



0000166054

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

2015 SEP -4 P 3: 34

AZ CORP COMMISS
DOCKET CONTROL

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

DOCKET NO. E-01345A-13-0248

1 **Vote Solar Comments on Scope and Issues to be Considered in**
2 **Docket E-01345A-13-0248**

3 Vote Solar appreciates the opportunity to submit comments to the Arizona Corporation
4 Commission ("Commission") on the Arizona Public Service ("APS") Application for a reset of
5 its Lost Fixed Cost Recovery ("LFCR") adjustment. Our comments respond to the Commission's
6 Notice of Opportunity to Provide Comments Concerning Scope of the Proceeding filed on
7 August 20, 2015 in Docket E-01345A-13-0248.

8 Vote Solar is a non-profit grassroots organization working to foster economic opportunity,
9 promote energy independence and address climate change by making solar a mainstream energy
10 resource across the United States. Since 2002, Vote Solar has engaged at the state, local and
11 federal levels to remove regulatory barriers and implement the key policies needed to bring solar
12 to scale. Vote Solar has approximately 3,500 members in Arizona.

13 APS's current application is the most recent development in a lengthy and controversial
14 proceeding. The Commission has indicated that additional detailed analysis is needed to address
15 the APS application. Vote Solar agrees and urges the Commission to require a credible and
16 unbiased cost-benefit analysis that examines the costs and benefits of both residential and
17 commercial distributed generation along with a full cost of service study that includes an
18 assessment of both embedded costs and marginal costs. Following this submittal, Vote Solar

Arizona Corporation Commission

DOCKETED

SEP 04 2015

DOCKETED BY *BAM*

1 recommends that the Commission initiate a full evidentiary process including the opportunity for
2 discovery, intervenor testimony, cross examination, hearing and briefing.

3 I. The Commission has indicated that additional detailed analysis is
4 needed before APS's application can be addressed.

5 On December 3, 2013, the Commission approved Decision No. 74202 ordering APS to
6 implement an interim LFCR adjustment of \$0.70/kW-month. In that Decision the Commission
7 concluded "that addressing the net metering cost-shift issue would benefit from a detailed
8 analyses [sic] of the costs and benefits of distributed generation systems, and therefore, it is in
9 the public interest to consider these matters further in Arizona Public Service Company's next
10 general rate case."¹ The same Decision ordered APS to file its next general rate case in June
11 2015.² In August 2014 the Commission modified this requirement, relieving APS of its
12 obligation to file its next general rate case in June 2015.³ In April 2015 APS filed its current
13 Application requesting that the LFCR approved in Decision No. 74202 be reset from \$0.70/kW-
14 month to \$3.00/kW-month.

15 In Decision No. 75251 filed on August 31, 2015, the Commission confirmed that "Decision No.
16 74202 was issued in contemplation of a full rate case vetting of the fixed cost recovery issues
17 raised in the 2013 Application. For that reason, we ordered APS to file a full rate case in June
18 2015. Our subsequent determination in Decision No. 74702 to remove the requirement for APS
19 to file a rate case in June 2015 did not alter the need for examination of the fixed cost recovery
20 issues in a manner that will allow all interested parties to provide evidence to support their
21 positions on the issue and to cross examine expert witnesses."⁴ Providing further guidance, the
22 Commission additionally stated that "[a] proceeding with this scope can establish the cost of
23 service and the existence of and size of the alleged cost shift and determine to what extent the
24 LFCR adjustor should be reset."⁵ It is clear that the Commission acknowledges that the current

¹ D.74202 COL 3.

² D.74202 page 30, lines 6-7.

³ D.74702 page 2, lines 17-20.

⁴ D.75251 page 31, lines 15-20.

⁵ D.75251 page 32, lines 11-13.

1 record is not sufficient for a determination of the appropriateness of APS's proposed reset of the
2 LFCR.

3 II. The Commission should require an analysis of the costs and
4 benefits of distributed generation for both residential and
5 commercial customers as well as a full cost of service study.

6 Consideration of APS's Application warrants a full accounting of the costs and benefits of
7 distributed generation as well as an understanding of the impacts of distributed generation on
8 APS's cost of service. In APS's Application, the utility alleges that barring further Commission
9 action, a cost shift of as much as \$800 million will occur by mid-2017.⁶ APS contends that
10 resetting the LFCR to \$3.00/kW-month would "make incremental progress" in addressing this
11 alleged cost shift but does not quantify what level of purported relief such a change would result
12 in.⁷ The only rationale APS offers for the need for a pre-rate case adjustment of the LFCR is that
13 doing so would "reduce the overall amount of cost shift that must be addressed in APS's next
14 rate case,"⁸ and that inaction "may hinder balanced solutions in APS's next rate case."⁹
15 However, APS's Application does not quantify or provide adequate supporting information for
16 the amount of the reported cost shift reduction nor the implications of the vague threat to
17 "balanced solutions" in the next rate case. In order for the Commission to understand what is at
18 stake in this proceeding, more information is needed.

19 While APS has proffered expert witness testimony in conjunction with its original application,
20 no evidence has been provided to support the current proposal. In fact, APS states in its
21 Application that it "relies entirely on the findings and conclusions in Decision No. 74202."¹⁰ In
22 that same decision the Commission noted that further consideration of this issue "would benefit
23 from a detailed analyses [sic] of the costs and benefits of distributed generation systems."¹¹ In
24 this vein, the Residential Utility Consumer Office (RUCO), on whose proposal the \$3.00/kW-

⁶ APS Motion page 2, lines 8-11.

