**BEFORE THE ARIZONA CORPORATION COMMISSION**

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF TUCSON ELECTRIC POWER COMPANY DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA AND FOR RELATED APPROVALS | Docket No. E-01933A-15-0322 |

**SURREBUTTAL TESTIMONY OF BRIANA KOBOR**

**ON BEHALF OF VOTE SOLAR**

**AUGUST 25, 2016**

# Table of Contents



# List of Tables

# 1 Introduction

**Q. Please state your name and business address.**

A. My name is Briana Kobor. My business address is 360 22nd Street, Suite 730, Oakland, CA, 94612.

**Q. On whose behalf are you submitting this surrebuttal testimony?**

A. I am submitting this testimony on behalf of Vote Solar.

**Q. Did you submit direct testimony in this proceeding?**

A. Yes, I did. My direct testimony contains an introduction to Vote Solar as well as summary of my professional experience.

# 2 Purpose of Testimony and Summary of Recommendations

**Q. Please describe how your testimony is organized.**

A. The remainder of my testimony consists of six sections. In the first section, I comment on the deferral of issues related to net metering and rate design for new distributed generation ("DG") customers. In the second and third sections, I provide recommendations for an RPS Credit Option and a metering fee for customers who employ net energy metering ("NEM") in the event the Commission considers these solar rate design issues in the current phase of this proceeding. In the fourth section, I address grandfathering of existing NEM customers. In the fifth section, I address the proposal to increase the fixed charge. Finally, in the sixth section, I summarize my conclusions and recommendations.

**Q. Please briefly summarize your findings and recommendations.**

A. The Administrative Law Judge has ordered that issues related to net metering and rate design for new DG customers be deferred to a second phase of this proceeding. As a result, the scope of issues that I addressed in my direct testimony has been significantly reduced in this phase of the proceeding. In this testimony, I address the Judge's ruling that all issues related to net metering and rate design for new DG customers will be deferred until Phase 2. Deferral of these issues—including the Residential Utility Consumer Office's ("RUCO") proposal for a suite of solar rate options, a potential RPS Credit Option, and a potential NEM metering fee—would promote judicial economy and would ensure that the Commission would be able to consistently apply the findings of the Value of DG docket. In addition, due to the procedural schedule in this case, deferral of these issues would only marginally delay the Commission's potential actions.

Although all solar rate design issues should be deferred until Phase 2, if the Commission decides to consider an RPS Credit Option and/or a NEM metering fee similar to those approved in the UNS Electric, Inc. ("UNSE") rate case, I offer recommendations regarding program and rate design for these measures. For the RPS Credit Option, I recommend that the approved rates embody the principle of gradualism, beginning at or near the retail rate and changing slowly over time. I recommend that tranches be designed to maximize customer understanding by providing for subscription levels based on current annual installation rates. Additionally, I recommend that future rates be informed by implementation of the methodology approved by the Commission in the Value of DG docket. If the Commission considers a NEM metering fee in this docket, I recommend that consistent with the UNSE decision, the metering fee be limited to the embedded capital and installation costs associated with Tucson Electric Power Company's ("TEP," or "the Company") meters. Based on TEP's most recent cost of service study ("COSS"), this results in a monthly NEM metering fee of $0.32.

In addition, I recommend the Commission find that all NEM customers who sign up prior to the implementation of the decision in Phase 2 of this proceeding should be grandfathered, including current SGS customers who may be forced to migrate to the MGS or LGS tariffs. This would be consistent with the UNSE decision. I additionally provide recommendations to help better define grandfathering.

Finally, I provide testimony that continues to support use of the Basic Customer Method for determination of the appropriate level of fixed charges, and I update the Basic Customer Method analysis I conducted in direct based on the updated COSS filed by the Company. I also provide evidence that, should the Commission accept Staff's recommendation to use the Minimum System Method, the residential customer charge should not exceed $15.50 per month based on the updated COSS filed by the Company.

