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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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Arizona Corporation Commission

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DOCKET NO. E-01345A-13-0248

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

**STAFF'S REQUEST  
FOR PROCEDURAL ORDER**

The Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission") hereby requests that the Administrative Law Judge ("ALJ") schedule a procedural conference in the above captioned matter at his or her earliest convenience.

On April 2, 2015, Arizona Public Service Company ("APS" or "Company") filed a Motion to Reset the Lost Fixed Cost Recovery ("LFCR") Mechanism, established in APS's last rate case.<sup>1</sup> APS requests that the LFCR Adjustment be reset to \$3 per kW per month (which would be \$21.00 per month for a 7 kW system).<sup>2</sup> Currently, solar customers pay \$0.70 per kW per month or approximately \$5.00 per month for a 7 kW system.<sup>3</sup> APS states that consistent with prior determinations, the reset would: 1) be revenue neutral, 2) apply only to customers who install rooftop solar after the effective date of any Commission determination on this matter, and 3) make incremental progress in addressing an ever increasing cost shift to non-solar customers.<sup>4</sup> APS claims that the need to make further progress in fairly allocating costs between solar and non-solar customers has only deepened since 2013.<sup>5</sup> APS states that in the year following Decision No. 74202, 7,800 DG systems were installed in APS's service territory—more than in any other year.<sup>6</sup> APS states

<sup>1</sup> While APS has styled its pleading as a "motion", Staff believes that it is actually an "application", and should be treated as such.

<sup>2</sup> APS's Application at 2.

<sup>3</sup> *Id.* at 5.

<sup>4</sup> *Id.* at 2.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

1 that “each DG installation shifts approximately \$804 annually to customers without DG.”<sup>7</sup> With the  
2 7,800 systems installed in 2014, APS states that the cost shift grew by \$6.3 million.<sup>8</sup> “For every  
3 7,800 systems installed, a permanent cost shift of approximately \$126 million over that 20-year  
4 period is created,”<sup>9</sup> or \$6.3 million in 2014. “If the current pace of installations continues through  
5 mid-2017, APS estimates that close to \$800 million in fixed costs will be shifted to and paid by  
6 customers without DG if no further steps are taken to reduce the cost shift.”<sup>10</sup>

7 The Commission addressed this issue last in 2013. In 2013, APS filed an application for  
8 approval of a Net Metering Cost Shift Solution. The Commission, in Decision No. 74202, allowed  
9 APS to implement a \$.70 per kW per month interim LCFR DG adjustment for all residential DG  
10 installations after December 31, 2013. Decision No. 74202 further provided that customers who sign  
11 a contract with an installer after December 31, 2013, will be grandfathered at the \$.70 per kW charge  
12 until APS’s next rate case.

13 APS seeks through this application to implement a partial fix through another LFCR reset on  
14 what it acknowledges to be an issue which is in need of a much broader inquiry and remedy in the  
15 Company’s next rate case. At p. 7 of its application, APS states that “resolving the cost shift for the  
16 long term and creating a sustainable future for all types of customer-sited technologies requires  
17 updating rate design in APS’s rate case in a manner that is fair for all customers.” Staff stands by the  
18 position it asserted in Decision No. 74202:

19 [D]uring general rate cases and as part of the rate design process, it is common  
20 practice to analyze matters of cost-shifts and cross-subsidizations within individual  
21 rate classes. Some rate designs commonly utilize subsidies to promote various public  
22 policy goals. The discount provided to low-income customers is a classic example of  
23 this intentional cross-subsidy. Another common example is the subsidy given to rural  
24 customers at the expense of urban customers to cover the higher cost of service to the  
more dispersed rural customers. Staff believes that the cross-subsidy discussed in the  
instant Application has explicit public policy considerations, and therefore would be  
most appropriately addressed in the setting of a general rate case.<sup>11</sup>

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26 <sup>7</sup> APS’s Application at 6.

27 <sup>8</sup> *Id.*

28 <sup>9</sup> APS’s Application at 2.

<sup>10</sup> *Id.*

<sup>11</sup> Decision No. 74202 at para. 33.

1 A rate case will allow this issue to be addressed in a much more comprehensive and balanced  
2 fashion. A rate case will allow the Commission to examine the whole rate design issue with more  
3 information and options available to it to reach a more balanced solution. The Commission in  
4 Decision No. 74202 stated that “[o]nce the costs and benefits of DG have been adequately quantified  
5 and valued, the allocation of these costs and benefits equitably among customers is a matter of rate  
6 design.”<sup>12</sup> The Commission further stated “[d]evelopment of equitable rate structures that address the  
7 inherent disconnect between NM and volumetric rates can best be accomplished in a general rate  
8 case.”<sup>13</sup> APS’s filing does not explain why this issue could not wait until it files its next rate case  
9 when the rate design issue can be looked at in depth. Further, any decision in this case is likely to be  
10 issued not long before the time that APS files its next rate case, where these issues will all be  
11 examined again.

12 In summary, the Company acknowledges that any fix that the Commission adopts in this  
13 proceeding will be a short term fix, until the Company’s next rate case. In order to more fully  
14 address these issues, Staff recommends that APS withdraw its application so that the Commission  
15 may consider these matters in a rate case. As stated above, Staff believes that addressing these issues  
16 in a rate case will allow the parties, and ultimately the Commission, to address these issues more  
17 holistically.

18 If the Company is not amenable to voluntarily withdrawing its application, Staff recommends  
19 that the Commission establish a briefing schedule so that the parties may file briefs addressing  
20 whether this application should be dismissed. Staff proposes the following briefing schedule:

21	Initial Briefs in Support	May 22, 2015
22	Responsive Briefs	June 5, 2015
23	Oral argument	T/B/D

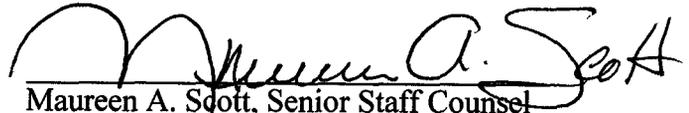
24 Once the proceedings related to the motions to dismiss have been concluded, Staff would  
25 recommend that the ALJ prepare a recommended opinion and order (“ROO”) for the Commission’s  
26 consideration.

27 <sup>12</sup> Decision No. 74202 at para. 32.

28 <sup>13</sup> *Id.*

1 Staff respectfully requests that the ALJ issue a procedural order setting forth a schedule for  
2 briefing on any motions to dismiss the application and oral argument. Staff also requests that the  
3 ALJ categorize and treat APS's filing as an application, rather than a motion. Staff further requests  
4 that the ALJ place the ex parte rule into effect.

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

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16 **Original and thirteen (13) copies of the**  
17 **foregoing filed this 17<sup>th</sup> day of April, 2015,**  
18 **with:**

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23 **Copy of the foregoing Mailed - Via First-Class**  
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