far short of demonstrating that  
21 its proposed demand charges are just and reasonable. The sole justification presented for adoption  
22 of demand charges is that such charges are going to be used to educate its customers in preparation  
23 for an eventual increase of the demand charge above \$0.00. Yet Trico failed to demonstrate that  
24 the \$0.00 demand charge (or any demand charge) is necessary to educate customers or that its  
25 proposal will be a successful component in a customer education plan (which has not yet even  
26 been developed). Accordingly, the proposal must be rejected by the Commission.

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<sup>40</sup> *Id.*

<sup>41</sup> Mosen Tr., Vol IV at 822:25 – 823:4.

1           **A.     Response to Chairman Little’s Letter**

2           On October 21, 2016, Chairman Little wrote a letter to the docket that addressed, in part,  
3 the \$0 demand charge proposal being made in this case. EFCA wishes to respond to Chairman  
4 Little’s statement that, “I do not believe that a zero demand charge is a “back door” to positive  
5 demand charges as a rate design option in the Trico rate case.” As it did in its initial brief, EFCA  
6 wishes to point the Commission to Ms. Cather’s own live testimony on this topic where she  
7 indicated that the Trico Board would not “approve the cost and effort” of moving toward a \$0  
8 demand charge unless it believed it would be implementing a full demand charge in the future.<sup>42</sup>  
9 The Commission can be sure that if it approves this \$0 configuration today, in the next rate case  
10 Trico will be arguing that it spent money and exerted effort implementing the \$0 demand rate and  
11 that this fact alone means the Commission must permit it to take the next step of actually raising  
12 the demand charge. In fact, by setting limits on the future demand rate, Trico has made it clear in  
13 the Proposed Settlement that it already intends to seek to raise the demand charge in the next rate  
14 case.

15           **B.     Trico has no Plan for Education of its Ratepayers Regarding the Proposed**  
16                   **Demand Rate. Rather, it seeks to cement a placeholder for demand charges**  
17                   **into its rates.**

18           There is currently no education plan in existence and no education has commenced  
19 regarding demand charges in Trico’s service territory. Instead of formulating an education plan  
20 before seeking the adoption of demand charges, Staff and Trico have characterized what amounts  
21 only to a plan to later create a plan set forth in the Proposed Settlement<sup>43</sup> as the education “plan”  
22 itself. Puzzlingly, both Trico and Staff have even gone as far as describing this imaginary plan as  
23 “extensive.”<sup>44</sup> It is telling that Trico does not explain how extensive the plan is, because to date,  
24 Trico has no plan to explain. Trico’s “extensive” proposed education plan is briefly outlined in the  
25 Proposed Settlement that includes only the following limited details:<sup>45</sup>  
26  
27

28 <sup>42</sup> Cathers Tr., Vol. IV at 761:7-13.

<sup>43</sup> Proposed Settlement at Recital 10.1-10.4.

<sup>44</sup> Trico Initial Post-Hearing Br. at 2:23; Staff Initial Post-Hearing Brief at 12:4-5

<sup>45</sup> Proposed Settlement at Recital 10.1-10.4.

- 1 1. Trico will conduct member outreach and education regarding demand rates  
2 following the effective date of the Commission decision approving the settlement  
3 agreement.
- 4 2. Education content will include: (a) discussion of the nature and operation of  
5 demand rates; (b) how members can manage demand rates to reduce their utility  
6 bill; and (c) information on tools to aid in demand management such as the Smart  
7 Hub application.
- 8 3. The date and time of peak demand for the billing period one will be added to each  
9 member's bill.
- 10 4. Trico will highlight technological solutions that can be used to minimize demand  
11 charges, including programmable thermostats and load controllers.

12 That is the extent of the "extensive" requirements set forth in the Proposed Settlement.  
13 Trico does not provide *any* additional details on how it intends to fulfill its education plan  
14 objectives, and has clearly not evaluated whether facets of its plan are even appropriate for its  
15 service territory. For example, as Staff has noted in its Initial Post-Hearing Brief, there has been a  
16 lot of concern expressed in this docket about the impact of demand rates on Trico's low income  
17 members. In fact, during public comment, Senator Dalessandro of Legislative District 2 indicated  
18 that 33 percent of the children live in poverty.<sup>46</sup> Despite this fact, Trico still finds it appropriate to  
19 consider costly technological solutions and internet-based programs as a major component of its  
20 education plan. Any reasonable and "extensive" plan would provide clear guidance on how the  
21 cooperative plans to target its most vulnerable low-income members.

22 Instead of educating customers before the utility proposes to apply the tariff to its  
23 customers, Trico seeks assurance that it will get a demand rate tariff in place before explaining to  
24 members what those rates are and how they will function.<sup>47</sup> From Trico's perspective, member  
25 acceptance of demand rates is a self-fulfilling prophecy. Trico has not taken even the most  
26 preliminary steps to create an education program, and Mr. Nitido admitted Trico does not even  
27 have an *estimate* of how much it will cost to develop and implement such a plan, much less have  
28 an approved budget in place to pay for one.<sup>48</sup> Despite acknowledging the need for a consultant or  
29 vendor to develop and implement any educational plan, Trico has not yet identified any such  
30 vendors, let alone bid on the services of one.<sup>49</sup> Despite these failures, Trico insists that the

<sup>46</sup> Staff Initial Post-Hearing Brief at 18:2-5.

<sup>47</sup> *Cathers Tr.*, Vol. IV at 761:7-13.

<sup>48</sup> *Nitido Tr.*, Vol. I at 191:13-193:6.

<sup>49</sup> *Nitido Tr.*, Vol. I at 191:16-192:12.

1 Commission take the Company's backward approach of adopting the demand charge first now,  
2 while admitting no education plan has been formulated<sup>50</sup> and that no clear reason for implementing  
3 a new rate element for educational purposes has been established.<sup>51</sup>

4 **C. The \$0 Tariff Serves no Legitimate Purpose.**

5 While Trico may have repeatedly insisted that the \$0/kW demand rate is necessary to  
6 include on the tariff in order for the utility to collect demand data in its billing system,<sup>52</sup> the actual  
7 legally binding tariff itself is totally unnecessary for consumer education, and in practice would  
8 likely do more to hinder educational efforts than advance them.<sup>53</sup> Beyond the confusion created  
9 by the \$0 figure itself, however, is the fact that Trico has offered no compelling reason for putting  
10 the \$0 figure in the Cooperative's tariffs. In its Post-Hearing Brief, Trico offers the following  
11 rationales for implementing the \$0 demand charge. Trico asserts that this demand rate component  
12 will allow it to:

13 1) "Accurately collect data through its billing database."<sup>54</sup>

14 Neither Staff nor Trico could explain why the tariff itself was necessary to accomplish this  
15 objective.<sup>55</sup> When asked specifically if the tariff was needed to collect data, Mr. Nitido did not  
16 indicate that it was necessary, but rather that Trico believes it is the "optimal way to do it."<sup>56</sup>

17 2) "Evaluate customer usage and demand profile."<sup>57</sup>

18 Trico does not need a tariff to evaluate customer usage or demand. Ms. Cathers was asked  
19 if Trico believes it is required to have the tariff to collect information and input that information  
20 into its billing system, and she was unable to identify such a requirement.<sup>58</sup> Commission Staff was  
21 also unable to identify such a requirement.<sup>59</sup>

24 <sup>50</sup> Nitido Tr., Vol. I at 191:13-192:17.

