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Attorneys for Western Resource Advocates

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

APR 21 2015

7 SUSAN BITTER SMITH, Chairman  
8 BOB STUMP  
9 BOB BURNS  
10 DOUG LITTLE  
11 TOM FORESE

DOCKETED BY *RC*

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

Docket No. E-01345A-13-0248

**WESTERN RESOURCE  
ADVOCATES RESPONSE TO  
MOTION TO RESET**

15 Western Resource Advocates ("WRA") responds to the Motion to Reset filed by  
16 Arizona Public Service Company ("APS"). WRA opposes the motion and supports the  
17 Staff's Request for a Procedural Order for the reasons that follow.

18  
19 **I. ANY REALLOCATION OF FIXED COSTS SHOULD OCCUR IN A RATE  
20 CASE**

21 APS' Motion to Reset is narrowly framed to request limited action by the  
22 Commission to increase the LFCR adjustment more than four times from the current  
23 \$0.70/kW/month to \$3/kW/month. The relief is limited in the sense that APS seeks to  
24 capitalize on what was clearly intended to be interim action in Decision No. 74202  
25 pending a comprehensive analysis in APS' next rate case. At the time, APS' next rate

1 case was scheduled to be filed on June 1, 2015. APS' Motion to Reset now treats the  
2 issue of a cost shift to non-DG customers as settled by the Commission and immune from  
3 collateral attack. Motion at 3, fn 4.

4 Nobody has to tell the Commission that these are hugely important issues. In  
5 Decision No. 74202, the Commission recognized that the Staff counseled against exactly  
6 what APS is trying to do with its Motion to Reset. According to that Decision, the Staff  
7 noted that:  
8

9 Development of equitable rate structures that address the inherent  
10 disconnect between NM and volumetric rates can best be accomplished in a  
11 general rate case... ¶ 32

12 Staff believes that the cross-subsidy discussed in the instant application has  
13 explicit public policy considerations, and therefore would be most  
14 appropriately addressed in the setting of a general rate case... ¶ 33

15 Staff believes that any cost-shift issue created by NM is fundamentally a  
16 matter of rate design. The appropriate time for designing rates that  
17 equitably allocate the costs and benefits of NM is during APS' next general  
18 rate case. Data on all of APS' costs are available within a rate case. In  
19 addition, the Commission has more options available within a rate case than  
20 it has outside of a rate case. ¶ 52

21 The Commission then concluded that

22 *[A]ddressing the net metering cost shift issue would benefit from a detailed  
23 analysis of the costs and benefits of distributed generation systems, and  
24 therefore, it is in the public interest to consider these matters further in  
25 Arizona Public Service Company's next general rate case.*

Conclusions of Law, ¶3. (Emphasis added).

23 At the time Decision No. 74202 was issued, the Company was ordered to file its  
24 next rate case on or before June 1, 2015. The Commission has since relieved the  
25 Company of that obligation. Without knowing when APS' next rate application is

1 expected, it is likely that APS will seek future summary treatment again without the  
2 benefit of the “detailed analysis” the Commission determined would be beneficial in  
3 Decision No. 74202.

4 APS notes what it regards as the enormity of the cost shift to, and paid by,  
5 customers without DG and that even at \$3/kW, the proposed charge is still only a fraction  
6 of the total cost shift. Unless APS otherwise requires rate relief, it is unlikely that the  
7 Commission will see a rate application in the near future. However, it is only with a rate  
8 case that the Commission can avoid repeated motions by APS to increase the LFCR  
9 Adjustment to what it regards as the appropriate level. Indeed, APS characterizes the  
10 increase to \$3/kW as “an incremental step” towards fair rate design. Motion at 8. There  
11 is no reason to believe that we will not see other motions to reset in the name of  
12 gradualism.  
13

14  
15 APS claims that Commission action is necessary on its Motion because “if the  
16 current pace of installations continues through mid-2017, APS estimates that close to  
17 \$800 million in fixed costs will be shifted to and paid by customers without DG if no  
18 further steps are taken to reduce the cost shift.” Motion at 2. Of course, most of that  
19 \$800 million is attributable to the existing DG customers. If installations are running at  
20 7,800 per year, then over the next two years there will be 15,600 new DG systems by  
21 mid-2017. But, at \$804 in shifted costs per year for each DG customer, that’s only \$12.4  
22 million per year even if all 15,600 customers were in place on the day after the decision  
23 in this case. When APS talks about \$800 million in fixed costs that will be shifted to and  
24 paid by customers without DG by mid-2017, it is referring to existing APS customers  
25

1 with DG, over a long period of time, and the only way to address that issue is in a full  
2 rate case.

3 It is time to address the issue of any cost shift in a comprehensive fashion. APS'  
4 Motion to Reset does not accomplish that but simply puts the Commission on a path to  
5 repeated proceedings such as this. If equity in rate design is a desirable goal, that can  
6 only be accomplished in a full rate case. It is only in a full rate case that the Commission  
7 has the opportunity to analyze all of APS' costs, alternative cost of service methodologies  
8 and rate design opportunities that simply do not exist in this case.

9  
10 Deferring APS' request to its next rate case will also allow the Commission to  
11 coordinate this proceeding with other proceedings in the TEP, Trico and UNS Electric  
12 cases. It is crucial that the Commission consider the policies that are being proposed in  
13 those dockets with this one and apply those policies fairly.

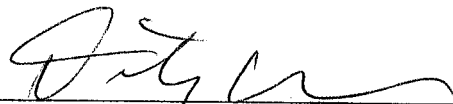
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15 **II. IN A FULL RATE CASE, THERE WOULD BE AN EVIDENTIARY  
16 HEARING.**

17 As much as APS would like to believe the issues have been settled, the fact  
18 remains that none of the issues addressed in Decision No. 74202 were ever the subject of  
19 an evidentiary hearing. Indeed, even the question of whether a cost shift occurs between  
20 DG and non-DG customers and the magnitude, if any, of that cost shift has never been  
21 subject to the kind of rigorous analysis that occurs during an evidentiary hearing in a rate  
22 case. APS' Motion is designed to bypass that process and rely on a paper record that was  
23 disputed and which is now stale. An evidentiary hearing would allow the parties to  
24  
25

1 subject the proposal and the numbers underlying it to scrutiny in a way that has not  
2 occurred in this case.

3 RESPECTFULLY SUBMITTED this 21<sup>st</sup> day of April, 2015.

4 ARIZONA CENTER FOR LAW IN  
5 THE PUBLIC INTEREST

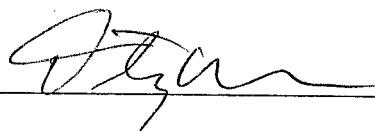
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7 By   
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12 ORIGINAL and 13 COPIES of  
13 the foregoing filed this 21<sup>st</sup> day  
14 of April, 2015, with:

15 Docketing Supervisor  
16 Docket Control  
17 Arizona Corporation Commission  
18 1200 W. Washington  
19 Phoenix, AZ 85007

20 COPIES of the foregoing  
21 electronically mailed this  
22 21<sup>st</sup> day of April, 2015, to:

23 All Parties of Record  
24  
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