



0000156865

RECEIVED
BEFORE THE ARIZONA CORPORATION COMMISSION

2014 OCT 22 A 10:49

COMMISSIONERS

Bob Stump, Chairman
Gary Pierce
Brenda Burns
Bob Burns
Susan Bitter Smith

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

OCT 22 2014

ORIGINAL

DOCKETED BY 

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

Comments of Western Grid Group

Western Grid Group (WGG) works throughout the Western Interconnection on policy and technical issues that will accelerate the incorporation of a broad range of cost-effective, low-carbon technologies into the electric system. WGG has participated in the Innovation Docket and other forums around the West examining fundamental changes in the electric system.

WGG does not support staff's sample rate design proposal nor the process or concept of designing or setting of rates outside a utility rate case. Below are the reasons we believe the Commission should not move forward with this process followed by some suggestions for a different course of action.

I. Establishing Rate Design outside a Rate Case is Inefficient and Could Limit Participation.

As proposed by staff, the rate design process would require a utility to submit a pre-filing "approximately 8 to 9 months before filing its rate case application." The pre-filing would include "all the information and schedules" that need to be filed in a rate case application "including all pro-forma adjustments¹."

¹ September 29, 2014 Staff's Notice of Filing on Rate Design

If the proposed process is adopted the Commission could be doubling the amount of time needed to process a utility rate case. The Commission has an established "time clock" of approximately a year in which it must process a rate case. This time clock ensures efficiency and provides protections to companies and interveners that a decision will be reached in a reasonable, set period of time. It allows interveners to budget time and resources to participate in the process.

The proposed rate design process will double the amount of time allocated to processing a single rate case; from about one year to two. Adding time to the process increases costs for the commission, utilities, stakeholders and interveners. **Participating as in intervener in a utility rate case is already an expensive and time consuming proposition. Adding an entirely new process to establish rate design will add significant cost to participation.**

In recent electric utility rate cases fewer than 20 parties participated (intervened). The interveners are a mix of large, well-funded corporations or organizations and small non-profit and non-governmental organizations. Adopting a proposal that increases the complexity of the process and timeline for deciding a utility rate case could have the effect of reducing the number of stakeholders who participate. By adopting a rate design process outside of a rate case the Commission could make the process cost prohibitive to non-profits and small stakeholders, resulting in reduced diversity of stakeholders, information and perspectives in the process.

II. Setting Rate Design outside of a Rate Case will Reduce Options for Commissioners

Arizona's five elected Corporation Commissioners are ultimately responsible for the cost of electric service for all customers. Commissioners have a limited number of options for reaching a fair decision in a rate proceeding. Revenue requirements can be adjusted up or down; adjuster mechanisms can be created, modified or eliminated; and rates can be designed to charge more or less for one customer class or another. In the proposed process rate design could be fixed for the rate case. This would limit one of the key options available to Commissioners to develop a fair decision. Limiting flexibility for Commissioners is not in the best interest of customers.

III. Evaluate all Cost Shifts Embedded in Utility Rate Structures

It is our understanding that the proposed process to determine rate design outside of a rate case was created as a method to address the impacts of distributed generation on utility revenues and the "cost shift" on customers. In previous proceedings related to distributed energy APS and individual Commissioners have stated that they believe adoption of distributed solar energy creates a cost shift between customers with solar energy systems and those without. However, the Commission has not conducted an independent, unbiased evaluation to determine if there is a cost shift from solar, nor compared the assumed solar cost shift to other policies that shift costs.

If the Commission is interested in creating new rates to deal with the impact of solar energy it should also evaluate all cost shifts to have a basis of comparison and to determine if the magnitude of the assumed cost shift from distributed solar warrants special treatment. For example, the Commission should evaluate: cost shifts associated with any industrial customer subsidies to residential customers;

the impacts of the current line extension policy shifting costs from a single customer to multiple customers; and subsidies to low income customers who are becoming a larger portion of the customer base. We are not arguing that all or any cost shifts and subsidies be eliminated. Rather, any cost shift due to distributed solar energy must be evaluated in light of other cost shifts the Commission adopts.

IV. Complete the Innovation Workshop Process

Distributed solar energy is but a harbinger of other new technologies and services that are dramatically changing the electric industry. Other technologies that may affect utilities and their finances include: solar/natural gas hybrid generation that will allow a business customer to detach from the grid; battery, solar thermal or other storage technologies; micro grids and intelligent grid strategies; and energy efficiency and load control technologies. Many of these technologies were discussed in the Innovation Workshop series for which Staff is developing a report for the Commission.

The Innovation Workshop was an important first step in understanding what technologies may be available to consumers and utilities. The Commission should complete the process of reviewing new technology before starting a rate design process that may retard or prohibit the adoption of technologies that benefit consumers.

V. Conduct a study of futures for Arizonan's electric utility industry

Per the Edison Electric Institute, utilities will face unprecedented challenges in the future. The Commission has proposed a possible process to develop rates before the long term implications of such a move is understood. This piecemeal approach lacks an end game or comprehensive vision of where we want our utilities to be in a decade and what regulatory changes are needed to ensure that the most efficient, clean, cost-effective and reliable electric service is available to Arizona consumers in the future.

Some things are highly likely:

- The number of customers who are unable to pay for electric services is growing. This inability to pay may be a greater risk to revenue collection by utilities than distributed solar generation.
- Customers will have more choices in technology and ways to control their energy in the future, thereby putting pressure on electric utility revenues.
- EPA 111(d) regulation on power plants will significantly change the generation mix in the state requiring the adoption of newer, cleaner energy technologies.

It is impossible to predict the pace and extent of change in the electric utility industry. What we do know is that the industry is changing. Some commissions, such as New York, are taking a comprehensive approach to study possible future services and the structure and regulation of electric utilities. In Arizona the Commission could choose to do nothing; take a piecemeal approach, such as the proposed process to set rates outside of a rate case; or the Commission could consider conducting a thoughtful evaluation of future needs.

We believe the Commission should use the output of the Innovation Docket to launch a larger and more comprehensive process to examine the future of the electricity industry and possible changes in the way we regulate utilities, instead of rushing into an isolated rate setting process.

Respectfully submitted this 16th day of October 2014.

Amanda Ormond
Managing Director
Western Grid Group
7650 S. McClintock Drive
Ste 103-282
Tempe, Arizona 85284
asormond@msn.com