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ARIZONA CORPORATION COMMISSION

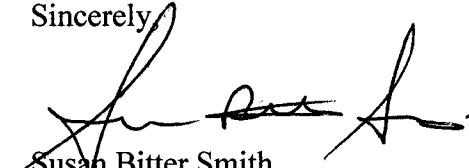
May 7, 2014

RE: Commission Workshop on Value and Cost of Distributed Generation Docket No. E-00000J-14-0023

Dear Chairman, Fellow Commissioners, Parties to the Docket and other interested persons:

During the May 7, 2014 Workshop meeting, one of the participants, Tom Beach of Cross Border Energy, provided a power point which, on page 11, contained a list of SEIA Rate Design Principles. During the workshop, I indicated to the audience that it would be helpful to my future full consideration of this matter to have comments regarding these rate design principles. I restate that request here, and have attached a copy of the presentation slide. Comments should be filed in the above referenced docket.

Sincerely,



Susan Bitter Smith
Commissioner

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Arizona Corporation Commission

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SEIA Rate Design Principles

1. Rates should be based on marginal costs which emphasize a long-run perspective.
2. Rates should encourage conservation and integration of renewables.
3. Rates should reduce peak demand.
4. Rates should include the development of time-of-use (TOU) tariffs.
5. Rates should be based on cost-causation principles.
6. Any rate design should not be discriminatory toward renewables.
7. Rates should have transparency, with enough availability of data so that the customer has predictability into what their rate should be.
8. Any rate redesign should minimize any impact to existing customers, such as grandfathering in existing customers (no retroactivity), with the option to opt into a new rate.
9. There should be a smooth transition to a new rate structure.
10. Customer charges should be avoided.
11. Rates should encourage economically efficient decision-making.