BEFORE THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

BOB STUMP
COMMISSIONER

BOB BURNS
COMMISSIONER

DOUG LITTLE
COMMISSIONER

TOM FORESE
COMMISSIONER

Docket No. E-01345A-13-0248

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

RURO'S BRIEF ON INTERIM NET METERING SOLUTION

The Residential Utility Consumer Office ("RURO") submits the following Brief on the issues of whether or not the Commission must 1) decide any portion of Arizona Public Service's ("APS" or Company) Motion inside of a rate case and if not 2) whether it would be appropriate to decide APS's Motion outside of a rate case under the circumstances of this case. For the following reasons, RURO believes that the answer is no to the first issue and yes to the second issue.

INTRODUCTION

This is not the first time that the Commission has been to this party. In fact, the Commission has visited and moved forward on these very issues in 2013 when APS brought

1 The Procedural Order of April 24, 2014 seeks Briefs on the issue of whether any portion of APS' Motion must be decided in a rate case. RURO has taken the liberty here of addressing the follow-up question if the central issue is answered in the negative which RURO believes.
the matter before the Commission. See Decision No. 74202, Docket No. E-01345A-13-0248.

RUCO anticipates that most if not all of the arguments both in favor and in opposition to moving forward in this case were presented at some point in that earlier proceeding. Most of the parties in the present case were involved in the APS' earlier proceeding. In that proceeding the Commission did reset APS' net metering rate and no party appealed the Commission's decision to reset APS' net metering rate outside of a rate case. While this point, by itself, does not make the Commission's ability to proceed at this time necessarily legal, it does establish precedent to act in the same manner if the Commission wishes. In fact, to act otherwise, given the Company's Motion would be inconsistent from both a procedural standpoint and a policy standpoint.

THE COMMISSION HAS THE LEGAL AUTHORITY TO MODIFY APS' NET METERING RATE OUTSIDE OF A RATE CASE

The Commission established APS' current net metering rate outside of a rate case. See Decision No. 74202, Docket No. E-01345A-13-0248. APS' request here is for a new net metering rate which will be revenue neutral and apply only to customers who install rooftop solar after the effective date of any decision on this Motion. Company Motion at 2.

APS proposes resetting the LFCR adjustment to $3/kw. Company Motion at 6. Increasing the LFCR adjustment now would reduce the overall amount of the cost shift in APS' next rate case. Company Motion at 8. If in fact APS' proposal does not adjust the rate base or the rate of return, and is revenue neutral, then the Company's proposal tariff would not create any fair value issues. A revenue neutral proposal which has the effect of simply shifting costs within the residential rate class would not violate fair value. Nor would there be a question of single issue ratemaking. In Arizona, the Courts have repeatedly found that the Commission is required to make a fair value finding of a utility's property and use such finding
as a rate base for purpose of calculating fair and reasonable rates. See Scates, 118 Ariz. 531, 534, 578 P.2d 612, 616 (1978), Simms v. Round Valley Light & Power Co., 80 Ariz. 145, 151, 294 P.2d 378, 382 (1956). In other words, when ascertaining the utility's rate base, the Commission is required to find fair value. Id. APS's proposal calls into play a rate design issue, not a rate base and/or rate of return issue and there would be no effect on the rate base nor the Company's rate of return.

There is also Commission precedent for addressing this issue now. A.A.C. R14-2-2307 requires each electric utility to file net metering tariffs within 120 days of the effective date of the Rule. APS' original net metering tariff appears to have been filed in compliance. The tariff was approved without the benefit of a rate case. The Rule does not require that the tariff be filed in a rate case. See A.A.C. R14-2-2307(a).

A.A.C. R14-2-2305 provides guidance for increasing the net metering rate. It also does not require a rate case to increase the net metering rate. It does, however, require full support with a cost of service study and cost/benefit analysis. A.A.C. R14-2-2305.

The Commission can also do what APS ultimately requests pursuant to the terms of the Settlement Agreement it approved in APS' last rate case. Decision No.74876. The Commission's action would be consistent with the flexibility that it has under paragraph 9.11 and 19.1 of the Settlement and Plan of Administration approved in APS' last rate case. Decision No. 74876.

In sum, there is no legal impediment which requires the Commission to hear APS' Motion outside of a rate case.
IT WOULD BE APPROPRIATE TO ADDRESS THE COST SHIFT PRIOR TO THE COMPANY’S NEXT RATE CASE

RUCO is concerned that if the Commission defers until APS' next rate case to decide this issue, the cost shift will be so great that the potential impact on new solar customers to address the cost shift could be cost prohibitive. There is little doubt that the cost of solar has come down and the number of solar sales has increased significantly. There is also no doubt that as the number of solar sales continues to grow the cost shift to non-solar customers continues to increase. It would be counter-productive in the long run to continue to avoid the issue and defer it to the next rate case.

APS will not be filing its next rate case until 2016. At that point the amount of the cost shift could be so great that it would be impractical and maybe even impossible for the Commission to make a fair and reasonable decision. The Commission should not act in a manner that limits its options on this issue.

RUCO would also like to reiterate its concern that whatever solution the Commission considers, the Commission provides some rate certainty to the solar industry and customers. RU CO seeks to "lock-in" the fixed charge for a 20 year period. It should be self-evident that providing some regulatory certainty is crucial to any business model that involves a long-term investment. RU CO understands that this Commission cannot bind future Commissions on rates, but this Commission could express its intent in its Decision by incorporating relevant language in its Decision.

RESPECTFULLY SUBMITTED this 22nd day of May, 2015.

[Signature]
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