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OPEN MEETING AGENDA ITEM

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BEFORE THE ARIZONA CORPORATION COMMISSION

ARIZONA CORPORATION COMMISSION
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10 SUSAN BITTER SMITH, COMMISSIONER

Arizona Corporation Commission

DOCKETED

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

Docket No.: E-01345A-13-0248

**ARIZONA SOLAR ENERGY INDUSTRIES
ASSOCIATION RESPONSE TO STAFF
RECOMMENDED ORDER; COMMISSIONER
PIERCE REQUEST FOR INPUT ON
RECOMMENDED ORDER AND NET METERING
RECOMMENDATIONS MADE BY THE
ARIZONA RESIDENTIAL UTILITY CONSUMER
OFFICE**

Introduction

18 The Arizona Solar Energy Industries Association ("AriSEIA") offers the following filing in response to the
19 Commission Staff's Recommended Order (the "RO"); a letter docketed by Commissioner Pierce seeking input on
20 the RO (the "Pierce Letter"); and the recently filed recommendation of the Residential Utility Consumer's Office
21 ("RUCO").

I. Discussion

23 A. This matter must be considered in a general rate case and cannot proceed to be heard without any
24 evidentiary record

25 AriSEIA is in agreement with Commission Staff that a true examination of this issue can only fairly and
26 comprehensively be undertaken in a general rate case (a "GRC"). AriSEIA strongly believes that distributed solar
27 has benefits that outweigh the costs. However, no party can deny that utility rates are replete with *actual* cost shifts
28

1 and hidden costs and expenses that are not at all transparent to the utility customer. The Commission deals with cost
2 shifts and hidden expenses in rate design which is flushed out in a GRC proceeding.

3 AriSEIA had been disappointed to see APS come out so forcefully against an alleged and unproven cost shift while
4 altogether ignoring the existence of actual cost shifts and hidden costs that unarguably exist in rates. An
5 advertisement run by APS in the *Phoenix Business Journal* on October 25, 2013 (Attached as Exhibit A), best
6 illustrates how APS has turned a blind eye to the entire world of rate cost shifts while it has pursued a narrative that
7 attempts to pressure the Commission to act on net metering outside a rate case with no formal evidence to consider.

8 In this advertisement, APS writes, "It is time to shine some sunlight on hidden solar subsidies. As long as they are
9 needed, they should be transparent to the public. Let them be examined frequently and debated, just like other
10 electricity rates." APS' point is an example of cherry-picking since rates are replete with cost shifts that are in no
11 way "transparent to the public" and that APS is not urging become transparent. On this subject even RUCO agreed
12 and wrote, "*There are many other cost shifts happening and likely at higher aggregate amounts (seasonal*
13 *households, urban and rural, etc.). To subject the local solar industry to such a large cost shift correction without*
14 *concurrently addressing other known cost shifts does not reflect a fair and balanced approach.*"

15 Similarly perplexing is how APS urges that net metering be debated "just like other electricity rates" while
16 simultaneously proposing that net metering be examined and debated in a manner that is the antitheses of how other
17 electricity rates are in fact debated. APS' last rate case concluded in late May of 2012, by the fall of 2012 APS was
18 complaining about the unaddressed cost shift in net metering. AriSEIA urges the Commission not to take up this
19 examination out of normal course, without any admitted evidence, and absolutely no evidentiary record. We agree
20 with APS that net metering should be debated "just like other electricity rates" in a rate case.

21 In light the existence of so many other cost shifts with which APS seems entirely unconcerned¹, AriSEIA
22 unfortunately can only conclude that APS has singled out distributed solar because of its propensity for reducing the
23 utility's retail sales, thereby reducing its profits over time. We sympathize with APS' trepidation toward having to
24 compete with its own customers who now can provide much of their own energy. Of course our member companies
25 are constantly in a fight for their business lives through competition with each other so we understand how

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28 ¹ Cost shifts that are hidden in rates include, but are not limited to, the following examples: 1) urban to rural rate payers; 2) all rate payers to low income rate payers; 3) new development to all rate payers; 4) commercial to residential ratepayers; and 5) those living in more intense weather zones to those in more mild climates.

1 competition can be a source of stress and uncertainty. However, AriSEIA does not believe that a concern about lost
2 profits for monopoly utility shareholders should permit this examination to continue forward outside of a rate case
3 without an evidentiary record.

4 B. No additional residential PV deployment incentives should be approved as part of this docket

5 APS has suggested that the Commission should adopt a “solution” that renders residential distributed solar
6 uneconomical to such an extent that deployment incentives should be reinstated to be sure the market does not crash.

7 AriSEIA is opposed to any result of this hearing that requires deployment incentives to be reinstated to support the
8 residential PV market in APS’ service territory. Residential distributed PV solar in Arizona is an incentive success
9 story unlike any other. In just four short years the industry has utilized incentives to drive down costs to such a
10 degree that the incentives are gone and unneeded. This is a true example of incentives working the way they should:
11 expedite early adoption to drive down costs while driving efficiencies before expiring and being gone forever.

12 The reinstatement of incentives is a mechanism for putting a cap on the residential distributed PV solar market. We
13 reject any attempts to cap the growth of our industry by crippling the economics to such a degree that incentives are
14 necessary to drive future adoption. History has shown that incentives are subject to spur of the moment changes that
15 can wipe out an entire industry with not more than a moment’s notice.² Our industry employs more than 10,000
16 Arizonans and urges the Commission to come to a resolution –based on an evidentiary record in a rate case- that
17 does not leave these 10,000 jobs subject to extinction upon motion at a Commission Open Meeting.

