

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORIGINAL

OPEN MEETING AGENDA ITEM



0000163089

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

Susan Bitter Smith, Chairman
Bob Burns
Tom Forese
Doug Little
Bob Stump

2015 APR 30 PM 1 54

IN THE MATTER OF THE APPLICATION
OF TRICO ELECTRIC COOPERATIVE,
INC. FOR APPROVAL OF A NEW NET-
METERING TARIFF, A PARTIAL
WAIVER OF THE COMMISSION'S NET
METERING RULES AND A REVISED
A VOIDED COST RATE IN THE
COMPANY'S EXISTING NET METERING
TARIFF.

Docket No. E-01461A-15-0057

Arizona Corporation Commission

DOCKETED

APR 30 2015

DOCKETED BY

RC

REPLY BRIEF OF THE JOINT SOLAR PARTIES

The Solar Energy Industries Association (SEIA)¹ and the Arizona Solar Energy Industries Association (AriSEIA)² submit this joint reply brief in response to the April 16, 2015 Procedural Order in this docket. SEIA had not yet applied for, or been granted intervention status at the time that initial Briefs were due. We hereby affirm our position that the Commission should only hear Trico's application as part of a rate case. The remainder of this brief explains SEIA and AriSEIA's perspective and responds to the arguments of other parties in this proceeding.

I. New tariffs intended to address lost revenues are unprecedented outside of a rate case

In its brief, Trico argues that there is precedent for approving new tariffs outside of a rate case by observing that its current net metering tariff was not approved in a rate case. TEP also

¹ SEIA is the national solar energy trade association. The comments contained in this filing represent the position of SEIA as an organization, but not necessarily the views of any particular member with respect to any issue.

² AriSEIA is a nonprofit trade association, representing local and national companies whose mission is to promote policies that promote greater use of solar energy in Arizona.

1 argues this point but includes the approval of avoided cost rates. However, the only instances (to
2 our knowledge) where the Commission has approved tariffs for the specific purpose of limiting
3 lost revenues have been in rate case proceedings. Examples of this include Southwest Gas's
4 decoupling mechanism³ and Lost Fixed Cost Recovery mechanisms for Arizona Public Service⁴
5 and Tucson Electric Power.⁵ Since the purpose of Trico's proposal is to limit lost revenues, it is
6 comparable to these other mechanisms and therefore should be treated according to the precedent
7 this Commission has set in this instance as well (i.e. in a rate case). As ASDA points out, the
8 recent APS decision on net metering was implemented through the previously established lost
9 revenue mechanism. No such mechanism is in place for Trico, so it is unclear which fixed costs
10 are not being collected or how those costs have been allocated. Moreover, lost revenue recovery
11 is a complex and often contentious policy issue that should benefit from sufficient due process.
12 Gaining a clear picture of these issues is most appropriately handled in a rate case.
13

14 **II. It is premature for any Arizona utility to eliminate or alter its net metering rates before**
15 **the Commission's Value of Distributed Generation (DG) proceeding has concluded**

16 Inherent in Trico's proposal is the assumption that all of the unrecovered fixed costs will
17 ultimately be a burden on non-DG members. This narrow focus on costs does not capture any
18 potential benefits that are also transferred to non-DG members and may serve to offset some or
19 all of the alleged cost-shift to non-DG members. A truly equitable treatment of Trico's members
20 would consider the full spectrum of costs *and* benefits that DG provides. Pursuant to Decision
21 No. 74202, the Commission established the Value of DG proceeding⁶ specifically to address
22 these types of questions and to "help inform future Commission policy on the value and costs
23 that Distributed Generation brings to the grid."⁷ However, this proceeding has not concluded, nor
24 has the Commission issued any decisions or guidance as part of this investigation. Any decisions
25

26 ³ Decision No. 72723

27 ⁴ Decision No. 73183

28 ⁵ Decision No. 73912

⁶ Docket No. E-00000J-14-0023

⁷ Decision No. 74202, Finding of Fact No. 53

1 to alter or eliminate net metering tariffs fundamentally reflect the Commission's perspective on
2 the value of distributed generation. Thus the conclusions of the Value of DG proceeding are a
3 critical input to any such decision. Therefore, SEIA and AriSEIA believe it is premature to hear
4 Trico's application – or any other application related to net metering -- until the Value of DG
5 proceeding has concluded.
6

7 **III. Expedited treatment of this case, prior to a rate case, does not serve the public interest**

8 Trico asserts that prompt resolution of this matter is needed to mitigate a large and
9 growing problem of unrecovered fixed costs. SEIA and AriSEIA disagree with Trico's
10 characterization of the problem and the urgency with which it should be addressed. For example,
11 Trico asserts that the unrecovered fixed costs from net metering have grown to be over \$1.0
12 million annually. If Trico adjusted its rates to spread these costs equally among its members, We
13 estimate that this would result in a 1-2% bill increase for the average residential member. To put
14 this in context, Trico's last request for a rate increase was for 8.81%.⁸ Thus, there appears to be
15 adequate time to address this matter in a more comprehensive and thorough manner without
16 subjecting Trico members to large or unprecedented rate increases.

