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2014 DEC 18 A 8:30

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BEFORE THE ARIZONA CORPORATION COMMISSION

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11 **IN THE MATTER OF THE**)
12 **APPLICATION OF ARIZONA**)
13 **PUBLIC SERVICE COMPANY FOR**)
14 **APPROVAL OF ITS 2015**)
15 **RENEWABLE ENERGY STANDARD**)
16 **IMPLEMENTATION FOR RESET**)
17 **OF RENEWABLE ENERGY**)
18 **ADJUSTER.**)

DOCKET NO. E-01345A-13-0140 &
DOCKET NO. E-01345A-14-0250

Arizona Corporation Commission

DOCKETED

DEC 18 2014

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**THE ALLIANCE FOR SOLAR CHOICE'S RESPONSE TO
APS'S LATE-FILED "CLARIFICATION OF NEED FOR AZ SUN DG"**

20 On December 3, 2014, just over one week before the Commission was originally
21 scheduled to deliberate and rule on APS's utility owned distributed generation ("UODG")
22 program, the Company filed what it claims to be a "clarification" of the need for additional solar
23 capacity. However, APS's "clarification" is actually an entirely new pilot project, substantially
24 different from the one it originally proposed on July 28, 2014 and subsequently explained in its
25 October 7, 2014 Project Description. This last minute attempt to rehabilitate its program is
26 improper and prejudices TASC and other parties by depriving them of due process. The
27 Commission should not permit APS to circumvent discovery and careful scrutiny by entertaining
28 its last-minute effort to transform the very nature of its proposal.

1 **1. APS’s “Clarification of Need” Improperly Requests Authorization to Implement an**
2 **Entirely New UODG Program At The Eleventh Hour**

3
4 APS’s “clarification” raises more questions than it answers. Unlike its original proposal,
5 APS now requests that its UODG project be treated as a pilot program, which it claims can
6 “further research objectives.”¹ However, APS does not clearly define its specific research
7 objectives, its methods, processes for reporting results, or the expected costs to customers.
8 Without this critical information, the Commission is not able to determine whether the cost of the
9 program is justified by potential benefits and therefore cannot make a public interest
10 determination.

11 Further, APS explains that it is no longer seeking cost recovery through its REST adjuster
12 mechanism. This begs the question, of why this request should be heard in the context of the
13 Company’s renewable energy standard implementation plans. In contrast, the Commission
14 approved the Flagstaff Project, another pilot and research oriented project, in a separate
15 application proceeding.

16 Finally, the late-filed “clarification” will not be subject to an independent analysis, like
17 the original APS UODG program, which Staff found to be unnecessary. The record is lacking
18 substantial evidence upon which to base an informed decision. TASC would welcome the
19 opportunity to provide input and direction on the formation of a clearly defined and planned pilot
20 program to research grid management in the face of increasing PV penetrations, use of advanced
21 invertors, and other ways in which solar DG can provide ancillary benefits to the APS system.
22 TASC’s members’ experience working with utilities on similar research in other areas of the
23 country could provide the Commission with valuable information to ensure that customer dollars
24 are wisely spent.

25 In order to set clear directions and goals, examine costs and benefits, and define
26 methodologies for achieving them, the Commission should require APS to come forward with a
27 separate application filing that would be subject to discovery and vetted through an

28

¹ APS Clarification of Need for AZ Sun DG

1 administrative hearing, where all stakeholders can participate. The Commission should refuse to
2 accept APS's late-filed "clarification" as sufficient basis upon which to approve its UODG
3 program.

4
5 **2. APS Has Failed to Justify Its Proposal**

6
7 APS's last minute attempt to radically overhaul its proposal following its rejection by
8 Commission Staff should be disregarded as untimely. TASC nevertheless responds to the
9 Company's newly stated justifications contained in its December 3 filing, all of which lack merit.
10 In its December 3 filing, APS attempts to justify its proposal on four main points.

