RUCO'S EXCEPTIONS

The Residential Utility Consumer Office ("RUCO") submits the following Exceptions/Clarification to its position in this matter. Paragraph 124 of the Recommended Opinion and Order ("ROO") states that RUCO believes that the Value of DG docket must be concluded prior to Commission action on the APS application and further believes that the Value of DG docket should proceed prior to the rate case if the Commission should decide not to hold a hearing prior to the next rate case. RUCO believes that the Value of DG docket needs to be concluded either way - if the Commission should adopt this ROO and the issue is heard in the next rate case, or if the Commission should reject the ROO and proceed to hearing on the issue before the next rate case. RUCO apologizes to the ALJ, Commission and the Parties for any confusion.

As stated previously, RUCO respectfully suggests that this LFCR adjustment issue can and should be heard now. While a rate case may be filed as soon as next year, it will be far down the line before new rates become effective. At the very least, a hearing now can help
inform a rate case with data derived from sworn testimony. In fact, if the Commission provides thoughtful framing for the hearing, the proceeding can be used to provide both a near-term decision point for the Commission on the LFCR adjustment as well as a DG cost-benefit framework for the upcoming rate case.

Currently there is a data void around DG and its related costs and benefits. The Commission can fix this in a number of ways and there is a clear precedent. With energy efficiency (EE), Commission Staff and utilities deploy like models to gauge the cost effectiveness of EE measures. There is a consistent methodology used to cover all utilities and it is frequently updated with the latest market numbers. Without a similar approach for DG, parties will revert to their own calculations and studies in the rate case which will undoubtedly create an unwieldy process and wide distribution of numbers. Hearing the issue now could advance the DG valuation docket, provide commission guidance on how to approach DG in the rate case, and offer a data point to consider for the LFCR in the interim.

In essence, hearing this issue now, with a clear objective to determine a cost-benefit methodology will advance the discussion before the next APS rate case is filed. Instead of being idle, parties can be working on important and complex issues that will help make the rate case process more efficient and data driven. Moreover, unlike a rate case, especially one in settlement, the Commission can be more hands on and provide direction to parties. Finally, the Commission will have an increased level of actionable data to make a possible adjustment to the LCFR charge. RUCO believes that this a no-regrets course of action that will only help in forming policy that is good for all ratepayers.
RESPECTFULLY SUBMITTED this 12th day of August, 2015.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 12th day
of August, 2015 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing hand delivered/
e-mailed/mailed this 12th day of August, 2015 to:

Dwight Nodes
Hearing Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Maureen Scott
Wesley Van Cleve
Janet Wagner
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Thomas Loquvam
Pinnacle West Capital Corporation
400 N. 5th St., MS 8695
Phoenix, Arizona 85004
Attorney for Arizona Public Service
Company
thomas.loquvam@pinnaclewest.com

Lewis Levenson
1308 E. Cedar Lane
Payson, Arizona 85541
equality@centurylink.net

Michael Patten
Snell and Wilmer
400 E. Van Buren, Suite 1900
Phoenix, Arizona 85004
mpatten@swlaw.com

Garry Hays
Law Offices of Garry D. Hays, P.C.
1702 E. Highland Ave., Suite 204
Phoenix, Arizona 85016
Attorney for Arizona Solar Deployment
Alliance
ghays@lawgdh.com
Greg Patterson  
916 W. Adams, Suite 3  
Phoenix, Arizona 85007  
Attorney for Arizona Competitive Power Alliance  
greg@azcpa.org

Patty Ihle  
304 E. Cedar Mill Road  
Star Valley, Arizona 85541  
apattywack@yahoo.com

Bradley Carroll  
Tucson Electric Power Company  
88 E. Broadway Blvd., MH HQE910  
P.O. Box 711  
Tucson, Arizona 85702  
bcarroll@tep.com

John Wallace  
Grand Canyon State Electric Cooperative Association, Inc.  
2210 S. Priest Drive  
Tempe, Arizona 85282  
jwallace@gcseca.coop

Court Rich  
Rose Law Group, PC  
7144 E. Stetson Drive, Suite 300  
Scottsdale, Arizona 85251  
Attorney for Alliance for Solar Choice  
crich@roaselawgroup.com

Todd Glass  
Wilson Sonsini Goodrich & Rosati, PC  
701 Fifth Ave., Suite 500  
Seattle, Washington 98104  
Attorneys for Solar Energy Industries  
tglass@wsg.com

Timothy Hogan  
Arizona Center for Law in the Public Interest  
514 W. Roosevelt  
Phoenix, Arizona 85003  
Attorney for Western Resource Advocates  
thogan@aclpi.org

David Berry  
Western Resource Advocates  
P.O. Box 1064  
Scottsdale, Arizona 85252  
David.berry@westernresources.org