# 3 Issues Related to Net Metering and Rate Design for New DG Customers Have Been Deferred Until After the Value of DG Decision

**Q. Have there been any important developments regarding Commission policy on issues related to net metering and rate design for new DG customers since you filed your direct testimony?**

A. Yes. The Commission issued Decision No. 75697 in the UNSE rate case on August 18, 2016. The UNSE rate case and this TEP rate case contain similar proposals regarding modification of net metering and implementation of a mandatory demand charge for NEM customers. In the UNSE Decision the Commission stated:

> We believe that the public interest favors consistent application of the results of the Value of DG docket. As a result, we will keep the net metering and rate design portions of this docket open pending the conclusion of the Value of DG docket. Thus, shortly after the conclusion of that docket, a second phase of

> this docket will be convened in order to apply the findings of the Value of DG docket to UNSE. In the second phase of this proceeding, in addition to determining the appropriate net metering tariff for UNSE for any new DG customers who file applications for interconnection after the effective date of the Decision that comes out of phase two of this proceeding, the Commission will also consider the Company's request to require DG customers to take service under three-part demand rates due to their status as partial requirements customers. In the interim, DG customers will be treated the same as non-DG customers under the various rate options.[1]

The Commission further stated:

> We believe that deferring consideration of the mandatory three-part rates applicable to solar DG is warranted in order to consider the treatment of DG solar in a holistic manner and to avoid having multiple classes of DG customers, each subject to different rate treatment, due to the timing of when they elected the solar option.[2]

Vote Solar supported the Commission's approval of a Phase 2 of the UNSE proceeding in order to allow for consistent application of the results of the Value of DG docket. Vote Solar recommends that a similar process be followed for the TEP case. The Commission has indicated that the decision in the Value of DG docket should be approved in October of this year.[3] Separation of the net metering and rate design portions of this docket into a second phase of this proceeding would allow for a holistic examination of rate treatment for TEP's DG customers that would be informed by the Value of DG docket.

**Q. Has the Commission issued any orders on this issue in the current docket?**

A. Yes. On August 22, 2016, the Administrative Law Judge issued a procedural order that approved deferral of the hearing "related to changes to net metering and rate design for new DG customers" until Phase 2 of this case, which will be convened following a final decision in the Value of DG docket.[4] As a result, Vote

---

[1] Decision No. 75697 at 116:2–11 (Aug. 18, 2016).
[2] *Id.* at 118:6–9.
[3] *Id.* at 119:3–4.
[4] Procedural Order at 2:23–3:1 (Aug. 22, 2016).

Solar has deferred offering additional testimony on issues related to net metering and rate design for new DG customers, including evaluation of the need for differential rate design and responses to the Company's testimony that purports to quantify a cost shift as a result of current NEM customer rate treatment. The procedural order states that Vote Solar will have the opportunity to file surrebuttal testimony on these issues in the subsequent Phase 2, which will "be filed at a date to be determined."[5]

**Q. Are there proposals for rate design for new DG customers and modification of net metering that have been sponsored by intervenors in this docket?**

A. Yes. RUCO has sponsored testimony that outlines a comprehensive alternative to the Company's proposal.

**Q. Please describe RUCO's proposal.**

A. RUCO has put forth a suite of four rate options for new DG customers. These include: (1) an Advanced DG Rate; (2) an RES Credit Option; (3) a DG Volumetric TOU; and (4) an All Rate Option.[6] Like the Company, RUCO is proposing to implement differential rate design for NEM customers. While RUCO's proposal involves more options for NEM customers, under RUCO's proposal NEM customers would no longer have access to the same tariffs as non-NEM customers without incurring additional fees. In addition, like the Company, RUCO is proposing to modify net metering. There are significant and complex details involved with each of these, including an "hourly fee applied to all exports" under the DG Volumetric TOU Option and a "$/kW Adjustment Fee, based on size of DG system" under the All Rate Option.[7] There are also various levels of metering fees, depending on the option.

---

[5] *Id.* at 3:2–3.
[6] Lon Huber Direct Test. at 32:21–33:8 (June 24, 2016) ("Huber Direct").
[7] *Id.* at 33:8.

