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

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKET No. E-01345A-13-0248

SUSAN BITTER SMITH
CHAIRMAN

BOB STUMP
COMMISSIONER

BOB BURNS
COMMISSIONER

DOUG LITTLE
COMMISSIONER

TOM FORESE
COMMISSIONER

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

RUCEO'S REPLY TO APS'S MOTION TO AMEND INTERLOCUTORY ORDER

RUCEO is puzzled by, and objects to APS's Motion to Amend Interlocutory Order filed on September 25, 2015. While the political antics of a certain segment of the solar industry may have risen to a higher level than anticipated, their reaction is not at all unexpected. APS should have known that this type of rancor was coming before making its request to reset the Grid Access Charge. Now after a favorable decision by the Commission and months of work and countless hours spent on this issue by RUCEO, Commission staff, and other parties, APS has requested a modification to Decision No. 75251 which would allow for a much narrower hearing, as well as foregoing APS's request to reset the Grid Access Charge. RUCEO finds this request disappointing and not in the best interest of ratepayers.

RUCEO is tasked with doing what is best for the ratepayers. RUCEO has stayed out of the on-going politics that has consumed the Commission on the issue of net metering. Both the utility and a section of the solar industry, have brought the Commission into the center of a
debate and have used tactics that, at the very least, are against the ratepayer’s best interests and unquestionably have slowed the Commission’s process down. Stated another way, the on-going debate between roof-top solar and the utilities on the issue of net metering has affected the Commission’s ability to conduct a fair and measured process. Politics should not prevent the Commission from exploring issues and determining facts. The Commission must act independently and allow for a process which will provide it with the necessary information to ultimately make a decision. That is exactly what the Commission has done in Decision No. 75251 – it has set forth a process that is thoughtful, reasonable and fair to all of the stakeholders. The Commission should deny APS’s Motion and leave Decision No. 75251 unchanged. If the Commission cannot have a process which allows it to obtain foundational facts on important ratepayer issues, then RUCO has no forum in which to advocate for the best interests of ratepayers.

The on-going politics played by both sides of this debate has stalled the Commission’s progress on other important issues as well. If the Commission had continued and ultimately concluded its investigation into the value and costs of distributed generation solar (“DG”) (Docket #14-0023) the Commission would have been armed with the knowledge to make an informed decision much sooner. Unfortunately, the Commission neglected the following critical portion of Decision No. 74202 in the 2013 proceeding, to which RUCO was a party:

"IT IS FURTHER ORDERED that the Commission will open a generic docket on the net metering issue and hold workshops with all stakeholders to help inform future Commission policy on the value that DG installations bring to the grid."
IT IS FURTHER ORDERED that the workshops shall investigate the currently non-monetized benefits of DG with the goal of developing a methodology for assigning DG values, because the NM cost-shift issue will be faced by all Arizona electric utilities as the penetration level of DG increases in each of the companies' individual service territories. The workshops shall be based upon the Commission's determination of the presence of a cost shift from DG customers to non DG residential customers, and shall provide for the Commission's future full consideration of the net metering cost shift issue, the development of a method(s) by which the value of DG can be considered in balancing the public interest, and the evaluation of the role and value of the electric grid as it relates to rooftop solar, other forms of distributed generation, and customer-sited technology generally. In a future Commission/Staff Open Meeting the Commission may give Staff further direction on the content and process of the workshops."

RUCO specifically advocated for the above provisions to avoid the lack of information that has contributed to industry backlash on several utility proposals around net metering. In fact, in February of 2014, RU CO put forward a framework for Commission consideration. Then in a Commission workshop, RU CO advocated for a clear path forward that seemed agreeable to participants, but no follow-up was conducted. All of RU CO's proposals were dismissed.

RU CO also offered advice in Decision No. 74202 docketed on August 21, 2014. RU CO advocated for a statewide discussion on important issues facing ratepayers and more work in the value of DG docket, stating "If a limited discussion is pursued, RU CO sees little reason to
push out the APS case." When the Commission voted to delay the APS rate case no such
consideration was given and with that decision, the Commission invited the current political
circus. RUCO has continually provided thoughtful, fair, and insightful guidance on this issue.
RUCO is ideally situated and likely the most independent, unbiased party to comment on this
issue. RUCO has invested considerable time and expense to develop expertise in this area
and moving forward, RUCO stands ready and willing to help craft a solution to this issue.
However, one needs a forum to do this.

Regardless of the Commission's decision on APS's latest request, RUCO recommends
that the Commission set forth an analytical framework through a Commission vote. This
framework should then be used to conduct an examination into the costs and benefits of DG.
Without the adoption of an analytical framework to work from, the Commission will be setting
itself up for another political firestorm with no path towards resolution. Two preliminary
workshops in an unresolved proceeding has not come close to advancing the Commission's
understanding or approach to these complicated issues that affect all ratepayers.

