



RESIDENTIAL UTILITY CONSUMER OFFICE

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Janice K. Brewer
Governor

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Director

August 1, 2014

Arizona Corporation Commission

DOCKETED

AUG 01 2014

Bob Stump, Chairman
Gary Pierce, Commissioner
Brenda Burns, Commissioner
Bob Burns, Commissioner
Susan Bitter Smith, Commissioner
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

DOCKETED BY

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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Re: In the Matter of Arizona Public Service Company's Application for Approval of Net Metering Cost Shift Solution, Docket No. E-01345A-13-0248

Dear Chairman Stump, Commissioners, Stakeholders and Interested Parties:

The Residential Utility Consumer Office (RUCO) agrees with the questions and observations that Commissioners Bob Burns pointed to in his letter of July 29th, Brenda Burns makes in her July 30th letter and Susan Bitter Smith puts forward in her July 30th letter. They raised many important issues around the scope of the rate design discussion (e.g. should it be more than just net metering) and the proper venue for that discussion.

In order to guarantee some possibility of success in this undertaking, RUCO too believes that it is prudent to first determine the appropriate docket to have this discussion, design the parameters of this discussion and define the goals and process guidelines. RUCO would recommend that this rate design process be incorporated in the broadest possible docket. Absent opening a new docket, the emerging technology docket Bob Burns initiated would likely be the most suitable vehicle.

Once the process is understood and agreed upon, the Commission would initiate a state-wide discussion on rate design with the goal of having key parties reach alignment on a set of principles to incorporate into a "consensus" document. Conflicting principles that may exist between various parties would be worked out in the context of a specific utility's future regulatory rate case proceeding.

After the parameters and process is defined, RUCO suggests that up to three workshops could be held from now through late Fall to discuss:

- The fundamentals and objectives of rate design as they apply in Arizona
- Technology integration and other long-term considerations
- Current application of rate design for utilities in Arizona in detail

Following the series of workshops, ACC Staff would lead a process by which parties come together over a 30-day period and put forward as many agreed upon "Guiding Principles" as possible. The Commission would acknowledge or approve the common "Guiding Principles." Utilities would then have the ability to file specific rate design proposals that follow the Guiding Principles as part of a future rate case.

Clearly, the need to modernize customer rates is becoming ever more apparent. Whether it is new distributed generation technologies, micro grids, storage, or next-level energy efficiency, we must initiate a rate design process that enables new technologies to flourish in a manner that benefits all ratepayers. RUCO still recognizes the need for modeling around the cost and benefits of DG (within the "Value of DG" docket) and we also recognize that there will be more issues in the rate design discussion than just the accommodation and preparation of new technology deployment. RUCO envisions diving into how rates should reflect fixed costs, the issues around special pass-through rate concepts, and cost recovery mechanisms like the LFCR. Without a broad statewide discussion that covers most major issues facing utilities and their ratepayers, RUCO sees little benefit in going forward with a docket of limited scope. If the Commission does indeed chose to have a thorough rate design proceeding, RUCO recommends a process that ultimately requires a company to file a rate case to implement the changes.

Modernizing rates to reflect 21st century challenges takes time. There is no sense requiring any major electric utility to file a rate case. Since discussion of complex rate design issues will be much more robust and wide-ranging than in the past and since the implementation of new rate structures will have to been conducted in utility specific rate proceedings, companies will have the incentive to file once ready. Assuming a broad statewide discussion that covers all the major issues facing utilities and their ratepayers is set up, it seems appropriate to remove the APS requirement of filing a rate

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case by June 2015. If a limited discussion is pursued, RUCO sees little reason to push out the APS case.

In closing, RUCO would like to thank the Commission and parties for considering our comments. Taking time to define goals and process will be crucial before taking any next steps. RUCO believes that the process outlined above is a good start to putting some shape around the rate design discussion. That said, RUCO is open and eager to consider suggestions and modifications to the process put forward above.

Sincerely,



Patrick J. Quinn
Director

cc: All Parties of Record
Docket Control