**Q. Should RUCO's proposal be considered in Phase 1 of this proceeding?**

A. No. RUCO's proposal for a suite of four rate options designed exclusively for DG customers presupposes a number of findings that have not been made in this case and are inherently solar rate design issues that will be decided in Phase 2. In introducing his alternative proposal, RUCO witness Lon Huber states:

> RUCO agrees that the compensation method for DG needs reform, especially with the growing popularity of DG. However, RUCO believes that the company's proposal can be improved. By creating more options for DG and traditional customers, a win-win solution can be achieved. As such, it is RUCO's goal to find a balanced path that allows the solar industry to mature while maintaining a fair approach for all ratepayers and balancing cost-recovery with pro-conservation price signals. To meet these goals, RUCO proposes making four options available to DG customers going forward.[8]

It is clear that RUCO intends for the Commission to evaluate its proposals alongside the Company's proposals. Consideration of RUCO's proposals in Phase 1 would require resolution of two significant issues: (1) whether it is appropriate to separate NEM customers from non-NEM customers for the purposes of rate design, and (2) modifications to net metering. <u>These are the precise issues that the Administrative Law Judge has deferred to Phase 2</u>.[9]

If the Commission were to consider RUCO's proposals for differential rate treatment for NEM customers and modification to net metering in Phase 1 and then consider the Company's proposals on these same issues in Phase 2, it is not clear (1) that any judicial economy would be achieved, or (2) that the Commission would be able to consistently apply the findings of the Value of DG docket. As a result, Vote Solar strongly urges the Commission to defer consideration of RUCO's alternative proposal until the second phase of this docket.

---

[8] *Id.* at 32:22–33:6.
[9] Procedural Order at 2:23–3:1 (Aug. 22, 2016).

**Q. In Decision No. 75697, the Commission approved an RPS Credit Option in Phase 1 of the UNSE rate case. Should a similar option be considered in Phase 1 of this proceeding?**

A. No. The RPS Credit Option should be considered in Phase 2 of this proceeding, alongside TEP's solar rate design and net metering proposals. In the UNSE decision, the Commission approved a single alternative option intended to function alongside retail rate net metering and available tariff options, the RPS Credit Option. This option is a fixed-bill credit mechanism under which solar customers may select whether the bill credit applies to all solar production or just solar exports.[10] Importantly, the UNSE decision allows all NEM customers to have access to all the same tariffs as non-NEM customers of the same rate class and offers the RPS Credit Option as an alternative to net metering while leaving net metering intact.

Vote Solar believes the RPS Credit Option should be considered in Phase 2 of this case. Doing so would allow the Commission to holistically examine all solar rate design proposals at one time, rather than considering this option in Phase 1 and TEP's proposals in Phase 2. In addition, considering the RPS Credit Option in Phase 2 would only marginally delay the Commission's potential actions. TEP's application in this case was filed on November 5, 2015, with approval of rates requested for January 1, 2017.[11] If the Commission were to approve the RPS Credit Option in this case, the option would only be available to customers for a handful of months prior to the conclusion of the second phase of this proceeding. Given the procedural realities, there is no compelling reason to consider the RPS Credit Option in Phase 1. Instead this option is better evaluated in Phase 2, alongside the rest of the Company's proposals. However, if the Commission decides to evaluate the RPS Credit Option in Phase 1, Vote Solar offers testimony regarding improvements that should be made prior to adoption.

[10] Decision No. 75697 at 142:4–13.
[11] Appl. at 1:14 (Nov. 5, 2015).

