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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
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2015 SEP 18 P 1: 04

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC., FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH
RETURN AND FOR RELATED
APPROVALS.

DOCKET E-01575A-15-0312

SSVEC'S RESPONSE IN OPPOSITION TO
STAFF'S MOTION TO CONSOLIDATE

Arizona Corporation Commission

DOCKETED

SEP 18 2015

DOCKETED BY

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On April 14, 2015, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or the "Cooperative") filed an application ("Net Metering Application") in Docket E-01575A-15-0127 ("Net Metering Docket") for approval of a new Net Metering Tariff Schedule NM-2, for revisions to its existing Net Metering Tariff Schedule NM, and for a partial waiver of the Arizona Corporation Commission's net metering rules. On August 31, 2015, SSVEC filed a general rate case application in this docket requesting, among other things, revisions to the Cooperative's existing Net Metering Tariff Schedule NM, approval of a new Distributed Generation Tariff Schedule DG, and a request for necessary waivers of the Commission's net metering rules. On September 2, 2015, Utilities Division Staff ("Staff") filed a Motion to Consolidate ("Motion") the Net Metering Docket and this docket asserting that "the framework of a rate case better suits addressing the issues raised by the Cooperative in its tariff filing"¹ and suggesting indirectly that Staff's resources should not be expended on two separate proceedings for SSVEC. However, SSVEC filed the Net Metering Application because it must immediately address the serious cost shift that is occurring as a result of the rapid increase customers installing rooftop photovoltaic ("PV") systems pursuant to the Cooperative's existing net metering tariff. SSVEC opposes Staff's

¹ Staff's Motion to Consolidate at 2, lines 16-17.

1 Motion to Consolidate on the grounds that the Cooperative will be prejudiced by the delay that
2 will occur if the Net Metering Docket is consolidated with this rate case docket.

3 Arizona Administrative Code R14-3-109(H) states as follows:

4 Consolidation. The Commission or the presiding officer may consolidate two or
5 more proceedings in one hearing when it appears that the issues are substantially
6 the same and that the rights of the parties will not be prejudiced by such procedure.
7 At such consolidated hearing the presiding officer shall determine the order in
8 which all the parties shall introduce their evidence and which party or parties shall
9 open and close (emphasis added).

10 Staff fails in its Motion to address or acknowledge the prejudice that will occur to SSVEC
11 if there are further delays in processing its Net Metering Application. SSVEC filed its Net
12 Metering Application on April 14, 2015, more than five months ago. In its application, SSVEC
13 explained that “the proliferation of PV systems in the Cooperative’s service area has resulted in a
14 dramatic and alarming increase in unrecovered fixed costs attributable to net metered members”
15 and that such an “inequitable circumstance is a serious problem that is growing larger day-by-
16 day.”² Consolidating the Net Metering Docket and this docket will further delay the relief
17 requested in the Net Metering Application and SSVEC will be prejudiced by that additional delay.
18 Because Staff’s Motion fails to address the prejudice to the Cooperative, it should be denied.

19 As described in the Net Metering Application, SSVEC has experienced a significant
20 increase in the number of customers installing rooftop PV systems, the most common form of
21 distributed generation (“DG”). Rooftop PV systems are eligible for net metering under SSVEC’s
22 current Net Metering Tariff Schedule NM. A net metered member avoids paying the full cost of
23 the transmission and distribution infrastructure used to serve that member. Additionally, a net
24 metered customer receives the full retail rate for excess energy generated by the member, even
25 though the retail rate far exceeds the Cooperative’s cost of purchasing power. The net metered
26 customer is on a Commission-approved tariff prior to installing solar panels and would remain on
27 the Commission-approved tariff afterwards. The installation of solar panels does not reduce
28 SSVEC’s system costs.

² Application dated April 14, 2015 at 4, lines 19-27 (Docket E-01575A-15-0127).

1 SSVEC's average customer usage during 2012 was 728 kWh per month. By comparison,
2 average usage declined to 682 kWh per month during 2014. Of this decline, more than half (54%)
3 was attributable to the installation of rooftop PV systems by Cooperative members.³ Because
4 SSVEC recovers a significant portion of its fixed costs in the kWh charge, SSVEC's unrecovered
5 fixed costs due to net metering have increased from \$82,104 in 2010 to \$1,139,013 in 2014.

6 In the Cooperative's most recent rate case in Docket E-01575A-13-0296 (a streamlined
7 rate case), the Commission approved an increase in rates of 5.91%. Attached hereto as Schedule
8 1 is an analysis performed at the individual customer level using the costs for residential service
9 from the cost of service study filed with the Cooperative's rate case in this docket. The analysis
10 estimates SSVEC's rate of return for a standard residential customer without DG at various kWh
11 consumption levels versus the rate of return for the corresponding residential customer with DG
12 at the same kWh consumption levels. The analysis is based on revenues under the existing rates
13 and the costs identified in the current cost of service study. For purposes of the analysis, the cost
14 components do not include any margin component. Thus, the revenues less costs produces the
15 margin/return created by the customer for an annual period at the various kWh consumption levels.
16 The average rate base for a residential member is \$2,461. The margin/return divided by the
17 average rate base provides the estimated return.