Without a path forward, we will just see 'more of the same'. In other states and on
multiple occasions, TASC or its member companies have demanded that solar issues be
pulled from rate cases – the exact opposite request they have repeatedly made before the
Commission here in Arizona. The following quotes taken from various rate cases in other
states:

1. "Consideration of solar DG rate design issues in a separate matter would
also promote administrative efficiency in the Westar rate case by condensing
and focusing the issues pertaining specifically to Westar's revenue
requirement, class cost allocations, and rate design for commercial and
industrial customers"¹

2. "Solar City's Watters said El Paso Electric's proposal has not yet dampened
El Paso area homeowners' interest in getting solar systems. The young
proposal has a long regulatory process to go through, he noted. It would be
better if the solar issue was taken out of the larger rate case and
handled by regulators in a separate case as is being done now in at
least one state, he said.²

3. "TASC recommends the Commission open a separate proceeding to
"develop a comprehensive cost-benefit framework that could be used in
future rate cases...... a delay will allow PacifiCorp to provide critical
information that is currently missing to assess the costs and benefits of the
net metering program."³

4. The theme of not having enough information in rate cases was also
reiterated in Colorado and Wisconsin:

¹ http://estar.kcc.ks.gov/estar/ViewFile.aspx?Id=3372898b-0d0e-4e65-8a5d-13f39e1f3c02
The general reason TASC or TASC member companies have advocated to pull solar issues out of a rate case is because they claim not enough information was present. There is some merit in this reasoning, which is why RU CO is advocating that the Commission adopt an analytical framework to DG, just as it has other issues such as energy efficiency. This will prevent obstructionists from attempting to delay or side track rate cases. It is important to note that the development of this framework will not be possible in a rate case setting. A rate case only gives a glimpse into costs and provides the tools to address those costs. It 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. Moreover, as RU CO has asked in the past, why litigate an important statewide issue in one utility’s rate case?

For these reasons, not only is RU CO opposed to APS’s Motion to Amend, RU CO is also opposed to APS’s proposed revised scope. APS proposes to mostly look at one side of the cost-benefit equation. What is the point of limiting the analysis? Having an understanding of both are critical to moving forward on DG issues. The urgency surrounding this analysis can’t be overstated, as there are other rate cases affected by DG currently before the Commission. That is why the Commission must move forward and continue with the Grid Access Charge hearing.
If the Commission allows APS to withdraw its Motion to Reset the Grid Access Charge, the Commission will not be able to fully investigate the matter with parties under oath or determine whether any changes could benefit ratepayers until the new rates of a 2016 rate case go into effect in or about late 2017 or 2018. RUCO believes APS' action is short-sighted and the Commission should move forward with the process outlined in Decision No.72521.

Some have said that the Commission should not examine any issue before concluding the value of solar docket, saying that doing so would be putting the "cart before the horse". RUCO believes that developing an analytical framework to guide a hearing and obtaining information under oath, can only help inform the value of solar docket, which will be more holistic in nature and broader in scope. Resetting the charge, either through the LFCR or another mechanism, is a limited scope policy call capped at a $21 per month charge at the most. In essence one track is a narrowly scoped trial run and the other is a broader more generic examination. RUCO sees little downside to having both tracks. Again, at a minimum, the Commission should pursue every available avenue to obtain facts and provide direction before the rate case.

RUCO 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. This is the only way to ensure that the time before the rate case is well spent. Arizona is a leader in solar energy (particularly distributed generation) yet it is the only state not taking heed of the good policy and wisdom of its own 2013 decision. Other states that witnessed what happened in Arizona, some of which have only a fraction of the solar resources Arizona possess, have carried out comprehensive analyses into the costs and benefits of solar. Not all have done this in a way that maximizes benefits for non-solar ratepayers, however, they all at least attempted
to study the matter. RUCO firmly believes that the Commission can craft a ratepayer focused
analysis that looks at the true benefits likely to accrue to non-participants.

In conclusion, RUCO recommends that the Commission reject APS’ Motion and not
narrow the scope in any manner. If the Commission decides to approve APS’s Motion to
Amend, RUCO respectfully requests that dockets for both cost of service and value of solar,
are quickly moved forward, so that the interested parties can have a forum to provide the
Commission with the best record to decide this matter and protect residential ratepayers.

RESPECTFULLY SUBMITTED this 7th day of October, 2015.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 7th day of October
2015 with:

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

COPIES of the foregoing hand delivered/
e-mailed/mailed this 7th day of October,
2015 to:

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

Janet Wagner
Legal Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007
1 Kristin Mayes
   Kris Mayes Law Firm
   3033 N. 3rd St., Suite 200
   Phoenix, Arizona 85012
2 Attorney for Solar Energy Industries Association
3 kmayes@krismayeslaw.com
4 Ginecarlo Estrada
   Kamper, Estrada and Simmons, LLP
   3030 N. Third St., Suite 770
   Phoenix, Arizona 85012
5 Attorney for Solar Energy Industries Association
6 gestrada@lawphx.com
7 Mark Holohan
   Arizona Solar Energy Industries Association
   2122 W. Lone Cactus Dr., Suite 2
   Phoenix, Arizona 85027
todd@arizonasolarindustry.org
8 Kevin Fox
9 Tim Lindl
   Erica Schroeder
10 Keyes, Fox & Wiedman LLP
   436 14th St., Suite 1305
   Oakland, California 94612
kfox@kfwlaw.com
11 tlindl@kfwlaw.com
   es Schroeder@kfwlaw.com
12 Albert Gervenack
13 14751 W. Buttonwood Dr.
   Sun City West, Arizona 85373
14 agervenack@bmi.net
15 William Mundell
   8333 N. Mockingbird Lane
   Paradise Valley, Arizona 85253
16 By Cheryl Traulon
17 Renz Jennings
   6413 S. 26th Street
   Phoenix, Arizona 85042