**Q. In Decision No. 75697, the Commission approved a metering fee for new NEM customers in Phase 1 of the UNSE rate case. Should a similar fee be considered in Phase 1 of this proceeding?**

A. No. The Commission approved a monthly metering fee of $1.58 for new UNSE NEM customers based on the embedded capital costs for metering equipment presented by the Company.[12] While UNSE had argued that additional costs associated with meter reading and billing and collection should be included in the fee, the Commission stated it expects "the Value of DG docket to provide general guidance on the fixed costs of a second meter for DG customers, but company-specific testimony may also be necessary in determining the appropriate amount."[13] The Commission ultimately directed parties to file testimony on this issue in Phase 2 of the UNSE case, where the Commission would consider whether to continue to apply this fee to new DG customers.[14] Given the procedural realities described above and the express intention to revisit the metering fee approved for new UNSE customers after the Value of DG docket concludes, I recommend that a potential NEM metering fee for new TEP customers be deferred to Phase 2. However, if the Commission decides to evaluate a metering fee in Phase 1, Vote Solar offers recommendations on how the metering fee should be designed.

# 4 RPS Credit Option

**Q. Please describe the RPS Credit Option approved in the Phase 1 of the UNSE rate case.**

A. The RPS Credit Option approved in the UNSE case is based on a proposal described in RUCO's Exceptions to the Recommended Opinion and Order. The RPS Credit Option is an alternative option for customers with DG and functions

[12] Decision No. 75697 at 118:6–18.
[13] *Id.* at 118:22–24.
[14] *Id.* at 118:24–25, 140:10–15.

alongside retail rate net metering while maintaining all existing tariff options for customers with DG. A customer who selects the RPS Credit Option would be compensated for their DG based on a bill credit mechanism that would be fixed for 20 years.[15] Customers who elect the RPS Credit Option would be given the choice of applying the bill credit to all DG production or only exports.[16] The Commission additionally stated that the RPS Credit Option "can be adaptable to the outcome of the Value of DG docket."[17] The credit levels under the option shall follow RUCO's proposal until the 2017 REST Implementation Plan decision or the outcome of the Value of DG docket.[18]

**Q. How does the RPS Credit Option approved in Phase 1 of the UNSE rate case differ from the proposal for an RES Credit Option provided in RUCO's direct testimony in this docket?**

A. The most significant difference between the approved UNSE RPS Credit Option and the RES Credit Option proposed by RUCO in this docket is that the proposal in this case is strictly a buy-all, sell-all agreement. In the UNSE case RUCO had originally proposed a buy-all, sell-all structure for the RPS Credit Option, which would be available amidst a suite of DG-only options similar to the suite of options proposed here. In its Exceptions to the Recommended Opinion and Order in the UNSE rate case, RUCO significantly modified its proposal, advocating instead for the RPS Credit Option to be adopted as a stand-alone alternative available alongside all other tariff options. RUCO also modified the RPS Credit Option proposal from a buy-all, sell-all only structure to a structure under which the customer would be able to choose to apply the RPS Credit Rate to either all DG production or only exports.

---

[15] UNSE Rate Case, Docket No. E-04204A-15-0142, RUCO's Exceptions to Recommended Opinion and Order at 3:2–4 (July 29, 2016).
[16] *Id.*; Decision No. 75697 at 142:9–10.
[17] Decision No. 75697 at 142:6.
[18] *Id.* at 142:7–9.

Vote Solar considered RUCO's modifications of the RPS Credit Option to be significant improvements to the original structure. Rather than restricting NEM customers to different tariff options or requiring them to sell all their generation to the grid and losing the right to self-consume, RUCO's modifications allowed the RPS Credit Option to function alongside existing tariffs, and gave customers the choice of selecting the RPS Credit Rate for all generation or just for exports.

**Q. If the Commission chooses to consider an RPS Credit Option in Phase 1 of this proceeding, what improvements should the Commission consider?**

A. If the Commission chooses to consider an RPS Credit Option in Phase 1, it is important that the option maintain a structure similar to the option approved in the UNSE case. This includes (1) offering the RPS Credit Option as an additional program to function alongside existing residential and small commercial tariff options for NEM and non-NEM customers, and not as one of a suite of other rates proposed by RUCO in this docket; and (2) allowing customers who select the RPS Credit Option to have the choice to apply the fixed credit rate to all production or only to exports. In addition, the Commission should calibrate the tranches and rates under the RPS Credit Option to ensure gradualism and allow for consistent application of the outcome of the Value of DG docket.