- 11
- 12 a. First, APS states that its DG program will provide backstop capacity to ensure
13 compliance with its 2009 Settlement obligations despite Staff's previous analysis
14 that the additional capacity is not necessary.
 - 15
 - 16 b. Second, APS incorrectly assumes that the 10MW of capacity it now plans to
17 install will count towards meeting its DG REST requirements while ignoring prior
18 Commission statements to the contrary.
 - 19
 - 20 c. Third, APS now claims that a primary purpose of the project is to test grid
21 benefits and conduct other research without exploring or discussing alternatives to
22 achieve these same goals.
 - 23
 - 24 d. Finally, the Company claims that its DG program will "meet customer demand
25 for solar options," yet APS provides no market research or other evidence to
26 support this claim especially in light of its commitment to only install systems in
27 strategically significant areas and to limit the offering to low-income customers.
 - 28

1 TASC will address each of APS's purported justifications, in turn, below.

2

3 **a. The Company Does Not Need Backstop Capacity to Ensure Compliance**
4 **With the 2009 Settlement**

5

6 Despite Staff's November 3, 2014 detailed analysis, which specifically found that APS
7 did not demonstrate a need for additional solar capacity to meet its 2009 Settlement obligations,
8 APS continues to insist that its DG program is necessary to supply backstop capacity just in case
9 third party installers are unable to continue their current and historic growth. APS again asserts,
10 without proof or explanation, that "third parties might slow or even stop installing solar due to
11 federal investigations, among other risks."² While APS did not name SolarCity specifically, it is
12 clear to TASC that this is the company to which APS refers.

13 APS's concern is baseless. There are no ongoing investigations that would slow, much
14 less stop, SolarCity's deployment of rooftop solar in Arizona. In fact, the Office of Inspector
15 General's review of the (now completed) Section 1603 program has been ongoing for more than
16 two years, and has had no effect whatsoever on the ability of third parties like SolarCity to
17 continue installing solar energy systems and growing in Arizona.

18 In all that time, the government has not asserted any claims against any of the solar
19 developers or installers in Arizona, nor has it accused any of those companies of any
20 wrongdoing. In any event, even if the Treasury Department were to retroactively reduce the
21 awards it previously paid, there would be no impact on SolarCity's operations in
22 Arizona. SolarCity stands by its contracts, and is in a very strong financial position. The
23 company has raised private funds to finance more than \$5 billion in solar projects. The
24 Company has more than \$4 billion in total assets on its balance sheet, and has more than \$4
25 billion in contracted payments coming to it over the next 20 years. The real threat to rooftop
26 solar in Arizona comes from APS's efforts, like this proposal, to frustrate consumer choice and
27 protect its monopoly.

28

² APS Clarification, p. 2.

1
2 **b. It is Not Clear That APS's UODG Program Will Contribute To Its DG**
3 **REST Requirements**
4

5 APS cites to Commission Rule R14-2-1805, for its contention that its proposed UODG
6 project "would apply to the residential DG component of APS's REST requirements."³ APS
7 even goes so far as to state that this has "always been true."⁴ Yet APS's assertion is in direct
8 contradiction to both a previous Commission decision and its own prior analysis.

9 In Docket No. E-01345A-09-0227, APS's application for approval of its Flagstaff Pilot
10 Project, the Commission specifically considered whether the DG systems installed by APS
11 would count towards REST DG compliance. In Decision No. 71646, The Commission stated,

12
13 While the Commission today approves this pilot program, and acknowledges that
14 the energy procured from the homes that receive solar systems will count toward
15 the Company's distributed energy requirement under R14-2-1805, *we limit our*
16 *findings* in this regard to this project *and make no determination regarding*
17 *whether future utility-owned, residential customer-sited projects will be eligible*
18 *for meeting a utility's distributed energy requirement.*⁵
19

20 Therefore it is not evident that APS's current UODG proposal would count towards its REST
21 DG requirements. The Commission's above quoted decision is narrowly tailored to the Flagstaff
22 pilot project.

