BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONER

TOM FORESE
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DOUG LITTLE
COMMISSIONER

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
THE ALLIANCE FOR SOLAR
CHOICE'S RESPONSE RUCO'S REPLY
TO APS'S MOTION TO AMEND
INTERLOCUTORY ORDER

RU CO's Reply to APS's Motion to Amend Interlocutory Order1 (the "Reply") does not set
forth any reasons why the Commission should continue to consider raising the solar surcharge.
APS, Commission Staff, and the Alliance for Solar Choice ("TASC") all agree that the
Commission can continue to investigate costs and benefits of distributed generation solar ("DG
Solar") even if the move to increase the solar surcharge is withdrawn. TASC agrees with RUCO
that the Commission should put in place a proper process for fully evaluating the costs and benefits
of DG Solar between now and the upcoming APS rate case proceeding. TASC offers the following
in response to the Reply.

I. Discussion

1. There is no need to consider raising the solar surcharge to continue an
investigation into costs and benefits of DG Solar.

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1 TASC notes that despite APS's title to its Motion, Decision 75251 is not an "interlocutory order" and the
arguments that APS offers in an effort to characterize the Decision as "interlocutory" are not supported by law.
RUCO conflates a continued meaningful investigation of the costs and benefits of DG Solar with continuing to move forward to raise the solar surcharge. The former can no doubt continue without the later. RUCC offers no argument at all in support of its position that the Commission should move forward with raising the solar surcharge. Instead, RUCC spends its entire Reply arguing for a continued investigation of the costs and benefits of solar and fails to so much as even attempt to explain why that investigation cannot occur in the absence of APS's requested increase in the solar surcharge.

TASC believes that the investigation into the costs and benefits of DG Solar can and should continue forward without the corresponding move to raise the solar surcharge. It is noteworthy that APS, TASC, and ACC Staff, while all having different views of what an investigation looks like, all believe this investigation can continue without the simultaneous pursuit of an increase in the solar surcharge.

2. **RUCC's primary concern is an ongoing process of investigation into costs and benefits**

RUCC is clear throughout the Reply that its primary goal is to continue an investigation into the costs and benefits of DG Solar; a goal TASC shares. RUCC's intent is made clear in several locations where it states:

- [A]t a minimum, the Commission should pursue every available avenue to obtain facts and provide direction before the rate case.\(^2\)
- RUCC urges the Commission to do what is right for ratepayers, build a substantive record, examine the issues and arm itself with the knowledge needed to make a decision.\(^3\)
- RUCC firmly believes that the Commission can craft a ratepayer focused analysis that looks at the true benefits likely to accrue to non-participants.\(^4\)

\(^2\) Reply, 7:13-15
\(^3\) Id, 7:16-17
\(^4\) Id, 8:1-2
The Commission can easily address RUCO’s valid concerns by making sure an investigation of costs and benefits of DG Solar continues after the solar surcharge request is withdrawn.

3. **RUCO endorses continuing to a hearing on raising the solar surcharge even though that will cost more than it can save non-solar ratepayers**

   As TASC explained in its Application for Rehearing, individual non-solar customers can expect to save a maximum of *less than one penny* (a total of less than $10,000) as a result of increasing the solar surcharge between now and the institution of new rates in the next rate case. RUCO does not even attempt to address the fact that continuing to process the solar surcharge increase will cost taxpayers, ratepayers, and intervenors exponentially more than it will ever return to non-solar customers before new rates go into effect as a result of the next rate case.

   Simply put, APS’s request to amend the earlier decision and stop consideration of the increased solar surcharge will save ratepayers and taxpayers hundreds of thousands if not millions of dollars. RUCO’s unsupported demand to continue down that path altogether fails to consider that the best economic investment for the ratepayers it is duty-bound to watch out for is to cease the pursuit of the increased solar surcharge and instead focus on costs and benefits.

4. **RUCO mischaracterizes TASC’s position in other states.**

   RUCO includes references to positions that TASC has taken in proceedings in other states in an effort to support its position. TASC believes that further context is warranted and that RUCO’s cursory review of dockets it is unfamiliar with lead it to reach unsupportable conclusions.

