

ORIGINAL OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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DOCKET CONTROL

Arizona Corporation Commission

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- BOB BURNS
- SUSAN BITTER SMITH

IN THE MATTER OF APPLICATION OF ) DOCKET NO. E-01345A-13-0248  
 ARIZONA PUBLIC SERVICE COMPANY )  
 FOR APPROVAL OF NET METERING )  
 COST SHIFT SOLUTION )

The Arizona Solar Deployment Alliance ("ASDA") files its comments to the Staff Report and the Recommended Opinion and Order in the above-captioned docket.

INTRODUCTION

ASDA is an organization comprised of local businesses and individuals who are interested in the long-term viability of Arizona's distributed generation ("DG") solar industry. The board members are all required to be part of Arizona based companies that hold a Registrar of Contractors license for solar installations. While a fairly new organization, ASDA members have been involved in Arizona's energy policy making for over a decade.

Numerous residential DG markets in Arizona are on the edge of a precipice. These "markets" are commonly associated with the utility serving the market and are contained in geographic regions represented by the utility's service territory. Year-to-date results show stable or diminished levels of deployment in these markets when compared 2012. The primary factors affecting market stagnation or reduction are reduced or eliminated up-front incentives

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1 (“UFIs”), moderate cost increases, inflation and uncertainty around Net Energy Metering  
2 (“NEM”).

3           The market for residential photovoltaic (“PV”) systems in APS service territory totaled  
4 51 MW of installations in 2012. So far in 2013, a total of 36 MW of residential PV systems  
5 have been reserved or installed. ASDA believes a healthy APS residential PV market would  
6 again reach 50MW of installations in 2013 and show modest growth in future years. Without  
7 stabilization and growth, companies supporting the APS residential market face an uncertain  
8 future.

9           APS initiated the discussion regarding net metering (“NEM”) which culminated with  
10 the filing of the application that started this docket. APS’ concern centers on the potential  
11 “cross subsidy” of residential DG solar customers by non-DG solar customers. APS’  
12 application put forth two proposals, both of which were rejected by Staff. Instead, Staff  
13 recommended the issue should be decided in APS’ next rate case. Staff further went on to say  
14 that if the Commission decided to act now, one of two alternate recommendations could be  
15 adopted. Staff alternate recommendation 1 (“Alt 1”) was a flat Lost Fixed Cost Recovery  
16 (“LFCR”) charge to all new DG customers. Staff alternate recommendation 2 (“Alt 2”) was a  
17 LFCR DG premium for all new DG customers. ASDA respectfully requests that the  
18 Commission adopt Staff’s initial recommendation of deciding this in a rate case, or in the  
19 alternative, adopt Staff Alt 1 but postpone implementation for a period of twelve months or 50  
20 MW of new customer participation, whichever comes first.

21 **STAFF INITIAL RECOMMENDATION**

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23           Staff, in its report, sets out that the change to NEM is a matter of rate design. Staff goes  
24 on further to say “the Commission has more options available within a rate case than it has  
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26

1 outside of a rate case.”<sup>1</sup> Staff also suggests holding workshops between now and the next rate  
2 case with all stakeholders present. They also say this is “the most effective and appropriate  
3 method of dealing with the APS NM cost-shift issue.”<sup>2</sup> ASDA agrees with Staff and for that  
4 reason supports Staff’s initial recommendation. The amount of information that would be  
5 available in the course of a rate case would be invaluable to this Commission in order to make  
6 the best decision possible. The ability to create a record through testimony and cross-  
7 examination would allow for a full and complete record. Additionally, rate design changes  
8 should occur in the context of a rate case so that the Commission can have a complete picture  
9 of what the rate design changes would do. For these reasons, ASDA supports Staff’s initial  
10 recommendation of waiting to decide the NEM issue in the next APS rate case.

11 ASDA also understands an APS rate case will most likely not occur for several years  
12 (2016 at the earliest). ASDA also would, as would most parties, appreciate certainty on the  
13 NEM issue moving forward. ASDA has contemplated some different scenarios that could  
14 allow for the NEM issue to be conducted inside of the context of a rate case without waiting for  
15 APS to file a new rate case. The LFCR mechanism was adopted in the last APS rate case as a  
16 means of addressing the very issue APS is trying to address in this docket. The Commission  
17 adopted the LFCR and found it to be just, fair and reasonable. APS is now concerned that the  
18 rates are no longer fair. Concern about this should have been raised in the last rate case, not in  
19 a one-off situation. Additionally, looking at the issue of NEM outside the context of a rate case  
20 causes PV to be singled out from other technologies. Looking at these issues within the context  
21 of a rate case takes all technologies into account.  
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24 <sup>1</sup> Staff Report page 10.

25 <sup>2</sup> *Id.*  
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1 A very simple way to address the NEM issue would be to open an A.R.S. § 40-252  
2 (“40-252”) proceeding in the prior APS rate case.<sup>3</sup> Opening up the prior rate case order would  
3 allow for testimony from all parties, cross-examination by witnesses and a recommended  
4 opinion and order issued by an administrative law judge while all being done in the context of a  
5 rate case. 40-252 proceedings are fairly commonplace at the Commission with at least 3  
6 adjudicated rate cases going through a 40-252 at this time.<sup>4</sup> These other dockets are looking at  
7 such things as System Improvement Benefit charges to the recouping of income tax in rates.  
8 Opening up the APS rate case through 40-252 would allow the hearing division to set up a  
9 procedural schedule and allow for the full and complete record discussed above in a expedited  
10 manner. Additionally the Commission could direct the Hearing Division on the scope of the  
11 proceeding. It could be as simple as just looking at the LFCR<sup>5</sup> or as complex as looking at all  
12 of APS’ rate design. ASDA believes a 40-252 proceeding would allow for Staff’s initial  
13 recommendation and also allow for APS’ desire for an expedited process. ASDA would  
14 respectfully request if the Commission does not want to wait for the next APS rate case, that it  
15 open up the last APS rate case through a 40-252 proceeding with the Commission determining  
16 the scope of the proceeding.