18 The three consumption levels in Schedule 1 represent a residential customer with (i) 1,400
19 kWh/month; (ii) 1,026 kWh/month; and (iii) 626 kWh/month. These kWh consumption levels
20 represent a customer that uses more energy than it produces, a customer that nets its energy usage
21 to zero, and a customer that produces more energy than it consumes. The left column is a standard
22 customer without DG and the right column reflects the same customer with DG.

23 As expected, Schedule 1 shows that the rate of return ("ROR") for the standard residential
24 customer without DG declines as the energy consumption declines. However, the ROR for
25 customers with DG is dramatically lower (as much as a negative 45.19% ROR) due to the lower
26 revenue received and the fixed costs for that customer remaining level. Thus, it is clear that

27 _____
28 ³ The remainder of the decline in kWh was caused by the installation of solar water heaters (7%), residential
demand side management (1%) and more temperate weather (38%).

1 SSVEC significantly under-earns its rate of return as a result of its current net metering tariff.
2 Approving the requested waiver of the net metering rules in the Net Metering Docket will not
3 increase SSVEC's ROR, it will simply slow the decline in its ROR. Non net metered residential
4 customers are already paying more due to the cost shift built into the last streamlined rate case.
5 Delaying this request will mean the cost shift will be greater in each succeeding rate case.

6 To be clear, SSVEC embraces renewable energy technology and has had a renewable
7 energy program since 2005 and an approved Renewable Energy Standard and Tariff ("REST")
8 plan since the inception of the Commission's REST rules. Moreover, SSVEC has demonstrated
9 an early and strong commitment to the development of renewable energy resources within its
10 service territory. As evidence of this, the Solar Electric Power Association, a not-for-profit
11 educational and research organization focused on helping utilities integrate solar into their
12 operations, recognized SSVEC as the top utility in the nation in increased use of solar power based
13 on watts-per-customer during 2009. Since 2009, SSVEC has consistently placed in the top 10
14 electric cooperatives nationwide for increased use of solar power based on watts-per-customer. In
15 addition to the approximately 1.5 megawatts of solar installed at the San Simon and Alamo
16 substations, SSVEC has installed solar panels at 41 public schools.

17 SSVEC would note also that it is well ahead of the goals of its REST plan and has recently
18 finalized a purchase power agreement for a new utility-scale solar project that will provide
19 approximately 20 megawatts of additional solar power in the last quarter of 2016 for the benefit of
20 all Cooperative members at an economical price. With this project, SSVEC will reach over 95%
21 of its 2025 REST goal by the end of 2016 (nine years early).

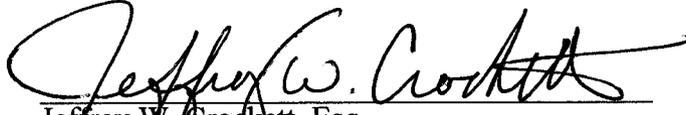
22 While there are important benefits of renewable energy, the Commission has also
23 recognized the cost shift associated with net metering. In the case of Arizona Public Service
24 Company in Docket E-01345A-13-0248, the Commission stated in Finding of Fact 49 in Decision
25 74202 that "[i]n light of the record before us, we find that the proliferation of DG installations
26 results in a cost shift from APS's DG customers to APS's non DG residential customers absent
27 significant changes to APS's rate design." Having recognized the net metering cost shift, the
28 Commission should begin to address the issue immediately and not wait for the completion of the

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1 Cooperative's rate case which will take a year or longer. SSVEC's board of directors unanimously
2 approved the filing of the Net Metering Application and the tariff revisions proposed therein in
3 order to begin to arrest the cost shift immediately. Staff has acknowledged that the Commission
4 may lawfully consider the Net Metering Application in the Net Metering Docket, and the
5 Commission may certainly grant a waiver of its net metering rules in the Net Metering Docket.⁴
6 Staff's notion that a more comprehensive resolution of the issue may require changes to rate design
7 in a rate case is not a valid reason to delay action in the Net Metering Docket that can begin to
8 address the cost shift problem now—and not a year or more from now when the rate case is
9 decided. Thus, SSVEC urges the Commission to deny Staff's Motion to Consolidate and to move
10 forward with the Net Metering Docket separate from the rate case.

11 RESPECTFULLY submitted this 18th day of September, 2015.

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13 

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17 **ORIGINAL** plus thirteen (13) copies filed
18 this 18th day of September, 2015, with:

19 Docket Control
20 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

21 **COPIES** of the foregoing hand-delivered
22 this 18th day of September, 2015, to:

23 Dwight D. Nodes, Chief Administrative Law Judge
24 Hearing Division
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28 ⁴ SSVEC's net metering tariff was approved outside of a rate case.