25 <sup>51</sup> Nitido Tr., Vol. I at 200:10-15, 204:23-205:2.

26 <sup>52</sup> Nitido Tr., Vol I at 196:9-16.

27 <sup>53</sup> Cathers Tr., Vol. IV at 759:13-21.

28 <sup>54</sup> Trico Post-Hearing Br., 21:21-22.

<sup>55</sup> Ford Tr., Vol III at 687:20-23; Cathers Tr., Vol IV at 759:22 - 760:13.

<sup>56</sup> Nitido Tr., Vol I at 196:11-197:1.

<sup>57</sup> Trico Post-Hearing Br., 21:22.

<sup>58</sup> Cathers Tr., Vol IV at 760:20-761:16.

<sup>59</sup> Ford Tr., Vol III at 685:16-24.

1           3) “Evaluate potential demand rate impacts; including studying the impact of billing  
2           demand on 15-minute interval versus a 60-minute interval”<sup>60</sup>

3           Again, as described above, neither Trico nor Commission Staff was able to identify any  
4           limitation on collecting data or studying customer usage that would be remedied by the  
5           implementation of a demand tariff.

6           **D.     A \$0 Tarrif Does Not Educate Customers.**

7           The \$0 figure itself does not educate customers, and Ms. Cathers acknowledged that such  
8           a charge in fact, would likely cause confusion.<sup>61</sup> In theory, the \$0-line item might help to educate  
9           if a customer could multiply that figure by his or her monthly demand and see both the  
10          corresponding demand charge and ultimate bill impact. That is not how demand charges work.  
11          The \$0 “placeholder,”<sup>62</sup> as Mr. Nitido described it, will not permit that kind of calculation. This is  
12          because in a subsequent rate case Trico’s energy charge would change upon the introduction of a  
13          demand charge, and the customer charge could change as well.

14          Further, although the Proposed Settlement *caps* the demand charge at \$2.00,<sup>63</sup> Trico has  
15          previously proposed a \$2.00 per kW demand charge<sup>64</sup> structured such that it was essentially fixed,  
16          so if a similar charge were to be adopted, the corresponding bill impact would be equivalent to an  
17          increase in the customer charge – here again, the \$0 rate would not help a customer anticipate that  
18          outcome. In essence, *every* part of the bill can, and likely will, change as part of Trico’s next rate  
19          case, so customers simply cannot use the \$0 figure to make an accurate calculation of how a  
20          demand charge would affect their bills. As Mr. Monsen described, “you can’t just multiply the  
21          number, the demand number on your bill by whatever you might think the demand rate might  
22          be in the future. Because if you do that, you are going to overestimate what your bill is going  
23          to be.”<sup>65</sup>

24  
25  
26          <sup>60</sup> Trico Post-Hearing Br., 21:22-24.

27          <sup>61</sup> Cathers Tr., Vol IV at 759:13-21.

28          <sup>62</sup> Nitido Tr., Vol I at 201:6-7.

<sup>63</sup> Proposed Settlement at § 12.2.

<sup>64</sup> Amendment to Application, 1:20-21.

<sup>65</sup> Monsen Tr., Vol IV at 824:21-825:3.

1 Trico claims that the demand rate component will “provide Members with monthly  
2 demand data, including maximum demand reading for the month and the date and time it  
3 occurred.”<sup>66</sup> As EFCA pointed out in its opening brief, Trico will provide this limited data  
4 because it is the only data Trico is capable of providing,<sup>67</sup> instead of the complete interval data  
5 that consumers truly need to respond to demand charges. One 15-minute data point within an  
6 entire billing period of approximately 2,880 data points<sup>68</sup> does nothing to educate a customer  
7 on the circumstances that triggered their peak demand or how to shift their peak demand to  
8 avoid a surge in the future. Despite Trico’s arguments that interval data is not necessary, the  
9 record clearly demonstrates the importance of this information. The customer needs to know  
10 how his or her demand is changing throughout these intervals in order to know how to change  
11 behavior.<sup>69</sup>

12 The behavioral response to a demand rate is not as simple as not turning on certain  
13 appliances simultaneously, because many major appliances cycle on and off throughout the day,  
14 so a customer needs to know how and when that occurs in conjunction with the use of manually  
15 operated appliances in order to attempt to shift their usage.<sup>70</sup> The bill described by Trico would  
16 indicate only the peak demand, and does not tell the customer anything about the relevant usage  
17 before and after the peak occurrence, so customers have no way of knowing whether shifting some  
18 usage to a different time would have “shaved” the peak or caused the same or even a higher peak  
19 at a different time.

20 **E. The Educational Plan Requirements Are Ambiguous and Lenient.**

21 Despite Trico’s idealistic characterization<sup>71</sup> of the hypothetical educational plan it suggests  
22 would occur under the Proposed Settlement, the reality is that the consumer education provisions  
23 contained in the Proposed Settlement are extremely limited. As discussed above, the Member  
24 Education portion of the Proposed Settlement includes just four requirements,<sup>72</sup> none of which

25  
26 <sup>66</sup> Trico Post Hearing Br. at 24:16-18.

27 <sup>67</sup> See *Cathers Tr.*, Vol. IV at 758:11-25.

28 <sup>68</sup> 4 15-minute intervals/hour\*24 hours/day\*30 days/month = 2,880 15-minute intervals/month.

<sup>69</sup> *Quinn Tr.*, Vol. IV at 943:13-18.

<sup>70</sup> *Monsen Tr.*, Vol IV at 826:19 – 828:4.

<sup>71</sup> Trico Post-Hearing Br. at 2:23.

<sup>72</sup> Proposed Settlement at § 10.1-10.4.

1 include any substantive detail. One provision simply states that “Trico will conduct member  
2 outreach and education regarding demand rates,”<sup>73</sup> and another requires that Trico indicate the date  
3 and time of the member’s peak demand for billing period on the member’s bill,<sup>74</sup> which is simply  
4 a requirement that Trico provide the same insufficient demand information described above due  
5 to the absence of critical interval data.

