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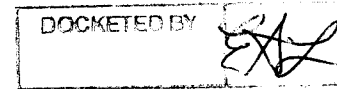
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV 19 2013

November 18, 2013

Docket Control
Arizona Corporation Commission
1200 W Washington
Phoenix, AZ 85007

Re: 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.

Dear Chairman Stump and Commissioners:

We missed it on this one — not because a fee was implemented or because that fee was too high or too low. We missed it because we didn't do enough to uncover the true effects, both positive and/or negative, of distributed rooftop solar.

APS initiated this process with one fundamental goal in mind: to set a precedent in determining that distributed rooftop solar, owned by parties other than APS, results in a cost shift among rate payers. Their secondary goal was to simultaneously implement a fee imposed on solar customers, but they knew that the underlying issue was to achieve a public acknowledgement of the cost shift. With that, they have opened the door for future fees and determinations in their favor against non-utility-owned solar. They have taken what they feel is a pragmatic approach to shutting down competition, and we will see the same public relations tactics during the 2015 rate case when net metering takes center stage again.

Though APS was disappointed that the sun tax was not higher, they immediately seized the opportunity to continue their propaganda campaign. In a letter I received from APS following the Commission's decision, they reiterated that our officials feel there is a cost shift and that the decision is only a "step in reforming Arizona's net metering policy". In other words, APS openly intends to continue the fight to penalize the installation of customer-owned electricity generation. Here is the full excerpt from APS:

"The ACC in its decision determined that the existing net metering program creates a cost shift and causes non-solar customers to pay higher rates to cover the costs of maintaining the electric grid. This is what prompted APS to propose net metering reforms earlier this year. ACC Staff and the Residential Utility Consumer Office, among others, also agreed that a cost shift exists. Yesterday's decision is an important step in reforming Arizona's net metering policy to benefit all customers."

Frankly, APS' unethical dark money campaigns administered by Prosper and 60 Plus were successful. They essentially influenced the Commission to take APS' word for it, that there is a cost shift hurting non-solar customers. APS requested the implementation of an astronomical fee to divert our attention from their true objective. One APS executive openly admitted to me that they never intended for or expected a fee remotely close to their initial proposals, likening their proposed fee to a negotiating tactic.

Proof of APS' success came within the first few minutes of Thursday's day-long session when Chairman Stump asserted, "There seems to be a consensus that there is in fact a cost shift." Court Rich, representing the Solar Energy Industries Association immediately responded, "The idea that there's been a consensus that there is a cost shift is just false, and I think it really underlines one of the issues with this whole process.... There is no consensus and the process here is that [APS is] trying to get you to rush to judgement." Rich went on to explain that the solar industry experts that prepared an in-depth report in response to APS' own self-funded report were not even able to take the stand for cross-examination. Regardless of the final determination, it was an injustice not to include an open technical discussion in this process in addition to the closed-door discussions by ACC Staff and the Residential Utility Consumer Office.

Throughout the entire process, we have allowed APS to define "cost shift" much too broadly. Various cost shifts are taking place every single day that are actively ignored by APS because they are structured in ways that increase their bottom line profits. Non-utility-owned solar is the first prominent potential cost shift that directly reduces APS net profits which has brought the issue to the forefront. We need to redefine cost shifts as two types: a cost shift that blocks the recovery of APS' net profit and a cost shift that blocks the recovery of APS' fixed costs.

With that in mind, I wholeheartedly agree that solar creates a cost-shift that directly reduces APS' net profits. The question is whether or not it is appropriate for APS to respond to this type of cost shift with rate increases. I feel APS does not have this right.

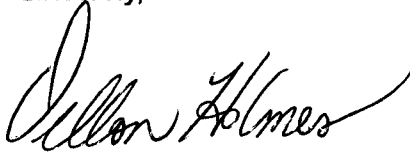
The issue that merited further investigation was whether or not distributed solar also creates a cost shift that blocks the recovery of fixed grid costs. It was stated during public comment that solar customers desire using the grid for free, that they are wrong for not paying their fair share. However, you'd be hard pressed to find a single solar customer that wants something for nothing. The problem is that solar customers do not feel enough has been done to determine that they actually are using the grid for free. Last week's hearing did not do enough to address whether or not distributed solar has resulted in a cost shift that avoids fixed costs rather than just APS profits.

When you have both a centralized monopoly and disruptive technology in the same arena, a utility profit cost shift is simply unavoidable and uncorrectable. We have seen this with energy efficiency techniques which also result in a net profit loss to APS. And as long as APS wants the revenue back, they will have to raise rates and create a cost shift to recover their profits. Although we all agree that distributed solar, like energy efficiency, results in a profit loss to APS, we have not adequately determined that the same technologies are avoiding fixed costs. This, as you know, is because there are many grid benefits that come with the adoption of distributed solar. We need to open a series of honest technical workshops where the industry experts, along with the Commission, Staff, and APS, can work together to determine the true effects of distributed generation. Allowing interested parties to host these technical workshops, as with those of earlier this year, is a clear conflict which corrupted the

entire process. APS cannot be allowed to host these workshops in the future; the same applies to the solar industry.

I was intrigued to learn of Commissioner Burns' memorandum to open the docket regarding utility business models (13-0375). Bringing this issue directly to the forefront is both commendable and vital to our state's energy future. Due to inevitable technology innovation, there is virtually no scenario that will stop individuals, families, and business owners from investing in power that they themselves may own. The role of our state's utility companies is changing, and they are openly aware of it. Our regulated monopolies no longer have the luxury of being a customer's sole provider of transmission, distribution, and generation, and this trend will only continue to grow, as explained in Commissioner Burns' memo. For that reason, it is exceedingly important that we determine a true cost to operate our grid so that we may establish policies that work together with distributed generation to ensure the reliability of our transitioning energy system.

Sincerely,

A handwritten signature in cursive script that reads "Dillon Holmes". The signature is written in black ink and is positioned below the word "Sincerely,".

Dillon Holmes