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1 Thomas A. Loquvam
2 Pinnacle West Capital Corporation
3 400 North 5th Street, MS 8695
4 Phoenix, Arizona 85004
5 Tel: (602) 250-3630
6 Fax: (602) 250-3393
7 E-Mail: Thomas.Loquvam@pinnaclewest.com

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6 Attorney for Arizona Public Service Company

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 COMMISSIONERS

11 SUSAN BITTER SMITH, Chairman
12 BOB STUMP
13 BOB BURNS
14 DOUG LITTLE
15 TOM FORESE

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

DOCKET NO. E-01345A-13-0248

**ARIZONA PUBLIC SERVICE
COMPANY'S RESPONSE TO
STAFF'S REQUEST FOR
PROCEDURAL ORDER**

19 APS agrees with Commission Staff that a permanent solution to the cost shift can
20 be considered and ordered in APS's next rate case. APS also agrees with Staff's many
21 compelling arguments about how to approach a permanent solution at that time. Indeed,
22 starting back in Decision No. 74202, Staff stated that "the equitable distribution of DG
23 costs and benefits ideally requires all [net metering] customers to have some form of
24 demand-based charges."¹ APS agrees. In APS's next rate case, the Commission can use
25 demand-based rates to ensure that each "cost causer [] bear a fair share of the costs that
26 he creates."²

27 ¹ Decision No. 74202 at P 32.
28 ² Decision No. 74202 at P 96.

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1 But establishing a permanent solution before APS's next rate case was not
2 contemplated in Decision No. 74202. Consequently, APS did not raise the issue in its
3 Motion to Reset the Grid Access Charge. Instead, the real issue underlying APS's
4 Motion—and the one that APS believes should inform the procedural framework of this
5 proceeding—is one of timing and fairness.

6 In Decision 74202, the Commission determined that “it is simply unfair for DG
7 customers to contribute less to the recovery of APS's annual LFCR revenue than non-
8 DG customers do.”³ And as noted by RUCO, the relevant timeframe for considering
9 these unfair contributions is not between now and when APS files its next rate case, but
10 between now and the effective date of a Commission order resolving the cost shift at the
11 end of APS's next rate case. RUCO states that this could be 2 to 2.5 years. During this
12 timeframe, the cost shift will become larger than it otherwise would if some interim
13 relief is granted.

14 During this timeframe, non-DG customers will also experience an avoidable
15 short-term cost shift based on how much they contribute to the LFCR. All customers
16 contribute to APS's annual LFCR revenue each month. APS's Motion to Reset would
17 increase the amount that DG customers contribute to this annual revenue, and
18 correspondingly decrease the contribution made by non-DG customers. Throughout,
19 APS's revenue will remain unchanged. The following chart uses annualized Grid Access
20 Charge estimates to illustrate the short-term cost shift:

21

	\$0.70 per kW Grid Access Charge (\$M)	\$3.00 per kW Grid Access Charge (\$M)
22 LFCR from DG Customers	\$0.9	\$3.9
23 LFCR from non-DG Customers	\$37.6	\$34.6
24 Total LFCR Revenue	\$38.5	\$38.5

25
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28 ³ Decision No. 74202 at P 96.

1 If the Motion to Reset is denied, non-DG customers will pay more than is fair each
2 month through the final effective date of an order in APS's next rate case.

3 For this reason, APS must respectfully decline Staff's invitation to withdraw the
4 Motion to Reset. A decision to forego action on the cost shift now would be one of
5 policy, not law. In Decision No. 74202, the Commission made clear that "*Scates* [*v.*
6 *ACC*] does not require a full rate case every time the Commission changes rates...."⁴ As
7 a revenue-neutral charge, resetting the Grid Access Charge would not impact APS's rate
8 of return, and thus there is no legal reason to require a rate case. Because the decision to
9 afford non-DG customers additional interim relief is one of policy, APS believes that it
10 is best left to the Commission.

11 Staff's proposed briefing schedule will ensure that the Commission has sufficient
12 information to decide this policy question. After this initial briefing schedule has been
13 set, APS will respond to the substantive issues recently raised by the other parties in
14 APS's brief. But because the issue of delay has real monetary consequences each month
15 for non-DG customers, APS urges a decision on procedure as swiftly as possible.

16 If Staff's proposed briefing schedule is accepted, APS believes that it would be
17 appropriate for the full Commission to hear oral argument and vote after responsive
18 briefs are filed (perhaps during the June Open Meeting). A prompt oral argument and
19 vote by the Commission will save Staff and Commission time and resources. And given
20 the importance of timing, a prompt decision on procedure would also be fairer to
21 customers. If the Commission decides to hear the merits of APS's Motion, a procedural
22 schedule could then be set for any necessary discovery and a hearing.