6 The provisions that do include slightly more detail require that the education efforts merely  
7 include “(a) the nature and operation of demand rates, (b) how members can utilize demand rates  
8 to reduce monthly bills, and (c) information on tools available from Trico and third parties to help  
9 members to manage demand”<sup>75</sup> and specify that Trico “highlight technology solutions including  
10 programmable thermostats and load controllers as means that could be used to minimize demand  
11 charges and monthly bills.”<sup>76</sup>

12 The preceding two paragraphs summarize Trico’s “extensive”<sup>77</sup> member education  
13 program requirements in their *entirety*. The four requirements listed in the Proposed Settlement  
14 could be easily and completely legally fulfilled *in a single letter* to Trico members mailed at  
15 Trico’s convenience any time after the effective date of a Commission decision in this case. There  
16 is no requirement that Trico gauge its membership’s understanding of demand rates to determine  
17 the effectiveness of its education program, and in fact, the outreach program includes no mention  
18 of customer feedback whatsoever. There is also no requirement that Trico take extra care to reach  
19 out to its vulnerable low-income customers. This lack of detail, coupled with the simultaneous  
20 implementation of the rate itself, highlights the backward and unfair approach outlined in the  
21 Proposed Settlement. Education must come first, as Commission Tobin described, “[w]e basically  
22 put a stake on the heart of demand charges *until our utilities adequately and properly are able to*  
23 *educate our consumers as to how to utilize them*”<sup>78</sup> (Emphasis added).

24  
25  
26 <sup>73</sup> Proposed Settlement at § 10.1.

27 <sup>74</sup> Proposed Settlement at § 10.3.

28 <sup>75</sup> Proposed Settlement at § 10.2.

<sup>76</sup> Proposed Settlement at § 10.4.

<sup>77</sup> Trico Post-Hearing Br. at 2:23.

<sup>78</sup> Tobin Tr. Vol. I at 7:25-8:6.

1           **F.     A 15-Minute Demand Charge is Highly Punitive.**

2           Trico's demand charge proposal is especially punitive because customers must manage  
3 demand in 15-minute intervals—resulting in approximately 3,000 individual periods of time in a  
4 given month that a customer will be required to evaluate their energy usage.<sup>79</sup> The customer must  
5 be diligent for every 15-minute period over the course of an entire month.<sup>80</sup> Any deviation for any  
6 single period could lead to a locked in higher bill rendering all other actions taken to reduce  
7 demand meaningless.

8           Commercial and industrial customers can manage demand across these numerous intervals  
9 because they frequently have employees whose *sole function* is evaluating energy usage,<sup>81</sup> and  
10 because businesses often close on weekends or after 5 pm, so usage is consistent after hours.  
11 Residential customers do not have either luxury. They are composed of differing households and  
12 families that prepare meals, use water, and utilize appliances at irregular times and for irregular  
13 intervals. The 15-minute demand charges are simply inappropriate for residential customers.

14           **V.     NET METERING MUST REMAIN AT THE RETAIL RATE.**

15           **A.     There Is No Evidentiary Basis to Support the Proposed Arbitrary 7.7**  
16                   **Cent/Kwh Export Rate and it is Not Derived from Any Scientific**  
17                   **Methodology as Contemplated in the Value of Solar Docket.**

18           Both Staff and Trico readily admit that there was no report, analysis, or study that  
19 concluded that \$0.077/kWh is the appropriate value for the energy exported to the grid from DG  
20 systems. Staff witness Van Epps succinctly summarized the lack of evidentiary support for the  
21 \$0.077 export by testifying that the rate was just derived from a settled position between Staff and  
22 the Company.<sup>82</sup> The rate was not derived at by looking at the public interest or ensuring consistent  
23 application of the results from the Value of Solar Docket. Van Epps also testified that there is no  
24 connection between the Company's alleged under-recovery and the 7.7 cent rate and that there is  
25 no study that supports the 7.7 cent proposed NEM rate.<sup>83</sup>

26           Similar to Trico, SSVEC had also not conducted proper analyses to support its proposed

27 <sup>79</sup> See Quinn Direct Test., EFCA Ex. 14 at 55:14-20.

28 <sup>80</sup> *Id.*

<sup>81</sup> See Quinn Tr., Vol. IV at 924:21-25.

<sup>82</sup> Van Epps Tr., Vol. III at 561:15-23.

<sup>83</sup> Van Epps Tr., Vol. III at 561:4-562:16.

1 revisions to the DG compensation rate. In the SSVEC ROO, the Administrative Law Judge  
2 highlighted:

3 SSVEC believed it had presented sufficient evidence to support its proposed revisions and  
4 additions to NM tariffs. . . . We disagree. SSVEC is ignoring that there will soon be a  
5 decision issued in the VOS docket, to which it is a party, that will provide direction on the  
6 issues raised by the Cooperative's net metering proposals. Depending on the outcome, it  
7 is possible that SSVEC's NM proposals could be in contravention of the policy. As such,  
8 it is not reasonable to adopt SSVEC's proposed net metering tariffs at this time.<sup>84</sup>

9 Indeed, Trico has also not justified preempting the outcome of the Value of Solar docket  
10 and creating rate instability, costs, and uncertainty when a Commission decision in that docket will  
11 be final in such a short time frame. While the Proposed Settlement includes a clause that would  
12 hold open the agreement to allow for possible modifications established in the Value of Solar  
13 Docket at the discretion of Trico or Staff,<sup>85</sup> concluding the hearing and simply keeping the docket  
14 open is not equivalent to actually being informed by Decision in the Value of Solar docket in a  
15 separate phase of this proceeding. This procedure was recently adopted in the UNSE (where the  
16 company also tried to keep the docket open for 18 months), Tucson Electric Power, and SSVEC  
17 rate cases.

18 **B. Trico's Analysis of DG is Arbitrary, Flawed, Misleading and does not Include**  
19 **all Benefits of Solar in Violation of the Value of Solar Recommended Order**  
20 **and Opinion.**

21 Trico admits it did not conduct any specific DG COSS or any benefit-cost analysis  
22 crediting DG for all the avoided costs and benefits it provides.<sup>86</sup> Trico's "evaluation" of DG is  
23 completely based on its general Cost of Service Study ("COSS").<sup>87</sup> Trico argues that a single year  
24 COSS can accurately reflect the value of DG. This red herring argument is spurious on its face.  
25 COSSs are based on a single test-year snapshot of *historical* costs and cannot, by their design,  
26 capture the long-term costs and benefits of DG.<sup>88</sup> Valuation of the costs and benefits of DG based  
27 only on the short-term would ignore many significant benefits associated with DG that accrue over

28 <sup>84</sup> SSVEC ROO at 33:24-34:8

<sup>85</sup> Proposed Settlement at § 8.6.