Kristin Mayes  
Kris Mayes Law Firm  
3033 N. 3rd St., Suite 200  
Phoenix, Arizona 85012  
Attorney for Solar Energy Industries Association  
kmayes@krismayeslaw.com

GinCARLO Estrada  
Kamper, Estrada and Simmons, LLP  
3030 N. Third St., Suite 770  
Phoenix, Arizona 85012  
Attorney for Solar Energy Industries Association  
gestrada@lawphx.com

Mark Holohan  
Arizona Solar Energy Industries Association  
2122 W. Lone Cactus Dr., Suite 2  
Phoenix, Arizona 85027  
todd@arizonasolarindustry.org

Kevin Fox  
Tim Lindl  
Erica Schroeder  
Keyes, Fox & Wiedman LLP  
436 14th St., Suite 1305  
Oakland, California 94612  
kfox@kfwlaw.com  
tlindl@kfwlaw.com  
eschroeder@kfwlaw.com
Albert Gervenack  
14751 W. Buttonwood Dr.  
Sun City West, Arizona 85373  
agervenack@bmi.net

W.R. Hansen  
Sun City West Property Owners and Residents Association  
13815 Camino Del Sol  
Sun City West, Arizona 85375

By Cheryl Maulob
124. RUCO clarified at the oral proceeding that it no longer believes, as it did when filing its Response to the Reset Application, that the generic Value of DG proceeding must be concluded prior to Commission action on the APS Application. RUCO stated that it now would prefer that the Commission hear the Reset Application prior to a Commission determination in the Value of DG proceeding. RUCO believes, however, that if the Commission decides not to hold a hearing in this docket prior to APS's rate case, the Value of DG docket should proceed prior to the rate case.

124. RUCO believes that the Value of DG docket needs to be concluded either way - if the Commission should adopt this ROO and the issue is heard in the next rate case, or if the Commission should reject the ROO and proceed to hearing on the issue before the next rate case.

167. The arguments have not established an urgent need for commencing a proceeding on the Reset Application at this time. Any proposal presented outside a rate case to address the recovery of fixed costs on an interim basis would be severely limited in scope, to changes in the LFCR adjustor mechanism established in the settlement of APS's last rate case. The LFCR mechanism may well be inadequate in the long term to address the issue of APS's ability to recover its fixed costs in the face of a reduction in kWh usage under APS's current rate design.

168. There is little regulatory wisdom in undertaking a proceeding that is severely handicapped from the beginning in the way of possible solutions to a problem that can be readily addressed in a rate case which will be filed in less than one year. Any need to grandfather new DG customers cannot be presumed absent a full and diligent examination of all elements of APS's rate design in the context of a full rate case. Commencing the evidentiary proceeding prior to the rate case as urged by APS would be duplicative and expensive for all affected entities, and is not necessary to make APS whole. We find that it is more reasonable, appropriate, and in keeping with proper ratemaking principles to address the issue of lost fixed cost recovery due to reduced
kWh usage in the rate design phase of APS's upcoming rate case, which it has stated it intends to file in the second quarter of 2016.

167. The issues raised by the Reset Application are rate design issues which will be more reasonably and appropriately be dealt with in the context of a full rate case proceeding. However, the Commission finds it in the public interest to initiate a formal hearing process prior to the rate case and as soon as possible with the following three phases:

1. Develop an appropriate cost/benefit methodology for distributed generation that can cover different technologies and associated configurations including but not limited to solar PV, solar hot water heating, wind technology, and energy storage.
2. Obtain data on the record specific to APS to fill out the cost/benefit framework. Determine missing or incomplete data if any, along with recommendations to remedy any data shortfall.
3. Using best available information, bring to Commission consideration results of the cost/benefit test and the appropriate interim LFCR charge informed by the results of the test.

The Commission will vote on each phase as it deems appropriate. Commission vote on phase two can also conclude the Value of DG docket.

The Hearing Division shall schedule a procedural conference to schedule dates consistent with this Order.

Page 34 lines 3-7

Delete

3. The issues raised by the Reset Application are rate design issues which will be more reasonably and appropriately dealt with in the context of a full rate case proceeding.

4. Due to the nature of the issues raised by the Reset Application, it is not in the public interest to make a determination on the Reset Application outside a full rate case proceeding, and the Application should therefore be dismissed.

Insert

3. The issues raised by the Reset Application are rate design issues which will be more reasonably and appropriately be dealt with in the context of a full rate case
proceeding. However, the Commission finds it in the public interest to initiate a formal hearing process prior to the rate case and as soon as possible.

4. The Hearing Division shall schedule a procedural conference to schedule dates consistent with this Order.

Make all conforming changes.