**Q. How should the proposed tranches and rates be calibrated?**

A. Because RUCO has proposed a similar option in this case, it is reasonable to use its proposal as a starting point for calibration. However, RUCO's proposed RES Credit Option contains tranches that are too narrow. Based on the rate of installations in TEP's service territory in 2015, the first five tranches would be fully subscribed within a single year.[19] In fact, if the RES Credit Option was implemented with the rest of TEP's rates on January 1, 2017, the capacity additions for the first tranche would likely be reached within two and a half months—likely prior to implementation of the outcome of Phase 2 of this

---

[19] TEP Resp. to Staff 1.14 (Kobor Direct Ex. BK-3 at 30); RUCO Workpaper RPS Credit Option – TEP.xlsx.

proceeding. In the Open Meeting in which the Commission approved the RPS Credit Option for UNSE, the Company indicated that it would face difficulty communicating with customers about current subscription levels on a regular basis, stating it would be able to provide periodic reports, but could not reliably communicate the status of subscriptions in relation to tranche cut-offs.[20]

In the interest of gradualism and promotion of customer understanding, Vote Solar recommends that the tranches be designed such that the rate would be expected to change no more often than once a year at current installation rates. Based on TEP's 2015 installation rate, this would imply that the first tranche should be set at 28 MW, rather than RUCO's proposed 6 MW. If the rate of market installations accelerated significantly, the first tranche would be filled in less than than one year and conversely, if market installation rates declined, the first tranche would remain in effect for a longer period of time. A larger tranche would have the added benefit of allowing for implementation of the RES Credit Option now, with an opportunity to fully inform future credit rates based on the outcome of the Value of DG docket, which is expected to conclude well in advance of the expiration of the first tranche under Vote Solar's proposal.

In addition, Vote Solar recommends that future credit rates be informed by the outcome of the Value of DG docket, as implemented in Phase 2 of this proceeding. RUCO's current RES Credit Option proposal includes rates that decline to $0.06/kWh, which is nearly 25% lower that RUCO's own conservative estimate of the long-term avoided cost of additional DG.[21] If DG were to be compensated at a rate 25% less than the long-term avoided cost to non-participating ratepayers, the program would not result in optimal DG deployment and would fail to incent additional DG that would be beneficial to the system.

Rather than pre-determining credit rates in this proceeding, Vote Solar recommends that if the Commission adopts an RPS Credit Option, it include a

[20] *See* Archived Video of Aug. 11, 2016 Open Meeting at 1:00:00–1:01:50, *available at* http://www.azcc.gov/divisions/broadcastservices/livebroadcast.htm.
[21] Huber Direct at 38:15–18, 42:2.

placeholder schedule of credit rates that do not decrease below RUCO's conservative estimate of the long-term avoided cost of additional DG at $0.079/kWh. In addition, Vote Solar recommends that the Commission determine that the placeholder rates adopted in this phase of the proceeding be revisited in Phase 2, and direct that the ultimate credit rate schedule be developed according to the following principles:

1. Rates should embody the principle of gradualism, beginning at or near retail and changing slowly over time.
2. The long-term rate should be informed by the outcome of the Value of DG docket, as implemented in Phase 2 of this proceeding.
3. Once movement to the rate informed by the Value of DG docket is reached, the methodology for determining that rate should be periodically re-applied to inform future rate modifications.

Vote Solar's proposed RPS Credit Option is summarized in Table 1 below:

**Table 1: Vote Solar Proposed RPS Credit Option**

| Tranche Size | RPS Credit Rate ($/kWh) |
|---|---|
| 28 MW | $0.110 |
| 28 MW | $0.100 |
| 28 MW | $0.090 |
| 28 MW | $0.079 |

# 5 Metering Fee

**Q. Please describe the metering fee approved for new UNSE NEM customers.**

A. The Commission approved a monthly metering fee of $1.58 for new UNSE NEM customers, based on the embedded capital costs for metering equipment presented by UNSE.[22] In its Reply Brief, UNSE introduced the concept for a metering fee of $6.95, based on the fully loaded embedded costs of non-NEM residential

[22] Decision No. 75697 at 118:6–18.

meters.[23] The UNSE proposal included line items for billing and collection and meter reading, categories which include costs related to supervision, miscellaneous customer accounts expenses, customer assistance expenses, informational and instructional advertising expenses, and miscellaneous customer service and informational expenses, in addition to loaders for administrative and general expenses.[24] However, the Commission only approved the capital costs for inclusion in the metering fee and directed the parties to reconsider this issue in Phase 2 of the UNSE rate case.

