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RESIDENTIAL UTILITY CONSUMER OFFICE

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Janice K. Brewer
Governor

Patrick J. Quinn
Director

November 8, 3013

Arizona Corporation Commission
DOCKETED

NOV 08 2013

Brenda Burns, Commissioner
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

DOCKETED BY

RE: Arizona Public Service Company, Application for Approval of Net Metering
Cost Shift Solution - ACC Docket No. E-01345A-13-0248

Dear Commissioner Burns:

Thank you for allowing us the opportunity to explain how much the total cost would be annually and for a 20 year period for each 20 MW increment of assessment. Perhaps the best and cleanest way to illustrate our response would be through the following chart.

First 20 MW	Second 20 MW	Third 20 MW	Fourth 20 MW
\$7.00	\$10.50	\$14.00	\$17.50
Customers (Number of Systems)	Customers	Customers	Customers
2900	2900	2900	2900
Average size System (kW)	Average size System (kW)	Average size System (kW)	Average size System (kW)
7	7	7	7
Fixed Cost Contribution	Fixed Cost Contribution	Fixed Cost Contribution	Fixed Cost Contribution
\$243,600	\$365,400	\$487,200	\$609,000
Long-Term Fixed Costs	Long-Term Fixed Costs	Long-Term Fixed Costs	Long-Term Fixed Costs
\$696,000	\$696,000	\$696,000	\$696,000
Net "Subsidy" in Year One	Net "Subsidy" in Year One	Net "Subsidy" in Year One	Net "Subsidy" in Year One
\$452,400	\$330,600	\$208,800	\$87,000
Over 20 Years	Over 20 Years	Over 20 Years	Over 20 Years
\$9,048,000	\$6,612,000	\$4,176,000	\$1,740,000
			Total
			\$21,576,000

As you can see from the chart, our proposal comports with the Commission's policy on gradualism. It is simple, clean and an easy way to address the long-term fixed cost shift over time with a minimal impact on the majority of ratepayers. It also works in step with the market assuring protection if solar takes off at a game-changing level. At the very least, it takes us to the next rate case with a solid plan for addressing the cost shift associated with net-metering.

RUCO believes that in order for the solar industry to remain viable, among other things, there has to be some regulatory certainty. Unless the aim is to effectively end rooftop solar, there is no way around the importance of providing certainty around the charge. Who would sign up for a system if the charge could be \$7 per month one year and \$17.50 per month another year? This drive for market certainty is not unique to RUCO's proposal. An incentive is just an upfront payment of financial certainty. Not locking in a charge would be equivalent to getting a random incentive payment after one has already installed a system.

That said - if the solar industry appears to be installing at levels significantly above compliance, then RUCO would support compressing the timeline to get to \$3/kW and above. This gradualism is incorporated in RUCO's proposal and is not implemented as a blunt instrument as the case in other proposals which seek large monthly charges assessed to the new solar customer. The effect of those proposals, of course, would be to severely harm, if not end the solar industry in Arizona if not accompanied by an incentive.

In the end, RUCO believes that we are protecting residential ratepayers from a ballooning cost shift, giving time for the solar industry to adjust and addressing the interests of APS for several reasons.

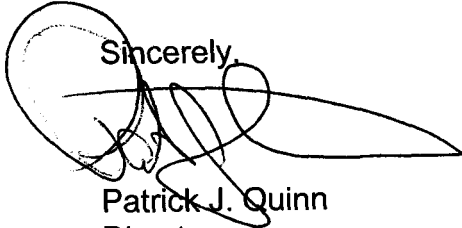
1. RUCO introduces a charge (without waiting for a rate case) that will rationalize the market to compliance levels.
2. RUCO suggest higher charges as the market allows. Although some may believe that the fixed cost shift is more than the \$3/kW long-term one identified above, RUCO's proposal allows the charge to escalate as the market allows. This is a fundamental point that cannot be stressed enough. The policy outcome is the same no matter if the cost shift is \$4/kW or \$6/kW.
3. The policy applies the full \$3/kW charge to oversized systems.

There are several other points raised in your letter which RUCO would like to address. For the sake of clarity, RUCO calculates the long term cost shift (not the long and short term cost shift) to be approximately \$20 per month. There is evidence that the near term cost shift could be around \$55 per month if some variables were held constant and APS had an automatic flow through mechanism like full decoupling (with no constraints). Again, for these reasons and others it is appropriate to take a balanced view on near-term impacts and longer-term outcomes.

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We hope that helps answer your questions. We look forward to continuing the discussion next week.

Sincerely,

A handwritten signature in black ink, appearing to be "Patrick J. Quinn", written over the word "Sincerely,". The signature is stylized with a large loop at the beginning and a long horizontal stroke extending to the right.

Patrick J. Quinn
Director

cc: Bob Stump, Chairman
Gary Pierce, Commissioner
Bob Burns, Commissioner
Susan Bitter Smith, Commissioner
Docket Control
All Parties of Record