BEFORE THE ARIZONA CORPORATION COMMISSION

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

The Residential Utility Consumer's Office ("RUCO") appreciates the Commission soliciting comments on a framework that parties can use to analyze the cost-shift in the upcoming hearing. Once the Cost of Service study is completed, RUCO believes that the Commission will be in possession of all the data it needs to make a timely decision on the LFCR charge for future solar installations (as requested by APS). Since $3/kW is the extent of the proposed charge, a near-term look at the costs and the benefits of solar in conjunction with the updated Cost of Service analysis would satisfy the data requirement for the upcoming hearing.

In the event that the Commission would like parties to examine the "net-cost shift" over a longer time horizon, additional guidance would be helpful on what to include and not include into the framework. Commission direction will focus the analysis and allow parties to fill in the framework with the best available data. The alternative of not having Commission guidance
when looking at this issue through a multi-year lens would potentially be a series of varied 
methodologies with conflicting results.

RUCO respectfully suggests that the Commission structure the evaluation framework in 
the following way if a multi-year approach is taken:

1. Examine the cost shift related to all the generation of the PV system, not just 
exports.
2. Focus only on the residential rate class.
3. Only look at direct benefits to ratepayers, do not include economic or societal 
adders.
4. Use a 20 year time horizon for the analysis and levelize the benefits and costs 
over that time period.
5. Include integration costs into the framework.
6. Include loss avoidance.
7. Factor in utility administrative costs related to PV deployment.
8. Do not include “RPS avoidance” benefits. If included, factor in an opportunity cost 
input for not pursing less expensive wholesale DG.
9. For energy, capacity, and a few other “savings” categories adopt methodologies 
consistent with how benefits are calculated for energy efficiency. RUVO proposes the 
adoption of the attached utility recommended methods of calculating energy and 
Owned Utilities (see Appendix)
10. Conduct an analysis that conforms to these guidelines in an Excel spreadsheet 
and present this spreadsheet as part of opening testimony so all parties can use it. 
The spreadsheet shall list the following;
   a. Total gross cost shift (no long-term benefits)
   b. Net cost shift after 20 year cost/benefit examination
   c. A Ratepayer Impact Measure test shall be performed.
   d. Suggested LFGR charge to mitigate net cost shift for several residential 
rate plans based off the results of the Ratepayer Impact Measure test.
   e. Provide placeholders for various technology orientations and 
configurations (advanced inverters)

In general, RUVO suggests conservatism when approaching a multi-year analysis for 
several reasons. First, future benefits are not guaranteed. Therefore RUVO favors only looking 
at direct benefits and over 20 years, not the life of the asset. Second, wholesale DG is less 
expensive and should not be put to a disadvantage against residential rooftop PV systems. 
How the Commission allocates capacity in future years should be based on properly balancing
the two resources. RUCO believes that this discussion needs to happen and preferably within an IRP context.

RUCO would like to once again thank the Commission for considering these framework parameters. RUCO continues to believe the long-range solar valuation issue is an important topic but not a matter that needs to be resolved in order to consider the reset of the LFCR charge. Should the Commission choose to do so, placing the proposed structure and guidance around a multi-year analysis will focus the parties and give the Commission actionable data to make a policy decision around. It will also help mitigate this issue in the next rate case and take what has been a very contentious conversation and move it forward in a constructive manner. Finally, the hearing will uncover any missing data or important research topics that should be further explored in a statewide docket or IRP proceeding. Given this, RUCO believes that the time and resources devoted to this hearing will be well spent.

RESPECTFULLY SUBMITTED this 4th day of September, 2015.

Daniel W. Pozefsky
Chief Counsel


Sampling of Benefit/Cost Approach:

1. Avoided cost of energy will be stated as levelized costs and will be developed using the assumptions for the forecasted marginal production costs included in the integrated resource planning (IRP) model, with adjustments as appropriate for the impacts of the energy savings planned through the energy efficiency standard.

2. Placeholder for impact of EPA’s 111 (d) policy

3. Avoided cost of generation capacity will be stated as annual levelized costs based primarily on the cost of the next marginal unit identified in the IRP generation plan. Utilities may also use an approach that combines the next marginal unit cost and the cost of short term market capacity where appropriate.

4. The avoided cost of generation capacity will include the value of both principal and interest payments over the term of the debt incurred in installing these resources.

5. A societal discount rate will be used that will be based on the yield for U.S. Treasury securities up to a cap of 4%.

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1 RUCO's modification to the original paragraph on including carbon compliance cost.
AN ORIGINAL AND THIRTEEN COPIES
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