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Arizona Corporation Commission

**DOCKETED CHAIRMAN STUMP'S PROPOSED AMENDMENT #1**

NOV 12 2013

DATE PREPARED: November 12, 2013

DOCKETED BY	
COMPANY	Arizona Public Service Company

AGENDA ITEM NO.: 10

DOCKET NO: E-01345A-13-0248

OPEN MEETING DATE: November 13-14, 2013

On page 20, line 26, INSERT the following:

Discussion

74. The Commission has considered Staff's memorandum and recommendations, as well as the information and recommendations provided by the other parties. A full rate case would provide the most straightforward vehicle for addressing these issues. However, the Commission also recognizes the importance of these issues, and believes that initial steps toward an appropriate balance between the competing interests should be determined at this time.

75. The Commission finds that the continued proliferation of residential rooftop solar installations will be necessary if Arizona is to realize the benefits underlying the REST Rules.

76. We also find that a cost shift will accompany the proliferation of residential rooftop solar installations due to the associated reduction in volumetric sales. We further agree with Staff that, thus far, the cost shift has been limited to the calculation of the LFCR.

77. In order to address the inequity that results from this cost shift, wherein DG customers not only cause the LFCR to increase but also contribute less to APS's annual LFCR recovery than non-DG customers, we will change the method for calculating the LFCR charge.

78. It is noteworthy that both Staff's Alternative 2 and RUCO's recommendation (filed on October 30, 2013) reach similar results, even though they are based on different rationales. We will adopt Staff Alternative 2 as the starting point for calculating the "LFCR DG Offset," and we will adopt the conservative assumptions set forth in Finding of Fact No. 64. Based on the totality of the information before us, we find that \$3.42 per kW is a reasonable calculation of the magnitude of the DG cost shift.

79. We also recognize that cost shifts are not uncommon in rate design; examples include low-income tariffs and inclining-block conservation rates. Furthermore, as noted in Finding of Fact No. 65, it is often appropriate to introduce changes to rate design in a gradual way. We are concerned that the sudden implementation of the full amount of the LFCR DG Offset would impede APS's ability to reach its compliance requirements under the REST Rules. We will

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<input type="checkbox"/> Failed	<input type="checkbox"/> Not Offered	<input type="checkbox"/> Withdrawn

therefore implement the LFCR DG Offset on a gradual basis to minimize the initial impact for both DG customers and APS. We initially adopt a monthly LFCR DG Offset of \$1.09 per kW.

80. In its comments filed on October 30, 2013, RUCO recommends a four-step phase-in, which is triggered by subsequent levels of DG installations. We agree with RUCO that a phased approach is appropriate, but we are reluctant to adopt a phase-in mechanism that will result in automatic adjustments. We will instead revisit the appropriate quantification of the LFCR DG Offset in APS's 2015 LFCR reset proceeding.

81. We will also require APS to file monthly reports, with the first report to be due on February 1, 2014, that set forth 1) the number of solar installations added to APS's system each month and 2) the estimated impact to APS's ability to reach its compliance requirements under the REST Rules. In its filing, APS must also address whether the LFCR DG Offset requires more immediate adjustments (before the 2015 LFCR reset) in order to enable APS to comply with the REST requirements.

82. Our changes to the LFCR are intended to be revenue neutral to APS. In other words, we do not intend for the LFCR DG Offset to change the total dollar amount of LFCR revenue that APS will be allowed to recover. Our intent is instead to adjust the amounts paid by DG customers and non-DG customers, respectively, so that the revenue spread will be more equitable.

83. We will adopt the LFCR DG Offset described herein on an interim basis, subject to true-up in APS's next rate case.

84. The LFCR is a flexible mechanism that allows us to respond to changing circumstances. We will monitor the dollar amounts collected through the LFCR DG Offset to ensure that these amounts are used as an appropriate offset at each LFCR reset. We will therefore require APS to include this information in its LFCR Reset filing.

85. We reiterate that our decision today is a first step toward sorting out the complex issues presented by this case. We recognize that a complete consideration of the many facets of these issues must await APS's next rate case. We therefore will require APS to file its next full rate case at the earliest date that is consistent with the Commission's decision in APS's last rate case (Decision No. 73183).

On page 21, line 7, **DELETE** the following phrase:

“addressing the net metering cost-shift issue would benefit from a detailed analyses of the costs and benefits of distributed generation systems, and therefore, it is in the public interest to consider this issue in Arizona Public Service Company's next general rate case.”

<b>THIS AMENDMENT:</b>		
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_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

Then **INSERT** the following:

“it is in the public interest to adopt an interim adjustment to the LFCR in order to address the net metering cost-shift issue.

4. Staff’s Alternative 2, as modified herein, is an appropriate interim adjustment.

On page 21, lines, 12-14, **DELETE** the ordering paragraph.

Then **INSERT** the following:

IT IS FURTHER ORDERED that Staff’s Alternative 2, as modified herein, shall be adopted as an interim adjustment to the LFCR, subject to true-up in APS’s next full rate case.

IT IS FURTHER ORDERED that APS shall file a new Plan of Administration for the LFCR that appropriately reflects the modifications adopted herein.

IT IS FURTHER ORDERED that APS shall file its next full rate case at the earliest date that is consistent with the Commission’s order in Decision No. 73183.

**MAKE ALL CONFORMING CHANGES.**

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
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