

EXCEPTION OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMM

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CHAIRMAN

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8 IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
9 FOR APPROVAL OF NET METERING COST
SHIFT SOLUTION.

Docket No. E-01345A-13-0248

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RUCO'S EXCEPTIONS

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The Residential Utility Consumer Office ("RUCO") submits the following Exceptions/
Clarification to its position in this matter. Paragraph 124 of the Recommended Opinion and
Order ("ROO") states that RUCO believes that the Value of DG docket must be concluded prior
to Commission action on the APS application and further believes that the Value of DG docket
should proceed prior to the rate case if the Commission should decide not to hold a hearing
prior to the next rate case. RUCO believes that the Value of DG docket needs to be concluded
either way - if the Commission should adopt this ROO and the issue is heard in the next rate
case, or if the Commission should reject the ROO and proceed to hearing on the issue before
the next rate case. RUCO apologizes to the ALJ, Commission and the Parties for any
confusion.

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As stated previously, RUCO respectfully suggests that this LFCR adjustment issue can
and should be heard now. While a rate case may be filed as soon as next year, it will be far
down the line before new rates become effective. At the very least, a hearing now can help

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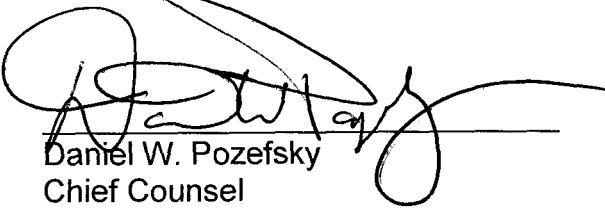
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1 inform a rate case with data derived from sworn testimony. In fact, if the Commission provides
2 thoughtful framing for the hearing, the proceeding can be used to provide both a near-term
3 decision point for the Commission on the LFCR adjustment as well as a DG cost-benefit
4 framework for the upcoming rate case.

5 Currently there is a data void around DG and its related costs and benefits. The
6 Commission can fix this in a number of ways and there is a clear precedent. With energy
7 efficiency (EE), Commission Staff and utilities deploy like models to gauge the cost
8 effectiveness of EE measures. There is a consistent methodology used to cover all utilities and
9 it is frequently updated with the latest market numbers. Without a similar approach for DG,
10 parties will revert to their own calculations and studies in the rate case which will undoubtedly
11 create an unwieldy process and wide distribution of numbers. Hearing the issue now could
12 advance the DG valuation docket, provide commission guidance on how to approach DG in the
13 rate case, and offer a data point to consider for the LFCR in the interim.

14 In essence, hearing this issue now, with a clear objective to determine a cost-benefit
15 methodology will advance the discussion before the next APS rate case is filed. Instead of
16 being idle, parties can be working on important and complex issues that will help make the rate
17 case process more efficient and data driven. Moreover, unlike a rate case, especially one in
18 settlement, the Commission can be more hands on and provide direction to parties. Finally, the
19 Commission will have an increased level of actionable data to make a possible adjustment to
20 the LFCR charge. RUCO believes that this a no-regrets course of action that will only help in
21 forming policy that is good for all ratepayers.

1 RESPECTFULLY SUBMITTED this 12th day of August, 2015.

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Daniel W. Pozefsky
Chief Counsel

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7 AN ORIGINAL AND THIRTEEN COPIES
8 of the foregoing filed this 12th day
of August, 2015 with:

9 Docket Control
10 Arizona Corporation Commission
11 1200 West Washington
Phoenix, Arizona 85007

12 COPIES of the foregoing hand delivered/
13 e-mailed/mailed this 12th day of August,
2015 to:

14 Dwight Nodes
15 Hearing Division
16 Arizona Corporation Commission
17 1200 W. Washington St.
Phoenix, Arizona 85007

18 Maureen Scott
19 Wesley Van Cleve
20 Janet Wagner

21 Legal Division
22 Arizona Corporation Commission
23 1200 W. Washington St.
Phoenix, Arizona 85007

24 Thomas Broderick
Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Thomas Loquvam
Pinnacle West Capital Corporation
400 N. 5th St., MS 8695
Phoenix, Arizona 85004
Attorney for Arizona Public Service
Company
thomas.loquvam@pinnaclewest.com

Lewis Levenson
1308 E. Cedar Lane
Payson, Arizona 85541
equality@centurylink.net

Michael Patten
Snell and Wilmer
400 E. Van Buren, Suite 1900
Phoenix, Arizona 85004
mpatten@swlaw.com

Garry Hays
Law Offices of Garry D. Hays, P.C.
1702 E. Highland Ave., Suite 204
Phoenix, Arizona 85016
Attorney for Arizona Solar Deployment
Alliance
ghays@lawqdh.com

1 Greg Patterson
916 W. Adams, Suite 3
2 Phoenix, Arizona 85007
Attorney for Arizona Competitive Power
3 Alliance
greg@azcpa.org
4
5 Patty Ihle
304 E. Cedar Mill Road
Star Valley, Arizona 85541
6 apattywack@yahoo.com
7
8 Bradley Carroll
Tucson Electric Power Company
88 E. Broadway Blvd., MH HQE910
9 P.O. Box 711
Tucson, Arizona 85702
bcarroll@tep.com
10
11 John Wallace
Grand Canyon State Electric Cooperative
Association, Inc.
12 2210 S. Priest Drive
Tempe, Arizona 85282
13 jwallace@gcseca.coop
14
15 Court Rich
Rose Law Group, PC
7144 E. Stetson Drive, Suite 300
Scottsdale, Arizona 85251
16 Attorney for Alliance for Solar Choice
crich@roselawgroup.com
17
18 Todd Glass
Wilson Sonsini Goodrich & Rosati, PC
701 Fifth Ave., Suite 500
19 Seattle, Washington 98104
Attorneys for Solar Energy Industries
20 tglass@wsgr.com
21
22
23
24