**Q. Have any parties proposed metering fees in this docket?**

A. Yes. Three of RUCO's four proposed rates in their suite of options include metering fees of various levels. These fees amount to either $6 per month or $3 per month, depending on the option and all offer differential charges if the customer chooses to assign their RECs to the Company.[25] However, there are key differences between the metering fees proposed by RUCO in this proceeding and the metering fee approved in the UNSE case. Namely, RUCO's proposed metering fees are significantly higher and include fully loaded costs, which were excluded from the UNSE metering fee.

**Q. If the Commission decides to consider a metering fee in Phase 1 of this proceeding, what do you recommend for a metering fee for TEP customers?**

A. A potential metering fee for new TEP NEM customers is more appropriately evaluated alongside the other solar rate design issues in Phase 2 of this proceeding. However, if the Commission decides to consider a metering fee in Phase 1, Vote Solar recommends the Commission adopt a metering fee for TEP's customers based on embedded capital costs of residential customer meters, similar to the approved UNSE metering fee. For TEP, these costs amount to $0.32 per

[23] UNSE Rate Case, Docket No. E-04204A-15-0142, UNSE Reply Brief at 12:23–13:1 (May 11, 2016).
[24] 2015 UNSE Schedule G-COSS-R.xlsx.
[25] Huber Direct at 33:8.

month and are presented in Schedule G-6-1, line 28 of the COSS filed with the Company's rebuttal testimony.[26] In order to ensure consistent application, Vote Solar recommends that these costs be revisited in Phase 2 of this proceeding, following guidance from the Value of DG docket and additional evidence supporting the level of any additional costs associated with meter reading, billing, and collections that may be appropriate to include in this fee.

**Q. Do you have any additional recommendations regarding metering fees for NEM customers?**

A. Yes. I recommend that the Commission consider offering NEM customers the option to pay for the capital and installation costs of their second meters as an upfront charge in place of paying a monthly fee. The appropriate level of this upfront charge should be fully developed in Phase 2.

# 6 Existing NEM Customers Should Be Grandfathered as of the Date Modifications Are Made To Their Rate Structure

**Q. Have there been any important developments regarding Commission policy on grandfathering of NEM customers in the event of modifications to their rate structure?**

A. Yes. In the UNSE rate case, the Commission found that UNSE's proposal to only grandfather NEM customers who signed up before a date that had occurred in the past was not reasonable.[27] Instead, the Commission ordered that all NEM customers who sign up prior to the Commission's decision in Phase 2 would be grandfathered into any solar rate design or net metering modifications.

TEP has put forth a similar grandfathering proposal in this case, suggesting that only customers who signed an interconnection agreement prior to June 1, 2015,

[26] 2015 TEP COSS Public – Rebuttal.pdf, Schedule G-6-1, Sheet 31 of 40, line 28.
[27] Decision No. 75697 at 119:5–9, 119:13–17.

would be grandfathered. Vote Solar has recommended that this proposal be rejected and that all of TEP's NEM customers who sign up prior to the effective date of the decision in this case be grandfathered. This is consistent with the Commission's decision in the UNSE case.

**Q. Do you have any additional comments to add regarding grandfathering?**

A. Yes. In my direct testimony I stated that it was important for the Commission to grandfather the SGS customers with NEM that TEP is proposing be moved to the new MGS class. These customers would be faced with a ratcheted demand charge if they are moved to the MGS class, and it is appropriate to protect them from this change. In addition, it has come to my attention that some of these customers may be moved to the LGS class that also includes a ratcheted demand charge.[28] These former SGS NEM customers should similarly be grandfathered.