<sup>86</sup> Hedrick Tr., Vol. II at 377:4-20; Cathers Tr., Vol. IV at 793:14-16.

<sup>87</sup> Cathers Tr., Vol. IV at 792:10-18.

<sup>88</sup> Monsen Direct Test., EFCA Ex. 10 at Ex. WAM-11, 22-23, thereto.

1 the longer term, such as avoided generation capacity, avoided transmission costs, avoided  
2 distribution costs, and avoided greenhouse gas emissions.<sup>89</sup> Indeed, using the COSS methodology  
3 to value DG exports was specifically recommended for rejection in the Value and Cost of DG  
4 ROO.<sup>90</sup> Accordingly, it should be rejected here as well.

5 Trico entirely fails to credit DG with any benefits under a Value of Solar methodology for:  
6 (1) avoided energy costs (other than the 2015 test year fuel and energy component of wholesale  
7 power under its Cost of Service Study rather than current rates); (2) avoided generation capacity  
8 costs; (3) avoided transmission costs; (4) avoided distribution costs; and (5) environmental benefits  
9 including greenhouse reductions and decreased water demands.<sup>91</sup> Even Trico witness Hedrick  
10 admits DG could “potentially” benefit Trico’s distribution system.<sup>92</sup> Yet, Hedrick assigns a zero  
11 figure for the value of these DG benefit categories without: (1) a DG-specific cost of service study;  
12 (2) actual usage data from DG customers (3) accounting for future avoided energy and fuel costs;  
13 or (4) review of Trico’s latest IRP.<sup>93</sup> Trico simply refused to account for the benefits of solar,  
14 instead predicating its proposed NEM rate solely on an arbitrarily chosen rate. Accordingly,  
15 Trico’s DG “valuation” should be summarily rejected.

16 **C. Staff’s Estimate of the Impacts of the Proposed Settlement Tariff is**  
17 **misleading, Clearly Self-Serving, and cannot be interpreted as Supportive of**  
18 **the Proposed Settlement.**

19 Staff witness Liu analyzed the payback period for the rate designs under the exiting RS1  
20 Tariff and the Proposed Settlement tariffs.<sup>94</sup> His analysis revealed that payback period for DG  
21 customers would increase 37.5 percent or from 8.4 years to 11.4 years.<sup>95</sup> Notwithstanding, as  
22 discussed in greater detail below, Liu’s analysis is deeply flawed and appears to be influenced by  
23 Staff’s desire to support the Proposed Settlement.<sup>96</sup> Specifically, he used unrealistic assumptions

24  
25 <sup>89</sup> *Id.*

<sup>90</sup> Docket No. E-00000J-14-0023, Value and Cost of DG ROO at 166-168.

<sup>91</sup> Hedrick Tr., Vol. II at 375:8-377-20; 387:11-17; 388:21-389:7; 390:13-22.

<sup>92</sup> *Id.* at 384:12-16.

<sup>93</sup> Hedrick Direct Test., Trico Ex. 1 at 14:15-19; Hedrick Tr., Vol. II at 377:4-20; 379:13-15; 387:11-17; 388:21 – 393:12.

<sup>94</sup> Liu Settlement Direct Test., Ex. S-13.

<sup>95</sup> Liu Settlement Direct Test., Ex. S-13 at 6.

<sup>96</sup> Monsen Settlement Rebuttal Test., Ex. EFCA 11 at 30-35.

1 to support his findings that the Proposed Settlement rate would still make DG an economically  
2 viable investment.<sup>97</sup> For example:

- 3 • Liu's analysis relies on the system installed cost of \$2,750/kW-DC that he used in  
4 the UNSE rate case.<sup>98</sup> Trico, however, revealed through discovery that the *actual*  
5 average system cost was \$3,690/kW-DC in its service territory, which makes the  
6 economics of DG *more* expensive and the payoff significantly longer.<sup>99</sup>
- 7 • Liu also elected to use a 33-year internal rate of return ("IRR") instead of a 20-year  
8 IRR in his modeling.<sup>100</sup> Staff used the 20-year IRR in the UNSE rate case, but  
9 decided to use 33 years in this case without any justification.<sup>101</sup> Liu even admitted  
10 in his UNSE testimony that 20 years was equivalent to the lifespan of a DG system,  
11 but decided to add 13 years to his IRR analysis without any explanation.<sup>102</sup> Of  
12 course, using a longer 33-year IRR makes the resulting return larger because there  
13 is additional time to earn money on the DG investment.
- 14 • Liu also admittedly uses the wrong degradation factor for PV output. DG degrades  
15 over time and the standard is 0.5% vs 0.25% used by Liu.<sup>103</sup>
- 16 • Liu's use of IRR benchmarks are unrealistic because they do not take into account  
17 the current regulatory and market risk of leasing or purchasing a DG system. In  
18 contrast, T-bills and bonds have little risk associated with them.<sup>104</sup>
- 19 • The "U.S. Homeowners on Clean Energy: a Natural Survey"<sup>105</sup> submitted by Staff,  
20 which is complete hearsay, nonetheless confirms that "saving money" tops the list  
21 as the primary motivator influencing homeowners' decisions to purchase clean-  
22

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23  
24 <sup>97</sup> *Id.*

25 <sup>98</sup> Liu Settlement Direct Test., Staff Ex. S-13 at 4:16-18.

26 <sup>99</sup> See EFCA Ex. 8 (Trico DR 7.21 response).

27 <sup>100</sup> Liu Settlement Direct Test., Staff Ex. S-13 at 6-7.

28 <sup>101</sup> See Monsen Direct Test., EFCA Ex. 10 at Ex. WAM-5, 9-10 thereto (Surrebuttal Testimony of Yue Liu, Docket No. E-04204A-15-0142, February 19, 2016).

<sup>102</sup> *Id.*

<sup>103</sup> Liu Tr., Vol. IV at 654:15-20.

<sup>104</sup> Monsen Rebuttal Test., EFCA Ex13 at 33:4 – 34:30.

<sup>105</sup> See Staff Ex. S-14 at 5-6.

1 energy products and services and fully supports EFCA witness Monsen's  
2 conclusions that the new proposed rate will curtail DG adoption.