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SCHEDULE 1

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

CALCULATION OF REPRESENTATIVE RATE OF RETURN UNDER EXISTING RATE

	RESIDENTIAL @ 1,400 KWH/MONTH WITHOUT DG			RESIDENTIAL @ 1,400 KWH/MONTH WITH DG @ 1,026 KWH/MONTH		
	Billing Units	Rate	Amount	Billing Units	Rate	Amount
Customer Billing	12	\$ 10.25	\$ 123.00	12	\$ 10.25	\$ 123.00
Energy Billing	16,800	\$ 0.126038	\$ 2,117.44	4,488	\$ 0.126038	\$ 565.66
WPCA	16,800	\$ (0.006270)	\$ (105.34)	4,488	\$ (0.006270)	\$ (28.14)
Total Billing			\$ 2,135.10			\$ 660.52
Cost of Service Components Excluding Margin						
Distribution Customer *	12	\$ 20.77	\$ 249.24	12	\$ 20.77	\$ 249.24
Distribution Demand *	16,800	\$ 0.025140	\$ 422.35	16,800	\$ 0.025140	\$ 422.35
Purchased Power Demand *	16,800	\$ 0.043493	\$ 730.68	16,800	\$ 0.043493	\$ 730.68
Purchased Power Energy	16,800	\$ 0.028050	\$ 471.24	4,488	\$ 0.028050	\$ 125.89
Total Cost to Provide Service			\$ 1,873.51			\$ 1,528.16
Return/Margin			\$ 261.59			\$ (867.64)
Average Rate Base per Customer			\$ 2,461			\$ 2,461
Rate of Return			10.63%			-35.26%
	RESIDENTIAL @ 1,026 KWH/MONTH WITHOUT DG			RESIDENTIAL @ 1,026 KWH/MONTH WITH DG @ 1,026 KWH/MONTH		
	Billing Units	Rate	Amount	Billing Units	Rate	Amount
Customer Billing	12	\$ 10.25	\$ 123.00	12	\$ 10.25	\$ 123.00
Energy Billing	12,312	\$ 0.126038	\$ 1,551.78	-	\$ 0.126038	\$ -
WPCA	12,312	\$ (0.006270)	\$ (77.20)	-	\$ (0.006270)	\$ -
Total Billing			\$ 1,597.58			\$ 123.00
Cost of Service Components Excluding Margin						
Distribution Customer *	12	\$ 20.77	\$ 249.24	12	\$ 20.77	\$ 249.24
Distribution Demand *	12,312	\$ 0.025140	\$ 309.52	12,312	\$ 0.025140	\$ 309.52
Purchased Power Demand *	12,312	\$ 0.043493	\$ 535.49	12,312	\$ 0.043493	\$ 535.49
Purchased Power Energy	12,312	\$ 0.028050	\$ 345.35	-	\$ 0.028050	\$ -
Total Cost to Provide Service			\$ 1,439.60			\$ 1,094.25
Return/Margin			\$ 157.98			\$ (971.25)
Average Rate Base per Customer			\$ 2,461			\$ 2,461
Rate of Return			6.42%			-39.47%
	RESIDENTIAL @ 626 KWH/MONTH WITHOUT DG			RESIDENTIAL @ 626 KWH/MONTH WITH DG @ 1,026 KWH/MONTH		
	Billing Units	Rate	Amount	Billing Units	Rate	Amount
Customer Billing	12	\$ 10.25	\$ 123.00	12	\$ 10.25	\$ 123.00
Energy Billing	7,512	\$ 0.126038	\$ 946.80	(4,800)	\$ 0.126038	\$ (604.98)
WPCA	7,512	\$ (0.006270)	\$ (47.10)	-	\$ (0.006270)	\$ -
Total Billing			\$ 1,022.70			\$ (481.98)
Cost of Service Components Excluding Margin						
Distribution Customer *	12	\$ 20.77	\$ 249.24	12	\$ 20.77	\$ 249.24
Distribution Demand *	7,512	\$ 0.025140	\$ 188.85	7,512	\$ 0.025140	\$ 188.85
Purchased Power Demand *	7,512	\$ 0.043493	\$ 326.72	7,512	\$ 0.043493	\$ 326.72
Purchased Power Energy	7,512	\$ 0.028050	\$ 210.71	(4,800)	\$ 0.028050	\$ (134.64)
Total Cost to Provide Service			\$ 975.52			\$ 630.17
Return/Margin			\$ 47.17			\$ (1,112.15)
Average Rate Base per Customer			\$ 2,461			\$ 2,461
Rate of Return			1.92%			-45.19%

* Fixed Costs