**Q. Have other parties submitted testimony in regards to grandfathering that you would like to respond to?**

A. Yes. Staff witness Howard Solganick stated:

> [Staff] is concerned that any form of grandfathering must clearly define the elements of the current rate design that are included in grandfathering (such as basic service and energy charges which change after each rate case), establish a fair and reasonable date for delineating which DG customers are grandfathered, define how long a facility is grandfathered based on lifespan or other factors such as return on investment, and not impede the Commission's ability to address rates for these customers in the future.[29]

Vote Solar agrees that the procedure for grandfathering should be fully defined. While the exact grandfathering details will depend on the rate design changes that NEM customers are being grandfathered against, Vote Solar proposes the following general principles:

[28] Craig Jones Direct Test. at 37:24–38:2 (Nov. 5, 2015) ("Jones Direct").
[29] Howard Solganick Direct Test. at 43:24–44:5 (June 24, 2016) ("Solganick Direct").

1. Grandfathering should be granted for a minimum of 20 years, minus the number of years since the interconnection date of the system.
2. Grandfathering should be linked to the installed system rather than the customer account.
3. Customers should be grandfathered onto their existing net metering tariff, which includes the ability to offset kWh consumed onsite with kWh exported to the grid on a one for one basis.
4. Customers should be grandfathered onto a tariff with a structure similar to the structure of their existing tariff.

As a general principle, Vote Solar proposes that residential and small commercial customers should be grandfathered onto a two-part inclining block rate without additional fees that do not exist today. The exact details of this proposal will need to be developed later, when there is more clarity regarding the changes being considered.

# 7 TEP's Requested Fixed Charge Increases Should Be Rejected

**Q. What modifications has TEP requested to the residential and small commercial fixed customer charges?**

A. In its original application, TEP requested an increase to the fixed customer charge for residential customers from $10 to $20 per month and an increase to the fixed customer charge for small commercial customers from $15.50 to $30 per month.[30] In rebuttal testimony, TEP witness Craig Jones indicated that the Company has accepted Staff's recommendation and is now requesting a residential fixed charge of $17 per month and a small commercial fixed charge of $27 per month.[31]

---

[30] Jones Direct at 43:26–44:1, 46:26–47:1.
[31] Craig Jones Rebuttal Test. at 18:13–27 (July 25, 2016).

**Q. What was the basis for Staff's recommendation that the Company has adopted?**

A. Staff witness Solganick accepted the Company's use of the minimum system method, which showed a monthly customer cost of $17.19 per month in the revised COSS filed on May 19, 2016.[32] He additionally recommended a small commercial customer charge of $26.80 per month.[33] This is 30% less than the Company's presentation of monthly customer costs for the combined SGS and MGS classes of $38.43.[34]

**Q. Have the figures on which Staff based its recommendation been modified by the Company in rebuttal?**

A. Yes. With its rebuttal testimony the Company filed a revised COSS that includes updated figures for monthly customer costs based on its minimum system method approach. The revised COSS sponsored by the Company shows monthly customer costs of $15.52 for the residential class.[35]

**Q. What do you recommend based on this update from the Company?**

A. The Commission should not approve any increase to the residential customer charge and should only approve a very small increase to the small commercial customer charge. However, if the Commission accepts Staff's recommendation, the approved customer charges should reflect the most recent COSS filed by the Company. This means the residential customer charge should not exceed $15.50 per month.

[32] Solganick Direct at 29:14–16.
[33] *Id.* at 31:4–5.
[34] *See id.* at 30:21–22.
[35] 2015 TEP COSS Public – Rebuttal.pdf, Schedule G-6-1, Sheet 31 of 40, line 24.

