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Bob Burns PROPOSED AMENDMENT NO. 1

DOCKETED BY

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TIME/DATE PREPARED: November 12, 2013

2013 NOV 12 P 4: 52
COMPANY: Arizona Public Service Company AGENDA ITEM NO. 10

7 CORP COMMISSION
DOCKET CONTROL
DOCKET NO. E-01345A-13-0248 OPEN MEETING DATE: November 13-14, 2013

This proposed amendment combines aspects of Staff's and RUCO's proposals to determine the appropriate method to ameliorate the cost-shift in a revenue neutral manner through APS's LFCR mechanism with a phase in to address this cost shift issue on an interim basis until the next APS rate case decision.

INSERT new Discussion Section and new FOFs, page 20, line 26:

The Commission's Balancing in the Public Interest to Address the Cost Shift Issue on an Interim Basis Until the Next APS Rate Case Decision.

74. There are a wide range of proposals in the docket for the Commission to consider in this matter, and the Commission appreciates the public comment and stakeholders' filings on these important issues.

75. In balancing the various positions expressed in the docket, the Commission finds that it is in the public interest to approve an interim LFCR DG adjustment that will be accounted for through APS's LFCR mechanism to address the cost shift from APS's residential DG customers to APS's residential non DG customers resulting from the proliferation of solar installations on residential rooftops. The approval of an interim LFCR DG adjustment through a modification to APS's LFCR mechanism will address the cost shift in a revenue neutral manner by reducing the amount of lost fixed costs that APS must collect from residential non-DG customers.

76. The interim LFCR DG adjustment shall apply only to new residential DG customers on or after January 1, 2014, and will be in effect until the Commission's decision in APS's next full rate case unless otherwise ordered by the Commission. The interim LFCR DG adjustment shall not apply to any customer on APS's ECT-2 rate.

77. In determining the appropriate interim LFCR DG adjustment, we find aspects of both Staff's Alternative #2 and RUCO's recent proposal to be especially helpful for the Commission's weighing in the public interest of the various views expressed in the docket.

78. Staff and RUCO have reached similar conclusions as to appropriate LFCR DG adjustments to address the cost shift issue based upon different methods of calculation.

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79. We find that among the range of Staff's and RUCO's LFCR DG adjustments proposals, a \$3.00 per kW per month (which would be a \$ 21.00 for a customer system of 7kW) is reasonable for new DG customers.

80. However, under the circumstances presented in this docket, we find that it is appropriate to use the principle of gradualism, and, as suggested by RUCO, to phase in the interim LFCR DG adjustment for new DG customers by initially implementing the adjustment at \$1.00 per kW per month, an amount that will be easy to use and understand by customers. Thereafter, a \$0.50/kW increase will apply for every 20 MW of installed capacity. The charge applies to each new solar customer with the intent of being fixed for 20 years, and linked to the system, not to the homeowner.

81. We shall require APS to report quarterly on its compliance with the REST Rules in light of the interim LFCR DG adjustment, and the impact of the \$1.00 per kW per month on APS's compliance. At a minimum, the report shall include the number of DG installations per month, the size of the installations by kW, and the amount collected each month through the interim LFCR DG adjustment. These reports shall be filed by each April 15, July 15, October 15, and January 15 and cover the previous 3 month period; with the first report due April 15, 2014. Once APS advises the Commission that 20 MW of installed capacity has been reached, the next trigger will be the first day of the month after such notification. Systems that are 16 kW and above will be assessed a \$3/kW rate without phase-in. A solar customer who fails to register their system with APS will result in a \$3/kW charge. Residential customers who either have a DG system installed on their homes now, or who submit an application and a signed contract with a solar installer to APS by December 31, 2013, shall have their system grandfathered under the current net metering policies.

82. We find that approving an interim LFCR DG adjustment as discussed herein through a modification to APS's LFCR mechanism is just and reasonable for APS and its customers. The Commission also acknowledges that ratepayers who want to install solar rooftop panels need certainty. The Commission, however, cannot bind future Commissions with regard to rates. Thus, it is the policy of this Commission to provide as much regulatory certainty to non-solar and solar customers alike as possible.

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Insert new Conclusion of Law, page 21, line 11:

In the period between the effective date of this order and the Commission's decision in APS's next rate case, it is also in the public interest to address in this docket the cost shift by approving an interim LFCR DG adjustment through a revenue neutral modification of APS's LFCR mechanism to ameliorate the impact of the cost shift on residential non DG customers.

DELETE Ordering Paragraph, page 21, lines 12-14 and instead INSERT new Ordering Paragraphs:

IT IS THEREFORE ORDERED that Arizona Public Service Company shall implement a \$1.00 per kW per month interim LFCR DG adjustment for all residential DG installations after December 31, 2013, consistent with the Commission's findings herein. The interim LFCR DG adjustment shall not apply to any customer on Arizona Public Service Company's ECT-2 rate.

IT IS FURTHER ORDERED that Arizona Public Service Company shall file by December 6, 2013, as a compliance item in this docket, its proposed modification to the Plan of Administration for Arizona Public Service Company's LFCR mechanism that incorporates the interim LFCR DG adjustment approved in this decision, for Staff approval.

IT IS FURTHER ORDERED that Arizona Public Service Company shall file quarterly reports as discussed herein, with the first report due April 15, 2014. At a minimum, the report shall include the number of DG installations per month, size of the installations by kW, and the amount collected each month through the interim LFCR DG adjustment.

INSERT, page 21, line 18

Additionally, the new generic docket should attempt to quantify the costs and benefits of new technologies, cost shifts in rates, and the value of the grid. The docket should also investigate general rate design issues and any modification (expansion to other rates,

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inclusion and valuation of different technologies, etc.) of the proposed LFCR surcharge going forward. A comprehensive list of recommendations should be presented to the Commission to vote on in order to provide guidance in the next APS rate case.

Make all conforming changes