BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF NET
METERING COST SHIFT SOLUTION.

DOCKET NO. E-01345A-13-0248

ARIZONA PUBLIC SERVICE
COMPANY'S RESPONSE TO
STAFF'S REQUEST FOR
PROCEDURAL ORDER

APS agrees with Commission Staff that a permanent solution to the cost shift can be considered and ordered in APS's next rate case. APS also agrees with Staff's many compelling arguments about how to approach a permanent solution at that time. Indeed, starting back in Decision No. 74202, Staff stated that "the equitable distribution of DG costs and benefits ideally requires all [net metering] customers to have some form of demand-based charges."\(^{1}\) APS agrees. In APS's next rate case, the Commission can use demand-based rates to ensure that each "cost causer [ ] bear a fair share of the costs that he creates."\(^{2}\)

\(^1\) Decision No. 74202 at P 32.
\(^2\) Decision No. 74202 at P 96.
But establishing a permanent solution before APS’s next rate case was not contemplated in Decision No. 74202. Consequently, APS did not raise the issue in its Motion to Reset the Grid Access Charge. Instead, the real issue underlying APS’s Motion—and the one that APS believes should inform the procedural framework of this proceeding—is one of timing and fairness.

In Decision 74202, the Commission determined that “it is simply unfair for DG customers to contribute less to the recovery of APS’s annual LFCR revenue than non-DG customers do.” And as noted by RUCO, the relevant timeframe for considering these unfair contributions is not between now and when APS files its next rate case, but between now and the effective date of a Commission order resolving the cost shift at the end of APS’s next rate case. RUCO states that this could be 2 to 2.5 years. During this timeframe, the cost shift will become larger than it otherwise would if some interim relief is granted.

During this timeframe, non-DG customers will also experience an avoidable short-term cost shift based on how much they contribute to the LFCR. All customers contribute to APS’s annual LFCR revenue each month. APS’s Motion to Reset would increase the amount that DG customers contribute to this annual revenue, and correspondingly decrease the contribution made by non-DG customers. Throughout, APS’s revenue will remain unchanged. The following chart uses annualized Grid Access Charge estimates to illustrate the short-term cost shift:

<table>
<thead>
<tr>
<th></th>
<th>$0.70 per kW Grid Access Charge ($M)</th>
<th>$3.00 per kW Grid Access Charge ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LFCR from DG Customers</td>
<td>$0.9</td>
<td>$3.9</td>
</tr>
<tr>
<td>LFCR from non-DG Customers</td>
<td>$37.6</td>
<td>$34.6</td>
</tr>
<tr>
<td>Total LFCR Revenue</td>
<td>$38.5</td>
<td>$38.5</td>
</tr>
</tbody>
</table>

Decision No. 74202 at P 96.
If the Motion to Reset is denied, non-DG customers will pay more than is fair each month through the final effective date of an order in APS’s next rate case.

For this reason, APS must respectfully decline Staff’s invitation to withdraw the Motion to Reset. A decision to forego action on the cost shift now would be one of policy, not law. In Decision No. 74202, the Commission made clear that “Scates [v. ACC] does not require a full rate case every time the Commission changes rates....” As a revenue-neutral charge, resetting the Grid Access Charge would not impact APS’s rate of return, and thus there is no legal reason to require a rate case. Because the decision to afford non-DG customers additional interim relief is one of policy, APS believes that it is best left to the Commission.

Staff’s proposed briefing schedule will ensure that the Commission has sufficient information to decide this policy question. After this initial briefing schedule has been set, APS will respond to the substantive issues recently raised by the other parties in APS’s brief. But because the issue of delay has real monetary consequences each month for non-DG customers, APS urges a decision on procedure as swiftly as possible.

If Staff’s proposed briefing schedule is accepted, APS believes that it would be appropriate for the full Commission to hear oral argument and vote after responsive briefs are filed (perhaps during the June Open Meeting). A prompt oral argument and vote by the Commission will save Staff and Commission time and resources. And given the importance of timing, a prompt decision on procedure would also be fairer to customers. If the Commission decides to hear the merits of APS’s Motion, a procedural schedule could then be set for any necessary discovery and a hearing.

Finally, APS maintains that its request was properly styled as a motion. It only seeks a reset of the Grid Access Charge in the manner contemplated by Decision No. 74202. It seeks no new mechanism or form of relief.

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4 Decision No. 74202 at P 101; see Scates v. ACC, 118 Ariz. 531, 537 (1978).
RESPECTFULLY SUBMITTED this 23rd day of April 2015.

By:  
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