⁷ APS Motion page 2, line 20.

⁸ APS Motion page 8, lines 18-20.

⁹ APS Motion page 8, lines 23-25.

¹⁰ APS Motion page 2, lines 14-15.

¹¹ D.74202 page 30, lines 6-7.

1 month charge was partially based, has suggested that such a charge “is not necessarily the
2 answer, and that the hearing should be held to determine whether a cost shift exists, and if so,
3 what amount of the cost shift should be addressed prior to the upcoming rate case.”¹² Vote Solar
4 agrees with RUCO that prior to approval of any additional LFCR adjustment, APS must
5 establish whether a cost shift exists and provide evidence to support quantification of the alleged
6 cost shift.

7 Given the current record, the Commission should require that APS provide evidence to support
8 the need for its proposal including a full cost-benefit analysis of distributed generation. As
9 directed by Decision No. 74202, the Commission has opened general docket E-00000J-14-0023
10 on the Value and Cost of Distributed Generation. Vote Solar agrees with Commissioner Burns
11 who stated in his dissent to Decision No. 75251 that it would be “preferred to develop a
12 comprehensive methodology for ascertaining the cost and benefits of distributed generation that
13 we could apply consistently in our pending Value and Cost of Distributed Generation (E-00000J-
14 14-0023) proceeding prior to moving forward with this specific net metering reset request.”¹³
15 While Vote Solar agrees with and supports Commissioner Burns view, the majority seeks to
16 move forward with the proceeding in the near term. In lieu of awaiting the outcome of the Value
17 and Cost of Distributed Generation docket, the Commission should ensure that review of APS’s
18 Application contain a reliable and unbiased cost-benefit analysis.

19 It is crucial that the cost-benefit analysis consider the impacts of both residential and commercial
20 distributed generation. APS’s original application and its current proposal omit discussion of
21 commercial distributed generation because commercial net-metering customers allow the utility
22 to avoid more costs than the customers receive in the form of bill savings, thus subsidizing the
23 remaining commercial customer population.¹⁴ While we disagree with the APS claim that
24 residential net-metering customers do not pay for grid services they use, it is clear that
25 commercial customers receive insufficient credit for the benefits they provide, and if APS wants
26 to address potential cross-subsidies between net-metered distributed generation customers and

¹² D.75251 page 19, lines 14-16.

¹³ Dissent of Commissioner Bob Burns to Decision No. 75251.

¹⁴ See Initial Comments of the Vote Solar Initiative, September 9, 2013, pages 4-7.

1 non-distributed generation customers, then the cross-subsidy that exists to the detriment of
2 commercial net metered distributed generation systems should also be discussed.

3 In addition, Vote Solar urges the Commission to require that APS conduct a full cost of service
4 study in this proceeding. The existence of a shift in costs between different customers cannot be
5 established without understanding the utility's cost of service which will require an embedded
6 cost study and a marginal cost study. This requirement is consistent with the Commission's own
7 resolution in Decision No. 75251 stating that the scope of this proceeding "can establish the cost
8 of service and the existence of and size of the alleged cost shift."¹⁵ Moreover, examination of
9 embedded and marginal costs provides additional detail which may be used to develop
10 alternative solutions.

11 **III. Intervenors should be given the opportunity to conduct discovery,**
12 **sponsor testimony and cross examine other witnesses during a full**
13 **evidentiary hearing.**

14 Once the cost-benefit analysis and cost of service study have been submitted, parties should be
15 given an appropriate period of time during which to review the information, propound discovery
16 and develop expert witness testimony for submittal into the record. Following direct and rebuttal
17 testimony the Commission should conduct a hearing allowing for cross examination. After the
18 hearing, parties should be provided the opportunity to submit legal briefs prior to Commission
19 determination. Vote Solar understands that the Commission has found there is value in
20 evaluating this issue prior to the next general rate case, however, it should be noted that APS has
21 not provided any concrete evidence regarding the urgency of its request. The current application
22 does not impact the utility's revenue requirement and delay to accommodate an appropriate
23 evidentiary process will have minimal impact on residential customers who do not have
24 distributed generation.¹⁶

¹⁵ D.75251 page 32, lines 11-12.

¹⁶ APS has indicated that approval of its proposal would reduce the monthly bills of non-distributed generation residential customers by less than \$1.00 per month and other parties have argued that the impact would be a little as \$0.23 per month. D.75251 page 14, lines 15-17 and page 21 line 23-page 22 line 2.

1 IV. Summary of Recommendations

2 APS has not provided sufficient evidence on which the Commission can evaluate its proposal to
3 increase the LFCR adjustment from \$0.70/kW-month to \$3.00/kW-month. Evidence has not
4 been provided to establish whether a cost shift between customers with distributed generation
5 and customers without distributed generation, not the magnitude of such a cost shift. In order to
6 properly evaluate APS's proposal Vote Solar recommends that the Commission require a
7 credible cost-benefit analysis that includes the impacts of both residential and commercial
8 distributed generation in addition to a cost of service study that includes an assessment of both
9 embedded costs and marginal costs. Once this information has been provided to interested parties
10 Vote Solar recommends that the Commission initiate a full evidentiary process including the
11 opportunity for discovery, intervenor testimony, cross examination, hearing and briefing.
12 We thank the Commission and its staff for the opportunity to submit these comments.

Sincerely,



Briana Kobor
Program Director – DG Regulatory Policy
Vote Solar
360 22nd Street, Suite 730
Oakland, CA 94612
briana@votesolar.org