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BEFORE THE ARIZONA CORPORATION COMM.

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

Docket No. E-01345A-13-0248

Arizona Corporation Commission

DOCKETED

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RUCO'S COMMENTS

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13 The Residential Utility Consumer's Office ("RUCO") appreciates the Commission
 14 soliciting comments on a framework that parties can use to analyze the cost-shift in the
 15 upcoming hearing. Once the Cost of Service study is completed, RUCO believes that the
 16 Commission will be in possession of all the data it needs to make a timely decision on the
 17 LFCR charge for future solar installations (as requested by APS). Since \$3/kW is the extent of
 18 the proposed charge, a near-term look at the costs and the benefits of solar in conjunction with
 19 the updated Cost of Service analysis would satisfy the data requirement for the upcoming
 20 hearing.

21 In the event that the Commission would like parties to examine the "net-cost shift" over
 22 a longer time horizon, additional guidance would be helpful on what to include and not include
 23 into the framework. Commission direction will focus the analysis and allow parties to fill in the
 24 framework with the best available data. The alternative of not having Commission guidance

1 when looking at this issue through a multi-year lens would potentially be a series of varied
2 methodologies with conflicting results.

3 RUCO respectfully suggests that the Commission structure the evaluation framework in
4 the following way if a multi-year approach is taken:

- 5 1. Examine the cost shift related to all the generation of the PV system, not just
exports.
- 6 2. Focus only on the residential rate class.
- 7 3. Only look at direct benefits to ratepayers, do not include economic or societal
adders.
- 8 4. Use a 20 year time horizon for the analysis and levelize the benefits and costs
over that time period.
- 9 5. Include integration costs into the framework.
- 10 6. Include loss avoidance.
- 11 7. Factor in utility administrative costs related to PV deployment.
- 12 8. Do not include "RPS avoidance" benefits. If included, factor in an opportunity cost
input for not pursuing less expensive wholesale DG.
- 13 9. For energy, capacity, and a few other "savings" categories adopt methodologies
consistent with how benefits are calculated for energy efficiency. RUCO proposes the
adoption of the attached utility recommended methods of calculating energy and
capacity. *Benefit/Cost Analysis of DSM Programs: A Guide for Arizona Investor
Owned Utilities* (see Appendix)
- 14 10. Conduct an analysis that conforms to these guidelines in an Excel spreadsheet
and present this spreadsheet as part of opening testimony so all parties can use it.
The spreadsheet shall list the following;
 - 15 a. Total gross cost shift (no long-term benefits)
 - 16 b. Net cost shift after 20 year cost/benefit examination
 - 17 c. A Ratepayer Impact Measure test shall be performed.
 - 18 d. Suggested LFCR charge to mitigate net cost shift for several residential
rate plans based off the results of the Ratepayer Impact Measure test.
 - 19 e. Provide placeholders for various technology orientations and
configurations (advanced inverters)

20 In general, RUCO suggests conservatism when approaching a multi-year analysis for
21 several reasons. First, future benefits are not guaranteed. Therefore RUCO favors only looking
22 at direct benefits and over 20 years, not the life of the asset. Second, wholesale DG is less
23 expensive and should not be put to a disadvantage against residential rooftop PV systems.
24 How the Commission allocates capacity in future years should be based on properly balancing

1 the two resources. RUCO believes that this discussion needs to happen and preferably within
2 an IRP context.

3 RUCO would like to once again thank the Commission for considering these framework
4 parameters. RUCO continues to believe the long-range solar valuation issue is an important
5 topic but not a matter that needs to be resolved in order to consider the reset of the LFCR
6 charge. Should the Commission choose to do so, placing the proposed structure and
7 guidance around a multi-year analysis will focus the parties and give the Commission
8 actionable data to make a policy decision around. It will also help mitigate this issue in the next
9 rate case and take what has been a very contentious conversation and move it forward in a
10 constructive manner. Finally, the hearing will uncover any missing data or important research
11 topics that should be further explored in a statewide docket or IRP proceeding. Given this,
12 RUCO believes that the time and resources devoted to this hearing will be well spent.

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14 RESPECTFULLY SUBMITTED this 4th day of September, 2015.

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18 Daniel W. Pozefsky
19 Chief Counsel
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1 **Appendix: Benefit/Cost Analysis of DSM Programs: A Guide for Arizona Investor Owned**
2 *Utilities*

3 <https://www.uesaz.com/doc/efficiency/eeplan-electric.pdf>

4 **Sampling of Benefit/Cost Approach:**

- 5 1. Avoided cost of energy will be stated as levelized costs and will be developed using
6 the assumptions for the forecasted marginal production costs included in the
7 integrated resource planning (IRP) model, with adjustments as appropriate for the
8 impacts of the energy savings planned through the energy efficiency standard.
- 9 2. *Placeholder for impact of EPA's 111 (d) policy*¹
- 10 3. Avoided cost of generation capacity will be stated as annual levelized costs based
11 primarily on the cost of the next marginal unit identified in the IRP generation plan.
12 Utilities may also use an approach that combines the next marginal unit cost and
13 the cost of short term market capacity where appropriate.
- 14 4. The avoided cost of generation capacity will include the value of both principal and
15 interest payments over the term of the debt incurred in installing these resources.
- 16 5. A societal discount rate will be used that will be based on the yield for U.S. Treasury
17 securities up to a cap of 4%.

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24 ¹ RUCO's modification to the original paragraph on including carbon compliance cost.

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