23 Finally, APS maintains that its request was properly styled as a motion. It only
24 seeks a reset of the Grid Access Charge in the manner contemplated by Decision No.
25 74202. It seeks no new mechanism or form of relief.

26
27
28 ⁴ Decision No. 74202 at P 101; *see Scates v. ACC*, 118 Ariz. 531, 537 (1978).

1 RESPECTFULLY SUBMITTED this 23rd day of April 2015.

2
3 By: _____

4 Thomas A. Loquvam

5 Attorney for Arizona Public Service Company
6

7 ORIGINAL and thirteen (13) copies
8 of the foregoing filed this 23rd day of
9 April 2015, with:

10 Docket Control
11 ARIZONA CORPORATION COMMISSION
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 COPY of the foregoing mailed/delivered
15 this 23rd day of April 2015 to:

16 Janice Alward
17 Legal Division
18 Arizona Corporation Commission
19 1200 W. Washington
20 Phoenix, AZ 85007

David Berry
Western Resource Advocates
P.O. Box 1064
Scottsdale, AZ 85252-1064

21 Bradley S. Carroll
22 Tucson Electric Power Company
23 88 East Broadway Blvd.
24 Mail Stop HQE910
25 P.O. Box 711
26 Tucson, AZ 85702

Giancarlo G. Estrada
Attorney for IREC
Estrada-Legal, PC
One East Camelback Road, Suite 550
Phoenix, AZ 85012

27 Lyn Farmer
28 Administrative Law Judge
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Kevin T. Fox
Keyes, Fox & Wiedman, LLP
436 14th Street, Suite 1305
Oakland, CA 94612

1 Albert Gervenack
2 Homeowner in Sun City West
3 14751 W. Buttonwood Drive
4 Sun City West, AZ 85375

Todd G. Glass
Keene M. O'Connor
Attorney
Wilson, Sonsini Goodrich & Rosati,
P.C.
701 Fifth Ave., Suite 5100
Seattle, WA 98104

5 Hugh Hallman
6 Attorney for TASC
7 Hallman & Affiliates, PC
8 2011 N. Campo Alegre Rd., Suite 100
9 Tempe, AZ 85281

W.R. Hansen
President of PORA
Sun City West Property Owners
13815 W. Camino del Sol
Sun City West, AZ 85375

10 Garry D. Hays
11 Attorney for ASDA
12 Law Offices of Garry D. Hays, PC
13 1702 E. Highland Avenue, Suite 204
14 Phoenix, AZ 85016

Timothy Hogan
Attorney for WRA
Arizona Center for Law in the Public
Interest
202 E. McDowell Road, Suite 153
Phoenix, AZ 85004

15 Mark Holohan
16 Chairman
17 AriSEIA
18 2221 W. Lone Cactus Drive, Suite 2
19 Phoenix, AZ 85027

Patty Ihle
304 E. Cedar Mill Road
Starvalley, AZ 85541

20 Lewis M. Levenson
21 1308 E Cedar Lane
22 Payson, AZ 85541

Tim Lindl
Attorney
Keyes, Fox & Wiedman LLP
436 14th Street, Suite 1305
Oakland, CA 94612

23 Steve Olea
24 Utilities Division
25 Arizona Corporation Commission
26 1200 W. Washington
27 Phoenix, AZ 85007

Michael W. Patten
Attorney
SNELL & WILMER L.L.P.
One Arizona Center
400 E. Van Buren Street, Suite 1900
Phoenix, AZ 85004-2202

28 Greg Patterson
Attorney for Arizona Competitive
Power Alliance
Munger Chadwick
2398 E. Camelback Road, Suite 240
Phoenix, AZ 85016

Daniel Pozefsky
Chief Counsel
RUCO
1110 W. Washington, Suite 220
Phoenix, AZ 85007

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3
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10
11
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15
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19
20
21
22
23
24
25
26
27
28

Court S. Rich
Attorney for SEIA
Rose Law Group pc
7144 East Stetson Drive, Suite 300
Scottsdale, AZ 85251

Kimberly Ruht
Attorney
TEP
P.O. Box 711
Tucson, AZ 85702

Erica Schroeder
Attorney
Keyes, Fox & Weidman, LLP
436 14th Street, Suite 1305
Oakland, CA 94612

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


