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TELL UTILITIES SOLAR WON'T BE KILLED

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MAY 06 2013
By _____

Commissioner Bob Stump
Arizona Corporation Commission
Commissioners Wing
1200 W. Washington - 2nd Floor
Phoenix, Arizona 85007

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Arizona Corporation Commission
DOCKETED

MAY 08 2013

VIA EMAIL & U.S. MAIL
Docket No. E-01345A-12-0290

DOCKETED BY

Dear Honorable Arizona Corporation Commissioners:

As you are well aware Arizona Public Service (APS) has launched a hostile attack on rooftop solar, a customer choice driven alternative to its monopoly. They claim to like solar but it's clear they only like what solar they own. Their fear of the future and the increased adoption rate of independent solar is cited for acute concern in their Wall Street filings, a clearer indication of their real feelings and true motivations.

But thanks to your leadership energy choice via a thriving rooftop solar market in Arizona is one of the country's great success stories. Your "more rooftop solar for less ratepayer money" policy has worked to date, driving down prices and increasing adoption for residential solar consumers. Now, APS is asking you to be the first governing body in the country to reverse the net metering policy that is law in 43 states. It would be the most anti-solar move in the country for what has been the most opportunistic of solar states.

APS continually echoes that net metering is a subsidy. It is not and will be proven as much. However, since they raise the issue of subsidies, they introduce the notion that any decision on net metering prior to a more comprehensive review of all APS subsidies, would be premature. I certainly believe this to be the case. Consequently, we ask that you formally undertake such an analysis, prior to the any decision on net metering, in order to convey to the public what the true impacts to Arizona ratepayers are. And, in addition to their monopoly status how APS' subsidies grant an unfair competitive advantage to energy choices like ours.

At every step from the beginning to the end of the electrical generation cycle, incentives in the form of preferential treatment are applied such as subsidies, price support, tax treatment, accelerated depreciation, and capitol recovery.

While the Corporation Commission does not control and did not create all of these subsidies, its constituents, the utility ratepayers, pay for all of them whether it be through their electric bills or state or federal taxes. As a result, their impacts on those you represent are real, must be understood, and cannot, despite APS' wishes, be ignored.

Why would the Commission take action on one alleged "subsidy" without understanding the impact of all subsidies on Arizona ratepayers?

Such an analysis should include but not be limited to:

- The Price Anderson Act: This subsidy allows APS to own, operate and profit from one of the largest nuclear plants in the country while Arizona and American taxpayers are on the hook to write a blank check should any accident take place. APS has benefited from this subsidy ever since Palo Verde shipped its first electron, about 25 years ago.
- What about the tax credits APS receives on its nuclear decommissioning trusts? Across the country that subsidy alone costs Arizona and American taxpayers more than \$1 billion each year. This is literally a tax break to cover the costs to close down a power plant.
- When it comes to coal what about the percentage depletion tax break which is a tax credit for depleting natural resources. This costs Arizona and American taxpayers another \$1 billion per year.
- What about the burden placed upon small businesses in APS service territory to disproportionately absorb costs associated with electric service to keep rates lower for others? Should our small businesses be paying much more than their fair share so that APS can show returns for its shareholders? We must understand the true costs to our small businesses of this massive subsidization.
- Subsidies for transmission line extensions to serve new development: APS previously advocated in favor of a policy that provides line extensions to new development at no cost to the developer of the property. These costs are instead shifted onto all ratepayers so that APS can more easily add new customers and more money to its bottom line. Now that growth has accelerated it is imperative that we understand the costs of this subsidy.
- Protected monopoly status: Of course, the biggest subsidy to APS is its protected monopoly status. This is a subsidy of the highest order as the government literally forbids competition with this utility. The appropriate type of measured competition will undoubtedly be good for ratepayers yet APS seeks to crush even the smallest notion of customer choice. Before taking away all customer choice at APS' behest, it is essential that the Commission calculate the costs to APS customers associated with continuing a system devoid of competition.

These are just a few examples. APS' premise seems to be that APS and her shareholders should continue to receive subsidies for dirty and dangerous power sources while solar choice should be punished such that APS should make even more money when its customers choose to buy a different product? APS is standing on stilts and calling the solar industry short.

Because of their audacity - and abuse of its monopolistic privilege in trying to squash a disruptive technology like solar - it is imperative that the Arizona Corporation Commission not only say no to their outrageous requests but entertain new ones like even more competition, because of them.

Very clearly, APS intends to try and convince you to defeat any competitor and any threat just as typewriters once lamented computers. In APS' world no disruptive technology should ever be allowed because it would be bad for them.

But like school choice and healthcare choice the tide of freedom and innovation should be our yardstick. It should not and must not be the job of this Commission to be more concerned with APS' assured profits than accelerating the kind of competition that is best for consumers and our state's future.

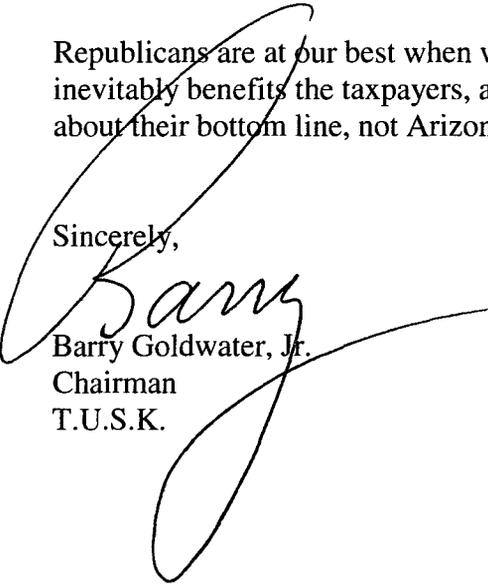
In other words, just as Republicans have looked for ways to end the public school monopoly because it has hindered innovation and achievement, so too should you look for more ways to end APS' monopoly now.

I sincerely appreciate your service, having been in that arena myself, once upon a time.

APS' recent actions remind us of the opportunity you now have: To say no to their requests and maintain a robust solar market in Arizona. To say yes to a thorough analysis of their extraordinary incentives and tax breaks so we may best understand the debate now before us. And to say yes to new ways to wean ourselves off the monopoly.

Republicans are at our best when we are pushing for more innovation and competition that inevitably benefits the taxpayers, as opposed to doing the bidding of companies most concerned about their bottom line, not Arizona's.

Sincerely,



Barry Goldwater, Jr.
Chairman
T.U.S.K.