   TASC has consistently advocated in Arizona and other states that rates should only be set in a utility rate case and that rates must be set on the basis of substantial evidence. When utilities have proposed to single out solar and net metering customers for discriminatory rate treatment without a sufficient evidentiary basis, TASC has argued that such charges should be dismissed from a rate case and addressed in a separate proceeding. This is a critical step for commissions to undertake in reaching a reasoned decision. TASC has highlighted in prior comments that multiple net metering benefit-cost analyses and value of solar studies conducted by public utility

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5 See, TASC’s Application for Rehearing at 18.
commissions across the country over the last two years have shown that the benefits of rooftop-distributed solar have outweighed the costs. For example, Nevada’s *Net Energy Metering Impacts Evaluation* concluded that grid benefits of rooftop-distributed energy installed through 2016 exceed costs by approximately $36 million.\(^6\) Maine’s *Distributed Solar Valuation Study* found that the value of solar power produced in Maine is $0.337/kWh,\(^7\) which is approximately $0.20 more than the average net metering credit on solar customers’ bills in that state.\(^8\) Massachusetts’ study *Evaluating the Costs and Benefits of Alternative Net Metering and Solar Policy Options*, which covers net metering and the states’ incentive program, concludes, “Under all scenarios, the benefits of the solar program exceed the costs by more than 2 to 1.”\(^9\) Mississippi’s net metering analysis, done to help evaluate whether or not the state should require net metering, showed that net metering has the potential to provide net benefits to the state in 14 out of 15 scenarios/sensitivities analyzed and that generation from rooftop solar will most likely displace generation from the state’s peaking resources – oil and natural gas combustion turbines.\(^10\) As a result, the Mississippi Public Service Commission found that “it is in the best interest of ratepayers to proceed with the development of proposed net metering and interconnection rules.”\(^11\) Mississippi will likely become the 45th state to require its investor-owned utilities to offer net metering.\(^12\) In addition, Vermont’s


Public Service Department's 2014 *Evaluation of Net Metering in Vermont* found a net benefit to ratepayers and society when analyzing fixed solar PV systems.\(^\text{13}\)

RUCO's Reply agrees with TASC's reasoning that there is merit in pulling solar issues out of a rate case when substantial evidence on which to base rate decisions is lacking. RUO acknowledges that a rate case "does not shed light on the long-term benefits and costs of DG or new technologies and their respective capabilities, and how these attributes should be evaluated."

RUO further acknowledges that developing a framework for understanding costs and benefits of DG is "an important statewide issue" that should be addressed consistently in different utility rate cases. TASC agrees. Accordingly, TASC has consistently advocated that state commissions develop a framework for assessing DG costs and that a cost-benefit study consistent with commission-established methodologies and a cost of service study are necessary prerequisites to evaluating the justness and reasonableness of any proposal to impose discriminatory rate treatment on solar or net metering customers. This is fully consistent with the Commission's net metering rules, which state:

Net Metering charges shall be assessed on a nondiscriminatory basis. Any proposed charge that would increase a Net Metering Customer's costs beyond those of other customers with similar load characteristics or customers in the same rate class that the Net Metering Customer would qualify for if not participating in Net Metering shall be filed by the Electric Utility with the Commission for consideration and approval. The charges shall be fully supported with cost of service studies and benefit/cost analyses. The Electric Utility shall have the burden of proof on any proposed charge.

TASC has consistently argued that utilities must provide cost-benefit studies and cost of service studies to justify any proposed discriminatory rate treatment. Where such support has been lacking in the rate case filing, TASC has pressed to have proposed solar and NEM charges removed from rate cases and for commissions to consider cost-benefit issues in a separate proceeding. That

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is not inconsistent with TASC's perspective that solar rates should only be modified in a rate case. As discussed above, states that have done so have overwhelmingly concluded that benefits outweigh costs or the two are roughly equal. Arizona should follow a similar process.

II. Conclusion

In conclusion, there is no reason that the increase in the solar surcharge must be pursued in order for the Commission to consider the costs and benefits of DG Solar between now and the next APS rate case. APS, Commission Staff and TASC all agree on this point. It is telling that RUO does not even offer a single argument to support its contention that the surcharge increase has any relationship to the continued study of costs and benefits of DG Solar. RUO does appear primarily concerned with continued study and TASC encourages that outcome. Further, RUO fails to address that continued pursuit of the increase solar surcharge will cost ratepayers, taxpayers, and intervenors more than non-solar customers could ever hope to save as a result of the charge between now and the end of the next rate case.

Respectfully submitted this 11th day of October, 2015.

[Signature]

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