16 STAFF ALT 1

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18 In the event the Commission determines that waiting for the next rate case or a 40-252  
19 proceeding is not in the public interest, ASDA supports Staff Alt 1 with some minor changes.  
20

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22 <sup>3</sup> A.R.S. 40-252 allows for a prior commission decision to be rescinded, altered or amended.

23 <sup>4</sup> Arizona Water Company (W-01445A-11-0310), Pima Utilities (W-2199A-11-0329) and Johnson Utilities (WS-  
24 02987A-08-0180)

25 <sup>5</sup> In a manner similar to what occurred in the 2013 Rest plan where a procedural schedule was set up for the Track  
26 and Record proceedings.

1 WORKSHOPS

2 ASDA believes that Staff Alt 1, should it be adopted during this proceeding, is a bridge  
3 to the next rate case, at which time the LFCR mechanism will be re-evaluated and the value of  
4 DG solar will be determined through a full evidentiary hearing. This process will ensure that  
5 any increase in the LFCR will be appropriate for DG solar customers. As such, it is imperative  
6 that should the Commission adopt Staff Alt 1, it should also require Staff to hold workshops to  
7 develop the formula for valuing DG solar with a focus on identifying all “subjective” and  
8 “objective” values prior to APS’ next rate case filing.

9 MARKET STABILIZATION

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11 ASDA supports Staff Alt 1, which implements a fixed charge of \$2.76 / month on a solar  
12 customer’s LFCR surcharge, and will be amenable to its implementation after market  
13 stabilization occurs and growth resumes. The residential solar market in APS service territory  
14 has experienced a roller-coaster of issues since the filing of APS’ application in July of this  
15 year. The inclusion of a grandfathering “deadline” of Oct-15, 2013 in APS’ application tied to  
16 the impending elimination of UFIs, created an artificial spike of customer participation in APS  
17 service territory with several ASDA members experiencing record or near-record sales in  
18 September. Since that time, and as publicity around the APS NEM application has spiked,  
19 customer participation has slowed with more than one ASDA member reporting drops in sales  
20 in October of 30% or greater when compared to September. As such, ASDA believes a  
21 “cooling off” period should exist in the APS residential PV market to allow the market to  
22 rebound from the recent turmoil and uncertainty surrounding NEM. ASDA recommends, if the  
23 Commission adopts Staff Alt 1, that a waiting period be implemented to allow the market to  
24 stabilize. ASDA proposes implementing Staff Alt 1 after one of the following has occurred:

- 25 1. 12 months have passed from the effective date of the Commission order, or
- 26

1 2. 50 MW of new residential PV customers have interconnected with APS after the  
2 effective date of the Commission order.

3 If the Commission believes Staff Alt 1 should be implemented sooner, then ASDA  
4 recommends the Commission postpone implementation until Jan1, 2014 and adopt a  
5 corresponding UFI program under APS's 2014 REST Implementation Plan. ASDA strongly  
6 believes that the budget for a UFI program must support a 50 MW residential PV market and  
7 that the UFI level must offset the increased expense to solar customers for the first year Staff  
8 Alt 1 is implemented.

9 GRANDFATHERING

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11 If a change to the LFCR occurs, the issue of who holds the grandfathered rights to the  
12 previous NEM will be a concern. At this time, ASDA is unclear of APS' position on  
13 grandfathering. There have been reports in the media that APS has now changed its stance to  
14 allow the grandfathering of the system to run with the land, not with the customer as was  
15 previously stated.<sup>6</sup> If that is in fact APS' current position, ASDA agrees with APS and would  
16 respectfully request the Commission include language that would explicitly state the  
17 grandfathered rights run with the land for 20 years.

18 OTHER PROPOSALS

19 ASDA believes that Staff Alt 2, RUCO's proposal and the two options originally filed  
20 by APS would risk overcharging APS solar customers. Additionally, the level of these charges  
21 would quickly limit customer participation, resulting in reduced market capacity. The end  
22 result would be non-compliance with the REST and the unthinkable collapse of the residential  
23 solar industry in the State of Arizona. To avoid overcharging APS solar customers and to  
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25 \_\_\_\_\_  
26 <sup>6</sup> See e.g. "APS to revise It's plan in solar-subsidy debate" *Arizona Republic* October 23, 2013.

1 ensure a fair and balanced approach to determining the value of rooftop solar is realized,  
2 ASDA stands by its recommendation to adopt Staffs Initial Recommendation and use Staff Alt  
3 1 as a bridge to the next rate case, if required.

4 CONCLUSION

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6 ASDA respectfully request the Commission adopt Staff's initial recommendation by  
7 either waiting for the next rate case or ordering a 40-252 proceeding. In the alternative, ASDA  
8 would respectfully request the Commission adopt Staff's Alt 1 proposal with the modifications  
9 set out above.

10  
11 RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of November, 2013

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14   
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