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BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE
COMMISSION'S INQUIRY INTO
CONSIDERATION OF DEVELOPING
PROCEDURES FOR RATE CASES OR
OTHER UTILITY SPECIFIC
APPLICATION PROCESSES IN ORDER
TO STUDY AND CONSIDER RATE
DESIGN OPTIONS FOR ELECTRIC AND
GAS PUBLIC SERVICE CORPORATIONS

Docket No. AU-00000C-14-0329

Arizona Corporation Commission

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**COMMENTS OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION ON STAFF'S
PROPOSED PROCESS FOR RATE DESIGN ISSUES RELATED TO ELECTRIC AND
GAS UTILITIES GENERAL RATE CASE APPLICATIONS**

The Solar Energy Industries Association (SEIA)¹ appreciates the opportunity to comment on Staff's proposed procedure for considering rate design issues at the beginning of a utility's rate case. These comments serve to elaborate on SEIA's position expressed in comments filed on August 7, 2014 (Docket No. E-01345A-13-0248).

SEIA notes that this docket emerged from the Commission's reconsideration of APS' general rate case filing requirement that was established by Decision No. 74202. At the time of that reconsideration, it was SEIA's understanding that the Commission was contemplating a relatively broad statewide policy discussion of rate design issues, which we supported. Since then, it appears that the scope of this issue has morphed into a much narrower concept designed to pre-approve rate design changes for Arizona Public Service before the company files for its

¹ The comments contained in this filing represent the position of SEIA as an organization, but not necessarily the views of any particular member with respect to any issue.

1 next rate increase.² While we appreciate Staff's effort in formulating this proposal, SEIA cannot
2 support it at this time. SEIA does not support any procedure that fundamentally separates rate
3 design from the revenue requirement portion of the general ratemaking process. In our opinion,
4 no party has adequately articulated why this alternative would be preferable to a traditional
5 rate case process. We are cognizant of the concerns raised in the September 9, 2014 Open
6 Meeting; more specifically, the rate design changes currently anticipated by APS may be
7 profound enough to require more time for consideration than the current Commission rules
8 currently allow. However, A.A.C. R14-2-103 §(B)(11)(e) clearly gives the Commission
9 discretion to alter these time requirements. If the company indeed requests fundamental changes
10 to its rate design, SEIA believes it makes more sense for the Commission to extend or waive the
11 time requirements of a single proceeding, rather than conduct two different proceedings. While
12 an extended proceeding might not be ideal from an investor's standpoint, it would certainly be
13 warranted and would appear to be a relatively minor concern in comparison to a fundamental
14 redesign of the rates that affect all utility ratepayers.

15 Additionally, we think the proposed process could be detrimental to the public interest for
16 other reasons. Staff's proposal highlights the fact that any major rate design changes would
17 require a variety of procedural steps including the collection of substantial information from
18 the utility. We note that these steps and the information collected, while necessary, are
19 largely duplicative of those that would be conducted in a traditional rate case. This
20 duplication of efforts is wasteful of the Commission's time and resources. Furthermore, it
21 places a greater burden on non-utility stakeholders (including SEIA) who have limited
22 resources and may be unable participate in two separate rate case proceedings. Most
23 importantly, separating rate design from revenue requirement restricts the Commission's
24 ability to weigh important tradeoffs between different stakeholder groups and policy
25 objectives – tradeoffs that inevitably arise in any rate case. With respect to solar, this point is
26 critical since solar providers are in some instances competing with utility companies for

27 ² Although this proceeding was established as a generic docket, SEIA notes
28 that it was created in direct response to the Commission's discussion at the
September 9th, 2014 Open Meeting which was within the context of future rate
applications made by Arizona Public Service.

1 revenues. For DG solar providers, revenues are more clearly linked to rate design, while for
2 the utility company they are more clearly linked to the revenue requirement. Since a
3 traditional rate case includes both of these elements, the Commission would be able to
4 balance how revenues should be distributed between these two groups. However, the current
5 proposal would prevent that from occurring by severing the link between rate design and
6 revenue requirement. In fact, a recent study by Lawrence Berkeley National Lab on the
7 financial impacts of customer-sited PV suggested the opposite approach: “the shareholder
8 (and, to a lesser extent, ratepayer) impacts of customer-sited PV may be mitigated through
9 various ‘incremental’ changes to utility business or regulatory models, ... Importantly, however,
10 these mitigation strategies entail tradeoffs – either between ratepayers and shareholders or among
11 competing policy objectives – which may ultimately necessitate resolution within the context of
12 broader policy- and rate-making processes, rather than on a stand-alone basis.”³

13 We are concerned that APS or other utilities might use this new process to seek rate design
14 changes on a standalone basis that are burdensome to DG solar providers and other consumers
15 while insulating themselves from any possible compromises on revenue requirement. This gives
16 the utility an unfair competitive advantage in arguing for or negotiating any rate design changes.
17 Thus we urge the Commission to reject the proposal to bifurcate utility rate cases in the manner
18 proposed.

19 Respectfully submitted this 20th day of October, 2014,

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³ “Financial Impacts of Net-Metered PV on Utilities and Ratepayers”

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Original and 13 copies of the foregoing filed this 20th day of October, 2014 with:

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