23 Furthermore, APS's own prior analysis on this issue contradicts its position that its
24 UODG program will contribute to REST DG compliance. In the Flagstaff Application
25 proceeding, APS argued that solar systems installed as part of that program should count towards
26 its REST DG requirements. In that proceeding APS argued that the intent of the DG requirement

27 _____
28 ³ Id.

⁴ Id.

⁵ Decision No. 71646, ¶ 55. (Emphasis added).

1 is to incent the installation of renewable energy systems that would provide *direct benefit to*
2 *customers and serve their load.*⁶

3 However the Company's current UODG proposal does not meet this objective because
4 APS is not proposing to offer solar DG systems on the customer's side of the meter. Rather
5 APS's current proposal is to install DG systems on the utility side of the meter that would count
6 as a system resource. These DG systems would not be a direct benefit to the host customer and
7 would not offset their specific loads.⁷ Thus even according to APS, the current UODG proposal
8 would not satisfy the intent of the DG requirement and should not count towards REST
9 compliance.

10
11 **c. APS Can Conduct Research, Test Emerging Technologies, and Gain System-**
12 **Wide Benefits for All of Its Customers By Partnering With Existing Solar**
13 **Installers at No Cost to Customers**

14
15 In its "clarification" filing, APS has changed the nature of its initial proposal to one that
16 is now primarily for the purpose of conducting research and limits installations to certain
17 strategically important areas of its system to obtain grid benefits from DG systems and advanced
18 inverters and limited income customers. APS initially tried to distance its current proposal from
19 its Flagstaff Project, but now it appears that it is proposing a very similar type of program.
20 TASC does not object to carefully planned research and pilot projects where goals are specific,
21 testing methods are carefully defined to achieve those goals, and costs are vetted ahead of time.
22 APS should be required to file a separate application that would be subject to scrutiny through
23 discovery and an evidentiary hearing.

24
25 **i. APS's Revised Proposal Is Similar in Nature to Its Flagstaff Project**
26 **and Should be Treated Accordingly**

27
28 ⁶ Decision No. 71646, ¶ 41.

⁷ APS Project Description, p.2, filed on October 7, 2014.

1 On August 29, 2014, APS filed responses to a number of questions posed by
2 Commissioner Bitter-Smith, including one that asked about the costs of the Flagstaff Project. In
3 response, APS distinguished its current UODG proposal from the Flagstaff project by stating:

4
5 “The Flagstaff Demonstration Project was a research project, conducted with the
6 Department of Energy, to test what happens when a large amount of distributed
7 solar is installed on a single feeder. The Flagstaff Project included facilities and
8 expenses associated exclusively with the research aspect of the endeavor . . . Given
9 the research nature of the Project . . . cost information regarding the Flagstaff
10 Project is of limited value when assessing DG costs in 2014.

11
12 In its October 7, 2014 Project Description, APS similarly distinguished its current UODG
13 proposal from the Flagstaff Project based on the fact that Flagstaff was “a research project,
14 conducted with the Department of Energy, to test what happens when a large amount of
15 distributed solar is installed on a single, relatively static feeder.”⁸ Yet now, in its “clarification”
16 APS claims that research with the Electric Power Research Institute is one of the primary
17 benefits and purposes for the program.

18 If this is a research project, then APS should be required to submit sufficient detail to
19 ensure that the research has clear direction, goals, and methodologies where costs to customers
20 can be critically examined. The APS Flagstaff application spanned 45 pages and included a 23-
21 page description with four attachments that contain considerable project detail. The APS
22 Flagstaff project was a true pilot that was limited geographically to a particular distribution
23 feeder to study the effects of high DG penetration on the distribution system. By comparison,
24 APS’s “clarification” proposal is barely six pages and lacks any details.

25 When conducting research or pilot projects, utilities should set clear goals, establish
26 methodologies for achieving those goals and provide a cost benefit analysis to demonstrate that
27 pilot projects are worth the time and money. While TASC believes that a pilot project to study

28

⁸ APS Project Description, p. 8.

