Introduction

The Arizona Solar Energy Industries Association ("AriSEIA") offers the following filing in response to the Commission Staff's Recommended Order (the "RO"); a letter docketed by Commissioner Pierce seeking input on the RO (the "Pierce Letter"); and the recently filed recommendation of the Residential Utility Consumer's Office ("RUCO").

I. Discussion

A. This matter must be considered in a general rate case and cannot proceed to be heard without any evidentiary record

AriSEIA is in agreement with Commission Staff that a true examination of this issue can only fairly and comprehensively be undertaken in a general rate case (a "GRC"). AriSEIA strongly believes that distributed solar has benefits that outweigh the costs. However, no party can deny that utility rates are replete with actual cost shifts...
and hidden costs and expenses that are not at all transparent to the utility customer. The Commission deals with cost shifts and hidden expenses in rate design which is flushed out in a GRC proceeding.

AriSEIA had been disappointed to see APS come out so forcefully against an alleged and unproven cost shift while altogether ignoring the existence of actual cost shifts and hidden costs that unarguably exist in rates. An advertisement run by APS in the Phoenix Business Journal on October 25, 2013 (Attached as Exhibit A), best illustrates how APS has turned a blind eye to the entire world of rate cost shifts while it has pursued a narrative that attempts to pressure the Commission to act on net metering outside a rate case with no formal evidence to consider.

In this advertisement, APS writes, “It is time to shine some sunlight on hidden solar subsidies. As long as they are needed, they should be transparent to the public. Let them be examined frequently and debated, just like other electricity rates.” APS’ point is an example of cherry-picking since rates are replete with cost shifts that are in no way “transparent to the public” and that APS is not urging become transparent. On this subject even RURO agreed and wrote, “There are many other cost shifts happening and likely at higher aggregate amounts (seasonal households, urban and rural, etc.). To subject the local solar industry to such a large cost shift correction without concurrently addressing other known cost shifts does not reflect a fair and balanced approach.”

Similarly perplexing is how APS urges that net metering be debated “just like other electricity rates” while simultaneously proposing that net metering be examined and debated in a manner that is the antitheses of how other electricity rates are in fact debated. APS’ last rate case concluded in late May of 2012, by the fall of 2012 APS was complaining about the unaddressed cost shift in net metering. AriSEIA urges the Commission not to take up this examination out of normal course, without any admitted evidence, and absolutely no evidentiary record. We agree with APS that net metering should be debated “just like other electricity rates” in a rate case.

In light the existence of so many other cost shifts with which APS seems entirely unconcerned, AriSEIA unfortunately can only conclude that APS has singled out distributed solar because of its propensity for reducing the utility’s retail sales, thereby reducing its profits over time. We sympathize with APS’ trepidation toward having to compete with its own customers who now can provide much of their own energy. Of course our member companies are constantly in a fight for their business lives through competition with each other so we understand how

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1 Cost shifts that are hidden in rates include, but are not limited to, the following examples: 1) urban to rural rate payers; 2) all rate payers to low income rate payers; 3) new development to all rate payers; 4) commercial to residential ratepayers; and 5) those living in more intense weather zones to those in more mild climates.
competition can be a source of stress and uncertainty. However, AriSEIA does not believe that a concern about lost profits for monopoly utility shareholders should permit this examination to continue forward outside of a rate case without an evidentiary record.

B. No additional residential PV deployment incentives should be approved as part of this docket

APS has suggested that the Commission should adopt a “solution” that renders residential distributed solar uneconomical to such an extent that deployment incentives should be reinstated to be sure the market does not crash. AriSEIA is opposed to any result of this hearing that requires deployment incentives to be reinstated to support the residential PV market in APS’ service territory. Residential distributed PV solar in Arizona is an incentive success story unlike any other. In just four short years the industry has utilized incentives to drive down costs to such a degree that the incentives are gone and unneeded. This is a true example of incentives working the way they should: expedite early adoption to drive down costs while driving efficiencies before expiring and being gone forever.

The reinstitution of incentives is a mechanism for putting a cap on the residential distributed PV solar market. We reject any attempts to cap the growth of our industry by crippling the economics to such a degree that incentives are necessary to drive future adoption. History has shown that incentives are subject to spur of the moment changes that can wipe out an entire industry with not more than a moment’s notice.² Our industry employs more than 10,000 Arizonans and urges the Commission to come to a resolution –based on an evidentiary record in a rate case- that does not leave these 10,000 jobs subject to extinction upon motion at a Commission Open Meeting.

