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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission  
DOCKETED

AUG 16 2013

Bob Stump, Chairman  
Gary Pierce, Commissioner  
Brenda Burns, Commissioner  
Bob Burns, Commissioner  
Susan Bitter Smith, Commissioner

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DOCKETED BY  
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IN THE MATTER OF THE  
COMMISSION'S INQUIRY INTO RETAIL  
ELECTRIC COMPETITION.

Docket No. E-00000W-13-0135

**RESPONSIVE COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE**

The Alliance for Solar Choice (“TASC”)<sup>1</sup> submits these comments pursuant to the May 23, 2013 correspondence in the above-captioned docket from Ms. Jodi Jerich requesting stakeholders provide feedback regarding retail electric competition in Arizona. TASC submits these comments to highlight how the vast majority of opening comments support the idea that Renewable Energy Standard (“RES”) and net metering (“NEM”) policies can flourish in a carefully considered retail choice program. TASC also emphasizes that unsubstantiated and outright false claims from the Arizona Public Service Company (“APS”) with regard to NEM should not be accorded any weight by the Commission. Finally, TASC suggests that the Commission use this proceeding to take a broader look at modernizing its ratemaking policies to

<sup>1</sup> TASC advocates for maintaining successful distributed solar energy policies, like retail net metering, throughout the United States. Members represent the majority of the nation’s rooftop solar market and include SolarCity, Sungevity, Sunrun and Verengo. The companies are responsible for thousands of residential, school, church, government and commercial solar installations in Arizona and have brought hundreds of jobs and many tens of millions of dollars of investment to Arizona’s cities and towns.

ensure current policies are achieving State goals and suggests that the Commission refrain from considering changes to specific tariffs, such as those related to NEM, until after such an analysis is complete.

**I. Parties' Comments Reflect Substantial Agreement that Retail Choice is Compatible with NEM and RES Policies.**

In responses to questions 14 and 16, a chorus of stakeholders' comments confirms that retail choice and NEM and RES policies are compatible. Perhaps more notable than the number of parties in agreement is the diversity of those parties, which include utilities, solar advocates, ratepayer representatives, retail choice proponents and others.<sup>2</sup> In particular, the comments from the Vote Solar Initiative and Solar Energy Industries Association demonstrate how numerous states in the country that have asked these same questions have come to the same conclusion: Well crafted retail choice policies complement successful NEM and RES policies.<sup>3</sup> In fact, all fifteen restructured states in the country, except Texas, allow NEM.<sup>4</sup>

A tiny fraction of the tens of comments submitted offer unsupported suppositions questioning whether NEM is compatible with retail choice.<sup>5</sup> However, the overwhelming

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<sup>2</sup> See, e.g., APS Comments, Attachment A at 29-31; Tucson Electric Power Comments at 21-23; Salt River Project Comments at 45-46; Vote Solar Initiative Comments at 2-4; Solar Energy Industries Association Comments at 1-3; Interstate Renewable Energy Council Comments at 3-4; Sierra Club Comments at 5-6; Arizona Solar Deployment Alliance at 4-5; RUCO Comments at 7-8; Retail Competition Advocates at 36-38; Goldwater Institute Comments at 17-18; and Federal Trade Commission Comments at 20-21.

<sup>3</sup> Vote Solar Initiative Comments at 2-4; Solar Energy Industries Association Comments at 2-3.

<sup>4</sup> Interstate Renewable Energy Council, *The Intersection of Net Metering and Retail Choice: An Overview of Policy, Practice, and Issues*, pp. 7-8 (2010) ("IREC Report").

<sup>5</sup> City of Mesa Comments at 5.

majority of comments in this docket reflects a consensus in support of the coexistence of retail choice and NEM programs.