3 Monsen analyzed the proposed RS1 and NM tariffs, using Staff's own model while  
4 correcting only for Staff's flaws identified above, and derived that accurate payback period was  
5 actually 18.1 years.<sup>106</sup> *An increase over 50 percent from Staff's 11.4 year payback period.*<sup>107</sup>  
6 Further, under a 20-year IRR analysis looking at the accurate investment return time frame of a  
7 DG system, Monsen found that the IRR was decreased *by approximately 60 percent*, from 8.2  
8 percent to just 3 percent.<sup>108</sup>

9 When changes similar to those proposed in Trico's application were adopted in SRP's  
10 territory and in Nevada, the rooftop solar industry ground to a halt. The proposed tariffs would  
11 have the same effect and drastically reduce the implementation of DG solar in Trico's service  
12 territory.

13 **VI. THE COMMISSION MUST FULLY GRANDFATHER DG CUSTOMERS THAT**  
14 **SUBMITTED AN INTERCONNECTION APPLICATION PRIOR TO THE DATE**  
15 **OF THE FINAL ORDER ISSUED IN THIS DOCKET.**

16 **A. Commission Policy Requires that Full Grandfathering be Effectuated in this**  
17 **Case.**

18 Trico accuses EFCA of seeking preferential treatment or establishing a new rate for DG  
19 customers in its advocacy for full grandfathering.<sup>109</sup> This is simply not the case. EFCA is  
20 advocating for the application of Commission policy that has been held time and time again to  
21 constitute fair treatment of DG customers when implementing new rates and rate designs.

22 It was already established in the UNSE docket that the Commission's "default policy" is  
23 to fully grandfather all DG customers that submit an interconnection application prior to the  
24 issuance of a final decision in a rate case.<sup>110</sup> Indeed, at the outset of this Proceeding, Commissioner  
25 Tobin reiterated that rates should apply prospectively and that the Commission should not be

26  
27 <sup>106</sup> Monsen Tr., Vol. IV at 835:2-9.

<sup>107</sup> *Id.*

<sup>108</sup> *Id.*

<sup>109</sup> See Trico Post Hearing Br. at 36:7-11.

<sup>110</sup> Commission Decision No. 75697 at 119:13-17.

1 “backdating” proposed rates.<sup>111</sup> Since the post-hearing briefs were submitted in this case, the  
2 Commission’s policy favoring full grandfathering of all DG customers has become even clearer.

3 The ROO in the pending SSVEC rate case was unanimously adopted dealing with a  
4 situation where, like this proceeding, an electric cooperative sought to establish a cut-off date prior  
5 to the issuance of the final order.<sup>112</sup> In that proceeding, the ROO specifically acknowledged that  
6 grandfathering is an issue arising in virtually every rate case and further, that the order is meant to  
7 “provide specific guidance in an effort to be helpful as we move forward through these issues.”<sup>113</sup>  
8 The adopted ROO then specifically rejected SSVEC’s attempts to establish a grandfathering cut-  
9 off date prior to the issuance of the final order, stating that “[w]e emphasize that this result should  
10 be regarded as our default policy” and “that the applicable grandfathering date should not generally  
11 precede the date of the relevant Commission Decision.”<sup>114</sup>

12 Additionally, in Commissioner Tobin’s recent letter filed in this docket, he unequivocally  
13 reiterated that, by unanimous decision, grandfathering is the default policy of the Commission and  
14 that “[n]o legal enlightenment is needed to understand the obvious nexus between the repudiation  
15 of retroactive grandfathering dates for rooftop solar customers and ‘default policy.’”<sup>115</sup> Also telling  
16 is the fact that no decision ever conceived of an exception to grandfathering only because the entity  
17 seeking new rates is an electric cooperative. Further, EFCA is unaware of any grandfathering  
18 policy that does not encompass both NEM and rate design and the ROO as amended in the SSVEC  
19 case clearly protected DG customers from changes in rate design as well as NEM. Even according  
20 to Trico’s own initial filing in this case, grandfathering of DG rate design is consistent with the  
21 Board’s objectives.<sup>116</sup> Thus, DG customers should be granted full grandfathering (of both NEM  
22 and rate design) in this rate case.

23 //

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27 <sup>111</sup> Tobin Tr., Vol. I at 8:9-16.

<sup>112</sup> SSVEC ROO at 32:12-20.

28 <sup>113</sup> *Id.* at 34:24-26, 36:9-11.

<sup>114</sup> *Id.* at 35:1-5.

<sup>115</sup> Comm’r Tobin Letter dated October 12, 2016 at 1.

<sup>116</sup> Nitido Direct Test., Trico Ex. 1 at 16:8-16.

1           **B. The Company Provided No Credible Basis for a Departure from the**  
2           **Commission’s Policy of Full Grandfathering.**

3           Trico and Staff attempt to rely on the Commission’s acknowledgement that each rate case  
4 is unique to justify their attempt to engage in retroactive ratemaking by imposing a new rate as of  
5 May 31, 2016. As Commissioner Tobin adroitly stated, however, in attempting to rely on the  
6 Commission’s acknowledgement as justification for the Company’s grandfathering proposal, Staff  
7 and Trico “decided to drive a semi-truck through a perfunctory phrase that can be found in any  
8 garden variety Commission policy statement.”<sup>117</sup> He then criticized Trico for failing to present  
9 “substantial evidence” to support its grandfathering proposal, before confirming that the default  
10 rule in favor of full grandfathering places the burden on the “party [seeking] a different outcome  
11 on grandfathering or other issues, [ ] they must provide sufficient evidence to warrant such a  
12 departure. *That did not happen in the Trico case.*”<sup>118</sup> Trico demonstrates its complete  
13 misunderstanding of the Commission’s policies on grandfathering when it erroneously maintains  
14 that grandfathering is the “exception,” not the rule.<sup>119</sup> As the Commission has unequivocally  
15 stated, full grandfathering is the default as opposed to the retroactive ratemaking the Company  
16 seeks to engage in.

17           Chairman Little also recently filed a letter in this rate case.<sup>120</sup> Although Trico and Staff  
18 may attempt to rely on Chairman Little’s letter to bolster their argument for adoption of a  
19 grandfathering date prior to the issuance of the final order in this proceeding, such reliance would  
20 be inappropriate. Initially, Chairman Little reiterates that Commissioner Tobin was correct when  
21 he stated that the Commission held that “it is inappropriate to set grandfathering dates at a point in  
22 time prior to the date of the Commission order [in the UNSE rate case].”<sup>121</sup> Then, as Commissioner  
23 Tobin also concluded, he states that the Company and Staff bear the burden to present “meaningful  
24 and compelling arguments” to justify any deviation from the default rule of grandfathering.<sup>122</sup> In  
25 other words, if the parties seeking deviation fail to present meaningful or compelling arguments to

26 <sup>117</sup> Comm’r Tobin Letter dated October 12, 2016 at 1.

