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BEFORE THE ARIZONA CORPORATION COMMISSION

- 1 SUSAN BITTER SMITH  
CHAIRMAN
- 2 BOB STUMP  
COMMISSIONER
- 3 BOB BURNS  
COMMISSIONER
- 4 DOUG LITTLE  
COMMISSIONER
- 5 TOM FORESE  
COMMISSIONER

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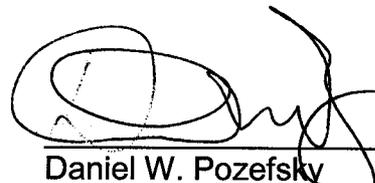
IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY  
FOR APPROVAL OF NET METERING COST  
SHIFT SOLUTION

Docket No. E-01345A-13-0248

RUCO'S NOTICE OF FILING

The Residential Utility Consumer Officer hereby provides notice of filing the attached Exhibit 1 to its Response to APS' Motion to Reset, which was docketed on April 16, 2015.

RESPECTFULLY SUBMITTED this 17<sup>th</sup> day of April, 2015.

  
Daniel W. Pozefsky  
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES  
of the foregoing filed this 17<sup>th</sup> day  
of April, 2015 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007  
COPIES of the foregoing hand delivered/  
mailed this 17<sup>th</sup> day of April, 2015 to:

Arizona Corporation Commission  
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mailed this 17<sup>th</sup> day of April, 2015 to:

2

Lyn Farmer, Chief Administrative  
Law Judge  
Hearing Division

Patty Ihle  
304 E. Cedar Mill Road  
Star Valley, Arizona 85541

3  
4 Arizona Corporation Commission  
1200 West Washington  
5 Phoenix, Arizona 85007

Michael W. Patten  
Jason Gellman  
Snell and Wilmer  
One Arizona Center  
400 E. Van Buren, Suite 1900  
Phoenix, Arizona 85004

6 Janice Alward, Chief Counsel  
Legal Division  
7 Arizona Corporation Commission  
1200 West Washington  
8 Phoenix, Arizona 85007

Bradley S. Carroll  
Tucson Electric Power Company  
88 E. Broadway Blvd, MS HQE910  
P.O. Box 711  
Tucson, Arizona 85702

9 Steve Olea, Director  
Utilities Division  
10 Arizona Corporation Commission  
1200 West Washington  
11 Phoenix, Arizona 85007

John Wallace  
Grand Canyon State Electric Cooperative  
Association, Inc.  
2210 S. Priest Drive  
Tempe, Arizona 85282

12 Thomas Loquvam  
Pinnacle West Capital Corporation  
13 400 N. 5<sup>th</sup> St., MS 8695  
Phoenix, Arizona 85004

Court S. Rich  
Rose Law Group PC  
6613 N. Scottsdale Rd, Suite 200  
Scottsdale, Arizona 85250

14 Lewis Levenson  
15 1308 E. Cedar Lane  
Payson, Arizona 85541

16 Anne Smart, Executive Director  
17 Alliance for Solar Choice  
45 Fremont Street, 32<sup>nd</sup> Floor  
18 San Francisco, California 94105

Todd G. Glass  
Keene M. O'Connor  
Wilson Sonsini Goodrich & Rosati, PC  
701 Fifth Ave., Suite 500  
Seattle, Washington 98104

19 Garry D. Hays  
Law Offices of Garry D. Hays, P.C.  
20 1702 E. Highland Ave., Suite 204  
Phoenix, Arizona 85016

Hugh L. Hallman  
Hallman & Associates, PC  
2011 N. Campo Alegre Rd, Suite 100  
Tempe, Arizona 85281

21 Greg Patterson  
22 916 W. Adams, Suite 3  
Phoenix, Arizona 85007

Mark Holohan  
Arizona Solar Energy Industries  
Association  
2221 West Lone Cactus Drive, Suite 2  
Phoenix, Arizona 85027

23  
24

1 W.R. Hansen  
Sun City West Property Owners and  
2 Residents Association  
13815 W. Camino del Sol  
3 Sun City West, Arizona 85375

4 David Berry  
P.O. Box 1064  
5 Scottsdale, Arizona 85252-1064

6 Erica Schroeder  
Tim Lindl  
7 Kevin Fox  
Keyes, Fox & Wiedman LLP  
8 436 14<sup>th</sup> Street, Suite 1305  
Oakland, California 94612

9  
10 Timothy Hogan  
202 E. McDowell Rd, Suite 153  
Phoenix, Arizona 85004

11  
12 Giancarlo Estrada  
Estrada-Legal, PC  
One E. Camelback Rd, Suite 550  
13 Phoenix, Arizona 85012

14

15  
16 By Cheryl Fraulob  
Cheryl Fraulob

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18

19

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21

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23

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**EXHIBIT 1**



# RESIDENTIAL UTILITY CONSUMER OFFICE

www.azruco.gov

1110 WEST WASHINGTON • SUITE 220 • PHOENIX, ARIZONA 85007 • PHONE: (602) 364-4835 • FAX: (602) 364-4846

Janice K. Brewer  
Governor

Patrick J. Quinn  
Director

November 8, 2013

Brenda Burns, Commissioner  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

RE: Arizona Public Service Company, Application for Approval of Net Metering  
Cost Shift Solution - ACC Docket No. E-01345A-13-0248

Dear Commissioner Burns:

Thank you for allowing us the opportunity to explain how much the total cost would be annually and for a 20 year period for each 20 MW increment of assessment. Perhaps the best and cleanest way to illustrate our response would be through the following chart.

