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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION  
OF SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC. FOR  
APPROVAL OF A NET METERING TARIFF  
SCHEDULE NM-2 AND REVISIONS TO  
THE EXISTING NET METERING TARIFF  
SCHEDULE NM.

DOCKET NO. E-01575A-15-0127

**STAFF'S RESPONSE BRIEF  
PURSUANT TO JULY 10, 2015  
PROCEDURAL ORDER**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files its responsive brief pursuant to the Procedural Order ("PO") issued by the Administrative Law Judge ("ALJ") on July 10, 2015. Staff's position remains that the Commission can, and should, dismiss SSVEC's Application, without prejudice, and address these issues in SSVEC's next rate case.

**I. THE COMMISSION SHOULD DISMISS SSVEC'S APPLICATION AND ADDRESS THESE ISSUES IN SSVEC'S UPCOMING RATE CASE.**

Staff believes that SSVEC will be filing a general rate case before the end of this year, and possibly as early as October or November.<sup>1</sup> As a matter of fact, Staff is scheduled to meet with SSVEC on August 26, 2015 to discuss their future rate filing.

The prospective timing for processing the two cases supports Staff's argument that these issues should be addressed in the Company's next general rate case. It would be unreasonable to move forward with the present case, only to face the same issues again in the upcoming rate case. Processing the two cases in series will mean that the net metering cost shift issues will be heard and decided twice, potentially in back-to-back proceedings. Given this timing, the Commission should dismiss the present application.

<sup>1</sup> Staff issued a data request on July 22, 2015 to SSVEC to confirm the precise date that SSVEC anticipates filing a rate application. Staff had hoped to have a response from the Company in time to include this information as an exhibit with this pleading. However, Staff will not receive a response prior to filing this pleading. Nonetheless, in informal conversations between Staff and SSVEC, Staff has been informed that the Company is likely to file a rate case sometime in the fourth quarter of 2015.

1 As SSVEC has acknowledged, a rate case is the most appropriate vehicle for considering  
2 extensive changes to rate design. A proceeding on SSVEC's Application at this time would be  
3 limited in scope, and would make it more difficult for the Commission and the parties to fully and  
4 completely address the relevant issues. With the Company's rate case filing on the horizon, the  
5 present proceeding will be a futile waste of valuable resources. Quite simply, the most effective and  
6 efficient way to proceed is in a general rate case.

7 **II. SSVEC'S PROPOSED SOLUTION DOES NOT ADDRESS THE ALLEGED UNDER-**  
8 **RECOVERY OF FIXED COSTS OR THE ALLEGED COST SHIFT.**

9 SSVEC claims that it has experienced a significant increase in the number of customers  
10 installing rooftop solar Photovoltaic ("PV") systems, which has resulted in an "alarming increase" in  
11 unrecovered fixed costs and a shift in the recovery of those fixed costs to members who have not  
12 installed PV.<sup>2</sup> SSVEC further claims that there has been a substantial increase in the number of  
13 customers installing rooftop solar photovoltaic ("PV") systems. SSVEC's requested relief, however,  
14 is unlikely to address any *existing levels* of under-recovery of fixed costs. SSVEC has admitted as  
15 much in its brief:

16 While the relief requested in the Application may not provide complete relief, it will  
17 stop a bad situation from becoming worse, which is a critical first step.<sup>3</sup>

18 In short, the relief sought by SSVEC does not directly address the alleged problems raised by SSVEC  
19 in its Application.

20 Staff believes that these issues should be addressed in a rate case by re-evaluating SSVEC's  
21 rate design. Under-recovery of fixed costs is a typical rate design issue that is best handled in a full  
22 rate case, a point acknowledged by SSVEC. In such a proceeding, the parties can offer evidence in  
23 support of various solutions, and the Commission can evaluate the information with the benefit of a  
24 full record. Furthermore, it is important to emphasize that subsidies are common in rate design, and  
25 the alleged cost shift at issue in this case may not be of a sufficient magnitude to warrant a complete  
26 redesign of rates.

27  
28 <sup>2</sup> App. at 4.

<sup>3</sup> SSVEC Br.at 3:25-4:4.

1 SSVEC's tariff application appears to assume that a problem exists, and then attempts to  
2 foreclose the Commission from considering the full range of potential options. Staff submits that this  
3 result is not in the broader public interest, which would be better served by considering these issues  
4 comprehensively in a general rate case.

5 **III. THE FACT THAT SSVEC IS A COOPERATIVE DOES NOT TRUMP THE**  
6 **BENEFITS OF ADDRESSING THIS ISSUE IN A RATE CASE.**

7 SSVEC argues that, because it is a member-owned, non-profit cooperative with an elected  
8 board of directors, the Commission should defer to SSVEC's request to process this application  
9 outside of a rate case. Staff acknowledges that the Company's status as a cooperative is a factor that  
10 the Commission at times has considered as it balances competing interests. But in the context of this  
11 case, Staff does not believe that this factor is significant because the Commission's interests in a  
12 comprehensive and effective consideration of these issues outweigh the Company's interests in a  
13 more circumscribed proceeding. This case has broad public policy implications, and the  
14 Commission—as well as the public—has a substantial interest in addressing these matters through a  
15 vehicle that will allow them to be fully considered. The Company's tariff application is simply too  
16 limiting. For these reasons, SSVEC's argument concerning deference should not trump the  
17 Commission's interests in addressing this issue in a rate case.

18 **IV. CONCLUSION.**

19 Based upon the foregoing, and the arguments presented in its Initial Brief, Staff believes that  
20 the Commission should dismiss SSVEC's Application, without prejudice, and address these issues in  
21 SSVEC's next rate case. If the Commission chooses to address these issues in this Application, an  
22 evidentiary hearing should be held, with notice and opportunity to intervene.

23 RESPECTFULLY SUBMITTED this 14th day of August, 2015.

24 

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