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June 24, 2016

Chairman Herbert H. Hillard
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243


Re: First Discovery Request
Docket No. 16-00001

Dear Chairman Hillard:

Attached for filing is the pre-filed testimony of Kimberly R. Sanders on behalf of The Alliance for Solar Choice.

Sincerely,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/dbi
cc: All parties

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF KINGSPORT POWER)	
COMPANY d/b/a AEP APPALACHIAN)	
POWER, GENERAL RATE CASE)	DOCKET NO. 16-00001

**PRE-FILED RESPONSIVE TESTIMONY
OF KIMBERLY R. SANDERS
ON BEHALF OF THE ALLIANCE FOR SOLAR CHOICE**

June 24, 2016

1 **Q: Please state your name and current position.**

2 A: My name is Kimberly R. Sanders and I am a Director of Public Policy for
3 Sunrun, Inc.

4

5 **Q: On whose behalf are you appearing in this proceeding?**

6 A: I am testifying on behalf of The Alliance for Solar Choice.

7

8 **Q: What is the purpose of your testimony?**

9 A: The purpose of my testimony is to assess the impact mandatory demand
10 charges, as a matter of policy, have had on the adoption of distributed generation
11 (DG) by residential ratepayers in markets where they have been adopted, as well as
12 to provide a perspective on policy decisions in which proposals to implement
13 mandatory demand charges on DG customers have been rejected.

14

15 **Q: Please summarize the Company's rate design proposal for distributed**
16 **generation customers.**

17 A: The Company proposes to close its current net metering service rider (Rider
18 N.M.S.) to new DG customers after December 31, 2016 and implement a revised
19 N.M.S. (N.M.S.-2) that would require new DG customers starting January 1, 2017 to
20 take service on a demand rate, the Residential-Demand Metered Electric Service
21 (R.S.-D.).

22

23

1 **Q: What does Tariff R.S.-D. include?**

2 A: Tariff R.S.-D. includes a monthly service charge of \$11.00, a volumetric
3 energy charge of 3.826 cents per kilowatt-hour, and a demand charge of \$9.44 per
4 kW, based on a customer's highest 15-minute integrated peak in kilowatts in a given
5 month.

6

7 **Q: What is TASC's principal recommendation?**

8 A: TASC's recommendation is that the Commission reject the Company's
9 proposal to require DG customers to take service on a demand rate. TASC
10 recommends the Commission retain the current Rider N.M.S. for DG customers and
11 reject the utility's proposed Rider N.M.S.-2.

12

13 **Q: What support does the Company provide for its proposal?**

14 A: In it's 491-page proposal, the utility provides five qualitative sentences to
15 justify its proposal for DG customers.¹

16

17 **Q: Does the Company cite any data, quantitative analysis or other**
18 **substantive finding in its testimony as a basis for its proposal for DG**
19 **customers?**

20 A: No.

21

¹ Direct testimony of William K. Castle, page 6 lines 7-15.

1 **Q: How many residential net metering customers does the Company**
2 **currently have?**

3 A: The Company states that as of January 1, 2016 it has eight residential
4 customers on net metering service out of over 41,000 thousand residential
5 ratepayers.² Approximately 0.02% of the Company's residential customers currently
6 engage in net metering.

7

8 **Q: Based on the number of new net metering applications received by the**
9 **Company, does there appear to be any trend in the rate of adoption?**

10 A: No, the number of applications received is sparse and does not indicate that
11 the Company has seen an increase in the rate of net metering applications in the last
12 few years. The Company had three new residential net metering customers in 2014,
13 one new residential net metering customers in 2015 and two new residential net
14 metering customers to date in 2016.

² See Company Response to TASC-TenneSEIA 1-001 (attached as TASC Exhibit No. 1 (KRS)) and <https://www.appalachianpower.com/global/utilities/lib/docs/info/facts/factsheets/APCO-FactSheet-October2015.pdf>

1 **Q: Are demand charges common in residential rate designs across the**
2 **country?**

3 A: No. Demand charges are rare in residential rates. To my knowledge, only 18
4 of the more than 170 regulated utilities in the country offer a demand rate option
5 for residential customers. Besides these few optional demand charge rate offerings,
6 I am not aware of any jurisdiction where a demand rate is mandatory or is the
7 default rate for general residential customers.

8

9 **Q: Have any other regulated utilities proposed mandatory demand rates**
10 **for DG customers?**

11 A: Yes. Regulated utilities in the following states have proposed mandatory
12 demand rates for DG customers: Arizona, Arkansas, California, Georgia, Idaho,
13 Kansas, Montana, Nevada, Oklahoma, South Dakota, Texas, and Wyoming.

14

15 **Q: What were the outcomes of these proposals?**

16 A: In nearly all instances, regulatory Commissions have rejected proposals to
17 require DG customers to take service on demand rates or utilities have withdrawn
18 their proposals.

19

20 In only one case, Black Hills Power in Wyoming, did a regulatory Commission
21 approve a mandatory demand rate for DG customers. It is notable that in this case
22 the mandatory demand rate was part of a stipulated settlement and was not

1 supported by substantive testimony, cost of service analysis, or an analysis of DG
2 costs and benefits.