17 Furthermore Trico asserts that its members "should not be required to incur the
18 significant expense of a rate case" since the issue could be resolved in this proceeding. However,
19 Trico also indicated in its application that it might file a rate case in the near future anyway.
20 Thus, if the matter could simply be resolved in Trico's upcoming rate case, it appears that a
21 separate proceeding may in fact cause additional and unnecessary expense.
22

23 **IV. Rate cases are the best forum to resolve unrecovered fixed costs of any kind**

24 Both Trico and TEP argue that *Scates*⁹ does not preclude the Commission from setting
25 rates outside of a full rate case. However, even if this matter *could* be heard outside of a rate
26 case, it does not mean that it *should* be heard separately. SEIA and AriSEIA agree with Staff that
27

28 ⁸ See Application in Docket No. E-01461A-08-0430.

⁹ *Scates v. Arizona Corp. Comm'n*, 118 Ariz. 531, 573 P.2d 612 (App. 1978).

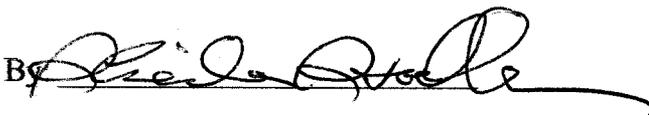
1 a rate case is the best venue to resolve this issue. As Staff indicated in its Brief, there are many
2 potential sources of unrecovered fixed costs in addition to DG. Hearing this matter in a rate case
3 would allow the development of a more comprehensive solution that encompasses a greater
4 number of these factors. Moreover, as Staff notes, there are many potential solutions with
5 varying impacts on members and solar customers. Hearing this matter in a rate case would not
6 only offer more tools as solutions, but would provide all stakeholder the opportunity to seek or
7 provide information, data, and evidence that is relevant to the outcome of the proceeding. For
8 example, we believe there are many unresolved questions that require additional input, including,
9 but not limited to the following: Which fixed costs are going unrecovered? How are those costs
10 currently allocated? And what, precisely, are the alleged financial impacts to the company?

11 Furthermore, as TASC points out, there were numerous comments made by
12 Commissioners, Staff, and other parties to the recent APS net metering proceeding¹⁰ indicating
13 their preference for handling net metering decisions in rate cases. SEIA and AriSEIA believe that
14 Arizona utilities were more than adequately informed about this fact and should have planned
15 their filings accordingly.

16 Respectfully submitted this 30th day of April, 2015,

17 
18 _____

19
20 Kristin K. Mayes
21 3030 N. 3rd St., Suite 200
22 Phoenix, Arizona 85012
23 Attorney for the Solar Energy Industries Association

24
25 
26 _____

27
28 ¹⁰ Docket No. E-01345A-13-0248

1 **Original and 13 copies of the foregoing filed this 30th day of April, 2015 with:**

2 **Docket Control**
3 **Arizona Corporation Commission**
4 **1200 W. Washington Street**
5 **Phoenix, Arizona 85007**

6 *Copy of the foregoing delivered/mailed this 30th day of April 2015, to:*

7 **Janice Alward**
8 **Legal Division**
9 **Arizona Corporation Commission**
10 **1200 West Washington Street**
11 **Phoenix, AZ 85007**

12 **Lyn Farmer**
13 **Administrative Law Judge**
14 **Arizona Corporation Commission**
15 **1200 West Washington Street**
16 **Phoenix, AZ 85007**

17 **Steven Olea, Director**
18 **Utilities Division**
19 **Arizona Corporation Commission**
20 **1200 West Washington**
21 **Phoenix, AZ 85007**

22 **Michael Patten**
23 **Snell & Wilmer L.L.P.**
24 **One Arizona Center**
25 **400 East Van Buren Street**
26 **Phoenix, Arizona 85004**

27 **COASH & COASH**
28 **1802 North 7th Street**
29 **Phoenix, Arizona 85006**

30 **Michael Curtis**
31 **501 East Thomas Road**
32 **Phoenix, Arizona 85012-3205**

33 **Garry Hays**
34 **1702 East Highland Avenue, Suite 204**
35 **Phoenix, Arizona 85016**

1 Court Rich
2 7144 E. Stetson Drive, Suite 300
3 Scottsdale, Arizona 85251

4 Robyn Interpreter
5 Susan B. Montgomery
6 Montgomery & Interpreter, PLC
7 4835 East Cactus Road, Suite 210
8 Scottsdale, Arizona 85254

9 Robert Hall
10 4809 Pier Mountain Place
11 Marana, Arizona 85658

12 Vincent Nitido
13 8600 West Tangerine Road
14 Marana, Arizona 85658

15 Paul O'Dair
16 Navopache Electric Cooperative, Inc.
17 1878 W. White Mtn. Blvd.
18 Lakeside, Arizona 85929

19 Peggy Gillman
20 Mohave Electric Cooperative, Inc.
21 P.O. Box 1045
22 Bullhead City, Arizona 86430

23 J. Tyler Carlson
24 P.O. Box 1045
25 Bullhead City, Arizona 86430

26 Mark Holohan, Chairman
27 Arizona Solar Energy Industries Assn.
28 2221 W. Long Cactus Drive, Ste. 2
Phoenix, AZ 85027

Bradley Carroll
Tucson Electric Power Company
88 East Broadway, MS HQE910
P. O. Box 711
Tucson, AZ 85702