18 For the sake of clarity AriSEIA must note that all solar market sectors are not the same. As spelled out in our
19 position on the 2014 APS REST Implementation Plan, the Solar Water Heating market segment provides great value
20 to ratepayers but has not benefitted from the same incentive push that helped drive down the costs of residential PV
21 to the point that we are able to declare an end to such incentives. The Solar Water Heating segment still requires
22 incentives that do not currently act as a cap on the market as explained above, but instead remain a key element of
23 its success. The position set out above is specific to the residential PV market.

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28 ² See the Commission’s decision to eliminate all commercial deployment incentives by way of an amendment
introduced just a few hours before the hearing to consider APS’ 2013 REST Implementation Plan for an example.

1 C. The Commission should consider reopen the previous rate case or ordering an accelerated filing of
2 APS' next rate case to explore rate design solutions including a minimum bill applicable to all
3 customers by class

4 In support of its argument that this item must be dealt with and considered in a GRC, AriSEIA would supporter
5 opening the previous rate case under the provisions of A.R.S. 40-252 and would support an Order requiring APS to
6 immediately file a new rate case to deal with this issue. This issue is an issue of rate design and AriSEIA is
7 supportive of solutions that apply in general to all ratepayers and that do not suspiciously pick on distributed solar
8 while ignoring other indistinguishably similar issues. In particular, AriSEIA believes that a minimum bill applying
9 to all customers by class is a solution that would allow APS to gain certainty around its cost recovery without
10 discriminating against solar customers without justification.

11 D. The Commission must reject any solution that attempts to assign a charge or cost to energy generated
12 and consumed on a customer's property

13 No matter what solution this Commission adopts –in a GRC as explained above-, such solution, to the extent it
14 charges consumers for using solar energy, must only assign charges to the energy that is exported from a distributed
15 solar system. There is no justification for charging customers for offsetting their own energy use by using solar
16 energy while permitting customers to offset their own energy use any other way without being subject to such
17 charge. This is a very significant principle that AriSEIA urges the Commission to adopt to avoid appearances of
18 extreme arbitrariness. Staff's second alternative and RUCOs proposed interim solution both must be rejected for
19 violating this standard. An example can help to illustrate this essential point:

20 Two customers living in equally sized homes could be consuming roughly equal amounts of electricity from APS
21 but could be doing so for much different reasons. Home A uses solar electricity to purchase fewer kWh from the
22 utility. Home B's owner spends the summer months in the Midwest and turns off nearly all appliances while gone,
23 resulting in electric consumption from the utility roughly equal to that of Home A. From the utility's point of view
24 Home A and Home B both consume the same amount of power and the reason is irrelevant.

25 Staff's second alternative, and RUCO's interim solution both would charge Home A more than Home B merely
26 because the cause of their using less power was the utilization of solar power. Neither solution focuses solely upon
27 the electricity exported by Home A to the grid. APS testified that 20% of the power produced by a normal solar
28 facility is exported to the grid while the other 80% is consumed onsite. As a result, it is only this 20% that

1 differentiates solar in any way from Home B. It would be improper for the Commission to affix a charge to the 80%
2 of power that is consumed onsite without similarly affixing a charge to Home B for turning off or lightly utilizing its
3 electricity consuming appliances.

4 ACC Staff even apparently agreed with this notion when it indicated that its Option 2 was “based on the difference
5 between APS’s cost for purchasing a DG customer’s *excess generation*, and its cost to purchase an equivalent
6 amount of energy from a wholesale PPA” (emphasis added). Unfortunately, Staff’s Option 2 then runs its
7 calculations –like RUCO- using the full output from the system and assigning a charge to the customer for merely
8 consuming less electricity from APS. Both RUCO and Staff Option 2 must be reduced, using APS’ numbers, by
9 80% in order to avoid this discriminatory practice.

10 E. AriSEIA has performed a study in conjunction with ASU Professor David Wells demonstrating that
11 solar adoption in Arizona is being driven by those earning under the State’s median income

12 The Staff Report and public discourse driven by the utility on this subject have suggested that it is wealthy
13 Arizonan’s that are driving the adoption of solar. In response to these claims, AriSEIA teamed up with Dr. David
14 Wells from Arizona State University to examine publicly available records to determine the income level of those
15 adopting solar. The wide availability of financing for solar equipment has been a key driver in allowing the less
16 affluent to adopt solar in Arizona. Our findings conclude that 57% of the systems installed in Arizona are installed
17 in zip codes where the median household income is at or below the Arizona median income. We ask that the
18 Commission reject baseless arguments that solar is benefitting the wealthy at the expense of the less affluent and
19 stick only to the facts on this subject. Should an actual hearing be held in this matter where evidence, and witness
20 are permitted to be admitted and to testify, AriSEIA will be happy to create an evidentiary record of this study.

21 II. Conclusion

22 This docket is a matter of extreme importance to Arizona. For the forgoing reasons, AriSEIA urges the Commission
23 not to make such a decision without a proper hearing and without considering this item in the context of rate design
24 in a general rate case proceeding.

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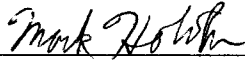
1 AriSEIA respectfully submitted this document in the above captioned matter.

2 Dated this 4th day of November, 2013

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Arizona Solar Energy Industries Association

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Mark Holohan, Chairman

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