

ORIGINAL



0000147803

1 Bob Stump, Chairman
2 Gary Pierce, Commissioner
3 Brenda Burns, Commissioner
4 Bob Burns, Commissioner
5 Susan Bitter Smith, Commissioner

RECEIVED

2013 AUG 30 P 3:23

AZ CORP COMMISSION
DOCKET CONTROL

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

Docket No. E-01345A-13-0248

10 **JOINDER BY THE ALLIANCE FOR SOLAR CHOICE**
11 **IN THE SOLAR ENERGY INDUSTRIES ASSOCIATION'S**
12 **MOTION TO DISMISS**

13 The Alliance for Solar Choice ("TASC"), through undersigned counsel, respectfully joins
14 the Solar Energy Industries Association ("SEIA") Motion to Dismiss ("Motion"), filed in the
15 above-captioned proceeding on August 20, 2013, and incorporates such Motion herein by
16 reference.

17 As explained in TASC's Application to Intervene in this proceeding, TASC's members
18 represent the majority of the nation's rooftop solar market and include SolarCity, Sungevity,
19 Sunrun and Verengo. These companies are important stakeholders in Arizona's Renewable
20 Energy Standard and net metering programs and are responsible for thousands of residential,
21 school, church, government and commercial solar installations in the State.

22 With its Application for Approval of Net Metering Cost Shift Solution ("Application"),
23 Arizona Public Service Company ("APS") appeals to the Commission to expeditiously resolve a
24 problem in which APS claims residential customers with net-metered solar systems do not pay
25 for the electric services that they use, a claim with which TASC strongly disagrees.¹ Apparently
26 dissatisfied with the Lost Fixed Cost Recovery ("LFCR") mechanism that was just adopted in

27
28
¹ Application, p. 1, ll. 22-24.

Arizona Corporation Commission
DOCKETED

AUG 30 2013

DOCKETED BY
ne

1 APS's last rate case to address this very issue,² APS makes two new proposals that would
2 significantly increase APS's revenue but do nothing to address the alleged "cost shift" that APS
3 claims is the basis for its Application. Although these proposals would fundamentally undermine
4 the experience residential customers currently have under net metering rules established by the
5 Commission, APS provides no proof that the additional charges it proposes are justified.

6 TASC concurs with SEIA that a rate case is the most appropriate place to address any
7 credits or charges that the Commission feels are necessary. TASC believes that within this
8 context, the Commission should consider how best to fairly compensate residential customers
9 participating in net metering for the benefits they provide to other ratepayers. Single-issue
10 ratemaking outside of a rate case results in utility overearning and limits options that could be
11 considered to "fine tune" compensation levels. It also singles out specific groups of ratepayers
12 for rate increases and sets a dangerous precedent. For these reasons, SEIA's Motion should be
13 granted and APS's Application should be dismissed.

14 **I. APS ASKS THE COMMISSION TO EXPEDITIOUSLY RESOLVE A "COST**
15 **SHIFTING" PROBLEM THAT APS FAILS TO PROVE EXISTS.**

16 With its Application, APS collaterally attacks the Commission's NEM rules, complaining
17 without basis that customers that take service under those rules, as the Commission intended,
18 unfairly shift costs to other customers.³ However, APS provides no proof for this allegation.
19 Instead, APS offers only hypotheticals and back-of-the-envelope calculations to support its
20 claims, which fail to satisfy APS's burden of proof.⁴ SEIA is right that "this is reason enough for
21 the Commission to reject APS's filing as deficient."⁵

22 The Commission's net metering rules place a burden on APS to prove that any new or
23 additional charges imposed on net metering customers are fully justified. The rules state:

24
25
26 ² Motion p. 5, ll. 17-21. SEIA explains the LCFR was specifically designed and agreed-to as a critical part of
27 the settlement of APS's most recent rate case as the preferred mechanism to address any alleged deficiency
28 in APS's infrastructure cost recovery arising due to energy efficiency and distributed generation (including
net metering).

³ Application, p. 1, ll. 22-27.

⁴ Motion, p. 4, l. 13 to p. 6, l. 6.

⁵ Motion, p. 4, l. 12.