27 <sup>118</sup> *Id.* (emphasis added).

28 <sup>119</sup> Trico Post-Hearing Brief at 36:12-13.

<sup>120</sup> Comm’r Little Letter dated October 21, 2016 at 1.

<sup>121</sup> *Id.* at p. 1 (also acknowledging this issue was addressed in a TEP case wherein the Commission declined to adopt a cut-off date for grandfathering earlier than the date of the final order).

<sup>122</sup> *Id.*

1 deviate from the default grandfathering rules, then an earlier cut-off date for purposes of  
2 grandfathering may not be adopted.

3 Notably, Chairman Little does not state that an earlier cut-off date may be adopted merely  
4 because Staff and the Company have entered into a settlement agreement. The only disagreement  
5 between Chairman Little and Commissioner Tobin on this point is that Chairman Little has not yet  
6 concluded whether Trico or Staff presented reasons sufficient to deviate from the Commission's  
7 default policy on grandfathering. Notably, however, Chairman Little did not conclude that the  
8 reasons presented herein are sufficient, he states only that there were "several arguments" that  
9 should be considered and not dismissed out of hand.

10 It is true that the Company presented general arguments to justify a departure from  
11 grandfathering.<sup>123</sup> As demonstrated below, these arguments are not meaningful or compelling.  
12 Therefore, Commissioner Tobin was correct when he stated that the arguments presented here did  
13 not warrant deviation from the Commission's default policy. Trico's arguments on this point are  
14 taken in turn:

15 *1) Trico says it notified its customers of the proposed May 31, 2016, cutoff date.*

16 Trico and Staff argue that the May 31, 2016, cut-off date is appropriate because it notified  
17 its customers of this proposed cut-off date.<sup>124</sup> This argument is unavailing. The Commission  
18 already considered this very argument and rejected it as a basis for departing from its policy of full  
19 grandfathering in the UNSE rate case and again in the SSVEC rate case.<sup>125</sup>

20 *2) Trico argues that this cut-off date must be adopted to prevent a "flood" of new*  
21 *interconnection applications.*<sup>126</sup>

22  
23  
24 <sup>123</sup> Staff argues only that the Commission has not completely foreclosed the possibility of the adoption of a pre-final  
25 order cut-off date for grandfathering. *See* Staff Post-Hearing Brief at 19:10-15. As Commissioner Tobin expressed in  
26 his letter, however, the parties here failed to justify adoption of the Company's proposed cut-off date. *See* Comm'r  
27 Tobin Letter dated October 12, 2016 at 1.

28 <sup>124</sup> *Id.* at 34:6-9, 35:5-15; Staff Post-Hearing Brief at 22:1-3.

<sup>125</sup> Commission Decision No. 75697 at 34:6-9 ("UNSE asserts that the June 1, 2015, date is reasonable because three  
months earlier, new DG customers were provided a written notice that they were required to sign, acknowledging that  
the rate could be changed in the future."); SSVEC ROO at 32:19-20 ([t]he Cooperative notes that although it filed the  
instant Application in August 2015, SSVEC had previously attempted to modify its DG and NM tariffs in April 2015  
and only after providing extensive notice to its customers about the proposed changes and grandfathering date.").

<sup>126</sup> Trico Post-Hearing Brief at 34:9 – 35:2.

1 Grandfathering is a policy meant to protect the rights, investments, and interests of  
2 customers that invested in DG technology. It is *not*, as the Company advocates, a weapon to protect  
3 utilities from customers adopting DG. Commissioner Tobin recognized as much in this very  
4 proceeding when he opined that “I am deeply concerned that nearly all of [the parties in this  
5 proceeding] remain unconvinced of the Commission’s commitment to *honoring the investments*  
6 *of customers investing in rooftop solar prior to a final decision on an electric company’s rates.*”<sup>127</sup>  
7 The purpose of grandfathering to protect DG customers was also recognized in Value of Solar  
8 docket’s ROO as well and in the recent SSVEC decision. The Value of Solar ROO recommends  
9 that customers that submitted an interconnection application prior to the date of the final order in  
10 future rate cases would be allowed to “continue to utilize currently-implemented rate design and  
11 net metering, and will be subject to currently-existing rules and regulations impacting DG.”<sup>128</sup>

12 Additionally, the likelihood of a “flood” of applicants is entirely unfounded and  
13 unsupported in the record by anything more than mere speculation. Investing in DG is a big  
14 decision that is made only after careful consideration of various factors. It is unlikely that a tidal  
15 wave of Trico customers will suddenly adopt DG simply because they will be grandfathered under  
16 the pre-existing rates.

17 The Company must not be allowed to twist the Commission’s grandfathering policies  
18 solely to stop its customers from adopting DG. Rather, the grandfathering policy must be applied  
19 to protect the investments and rights of the people and businesses that move to adopt DG prior to  
20 the issuance of a final order herein.

21 3) *Trico says it faces a “significantly” higher “level” of DG applications than*  
22 *UNSE and doesn’t have the financial ability to cover the resultant loss.*<sup>129</sup>

23 Trico provides no evidence or support whatsoever to indicate that its finances will be  
24 imperiled if it grandfathers all DG customers as of the date of the final order in this hearing as  
25 opposed to the arbitrary May 31, 2016, date it proposes. Instead, the Company is simply motivated  
26 here to prevent more customers from adopting DG.<sup>130</sup>

27  
28 <sup>127</sup> Comm’r Tobin Letter dated October 12, 2016 at 1.

<sup>128</sup> Value of Solar ROO at 154:3-4.

<sup>129</sup> Trico Post-Hearing Brief at 35:19 – 36:5.

<sup>130</sup> *See Id.* at 34:15-16.

1           Additionally, Trico does not face a significantly higher level of DG applications than  
2 UNSE. In fact, the situations faced by both utilities are markedly similar. Like the Company,  
3 UNSE argued that: (1) it notified its DG customers of the possible changes to rates and rate  
4 designs; (2) DG customers were causing a substantial cost shift and being subsidized by non-DG  
5 customers; and (3) the proposed cut-off date was still fair and reasonable.<sup>131</sup> The Commission also  
6 acknowledged that DG customers represented only a “small percentage of UNSE’s current  
7 customers.”<sup>132</sup> In sum, UNSE made substantially similar arguments to those the Company presents  
8 in this proceeding to justify a departure from full grandfathering and the Commission rejected  
9 UNSE’s request.<sup>133</sup>

10           Approving full grandfathering is even more appropriate here in light of the order just  
11 adopted in the SSVEC rate case. In that case, SSVEC argued that it had lost over \$1 million in  
12 fixed costs due to the proliferation of DG in its service territory and that the problem was only  
13 getting worse.<sup>134</sup> SSVEC also claimed that it experienced a 30% increase in DG customers over  
14 the course of the year.<sup>135</sup> Again the Commission found that a departure from the default rule of  
15 grandfathering would be inappropriate.<sup>136</sup> There are no marked differences between the  
16 Company’s claims here and those made by SSVEC and UNSE in their respective rate cases. Trico  
17 should not receive different treatment in relation to grandfathering its DG customers.