1 increasing DG penetration and other emerging customer sited technologies may be worthwhile,
2 the Commission should gather substantially more information and set clearly defined parameters
3 before committing additional customer dollars.

4
5 **ii. Testing Grid Benefits Can Be Conducted With Existing**
6 **Infrastructure at Potentially No Cost to Customers**

7
8 On Friday December 5, 2014, TASC filed its Supplemental Comments regarding the
9 ability of third parties to offer operational grid benefits at lower costs to customers than UODG
10 proposals. TASC will not repeat those comments, but hereby incorporates them by reference.
11 However, TASC wishes to directly respond to two APS assertions contained in its “clarification”
12 filing.

13 First, APS argues that generic research will not be helpful and that it needs to conduct
14 research on its on APS’s grid. However, in its December 5 filing, TASC proposed a no-cost
15 alternative proposal through its member SolarCity that would allow APS to conduct research on
16 its own system. The Commission should carefully examine such no-cost alternatives before
17 authorizing APS to spend millions of customer dollars.

18 Second, APS argues, without offering proof, that the nature of the research it wishes to
19 conduct is not compatible with third party involvement.⁹ However, APS fails to acknowledge
20 that utilities and third-party providers are already joining forces in other areas of the country to
21 conduct exactly this type of research. As explained in its December 5 filing, TASC member
22 SolarCity is currently working with the Hawaiian Electric Companies on testing of advanced
23 inverters and other grid benefits.¹⁰ APS has not made any effort to reach out to third party
24 developers in Arizona to see if similar research can be conducted on the APS system. TASC, for
25 one, would welcome such collaboration.

26
27
28 ⁹ APS Clarification, p. 4.

¹⁰ <http://www.utilitydive.com/news/how-the-heco-solarcity-partnership-is-turning-rooftop-solar-into-a-grid-ass/338838/>

1 **d. APS's Proposed UODG Program Is Not Designed to Meet Customer Demand**

2
3 Finally, APS claims "AZ Sun DG is an opportunity to provide more solar options to
4 customers" and to "meet customer demand."¹¹ Both of these statements fall flat in light of APS
5 commitment that its program will exclusively focus on strategic grid placement and serving
6 limited income customers, without any explanation as to how such customers would be targeted
7 and how many of each group (location optimal and limited-income) would be included in the
8 program. Further APS provides no evidence to prove that such customer demand within its
9 exclusively focused parameters actually exists.

10 If APS wants to conduct a pilot program to target specific beneficial locations and
11 limited-income customers it should clearly explain how its capacity would be allocated between
12 these two groups. A pilot program without clearly defined parameters and goals is not a good
13 use of customer funds.

14 Further, APS has not provided any market research or other evidence that proves that
15 there is specific demand among customers in strategically beneficial locations or those with
16 limited incomes. Without identifying the real-world demand for such an offering the
17 Commission is not able to determine whether APS's program or third party providers can meet
18 that demand.

19
20 **CONCLUSION**

21
22 APS's eleventh hour "clarification of need" is actually an entirely new proposal that
23 transforms the UODG program into a pilot/research project. The proposal raises many
24 complicated issues about grid modernization and how the Commission can unlock the benefits
25 that such technologies offer. TASC supports testing and development of these benefits, but not
26 in the manner APS proposes. Rather, APS should be required to file a separate application, just
27

28

¹¹ APS Clarification, p. 4.

1 as it did with its Flagstaff pilot project, to ensure that goals and methodologies are fully vetted
2 before spending substantial customer dollars.

3
4 Respectfully submitted this 17th day of December, 2014.

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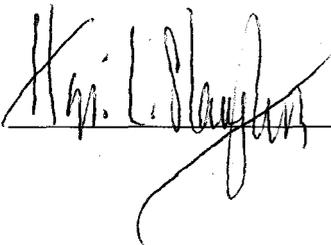
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