1 Any proposed charge that would increase a Net Metering Customer's costs
2 beyond those of other customers with similar load characteristics or customers in
3 the same rate class that the Net Metering Customer would qualify for if not
4 participating in Net Metering shall be filed by the Electric Utility with the
5 Commission for consideration and approval. The charges shall be fully supported
6 with cost of service studies and benefit/cost analysis. The Electric Utility shall
7 have the burden of proof on any proposed charge.⁶
8

9 APS has not met the minimum burden of proof required by this rule. With its
10 Application, APS has brought forward two proposals that would fundamentally undermine the
11 experience residential customers currently have under the net metering program established by
12 the Commission. The first proposal, which APS calls the "Bill Credit Option," would completely
13 deny residential customers the benefit of the Commission's net-metering rules. The second
14 proposal, which APS still considers a "Net Metering Option," would deny residential customers
15 access to tariff options that are presently available to them. Either of these proposals would
16 create a two-tier system in which residential customers that enroll in net metering before APS's
17 proposed grandfathering window of October 15, 2013 would receive different benefits than those
18 that do not.⁷ The "Net Metering Option" would further discriminate between residential
19 customers with solar and those without solar in terms of available rate options. Even if the
20 Commission's net-metering rules did not establish a clear burden of proof, which they do, well-
21 established ratemaking principals require APS to provide reasonable proof that such
22 discrimination in the treatment of an important subset of its customers is justified.

23 Yet, APS has not supported its proposals with a cost of service study or benefit/cost
24 analysis as required by the Commission's rules and generally accepted ratemaking principles.
25 SEIA highlights that "APS has provided absolutely no support for the existence of the cost shift
26 to other customers that is the fundamental basis of its filing."⁸ APS's testimony offers only

27
28 ⁶ ACC R14-2-2305 (italics and underlining added).

⁷ Application, p. 13, l. 23 to p. 14, l. 4.

⁸ Motion, p. 4, ll. 10-12.

1 hypotheticals and calculations that fail to rise to the Commission’s standard of “study” and
2 “analysis”.⁹ If the Commission’s rules and fundamental ratemaking principles are to have any
3 meaning, more must be required of APS in justifying such fundamental changes to the net
4 metering program and discriminatory treatment of its customers. APS has failed to meet its
5 burden. TASC concurs with SEIA’s Motion that APS’s Application should be rejected on this
6 basis alone.¹⁰

7 **II. A RATE CASE IS THE PROPER PLACE TO DEVELOP CREDITS AND**
8 **CHARGES NECESSARY TO FAIRLY COMPENSATE RESIDENTIAL**
9 **CUSTOMERS TAKING PART IN NET METERING.**

10 TASC agrees with APS that residential rates do not adequately compensate solar
11 customers that participate in NEM. In fact, on July 2, 2013, TASC submitted a letter in the APS
12 RES docket, E-01345A-12-0290, proposing the creation of a system-benefit credit to begin
13 compensating solar customers for the significant benefits they provide to the APS system and
14 other ratepayers. TASC’s proposal relies on a Crossborder Energy assessment of how demand-
15 side solar will impact APS ratepayers. The Crossborder Energy analysis was commissioned by
16 SEIA and is referenced in SEIA’s Motion.¹¹ On July 26, 2013, TASC filed a Protest in this
17 proceeding reiterating its proposal for a system-benefit credit to provide just, reasonable and fair
18 compensation to customers for the financial benefits their personal investments in solar provide
19 to APS and fellow ratepayers. However, TASC did not propose development of a system-benefit
20 credit in this proceeding because doing so would involve impermissible single-issue ratemaking.

21 TASC agrees with SEIA’s motion that the Crossborder Energy assessment on which
22 TASC relies, just like the SAIC *2013 Updated Solar PV Value Report* on which APS relies,
23 “does not contain rate case-quality cost of service information and the other elements of a proper
24 rate design study and thus cannot be used to change rates.”¹² Cost of service information of the
25 sort necessary to decide ratemaking treatment of net-metered customers is entirely absent from
26 the record of this proceeding.

27 ⁹ Motion, p. 4, l. 13 to p. 6, l. 6.

28 ¹⁰ Motion, p. 4, l. 12.