18                           4) *Trico’s alleges its grandfathering proposal does not constitute retroactive*  
19                           *ratemaking.*

20           Again, Trico misconstrues retroactive ratemaking, essentially arguing that because it is not  
21 seeking to impose the proposed rate designs and rates on customers that submitted an application  
22 prior to their cut-off date (or seek to collect additional payments from such customers), its  
23 grandfathering proposal does not constitute retroactive ratemaking.<sup>137</sup>

24  
25  
26 <sup>131</sup> Commission Decision No. 75697 at 112:16 – 113:5, 115:14-18.

<sup>132</sup> *Id.* at 118:26 – 119:1.

<sup>133</sup> Commission Decision No. 75697 at 119:13-17.

<sup>134</sup> SSVEC ROO at 12:4-10.

<sup>135</sup> Commission Docket No. E-01575A-15-0312, “SSVEC Initial Post-Hearing Brief,” at 39:19-25 (July 24, 2016).

<sup>136</sup> *Id.* at 34:15 – 35:5.

<sup>137</sup> Trico Post-Hearing Brief at 36:23 – 37:5.

1 Retroactive ratemaking is a scenario under which a new rate is applied retroactively from  
2 the date that the new rates were adopted.<sup>138</sup> All current DG customers, including those that  
3 submitted an interconnection application after May 31, 2016, did so pursuant to the existing rules,  
4 rates and rate designs. If the Company's grandfathering proposals are adopted, it will have the  
5 effect of retroactively changing those rules, rates and rate designs in place the customers relied  
6 upon when adopting DG. In applying new rules, rates and rate designs to these customers, the  
7 Company would be engaged in impermissible retroactive application of the same.

8 **VII. TRICO CONTINUES TO FALL SHORT OF JUSTIFYING ADOPTION OF ITS**  
9 **PROPOSED \$24.00 CUSTOMER CHARGE.**

10 The Company, without providing sufficient prior notice, now seeks to impose a massive  
11 60% increase to its customer charge in raising it from \$15/month to \$24/month.<sup>139</sup> It proposes such  
12 a large increase despite the fact that Trico already has rates that are higher than its neighboring  
13 utilities.<sup>140</sup> In addition, Trico has not even proposed to mitigate this increase with a phase-in plan  
14 like that proposed by SSVEC. This proposal runs afoul of the principle of gradualism, violates the  
15 due process rights of interested parties by denying them an opportunity to object, and Trico likely  
16 will use this increased customer charge to begin collecting the amounts it ultimately hopes to  
17 recoup through the proposed demand charges. In sum, adoption of the proposed customer charge  
18 is not "just and reasonable," and Trico should not be permitted to implement any charge above the  
19 \$20.00 charge it initially noticed.

20 Staff and Trico now argue, however, that the customer charge is just and reasonable  
21 because it is being offset by proposed decreases in volumetric rates.<sup>141</sup> This misses the point  
22 because consumers have the ability to lower their volumetric purchases while they can do nothing  
23 to reduce the amount of the customer charge. In fact, higher customer charges provide a  
24 disincentive for energy savings as a customer can *never* avoid any of the fixed charge. When  
25 paired with lower volumetric rates, the Company simply incentivizes higher energy usage as  
26

27 <sup>138</sup> See Monsen Tr., Vol. IV at 832:3-12, 902:21 – 903:7.

28 <sup>139</sup> Nitido Tr., Vol. I at 221:1-9.

<sup>140</sup> Nitido Tr., Vol. I at 95:3-20.

<sup>141</sup> See Trico Post-Hearing Brief at 20:1-20; Staff Post-Hearing Brief at 9:6 – 10:3.

1 energy will be cheaper and a certain percentage of the bill can never be decreased. Trico itself  
2 essentially acknowledges this to be true, stating that “lower-use [customers] will incur a greater  
3 impact . . . .”<sup>142</sup> Because this charge is unavoidable, there will be far less incentive for customers  
4 to use less energy. Combining the facts that this increase is unreasonably large, was not properly  
5 noticed, cannot be offset by lower volumetric charges, and will act as a disincentive to energy  
6 savings, it should be rejected by the Commission.

7         Rejecting the large fixed customer charge is also consistent with the Commission’s position  
8 on demand charges. The concern about demand charges is that they are so complicated that  
9 consumers will be unable to manager their bills to avoid paying them in full. In essence, the  
10 demand charge becomes a fixed charge because of how difficult it is to avoid. In this case, Trico  
11 is proposing a much larger than normal fixed charge which, of course, is a charge that cannot be  
12 avoided, just like a demand charge.

13 **VIII. TRICO’S PROPOSED RATES WILL HARM LOW-INCOME CUSTOMERS.**

14         Trico has a significant population of low-income customers in its service territory. As Mr.  
15 Nitido described, “we have a lot of low-income folks in Arivaca, Three Points, most in the rural  
16 areas. There are a lot of areas in Marana that have disadvantaged populations.”<sup>143</sup> Although Trico  
17 will coordinate to provide federal assistance or alternative payment arrangements, Trico does not  
18 offer an alternative rate for low-income customers,<sup>144</sup> so these customers will be subject to the  
19 residential rate proposals outlined under the Proposed Settlement. Mr. Nitido acknowledged that  
20 33 percent of the children in Legislative District 2 (which is served by Trico) live in poverty, and  
21 that the Senator from that district expressed concern about the impact of Trico’s and Staff’s  
22 proposals would have on those children during public comment.<sup>145</sup> In its Post Hearing Brief, Trico  
23 asserts that the Proposed Settlement will not have disproportionate impacts on low-income  
24 customers,<sup>146</sup> while simultaneously admitting it has no data to even determine which customers  
25 are low-income.<sup>147</sup> It is highly likely that two key components of the rate proposal uniquely harm  
26

27 <sup>142</sup> Trico Post-Hearing Br. at 20:5-6.

28 <sup>143</sup> Nitido Tr., Vol. I. at 219:10-13.

<sup>144</sup> Nitido Tr., Vol. I at 220:3-22.

<sup>145</sup> Nitido Tr., Vol. I at 219:17 – 220:2.

<sup>146</sup> Trico Post-Hearing Br. at 18:20 – 19:1.