3

4 Mandatory demand charges for residential DG customers have been proposed and
5 rejected in the following jurisdictions:

6 California: Pacific Gas & Electric and San Diego Gas & Electric³

7 Idaho: Idaho Power Company⁴

8 Nevada: Nevada Power Company⁵

9 Oklahoma: Oklahoma Gas & Electric⁶

10

11 Mandatory demand charges for residential DG customers have been proposed and
12 withdrawn in the following jurisdictions:

13 Arkansas: Oklahoma Gas & Electric⁷

³ California Public Utilities Commission. Docket No. R.14-07-002. *Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering*. D.16-01-044. February 5, 2016.

⁴ Idaho Public Utilities Commission. Case No. IPC-E-12-27. *In the Matter of Idaho Power Company's Application for Authority to Modify its Net Metering Service and Increase the Generation Capacity Limit*. Order No. 32846. July 3, 2013.

⁵ Nevada Public Utilities Commission. Docket No. 15-07041. *Application of Nevada Power Company d/b/a NV Energy for Approval of a Cost of Service Study and Net Metering Tariffs*. Modified Final Order. This order also covers a similar application by Sierra Pacific Power in Docket No. 15-07042.

⁶ Oklahoma Corporation Commission. Cause No. PUD 201500274. *In the Matter of the Application of Oklahoma Gas & Electric Requesting Commission Approval of New Distributive Generation Tariffs Pursuant to Title 17, Section 156 of the Oklahoma Statutes*. Order No. 651669.

⁷ Arkansas Public Service Commission. Docket No. 15-075-TF. *In the Matter of Request for Approval of Changes to Net Metering Tariff to Comply with Act 827 of 2015*. OG&E withdrew its residential distributed generation demand charge proposal in a revised filing dated August 4, 2015.

- 1 Georgia: Georgia Power⁸
- 2 Kansas: Westar Energy, Inc.⁹
- 3 Montana: Montana-Dakota Utilities Co.¹⁰
- 4 South Dakota: Black Hills Power, Inc.¹¹
- 5
- 6 Mandatory demand charges for residential DG customers are pending in the
- 7 following jurisdictions:
- 8 Arizona: UNS Electric,¹² Tucson Electric Power Company¹³ and Arizona Public
- 9 Service Company¹⁴

⁸ Georgia Public Service Commission. Docket No. 36989. *Georgia Power's 2013 Rate Case*. Order Adopting Settlement Agreement. December 23, 2013.

⁹ Kansas Corporation Commission. Docket No. 15-WSEE-115-RTS. *In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company to Make Certain Changes in Their Charges for Electric Service*. Order Approving Stipulation and Agreement. September 24, 2015.

¹⁰ Montana Public Service Commission. Docket No. D2015.6.51. *In the Matter of the Application of Montana-Dakota Utilities Co. for Authority to Establish Increased Rates for Electric Service in the State of Montana*. Order No. 7433f. March 25, 2016.

¹¹ South Dakota Public Utilities Commission. Docket No. EL14-026. *In the Matter of the Application of Black Hills Power, Inc. for Authority Increase its Electric Rates*. Black Hills withdrew its residential distributed generation demand charge proposal in a revised filing dated April 11, 2014.

¹² Arizona Corporation Commission. Docket No. E-04204A015-0142. *In the Matter of the Application of UNS Electric, Inc. for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of UNS Electric, Inc. Devoted to its Operations Throughout the State of Arizona, and for Related Approvals*.

¹³ Arizona Corporation Commission. Docket No. E-01933A-15-0322. *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*.

¹⁴ Arizona Corporation Commission. Docket No. 01345A-16-0036. *In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just*

1 Oklahoma: Oklahoma Gas & Electric¹⁵

2 Texas: El Paso Electric Company¹⁶

3

4 Mandatory demand charges for residential DG customers have been approved in the
5 following jurisdiction:

6 Wyoming: Black Hills Power¹⁷

7

8 **Q: Are there any other examples of mandatory demand charges on DG**
9 **customers?**

10 A: Yes, Salt River Project (SRP), an unregulated public power utility with
11 approximately one million retail customers in central Arizona, requires that DG
12 customers take service on a demand rate. The rate includes a three-part rate
13 structure and increased fixed charge.

14

15 **Q: What happened to residential solar adoption in SRP territory following**
16 **the enactment of a mandatory demand rate for DG customers?**

and Reasonable Rate of Return thereon, to Approve Rate Schedules Designed to Develop Such Return.

