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BEFORE THE ARIZONA CORPORATION COMMISSION

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2015 JUL 20 P 2: 19

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF A NEW NET-METERING
TARIFF FOR FUTURE NET METERED
CUSTOMERS AND A PARTIAL WAIVER OF
THE COMMISSION'S NET METERING
RULES.

DOCKET NO. E-019034-15-0100
Arizona Corporation Commission

DOCKETED

JUL 20 2015

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In accordance with the July 6th procedural order, I hereby respond to the Commission's request for recommendations for a proposed disclaimer.

Summary:

The question before us at this time is 'What should the opportunity to install solar look like for the next 17 months for Arizonans in TEP's service territory?' I suggest that it should look very similar to what it has looked like for the past year and that the Commission should order TEP to continue the use of the pre-June 1 waiver. Further, TEP's future filings, including the upcoming rate case, should contain proposals and language which are either modest enough to apply to all solar customers, or apply to new solar customers as of the effective date of the proposed changes.

I. THE CURRENT DISCLAIMER AS WELL AS THE PROPOSED JOINT RECOMMENDATION WILL CREATE TOO MUCH UNCERTAINTY.

In the coming rate case, TEP is planning to replace net metering with a new policy, which would eliminate the monthly energy carryover and apply an excess energy buyback rate of just over half the retail value of energy. Because ratepayers have no way to estimate how much energy will be self-consumed, there is no way to provide accurate economic analysis to prospective solar adopters. In my analysis, as well as analysis done by Louis Woofenden of Net Zero Solar (and previously posted to this docket), the variability between apparently similar customers is significant. A typical customer with a \$130 per month average electric bill would see their payback period at current energy rates go from 9.1 years to somewhere between 11.4 and 14 years under the proposed program:

| | Current | Proposed - High Daytime use | Proposed - Low daytime use |
|----------------------|---------|--------------------------------|-------------------------------|
| Monthly \$ saved | \$101 | \$81 | \$66 |
| Payback period (yrs) | 9.1 | 11.4 | 14 |

The effect on potential solar customers is they will not know what their savings will be. Some customers might be interested in installing systems with an 11.4 year payback, but not if the payback will be 14 years. In my experience the majority of customers are looking for a payback below 10 years. The uncertainty created would have a very real chance of slowing adoption to the point that the only installation companies which would survive would be those working on the TEP owned DG solar program, or companies with their primary business in other sectors.

The absence of significant residential installation activity during the remaining 17 months of the federal residential solar energy tax credit would be a great loss of both momentum and federal dollars invested in Arizona.

In short, adoption of the joint recommendation or the current disclaimer will leave potential Arizona businesses and residential solar customers in limbo to a degree which will be severely damaging.

II. THE PROPOSED JOINT RECOMMENDATION DISCLAIMER DOES NOTHING MORE THAN REMOVE MENTION OF THE GRANDFATHERING DATE.

The proposed "joint recommendation disclaimer" removes mention of the grandfathering date, but does not remove the implications of the date. In effect, it continues with the proposal to apply an uncertain but significant change to net metering to any customer who submits an application for interconnection after June 1, 2015. What is needed is a removal of the implications of the grandfathering date, not just the words. This can be done by either applying a modest policy change to all solar customers, or applying agreed upon changes to new solar customers applying for interconnection after the effective date of the rate case.

While I recognize that the language in the joint recommendation accurately reflects the situation solar-interested parties will find themselves in given TEP's current position, I think the language and the policy behind it will continue to make it difficult for people to decide to install solar at this time. This in turn makes it difficult for local installers to maintain viable businesses for the next 17 months. The impact this could have on ratepayers is significant, as they rely on the viability of solar businesses to maintain and service their solar investment.

III. IN THE RECENTLY FILED 2016 IMPLEMENTATION PLAN TEP REQUESTS EXPANSION OF ITS UTILITY OWNED DG PROGRAM, ONE PRIMARY BENEFIT OF WHICH IS INCREASED CERTAINTY FOR 25 YEARS.

TEP does understand the value of certainty for potential residential solar customers. In my phone conversation with Mr. Carroll regarding this issue he admitted as much, but maintained that TEP plans to file the net metering changes with a retroactive date in their upcoming rate case, and so from TEP's perspective, the disclaimer should reflect that fact.

In addition, in TEP's recent 2016 REST implementation plan filing, they seek approval to expand their residential TEP owned DG program from approximately 600 systems to 1,000. I would support such an expansion if it were not coming at the same time that the opportunity for customers to own their own system was effectively eliminated. But the main point is that one of the principal benefits of their program is that it offers a fixed tariff for 25 years. It does not offer significant cost savings, but rather fixes a customer's rates for the long term while installing solar on their roof. In the event that the Commission requires changes to the tariff the customer has a "regulatory out," in which they can revert to the standard, currently available tariff at no cost. While this degree of risk mitigation is not required for customer-owned systems, it does underscore the value of a higher level of certainty than customers would receive with the grandfathering date in effect.

IV. THE PRE-JUNE 1, 2015 DISCLAIMER SHOULD REMAIN IN PLACE, AND THE RATE CASE FILING SHOULD EITHER REQUEST A GRANDFATHER DATE COINCIDENT WITH THE EFFECTIVE DATE OF THE RATE CHANGES, OR THE CHANGES SHOULD BE MODEST ENOUGH TO BE CONSISTENT WITH THE DISCLAIMER.

If the rate case results in a modest change to the economics for existing systems, a grandfathering date is not necessary and the new rules can apply to all solar customers.

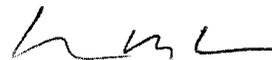
If the changes are so significant that they would be unfair to existing solar customers than the grandfathering date should affect all customers who applied for interconnection prior to the effective implementation date of the rate case (Jan. 1, 2017). It is difficult to imagine that this would result in more than 2% of retail sales coming from residential DG, and therefore the financial impact to other ratepayers would be minimal. [The current residential DG production is just over 1% per the TEP 2014 compliance filing and the REST goal at full implementation is 2.25%].

In either case, the existing Commission approved waiver would suffice, as it states,

- “1. Your PV system is subject to the current rates, rules and regulations established by the Arizona Corporation Commission (Commission). The Commission may alter its rules and regulations and/or change rates in the future. If this occurs, your PV system is subject to those changes and you will be responsible for paying any future increases to electricity rates, charges or service fees from TEP.
2. TEP’s electricity rates, charges and service fees are determined by the Commission and are subject to change based upon the decision of the Commission. These future adjustments may positively or negatively impact any potential savings or the value of your PV system.
3. Any future electricity rate projections which may be presented to you are not produced, analyzed or approved by TEP or the Commission. They are based on projections formulated by external third parties not affiliated with TEP or the Commission.”

I request that the Commission make any changes to net metering or other rates effective going forward from the effective date of the rate case. This would, at all times, provide a known playing field for ratepayers interested in solar. I request that the pre-June 1 waiver continue in use.

RESPECTFULLY SUBMITTED this 20th day of July, 2015.



Kevin Koch

Original and thirteen (13) copies of the foregoing filed this 20th day of July, 2015 with:
Docket Control
Arizona Corporation Commission

Copy of the foregoing mailed this 20th day of July, 2015 to:

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