The substantial support of NEM in a retail competition market makes sense. After all, both NEM and retail choice provide electricity consumers with choices for meeting their energy supply needs that they would not otherwise have. States that have carefully crafted NEM and retail choice policies have fostered successful markets in both areas. The most successful states include the following elements in NEM-retail choice programs:

- Requirements for both competitive retail providers and transmission and distribution utilities to make NEM tariffs available to customers.
- Prohibitions against both competitive retail providers and transmission and distribution utilities implementing rate structures that discriminate against NEM customers.
- Requirements for the full netting of both energy and delivery, *i.e.*, distribution and transmission, charges at the full retail rate.
- Implementation of bill crediting protocols and metering practices that closely align with existing NEM rules and metering arrangements.<sup>6</sup>

The states with the most successful combinations of solar distributed generation (“DG”) and retail choice markets in the country employ some or all of these elements.<sup>7</sup> States that have taken a more limited approach, such as Texas, have faltered in growing solar DG. Arizona boasts one of the best NEM and solar DG markets in the country. Including the four elements

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<sup>6</sup> Bill crediting protocols refer to the way in which generation from a NEM customer is netted against that customer’s usage. Metering practices refers to the type of metering necessary to enact a bill crediting protocol.

In Arizona, utility-side netting is likely the optimal bill crediting protocol and metering arrangement. Under utility-side netting, the utility operates a “bank” that tracks kWh credits and charges, and the competitive provider only receives net customer usage data after any kWh credits have already been applied.

<sup>7</sup> IREC Report at 7-8.

above in Arizona's approach will allow the State to find success in both NEM and retail choice programs.

Some parties suggest that resolving issues between NEM and retail choice will be a complex undertaking. While TASC agrees some adjustments to the Arizona Administrative Code ("Administrative Code") may be needed, most if not all of these issues can be resolved through revisions to the existing retail competition rules, Administrative Code, Title 14, Chapter 2, Article 16 §§ R14-02-1601 - R.14-02-1618 ("Retail Competition Rules"). For example, some parties suggest revisions to the term "Electric Utility" are required if NEM and retail choice are to coexist.<sup>8</sup> However, revising "Electric Utility" would not only affect the existing NEM rules but numerous other sections of the Administrative Code as well, meaning multiple rulemakings could be required. Re-opening the rules for well-established and successful Arizona policies such as NEM would adversely affect market certainty, undermine the State's robust solar market, and limit customer options. Limiting any required changes to the Administrative Code to those sections that make up the Retail Competition Rules is a much simpler solution that allows the necessary changes to be implemented through a single rulemaking.

## **II. APS's Comment on NEM Cross-Subsidies is Unsubstantiated and Incorrect.**

The Commission should disregard APS's unsubstantiated claims regarding Arizona's NEM program. APS's comments theorize that "customers without distributed generation are subsidizing those that have installed the systems."<sup>9</sup> APS does not cite any study to support this claim but likely relies on unsubstantiated testimony from an application the utility filed recently in Docket E-01345A-13-0248 ("Application").

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<sup>8</sup> APS Comments, Attachment A, at 31; Tucson Electric Power Comments at 23.

<sup>9</sup> APS Comments, Attachment A, at 31.

The Application proposes a charge for NEM customers based on a supposed cross subsidy. However, APS has not brought forward any cost of service study or cost/benefit analysis to demonstrate that the additional charge it proposes is justified. In fact, APS acknowledges in the Application that its most recent study on this issue, titled *2013 Updated Solar PV Value Report* (filed May 17, 2013 in Docket No. E-01345A-12-0290), is not the primary basis of APS's proposal.<sup>10</sup> Instead, to date, APS's claimed annual cross subsidy of \$1,000 per-NEM customer relies entirely on an estimate from the testimony of a single APS employee.<sup>11</sup>

Not only is APS's claim regarding cross subsidies unsubstantiated, it is false. On July 2, 2013, TASC submitted a letter in the APS RES docket, E-01345A-12-0290, proposing the creation of a system-benefit credit to compensate rooftop solar customers for the significant benefits they provide to the APS system. That is, a cross subsidy does exist in Arizona, but it flows from solar customers to non-solar customers and not in the other direction. TASC's proposal relies on a Crossborder Energy assessment of how demand-side solar will impact APS ratepayers.<sup>12</sup>

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<sup>10</sup> Docket E-01345A-13-0248, APS Application, Exhibit 2, Testimony of Bernosky, p. 10, ll. 6-9 (July 12, 2013).

