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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP	GARY PIERCE	BRENDA BURNS
CHAIRMAN	COMMISSIONER	COMMISSIONER

BOB BURNS	SUSAN BITTER-SMITH
COMMISSIONER	COMMISSIONER

IN THE MATTER OF THE COMMISSION'S INVESTIGATION OF VALUE AND COST OF DISTRIBUTED GENERATION	**DOCKET NO. E-00000J-14-0023** **COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE (TASC)**

COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE ON THE SOLAR ENERGY INDUSTRIES ASSOCIATION'S RATE-DESIGN PRINCIPLES

I. INTRODUCTION

The Arizona Corporation Commission ("ACC" or "Commission") established this docket for the purposes of gathering Stakeholder input and to help inform future Commission policy on the value and costs that Distributed Generation brings to the grid. On May 7, 2014, Commissioner Susan Bitter-Smith submitted a letter to the docket ("Commissioner's Letter") requesting comments regarding the rate-design principles espoused by the Solar Energy Industries Association ("SEIA"). The Alliance for Solar Choice ("TASC") respectfully submits these comments pursuant the Commissioner's Letter.

TASC leads advocacy across the country for the rooftop solar industry. Founded by the largest rooftop companies in the nation, TASC represents the vast majority of the rooftop solar

market. Its members include: Demeter Power, SolarCity, Solar Universe, Sungevity, Sunrun, and Verengo. These companies are important stakeholders in Arizona's Renewable Energy Standard and net-metering programs. They are responsible for thousands of solar installations serving businesses, residents, schools, churches and government facilities in Arizona. TASC's member companies have brought hundreds of jobs and many tens of millions of dollars of investment to Arizona's cities and towns.

II. TASC SUPPORTS THE RATE-DESIGN PRINCIPLES OUTLINED BY SEIA.

TASC is supportive of SEIA's rate-design principles. Rate design is an immensely important tool that policymakers may use both to protect and empower consumers, and to facilitate the achievement of state energy policy goals. The overarching aim of SEIA's rate-design principles is to give consumers — including those who have invested in rooftop solar-energy systems — more choices and more control over their monthly electric bills. Embracing these principles can also help U.S. states meet policy goals related to energy efficiency, energy conservation, renewable energy and reducing peak demand.

Many of SEIA's rate-design principles are inter-related, and it is therefore appropriate to consider them in whole. For example, state regulators, utilities and grid operators around the United States have an obvious interest in reducing peak demand in order to prevent exceedingly high electricity costs for consumers and to reduce the possibility of large-scale service disruptions. Peak demand can be reduced by encouraging energy conservation and the integration of renewables — particularly those renewables, including solar, that generate meaningful amounts of electricity during periods of overall peak system use.

Similarly, voluntary time-of-use (TOU) tariffs are designed to encourage consumers to adjust their electric consumption based on preordained price signals. These tariffs effectively give participating customers more control over their electric bills. TOU rates abide by cost-causation principles by providing higher prices during peak hours in order to reflect the higher marginal costs to serve customers during those times. In turn, TOU pricing provides customers with signals that more accurately reflect system capacity costs. Higher prices create an incentive

for customers to shift load and improve energy efficiency in their homes or facilities. Thus, TOU rates reduce both coincident and non-coincident peak demand, while encouraging conservation and energy efficiency. In addition, TOU rates assist in renewables integration by signaling customers when it is optimal to consume power from or to place power onto the grid[1].

The more closely a customer's bill is calibrated to the customer's actual usage of electricity and any market signals that exist, the more control the customer ultimately has over his or her total monthly bill -- and the greater motivation the customer will have to modify electricity consumption. Conversely, rates that rely more heavily on fixed charges and demand charges offer a weaker financial motive for customers to reduce electric consumption and therefore are less useful in reducing peak demand and encouraging economically efficient decision-making[2]. Fixed and demand charges contradict customer choice and empowerment, and they penalize energy-conscious customers because ratepayers have neither a short- nor long-term ability to respond to fixed and demand charges. Moreover, nearly all costs that utilities label "fixed" are actually variable when viewing utility planning from a long-term framework. For example, utilities' transmission- and distribution-level infrastructure can be reconfigured to serve additional customers if average residential demand is reduced as a result of distributed generation ("DG") or other customer-side measures. On the other hand, volumetric rates recognize that all utility costs are variable in the long run. Volumetric rates also reduce peak demand and provide customers with the best range of information on their energy usage.