¹¹ Motion, p. 23, l. 14 to p. 24, l. 3.

¹² Motion, p. 23, ll. 14-25.

1 TASC agrees with SEIA that a rate case is the proper place to address rate modifications.
2 Such modifications could include credits necessary to fairly compensate residential customers
3 taking part in net metering.¹³ SEIA's Motion highlights the problem with addressing rate design
4 in a single-issue fashion outside of a rate case. Under APS's proposals, ratepayer costs only go
5 up, none go down, and APS receives a windfall for itself.¹⁴ Under the "Bill Credit Option," in
6 which APS denies residential customers access to net metering, APS increases its sales to
7 customers that would otherwise serve a portion of their own needs, thereby increasing APS's
8 revenue. Under the "Net Metering Option," in which residential customers are forced onto a
9 tariff with high demand charges, APS once again would increase its revenue from solar
10 customers. Under neither of these options would APS provide any payment for the myriad
11 benefits that solar customers provide.

12 APS offers to forgo recovery of lost profits through the LFCR mechanism,¹⁵ but the
13 revenue APS claims it will forgo is less than half the amount APS will gain from its proposals,
14 meaning APS's proposals would result in significantly increased revenue for APS.¹⁶ Although
15 APS claims that its proposals are intended to remedy an unjust cost shift in which customers
16 without solar absorb costs avoided by solar customers, a claim with which TASC disagrees, APS
17 proposes no mechanism to allocate the additional revenue it will collect back to the residential
18 customers that APS claims are unfairly paying the costs of net-metered customers.¹⁷ This reduces
19 APS's proposed "solutions" to nothing more than a revenue grab in which more money goes into
20 APS's pocket, solar customers are taxed, and rates decrease for no one.

21
22
23 ¹³ Motion, p. 24, ll. 10-11.

¹⁴ Motion, p. 6. 7 to p. 8. L. 18.

¹⁵ Application, Testimony of Charles A. Miessner, p. 33, l. 18 to p. 34, l. 23.

¹⁶ Decision No. 73732, Docket No. E-01345A-11-0224 (February 20, 2013) ("Costs to be recovered through the LFCR include the portion of transmission costs included in base rates and a portion of the distribution costs not recovered by (1) the Basic Service Charge and (2) 50 percent of demand revenues associated with distribution and the base rate portion of transmission.") The LFCR excludes 50 percent of demand charges because if a customer reduces energy consumption in response to a program, it is not likely that there will be a proportional reduction in the demand level. *See* Decision No. 73183, pp. 21-22. As a result, the amount APS agreed to recovery under the LFCR pursuant to the settlement in its last rate case is approximately 3 c/kWh of transmission and distribution costs. The demand charges under the ECT-2 rate will collect over twice that amount.

¹⁷ Motion, p. 21, l. 8 to p. 22, l. 3.

1 A rate case would also allow the Commission and stakeholders to consider a broader
2 range of alternatives beyond those presented in APS's self-interested Application. Moving
3 forward in the current docket ensures that only APS's preferred and proposed alternatives will be
4 considered, and the Commission will be precluded from considering alternatives such as a
5 system-benefit credit, minimum bills, or other rate design options that could only be
6 implemented in a rate case. APS's attempt to avoid addressing this issue in a rate case has
7 resulted in APS offering two proposals that lack even a rough congruity between the cross-
8 subsidy APS alleges and the additional revenue that APS will generate for itself. In fact, these
9 proposals would raise different amounts of revenue for APS, begging the question of whether
10 APS has made any attempt to base its proposals on its actual cost of providing service.

11 Although TASC believes a system-benefit credit is warranted, and although TASC is
12 eager to see such a credit implemented, TASC agrees with SEIA that there is no urgency that
13 requires net metering compensation levels to be addressed in advance of APS's next rate case.
14 Doing so sets a worrisome precedent of single-issue and discriminatory ratemaking any time the
15 utility wants to raise additional revenue. The LFCR mechanism was adopted in APS's last rate
16 case as an appropriate mechanism for addressing cost recovery issues related to distributed
17 generation. That mechanism should not be unsettled so soon after being implemented when, by
18 all accounts, it is working as it was intended. According to APS, "[t]he LFCR mechanism
19 represents a tailored solution to address the unrecovered fixed costs associated with [energy
20 efficiency] and [distributed generation] – the exact issue at hand."¹⁸

