

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, CHAIRMAN  
GARY PIERCE  
BRENDA BURNS  
SUSAN BITTER SMITH  
BOB BURNS

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY FOR  
APPROVAL OF NET METERING COST SHIFT  
SOLUTION

Docket No. E-01345A-13-0248

**Response of SWEEP to Chairman Bob  
Stump's November 7, 2013, Letter**

**RESPONSE OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT**

The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to respond to the questions raised by Chairman Bob Stump in his November 7, 2013, letter, requesting feedback regarding the impacts on customer energy efficiency of the net metering proposals under Commission consideration.<sup>1</sup> The Chairman also inquired whether or not increasing the fixed portion of customer utility bills would degrade customer empowerment.<sup>2</sup>

*In responding to these questions, SWEEP makes clear that it does not have an official position on any of the net metering proposals before the Commission.*

**I. SWEEP Comments on Increases to the Fixed Portion of Customer Utility Bills**

***In general, SWEEP does not support increases to the fixed portion of customer utility bills because higher fixed charges limit the ability of customers to maximize savings from energy efficiency.***

SWEEP has previously testified that it is important for customers to be able to maximize utility bill savings from energy efficiency. Higher fixed charges in utility bills limit that ability. Indeed, unlike an increase in the energy portion of utility bills, customers are unable to take action to reduce or mitigate the cost of increased fixed charges. As such, higher fixed charges reduce the portion of the utility bill over which customers have control, effectively reducing the customer price signal to conserve and engage in energy efficiency opportunities. Additionally, increased fixed charges have a tendency to fall disproportionately on smaller usage customers – who often are the customers who can least afford them. For these reasons,

<sup>1</sup> See: Chairman Bob Stump, "Re: Net Metering; Docket No. E-01345A-13-0248," In the matter of the application of Arizona Public Service Company for approval of net metering cost shift solution, Docket E-01345A-13-0248.

<sup>2</sup> Ibid.

SWEEP generally prefers the recovery of utility system costs in volumetric charges rather than in fixed charges.

## **II. SWEEP Comments Regarding the Impacts on Energy Efficiency of the Net Metering Proposals Under Commission Consideration**

The definitive answers to how the various net metering proposals under Commission consideration impact energy efficiency and conservation depend on a number of uncertain factors. Examples include the number of customers who adopt distributed generation (DG) moving forward and the number of customers who move between the residential lost fixed cost revenue (LFCR) Percent of Bill mechanism and the LFCR Opt-Out or Flat Charge mechanism. These uncertainties aside, SWEEP provides a high-level summary of how these proposals will likely affect energy efficiency from the perspective of three different customer groups:

### ***1) Energy Efficiency Impacts for Residential, Non-DG, LFCR Customers:***

- Under both of Staff's alternative options and the RUCO option, the amount of the LFCR charges for residential non-DG LFCR customers will decrease. Under all three of these options, the increased charges paid by a relatively small number of new DG customers and allocated as reductions to non-DG LFCR customers will be spread across a very large customer base. Therefore, SWEEP anticipates the total bill reduction for non-DG LFCR customers to be small. *Thus SWEEP anticipates few implications for energy efficiency.*
- If the total bill impact for non-DG LFCR customers turns out to be more significant, which seems unlikely, SWEEP recommends that the Arizona Public Service Company (APS) use this opportunity to educate customers about ways to leverage savings to reduce utility bills even further by investing in energy efficiency.

### ***2) Energy Efficiency Impacts for Residential, Non-DG, Flat Charge Opt-Out Customers:***

- The residential Flat Charge Opt-Out rate is a tiered fixed charge that was established during APS' last rate case. Residential customers on the Flat Charge Opt-Out rate accept a higher fixed charge through an increased basic service charge instead of the volumetric LFCR Percent of Bill mechanism.
- *Under both of Staff's alternative options and the RUCO option, the Flat Charge Opt-Out rate will not change.*<sup>3</sup>
- SWEEP continues to maintain that the Flat Charge Opt-Out rate mutes the price signal to customers by reducing the amount of utility bill cost savings that customers can experience when they save energy. Indeed, the only signal these customers receive related to the LFCR Flat Charge bill component is associated with movement between the mechanism's usage tiers.

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<sup>3</sup> See Attachment E, Arizona Corporation Commission Decision No. 73183, Opinion and Order in the matter of the application of Arizona Public Service Company for a hearing to determine the fair value of the utility property of the company for ratemaking purposes, to fix a just and reasonable rate of return thereon, to approve rate schedules designed to develop such return, Docket E-01345A-11-0224.

**3) Energy Efficiency Impacts for Residential DG Customers:**

- Under both of Staff's alternatives and the RUCO option, new residential DG customers would accept a fixed charge. The latter two options are tiered according to the capacity of the installed solar system.
- In general, increasing fixed charges mutes the price signal to save energy. Indeed for Staff Alternative 2 and the RUCO option, the only signal these customers would receive related to the fixed charge would be associated with movement between the proposed capacity tiers. In the case of Staff Alternative 1, the only signal customers would receive would be associated with movement between the LFCR Flat Charge Opt-Out mechanism's usage tiers. However, it is also important to stress that many DG customers become more cognizant of their energy usage as a result of monitoring their solar system's production and their overall energy use.
- SWEEP strongly believes that energy efficiency should be adopted before or in tandem with solar adoption because it ensures that solar systems are right sized to serve energy efficient load.

Thank you for the opportunity to submit these comments.

Respectfully submitted this 12<sup>th</sup> day of November 2013 by:



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Jeff Schlegel & Ellen Zuckerman  
Southwest Energy Efficiency Project