Timothy Hogan
Arizona Center for Law in the Public
Interest
514 W. Roosevelt
Phoenix, Arizona 85003
Attorney for Western Resource
Advocates
thogan@aclpi.org

David Berry
Western Resource Advocates
P.O. Box 1064
Scottsdale, Arizona 85252
David.berry@westernresources.org

Kristin Mayes
Kris Mayes Law Firm
3033 N. 3rd St., Suite 200
Phoenix, Arizona 85012
Attorney for Solar Energy Industries
Association
kmayes@krismayeslaw.com

Gincarlo Estrada
Kamper, Estrada and Simmons, LLP
3030 N. Third St., Suite 770
Phoenix, Arizona 85012
Attorney for Solar Energy Industries
Association
gestrada@lawphx.com

Mark Holohan
Arizona Solar Energy Industries
Association
2122 W. Lone Cactus Dr., Suite 2
Phoenix, Arizona 85027
todd@arizonasolarindustry.org

Kevin Fox
Tim Lindl
Erica Schroeder
Keyes, Fox & Wiedman LLP
436 14th St., Suite 1305
Oakland, California 94612
kfox@kfwlaw.com
tlindl@kfwlaw.com
eschroeder@kfwlaw.com

1 Albert Gervenack
14751 W. Buttonwood Dr.
2 Sun City West, Arizona 85373
agervenack@bmi.net

3
4 W.R. Hansen
Sun City West Property Owners and
Residents Association
5 13815 Camino Del Sol
Sun City West, Arizona 85375

6
7 By Cheryl Fraulob

8

9

10

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RUCO'S PROPOSED AMENDMENT NO. 1

IN THE MATTER OF THE MOTION OF ARIZONA PUBLIC SERVICE COMPANY FOR
APPROVAL OF NET METERING COST SHIFT SOLUTION

Page 19, Line 17-21

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124. RUCO clarified at the oral proceeding that it no longer believes, as it did when filing its Response to the Reset Application, that the generic Value of DG proceeding must be concluded prior to Commission action on the APS Application. RUCO stated that it now would prefer that the Commission hear the Reset Application prior to a Commission determination in the Value of DG proceeding. RUCO believes, however, that if the Commission decides not to hold a hearing in this docket prior to APS's rate case, the Value of DG docket should proceed prior to the rate case.

Insert:

124. RUCO believes that the Value of DG docket needs to be concluded either way - if the Commission should adopt this ROO and the issue is heard in the next rate case, or if the Commission should reject the ROO and proceed to hearing on the issue before the next rate case.

Page 33, Line 8-23

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167. The arguments have not established an urgent need for commencing a proceeding on the Reset Application at this time. Any proposal presented outside a rate case to address the recovery of fixed costs on an interim basis would be severely limited in scope, to changes in the LFCR adjustor mechanism established in the settlement of APS's last rate case. The LFCR mechanism may well be inadequate in the long term to address the issue of APS's ability to recover its fixed costs in the face of a reduction in kWh usage under APS's current rate design.

168. There is little regulatory wisdom in undertaking a proceeding that is severely handicapped from the beginning in the way of possible solutions to a problem that can be readily addressed in a rate case which will be filed in less than one year. Any need to grandfather new DG customers cannot be presumed absent a full and diligent examination of all elements of APS's rate design in the context of a full rate case. Commencing the evidentiary proceeding prior to the rate case as urged by APS would be duplicative and expensive for all affected entities, and is not necessary to make APS whole. We find that it is more reasonable, appropriate, and in keeping with proper ratemaking principles to address the issue of lost fixed cost recovery due to reduced

kWh usage in the rate design phase of APS's upcoming rate case, which it has stated it intends to file in the second quarter of 2016.

Insert

167. The issues raised by the Reset Application are rate design issues which will be more reasonably and appropriately be dealt with in the context of a full rate case proceeding. However, the Commission finds it in the public interest to initiate a formal hearing process prior to the rate case and as soon as possible with the following three phases:

1. Develop an appropriate cost/benefit methodology for distributed generation that can cover different technologies and associated configurations including but not limited to solar PV, solar hot water heating, wind technology, and energy storage.
2. Obtain data on the record specific to APS to fill out the cost/benefit framework. Determine missing or incomplete data if any, along with recommendations to remedy any data shortfall.
3. Using best available information, bring to Commission consideration results of the cost/benefit test and the appropriate interim LFCR charge informed by the results of the test.

The Commission will vote on each phase as it deems appropriate. Commission vote on phase two can also conclude the Value of DG docket.

The Hearing Division shall schedule a procedural conference to schedule dates consistent with this Order.

Page 34 lines 3-7

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3. The issues raised by the Reset Application are rate design issues which will be more reasonably and appropriately dealt with in the context of a full rate case proceeding.

4. Due to the nature of the issues raised by the Reset Application, it is not in the public interest to make a determination on the Reset Application outside a full rate case proceeding, and the Application should therefore be dismissed.

Insert

3. The issues raised by the Reset Application are rate design issues which will be more reasonably and appropriately be dealt with in the context of a full rate case

proceeding. However, the Commission finds it in the public interest to initiate a formal hearing process prior to the rate case and as soon as possible.

4. The Hearing Division shall schedule a procedural conference to schedule dates consistent with this Order.

Make all conforming changes.