First 20 MW	Second 20 MW	Third 20 MW	Fourth 20 MW
\$7.00	\$10.50	\$14.00	\$17.50
Customers (Number of Systems)	Customers	Customers	Customers
2900	2900	2900	2900
Average size System (kW)	Average size System (kW)	Average size System (kW)	Average size System (kW)
7	7	7	7
Fixed Cost Contribution	Fixed Cost Contribution	Fixed Cost Contribution	Fixed Cost Contribution
\$243,600	\$365,400	\$487,200	\$609,000
Long-Term Fixed Costs	Long-Term Fixed Costs	Long-Term Fixed Costs	Long-Term Fixed Costs
\$696,000	\$696,000	\$696,000	\$696,000
Net "Subsidy" in Year One	Net "Subsidy" in Year One	Net "Subsidy" in Year One	Net "Subsidy" in Year One
\$452,400	\$330,600	\$208,800	\$87,000
Over 20 Years	Over 20 Years	Over 20 Years	Over 20 Years
\$9,048,000	\$6,612,000	\$4,176,000	\$1,740,000
			Total
			\$21,576,000

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As you can see from the chart, our proposal comports with the Commission's policy on gradualism. It is simple, clean and an easy way to address the long-term fixed cost shift over time with a minimal impact on the majority of ratepayers. It also works in step with the market assuring protection if solar takes off at a game-changing level. At the very least, it takes us to the next rate case with a solid plan for addressing the cost shift associated with net-metering.

RUCO believes that in order for the solar industry to remain viable, among other things, there has to be some regulatory certainty. Unless the aim is to effectively end rooftop solar, there is no way around the importance of providing certainty around the charge. Who would sign up for a system if the charge could be \$7 per month one year and \$17.50 per month another year? This drive for market certainty is not unique to RUCO's proposal. An incentive is just an upfront payment of financial certainty. Not locking in a charge would be equivalent to getting a random incentive payment after one has already installed a system.

That said - if the solar industry appears to be installing at levels significantly above compliance, then RUCO would support compressing the timeline to get to \$3/kW and above. This gradualism is incorporated in RUCO's proposal and is not implemented as a blunt instrument as the case in other proposals which seek large monthly charges assessed to the new solar customer. The effect of those proposals, of course, would be to severely harm, if not end the solar industry in Arizona if not accompanied by an incentive.

In the end, RUCO believes that we are protecting residential ratepayers from a ballooning cost shift, giving time for the solar industry to adjust and addressing the interests of APS for several reasons.

1. RUCO introduces a charge (without waiting for a rate case) that will rationalize the market to compliance levels.
2. RUCO suggest higher charges as the market allows. Although some may believe that the fixed cost shift is more than the \$3/kW long-term one identified above, RUCO's proposal allows the charge to escalate as the market allows. This is a fundamental point that cannot be stressed enough. The policy outcome is the same no matter if the cost shift is \$4/kW or \$6/kW.
3. The policy applies the full \$3/kW charge to oversized systems.

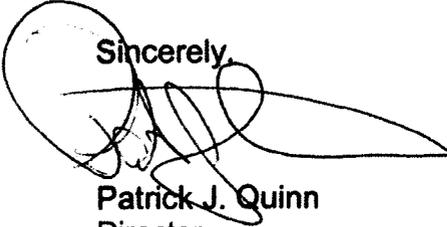
There are several other points raised in your letter which RUCO would like to address. For the sake of clarity, RUCO calculates the long term cost shift (not the long and short term cost shift) to be approximately \$20 per month. There is evidence that the near term cost shift could be around \$55 per month if some variables were held constant and APS had an automatic flow through mechanism like full decoupling (with no constraints). Again, for these reasons and others it is appropriate to take a balanced view on near-term impacts and longer-term outcomes.

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We hope that helps answer your questions. We look forward to continuing the discussion next week.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Quinn", written over the word "Sincerely,".

Patrick J. Quinn  
Director

cc: Bob Stump, Chairman  
Gary Pierce, Commissioner  
Bob Burns, Commissioner  
Susan Bitter Smith, Commissioner  
Docket Control  
All Parties of Record