<sup>11</sup> Docket E-01345A-13-0248, APS Application p. 9, ll. 24-25; Application p. 10, ll. 1-8; Testimony of Guldner p. 5, ll. 27-28 (July 12, 2013); Docket E-01345A-13-0248, APS Application, Exhibit 3, Testimony of Miessner, p. 15, ll. 20-28 (July 12, 2013) (“We can only estimate this amount at this time because a precise amount would require rebilling all 18,000 solar customers and calculating their specific savings.”).

<sup>12</sup> Crossborder Energy, *The Benefits and Costs of Solar Distributed Generation for Arizona Public Service*, submitted as an attachment to TASC letter in docket, E-01345A-12-0290 (July 2, 2013).

The Crossborder Energy analysis was commissioned by the Solar Energy Industries Association and concludes that the benefits from rooftop solar in APS's system exceed the costs, such that new rooftop solar will not and does not impose a financial burden on non-participating ratepayers. In fact, the study finds that the benefits exceed the costs by more than 50% with a benefit/cost ratio of 1.54. The benefits exceed the costs for both the residential and commercial customer classes in aggregate, and when considered individually. Based on APS's projection of 431,000 MWh of incremental solar DG in 2015, the net benefits could amount to \$34 million per year for all APS ratepayers. Thus, APS's unsubstantiated allegation that "customers without distributed generation are subsidizing those that have installed the systems" is false, and the Commission should not give it any weight.<sup>13</sup>

**III. The Commission Should Refrain from Revising NEM Rules and Rate Schedules Until it Has Resolved the Issue of Rate Modernization.**

This proceeding has raised important questions regarding the best rate structures to achieve Arizona's electric policy goals. It is clear the adoption of DG, demand response resources and other technological advancements has transformed how traditional utilities serve load. For this reason, TASC suggests the Commission take the feedback from this proceeding, and the opportunity it provides, to look at the broader question of rate modernization. California is in the midst of a proceeding to consider whether existing rate structures achieve state policy goals, ensure equitable treatment of all customers and take full advantage of technological advancements.<sup>14</sup> Whether Arizona's path forward includes retail competition or not, this

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<sup>13</sup> APS Comments, Attachment A, at 31.

<sup>14</sup> *Order Instituting Rulemaking 12-06-013*, California Public Utilities Commission, pp. 12-20 (June 28, 2012).

proceeding provides an opportunity to take a deeply analytical look at modernizing its rate structures.

Such an analysis is incompatible with current requests to revise specific rate structures. As discussed above, APS has filed an Application that would require revising the rate schedules available to NEM customers. Considering that Application at the same time the Commission is considering retail choice and/or rate modernization is administratively inefficient and counterproductive. It makes little sense to consider revisions to individual APS tariffs at the same time the Commission is considering a retail choice program that will impact all of APS's tariffs. The Commission should refrain from considering the Application while the question of retail choice remains unanswered.

### III. CONCLUSION

The Commission is at a crossroads with a number of important policies related to retail choice, renewable energy and NEM. TASC encourages the ACC to proceed carefully and deliberately so as to not unwind its achievement in becoming a national leader in NEM and renewable energy. Following the approaches and recommendations outlined in these comments will help the ACC achieve that goal.

Respectfully submitted via overnight mail this 15<sup>th</sup> day of August, 2013.



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### Certificate of Service

I hereby certify I have this day sent via overnight mail an original and thirteen copies of the foregoing on this 15<sup>th</sup> day of August, 2013 with:

Docket Control  
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1200 West Washington Street  
Phoenix, Arizona 85007

I hereby certify that I have this day served the foregoing documents on all parties of record and on all persons listed on the official service list to Docket No. E-00000W-13-0135 by delivering a copy thereof in person, or by mailing a copy thereof, properly addressed with first class postage prepaid.

Dated this 15<sup>th</sup> day of August, 2013, in San Francisco, CA.



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