21 **III. SEIA'S MOTION TO DISMISS SHOULD BE GRANTED.**

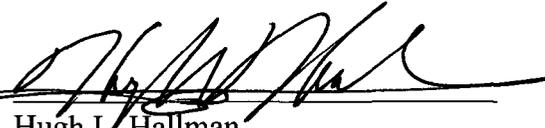
22 For these reasons, SEIA's Motion should be granted and APS's Application should be
23 dismissed. APS should bring forward sufficient proof to justify any proposed charges in its next
24 rate case.

25
26
27
28

¹⁸ Motion, p. 13, ll. 20-22.

1 RESPECTFULLY SUBMITTED this 30th day of August, 2013.

2
3 By-



4 Hugh L. Hallman
5 Hallman & Associates, P.C.
6 2011 North Campo Alegre Road
7 Suite 100
8 Tempe, AZ 85281
9 480-424-3900
10 Bar No. 12164

11 Attorney for The Alliance for Solar Choice
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

I hereby certify I have this day sent via overnight mail an original and thirteen copies of the foregoing **JOINDER BY THE ALLIANCE FOR SOLAR CHOICE IN THE SOLAR ENERGY INDUSTRIES ASSOCIATION'S MOTION TO DISMISS** on this 30th day of August, 2013 with:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

I hereby certify that I have this day served the foregoing documents via electronic mail on all parties of record and all persons listed on the official service list for Docket No. E-01345A-13-0248 on the Arizona Corporation Commission's website:

Arizona Corporation Commission	Janice Alward	1200 W. Washington St. Phoenix, Arizona 85007
Arizona Corporation Commission	Steve Olea	1200 W. Washington St. Phoenix, Arizona 85007
Arizona Corporation Commission	Lyn Farmer	1200 W. Washington St. Phoenix, Arizona 85007
Pinnacle West Capital Corporation	Thomas Loquvam	400 N. 5Th St, MS 8695 Phoenix, Arizona 85004
	Lewis Levenson	1308 E. Cedar Lane Payson, Arizona 85541
	Patty Ihle	304 E. Cedar Mill Rd. Star Valley, Arizona 85541
	Michael Patten	Roshka, DeWulf & Patten, PLC One Arizona Cetner 400 E. Van Buren St. – 800 Phoenix, Arizona 85004
Arizona Competitive Power Alliance	Greg Patterson	916 W. Adams – 3 Phoenix, Arizona 85007
RUCO	Daniel Pozefsky	1110 West Washington, Suite 220 Phoenix, Arizona 85007
	Bradley Carroll	88 E. Broadway Blvd. MS HQE910 P.O. Box 711 Tucson, Arizona 85702
Arizona Solar Deployment Alliance	Garry Hays	1702 E. Highland Ave. – 204 Phoenix, Arizona 85016
	John Wallace	2210 South Priest Dr. Tempe, Arizona 85282

	Tim Lindl	Keyes, Fox & Wiedman LLP 436 14 th St. -1305 Oakland, CA 94612
	Kevin T. Fox	Keyes, Fox & Wiedman LLP 436 14 th St. -1305 Oakland, CA 94612
The Alliance for Solar Choice	Hugh Hallman	Hallman & Affiliates, PC 2011 N. Campo Alegre Rd. – 100 Tempe, Arizona 85281
Solar Energy Industries Association	Todd Glass	Wilson Sonsini Goodrich & Rosati, PC 701 Fifth Ave. - 5100 Seattle, Washington 98104
Solar Energy Industries Association	Court Rich	6613 N. Scottsdale Rd., Ste. 200 Scottsdale, Arizona 85250
Interstate Renewable Energy Council	Giancarlo Estrada	Estrada-Legal, PC One E. Camelback Rd, #550 Phoenix, Arizona 85012

Dated this 30th day of August, 2013.

By



Hugh L. Hallman
Hallman & Affiliates, P.C.
2011 North Campo Alegre Road
Suite 100
Tempe, AZ 85281
480-424-3900
Bar No. 12164

Attorney for The Alliance for Solar Choice