¹⁵ Oklahoma Corporation Commission. Cause No. PUD 201500273. *In the Matter of the Application of Oklahoma Gas and Electric Company for an Order of the Commission Authorizing Applicant to Modify its Rates, Charges, and Tariffs for Retail Electric Service in Oklahoma.*

¹⁶ Public Utilities Commission of Texas. Case No. 44941. *Application of the El Paso Electric Company to Change Rates.*

¹⁷ Wyoming Public Service Commission. Case No. 13788. *In The Matter Of The Application Of Black Hills Power, Inc., For A General Rate Increase Of \$2,782,883 Per Annum In Its Retail Electric Service Rates.*

1 A: DG solar applications in SRP's territory plummeted following SRP's decision
2 to implement a mandatory demand rate for DG customers. Utility data shows a
3 sustained 94% decrease in applications following the implementation of increased
4 fixed charges and a mandatory demand charge for DG customers.¹⁸

5

6 The below graph shows the monthly applications for solar DG submitted to SRP
7 from January 2014 through April 2016. In 2014, but for December and net of
8 withdrawn applications, there were on average 471 applications per month. Over
9 2015 and 2016, the number of applications plummeted to 29 per month on average,
10 a 94% decrease.¹⁹

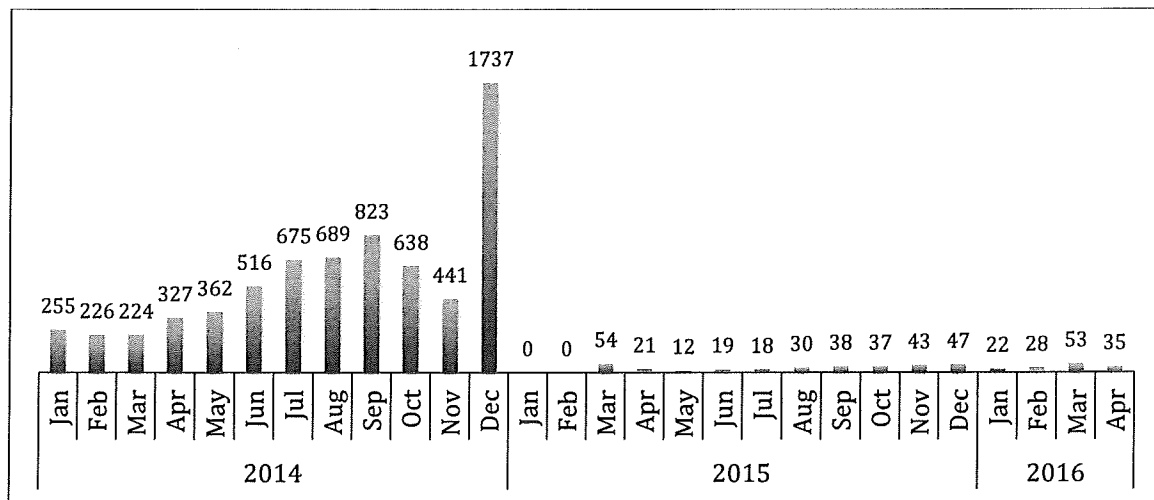
11

12 SRP is the only utility in the country with a significant number of residential DG
13 customers that has implemented a mandatory demand rate for DG customers.

¹⁸ Data derived from www.ArizonaGoesSolar.com. This reflects residential PV solar applications net of applications that were cancelled.]

¹⁹ *Id.*

FIGURE 2. SRP MONTHLY DG APPLICATIONS FROM
JANUARY 2014 THROUGH APRIL 2016.²⁰



Q: Why did solar applications spike in December 2014?

Although SRP's Board adopted the DG rate proposal in February 2015, SRP had proposed the tariff to apply retroactively to applications submitted after December 8, 2014. The dramatic number of applications in December 2014 was due to individuals wanting to adopt solar DG before the new rate structure went into effect. As evidence of this, all of the December 2014 applications occurred in the first eight days of the month, with a majority being submitted on December 8.²¹

Q: Do you support the Company's proposal to grandfather existing customers?

A: While TASC believes the Company's proposal should be rejected for the reasons stated above, we do support grandfathering in the event the Commission

²⁰ *Id.*

²¹ *Id.*

1 grants Kingsport's proposal to implement Rider N.M.S.-2. Kingsport proposes that
2 current DG customers and those that submit applications for DG by December 31,
3 2016 be able to take service on the existing Rider N.M.S. TASC supports this aspect
4 of the Company's proposal.

5

6 **Q: Do you believe the Commission should make any changes to rates for**
7 **DG customers?**

8 A: No. The Commission should reject Rider N.M.S.-2, and allow current and
9 future DG customers to continue to take service under the current Rider N.M.S.

10

11 **Q: Does this conclude your testimony?**

12 A: Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that on the ^{June}24 day of ~~May~~, 2016, a copy of the foregoing document was served on the parties of record, via electronic email transmission and regular U.S. Mail, postage prepaid, addressed as follows:

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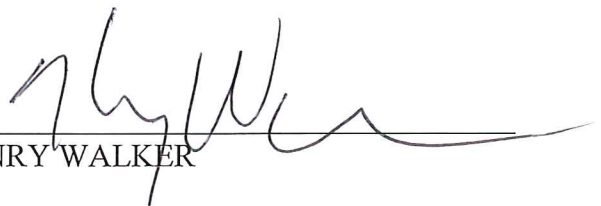
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