It is critical that the terms of such rates are transparent, clear and consistent, and that customers have easy access to data and other relevant information that will allow them to make informed decisions. In addition, transitions to new rate structures should be smooth and orderly, with generous use of rate options and grandfathering to minimize customer confusion, particularly for residential customers. It is essential to TASC, its members, its customers and its

[1] Tiered pricing where pricing increases with higher cumulative monthly consumption also provides a useful signal for conservation and reduced demand on the grid. While TOU pricing may provide a signal to customers that is more accurately aligned with intra-day and intra-month system costs, inclining tiers also offer an effective and known pricing structure.

[2] While demand charges that are assessed on the maximum instantaneous draw from the grid can be time-differentiated and can conceptually be avoided by a customer, the ability for most customers to reduce that draw 100% of the time is limited. In the case of customer PV generation, the customer does, in fact, reduce the draw on the grid during system peak times, yet the customer will likely be charged as if it had no impact.

contractors that any rate changes respect the long-term investments that thousands of Arizona customers have already made in distributed renewables.

In considering these rate-design principles, it is important to recognize that the U.S. electric industry is evolving rapidly, and that utilities must evolve with it. The grid is becoming a technology-enabling platform, with public policy facilitating access to it in many states. TASC believes that technological innovation, along with changes in consumer preferences and behavior, will alter the need for regulated electric utility service in Arizona. In addition, the public interest requires that regulated electric utilities facilitate customer access to new energy products and services. Arizona's electric utilities should provide access to essential facilities under their control to ensure customer access to these products and services, and just and reasonable pricing should be established for the use of such facilities. Customers now have the option to invest in DG instead of relying entirely on utility-provided energy, and it is vital that the Commission supports customer choice.

Fundamentally, TASC believes that customer empowerment and customer choice are important principles that are highly worthy of the Commission's support. Indeed, Arizona's master energy plan (emPOWER Arizona: Executive Energy Assessment and Pathways), adopted by Governor Jan Brewer in 2014,[3] concludes by stating: "Arizona's energy and economic future should be determined by its people. With information comes power, and it is the ultimate goal of emPOWER Arizona that Arizona's private citizens, businesses, localities and organizations are empowered with energy information and given the opportunity to take the lead in the areas they see fit."[4]

Lastly, SEIA's rate-design principles are consistent with major energy policies adopted by Arizona and many other U.S. states. Arizona is one of 25 states that have established a long-term energy-efficiency resource standard.[5] Arizona's Electric Energy Efficiency Standards[6] call for cumulative annual kilowatt-hour savings equivalent to at least 22% of an affected utility's

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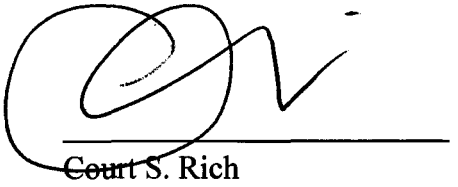
[3] Executive Order 2014-04, "Adopting Arizona's Master Energy Plan and Establishing State Energy Advisory Board" (February 18, 2014).
[4] emPOWER Arizona: Executive Energy Assessment and Pathways, p. 103 (2013).
[5] http://www.aceee.org/files/pdf/policy-brief/eers-04-2014.pdf
[6] AAC R14-2-2401 et seq.

retail electric energy sales for calendar year 2020. It makes little sense not to employ rate structures that facilitate the achievement of these energy-efficiency policy aims.

III. CONCLUSION

SEIA's rate-design principles promote customer choice and customer empowerment, facilitate a reduction in peak demand, and are consistent with significant, long-term energy policies already established by Arizona. TASC respectfully asks that the Commission carefully consider how the adoption of these principles would impact the determination of the value and cost of DG in Arizona.

RESPECTFULLY SUBMITTED this 16th day of June, 2014.



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