Western Resource Advocates ("WRA") responds to the Motion to Reset filed by Arizona Public Service Company ("APS"). WRA opposes the motion and supports the Staff's Request for a Procedural Order for the reasons that follow.

I. ANY REALLOCATION OF FIXED COSTS SHOULD OCCUR IN A RATE CASE

APS' Motion to Reset is narrowly framed to request limited action by the Commission to increase the LFCR adjustment more than four times from the current $0.70/kW/month to $3/kW/month. The relief is limited in the sense that APS seeks to capitalize on what was clearly intended to be interim action in Decision No. 74202 pending a comprehensive analysis in APS' next rate case. At the time, APS' next rate
case was scheduled to be filed on June 1, 2015. APS’ Motion to Reset now treats the
issue of a cost shift to non-DG customers as settled by the Commission and immune from
collateral attack. Motion at 3, fn 4.

Nobody has to tell the Commission that these are hugely important issues. In
Decision No. 74202, the Commission recognized that the Staff counseled against exactly
what APS is trying to do with its Motion to Reset. According to that Decision, the Staff
noted that:

Development of equitable rate structures that address the inherent
disconnect between NM and volumetric rates can best be accomplished in a
general rate case… ¶ 32

Staff believes that the cross-subsidy discussed in the instant application has
explicit public policy considerations, and therefore would be most
appropriately addressed in the setting of a general rate case… ¶ 33

Staff believes that any cost-shift issue created by NM is fundamentally a
matter of rate design. The appropriate time for designing rates that
equitably allocate the costs and benefits of NM is during APS’ next general
rate case. Data on all of APS’ costs are available within a rate case. In
addition, the Commission has more options available within a rate case than
it has outside of a rate case. ¶ 52

The Commission then concluded that

[A]ddressing the net metering cost shift issue would benefit from a detailed
analysis of the costs and benefits of distributed generation systems, and
therefore, it is in the public interest to consider these matters further in
Arizona Public Service Company’s next general rate case.

Conclusions of Law, ¶ 3. (Emphasis added).

At the time Decision No. 74202 was issued, the Company was ordered to file its
next rate case on or before June 1, 2015. The Commission has since relieved the
Company of that obligation. Without knowing when APS’ next rate application is
expected, it is likely that APS will seek future summary treatment again without the
benefit of the “detailed analysis” the Commission determined would be beneficial in
Decision No. 74202.

APS notes what it regards as the enormity of the cost shift to, and paid by,
customers without DG and that even at $3/kW, the proposed charge is still only a fraction
of the total cost shift. Unless APS otherwise requires rate relief, it is unlikely that the
Commission will see a rate application in the near future. However, it is only with a rate
case that the Commission can avoid repeated motions by APS to increase the LFCR
Adjustment to what it regards as the appropriate level. Indeed, APS characterizes the
increase to $3/kW as “an incremental step” towards fair rate design. Motion at 8. There
is no reason to believe that we will not see other motions to reset in the name of
gradualism.

APS claims that Commission action is necessary on its Motion because “if the
current pace of installations continues through mid-2017, APS estimates that close to
$800 million in fixed costs will be shifted to and paid by customers without DG if no
further steps are taken to reduce the cost shift.” Motion at 2. Of course, most of that
$800 million is attributable to the existing DG customers. If installations are running at
7,800 per year, then over the next two years there will be 15,600 new DG systems by
mid-2017. But, at $804 in shifted costs per year for each DG customer, that’s only $12.4
million per year even if all 15,600 customers were in place on the day after the decision
in this case. When APS talks about $800 million in fixed costs that will be shifted to and
paid by customers without DG by mid-2017, it is referring to existing APS customers.
It is time to address the issue of any cost shift in a comprehensive fashion. APS' Motion to Reset does not accomplish that but simply puts the Commission on a path to repeated proceedings such as this. If equity in rate design is a desirable goal, that can only be accomplished in a full rate case. It is only in a full rate case that the Commission has the opportunity to analyze all of APS' costs, alternative cost of service methodologies and rate design opportunities that simply do not exist in this case.

Deferring APS' request to its next rate case will also allow the Commission to coordinate this proceeding with other proceedings in the TEP, Trico and UNS Electric cases. It is crucial that the Commission consider the policies that are being proposed in those dockets with this one and apply those policies fairly.

II. IN A FULL RATE CASE, THERE WOULD BE AN EVIDENTIARY HEARING.

As much as APS would like to believe the issues have been settled, the fact remains that none of the issues addressed in Decision No. 74202 were ever the subject of an evidentiary hearing. Indeed, even the question of whether a cost shift occurs between DG and non-DG customers and the magnitude, if any, of that cost shift has never been subject to the kind of rigorous analysis that occurs during an evidentiary hearing in a rate case. APS' Motion is designed to bypass that process and rely on a paper record that was disputed and which is now stale. An evidentiary hearing would allow the parties to
subject the proposal and the numbers underlying it to scrutiny in a way that has not occurred in this case.

RESPECTFULLY SUBMITTED this 21st day of April, 2015.

ARIZONA CENTER FOR LAW IN THE PUBLIC INTEREST

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