<sup>147</sup> *Id.*

1 low-income customers.

2 Low-income customers will face all of the same challenges in managing a demand rate  
3 outlined above. They will not receive interval data, but instead will be left to interpret a single data  
4 point—the date and time during the billing cycle they reached the highest demand, but it gets even  
5 worse. In addition, data that is available through Trico’s SmartHub online application requires  
6 internet access, which low-income customers are less likely to have. Further, the “technology  
7 solutions”<sup>148</sup> Staff and Trico suggest for consumers, “including programmable thermostats and  
8 load controllers as means that could be used to minimize demand charges and monthly bills,”<sup>149</sup>  
9 are likely an expense that these customers may not be able to afford. Consumers who cannot afford  
10 to invest in this kind of equipment simply cannot manage their demand as effectively as those who  
11 do.

12 **IX. EFCA SUPPORTS MAINTENANCE OF PROPERLY-DESIGNED TIME-OF-USE**  
13 **RATES FOR RESIDENTIAL CUSTOMERS.**

14 Trico argues that its residential time-of-use (“TOU”) rate (“RS2TOU”) rate should be  
15 frozen due to its pricing structure with Arizona Electric Power Cooperative (“AEPSCO”). Trico,  
16 however, ignores the fact that costs other than generation purchases have a time component to  
17 them and that the cost of time-varying generation purchases themselves could be incorporated into  
18 TOU rates if AEPSCO’s rate is restructured.<sup>150</sup> Trico has not attempted to expand its current  
19 residential TOU offering or analyzed how a modified and more robust program with greater  
20 enrollment would impact its fixed cost recovery. Instead, Trico is proposing an entirely new and  
21 confusing demand rate, without providing any reason (or even education) to assume that its  
22 residential members will understand and respond to this demand rate. EFCA believes that TOU  
23 rates are simpler and more manageable to customers, especially considering that it is a rate option  
24 already available to all residential Trico members. A TOU rate would undoubtedly provide a more  
25 meaningful option to reduce costs compared to a demand rate.

26 Ultimately, utility customers are benefitted by having multiple rate options open to them.  
27 The recent SSVEC ROO confirmed this precept and is analogous here. SSVEC, who is also served

28 <sup>148</sup> Proposed Settlement at § 10.4.

<sup>149</sup> Proposed Settlement at § 10.4.

<sup>150</sup> Monsen Direct Settlement Test., EFCA Ex. 11 at 38-39.

1 by AEPCO, also sought to freeze its TOU rates based on the same arguments Trico is asserting in  
2 its rate case. The Administrative Law Judge denied SSVEC's application to freeze its TOU rate  
3 because it was found "it is beneficial for SSVEC's customers to continue to offer TOU rates to its  
4 members."<sup>151</sup> Accordingly, the Commission should similarly deny Trico's Application to freeze  
5 its RS2TOU rate.

6 **X. CONCLUSION.**

7 For the reasons stated above, the following actions should be taken:

- 8 (1) Find that Trico failed to meet its burden of proof imposed pursuant to A.A.C. R14-  
9 2-2305;
- 10 (2) Decline to "waive" Trico's compliance with NEM requirements as it is not legally  
11 permitted to waive such compliance;
- 12 (3) Reject Trico's lost fixed cost calculations for lack of credible support and decline  
13 to adopt the proposed RS1 and "DG Energy Export Tariff" rates that were allegedly  
14 designed in an effort to recover these unsubstantiated lost fixed costs;
- 15 (4) Reject the proposed increases to the fixed customer charge for residential  
16 customers;
- 17 (5) Reject or modify the Proposed Settlement's grandfathering provision such that it:
  - 18 (a) Applies to all NEM customers that have existing solar DG or customers that  
19 submitted a completed interconnection application by the date of the final  
20 Order in this docket;
  - 21 (b) Grandfathers both (1) the ability to use NEM and (2) the two-part rate  
22 design that is in place today for NEM customers;
  - 23 (c) Clearly states that the grandfathering applies to both Trico's NEM rules  
24 under Schedule NM and Trico's current residential rate design; and
  - 25 (d) Affirmatively states that grandfathering for existing NEM customers and  
26 NEM customers who apply for interconnection prior to 30 days after the  
27 issuance of a decision regarding NEM and rate design issues for solar DG  
28 customers in this docket will run for at least 20 years from date system was

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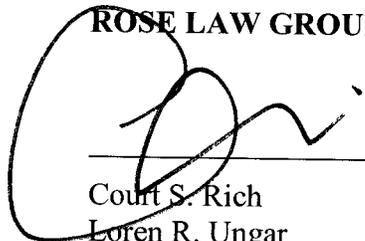
<sup>151</sup> SSVEC ROO at 29:1-2.

1 installed;

- 2 (6) Reject the Proposed Settlement's \$0/kW residential demand charge and freeze on  
3 Trico's TOU rate option. Instead, the Commission should direct Trico to develop a  
4 demand billing pilot program designed to provide a random selection of residential  
5 customers with appropriate metering equipment and educate them on demand  
6 charges and managing their electricity demand, and to demonstrate customer  
7 understanding and acceptance of demand charges prior to bringing forward a  
8 proposal to implement a residential demand charge in its next rate case;
- 9 (7) Find that there is no basis supporting a \$0.077 export rate and reject the Proposed  
10 Settlement's rate, and instead rule that:
- 11 (a) All NEM and DG customer rate design issues shall be considered in a  
12 second phase of this proceeding;
  - 13 (b) No changes to NEM or DG customer rates shall be adopted until a final  
14 decision has been issued in Phase 2 of this proceeding;
  - 15 (c) All customers requesting an interconnection agreement between now and  
16 the issuance of a final decision in Phase 2 of this proceeding will be  
17 grandfathered onto current NEM and DG rates, *including* their current rate  
18 design; and
  - 19 (d) Phase 2 of this proceeding will commence after the Order is issued in the  
20 Value of Solar proceeding; and
- 21 (8) Implement experimental rates focused on time-of-use and time varying rates and  
22 design a rate or rates that reflects peak load considerations on its system and if  
23 successful, propose a full roll out of such rate designs in its next rate case. These  
24 rate design alternatives would preserve customer choice for Trico members, reduce  
25 future rates, and enable Trico to remain financially healthy.
- 26  
27  
28

1 Respectfully submitted this 2nd day of November, 2016.

2  
3 ROSE LAW GROUP pc

4 

5  
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9 **Original and 13 copies filed on**

10 **this 2nd day of November, 2016 with:**

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15 *I hereby certify that I have this day served a copy of the foregoing document on all parties of  
16 record in this proceeding by regular or electronic mail to:*

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