For the sake of clarity AriSEIA must note that all solar market sectors are not the same. As spelled out in our position on the 2014 APS REST Implementation Plan, the Solar Water Heating market segment provides great value to ratepayers but has not benefitted from the same incentive push that helped drive down the costs of residential PV to the point that we are able to declare an end to such incentives. The Solar Water Heating segment still requires incentives that do not currently act as a cap on the market as explained above, but instead remain a key element of its success. The position set out above is specific to the residential PV market.

² See the Commission’s decision to eliminate all commercial deployment incentives by way of an amendment introduced just a few hours before the hearing to consider APS’ 2013 REST Implementation Plan for an example.
C. The Commission should consider reopening the previous rate case or ordering an accelerated filing of APS' next rate case to explore rate design solutions including a minimum bill applicable to all customers by class.

In support of its argument that this item must be dealt with and considered in a GRC, AriSEIA would support opening the previous rate case under the provisions of A.R.S. 40-252 and would support an Order requiring APS to immediately file a new rate case to deal with this issue. This issue is an issue of rate design and AriSEIA is supportive of solutions that apply in general to all ratepayers and that do not suspiciously pick on distributed solar while ignoring other indistinguishably similar issues. In particular, AriSEIA believes that a minimum bill applying to all customers by class is a solution that would allow APS to gain certainty around its cost recovery without discriminating against solar customers without justification.

D. The Commission must reject any solution that attempts to assign a charge or cost to energy generated and consumed on a customer's property.

No matter what solution this Commission adopts—in a GRC as explained above, such solution, to the extent it charges consumers for using solar energy, must only assign charges to the energy that is exported from a distributed solar system. There is no justification for charging customers for offsetting their own energy use by using solar energy while permitting customers to offset their own energy use any other way without being subject to such charge. This is a very significant principle that AriSEIA urges the Commission to adopt to avoid appearances of extreme arbitrariness. Staff's second alternative and RUCO's proposed interim solution both must be rejected for violating this standard. An example can help to illustrate this essential point:

Two customers living in equally sized homes could be consuming roughly equal amounts of electricity from APS but could be doing so for much different reasons. Home A uses solar electricity to purchase fewer kWh from the utility. Home B's owner spends the summer months in the Midwest and turns off nearly all appliances while gone, resulting in electric consumption from the utility roughly equal to that of Home A. From the utility's point of view Home A and Home B both consume the same amount of power and the reason is irrelevant.

Staff's second alternative, and RUCO's interim solution both would charge Home A more than Home B merely because the cause of their using less power was the utilization of solar power. Neither solution focuses solely upon the electricity exported by Home A to the grid. APS testified that 20% of the power produced by a normal solar facility is exported to the grid while the other 80% is consumed onsite. As a result, it is only this 20% that
differentiates solar in any way from Home B. It would be improper for the Commission to affix a charge to the 80% of power that is consumed onsite without similarly affixing a charge to Home B for turning off or lightly utilizing its electricity consuming appliances.

ACC Staff even apparently agreed with this notion when it indicated that its Option 2 was “based on the difference between APS’s cost for purchasing a DG customer’s excess generation, and its cost to purchase an equivalent amount of energy from a wholesale PPA” (emphasis added). Unfortunately, Staff’s Option 2 then runs its calculations—like RUCO—using the full output from the system and assigning a charge to the customer for merely consuming less electricity from APS. Both RUCO and Staff Option 2 must be reduced, using APS’ numbers, by 80% in order to avoid this discriminatory practice.

E. AriSEIA has performed a study in conjunction with ASU Professor David Wells demonstrating that solar adoption in Arizona is being driven by those earning under the State’s median income.

The Staff Report and public discourse driven by the utility on this subject have suggested that it is wealthy Arizonan’s that are driving the adoption of solar. In response to these claims, AriSEIA teamed up with Dr. David Wells from Arizona State University to examine publicly available records to determine the income level of those adopting solar. The wide availability of financing for solar equipment has been a key driver in allowing the less affluent to adopt solar in Arizona. Our findings conclude that 57% of the systems installed in Arizona are installed in zip codes where the median household income is at or below the Arizona median income. We ask that the Commission reject baseless arguments that solar is benefitting the wealthy at the expense of the less affluent and stick only to the facts on this subject. Should an actual hearing be held in this matter where evidence, and witnesses are permitted to be admitted and to testify, AriSEIA will be happy to create an evidentiary record of this study.

II. Conclusion

This docket is a matter of extreme importance to Arizona. For the foregoing reasons, AriSEIA urges the Commission not to make such a decision without a proper hearing and without considering this item in the context of rate design in a general rate case proceeding.
AriSEIA respectfully submitted this document in the above captioned matter.

Dated this 4th day of November, 2013

[Signature]

Arizona Solar Energy Industries Association

Mark Holohan, Chairman

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