**Q. Why do you recommend no increase to the residential fixed charge and only a small increase to the small commercial customer charge?**

A. As I described in my direct testimony, TEP has proposed to significantly modify the manner in which it accounts for distribution-related costs in its COSS. TEP has proposed to implement the Minimum System Method in place of the Basic Customer Method used in its last rate case. In my direct testimony, I calculated appropriate customer cost levels using TEP's COSS and a conservative calculation of the Basic Customer Method. I found that the record does not support an increase to the residential customer charge, and that an increase from $15.50 to $15.85 was all that could be supported for the small commercial class.[36]

**Q. Have other parties provided testimony on the relative merits of the Basic Customer Method and the Minimum System Method?**

A. Yes. Southwest Energy Efficiency Project ("SWEEP") witness Brendon Baatz and RUCO witness Lon Huber provided significant substantive testimony that supports the continued use of the Basic Customer Method. Namely, SWEEP has offered evidence that a study commissioned by the National Association of Regulatory Utility Commissioners found that the Basic Customer Method is used in over 30 states.[37] In addition, RUCO found that recent requests for fixed charge increases have been rejected or scaled back by Commissions across the country and that the average fixed charge approved in recent decisions was $11.87 per month, which is significantly lower than the Company's request in this case.[38]

**Q. Have you updated your analysis to reflect TEP's most recent COSS?**

A. Yes. I have updated my analysis based on the COSS TEP filed with its rebuttal testimony. The methodology for this analysis is consistent with that described in my direct testimony and the results are summarized in Table 2 below.

[36] Briana Kobor Direct Test. at 73:4–8 (June 24, 2016).
[37] Brendon Baatz Direct Test. at 9:7–8 (June 24, 2016).
[38] Huber Direct at 10:20–11:4.

**Table 2: COSS Customer Cost Results Using Basic Customer Method**

| Cost Study | Residential | Small Commercial |
|---|---|---|
| Vote Solar Direct | $9.58 | $15.85 |
| Vote Solar Surrebuttal | $8.14 | $17.51 |

As shown in Table 2, TEP's revised COSS put forth in rebuttal, when modified to reflect a conservative estimate of the Basic Customer Method, results in an even lower per customer embedded cost for the residential class and a slightly higher per customer embedded cost for the small commercial class. As a result, I continue to recommend the Commission maintain the residential customer charge of $10 per month. In addition, these results indicate that it may be reasonable for the Commission to consider a modest increase to the small commercial customer charge to $17.50 per month.

# 8 Recommendations

**Q. What are your recommendations for the Commission?**

A. I recommend the following:

- The Commission should defer until Phase 2 the consideration of all issues related to net metering and rate design for new DG customers, including RUCO's proposals, a potential RPS Credit Option, a potential NEM metering fee, and any other proposals that may arise over the course of the hearing.
- If the Commission nonetheless decides to consider an RPS Credit Option in Phase 1, I recommend the following:
    - The RPS Credit Option should be designed to function alongside retail rate net metering and should allow for NEM customers to have the same tariff options as non-NEM customers.
    - Customers who select the RPS Credit Option should have the choice of having the fixed bill credit apply to all DG production or only to exports.

- Tranches should be calibrated based on current annual installation rates to avoid customer confusion.
- Rates should embody the principle of gradualism, beginning at or near retail and changing slowly over time.
- The long-term rate should be informed by the outcome of the Value of DG docket, as implemented in Phase 2 of this proceeding.
- Once movement to the rate informed by the Value of DG docket is reached, the methodology for determining that rate should be periodically re-applied to inform future rate modifications.

- If the Commission decides to consider a NEM metering fee in Phase 1, I recommend that the fee be set at $0.32 per month based on the embedded capital and installation costs associated with TEP's residential meters.
- The Commission should grandfather all NEM customers who sign up prior to the effective date of the decision in Phase 2 of this proceeding, including SGS customers that the Company is proposing be moved to an MGS or LGS tariff.
- The Commission should reject TEP's proposal to increase basic service charges for residential customers, but may consider an increase in the small commercial customer charge from $15.50 to $17.50 per month.
- If the Commission approves Staff's recommendation regarding the residential customer charge, the approved charge should be no greater than $15.50 per month based on the Company's revised COSS.

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

A. Yes, it does.