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BEFORE THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN	COMMISSIONER	COMMISSIONER

TOM FORESE	DOUG LITTLE
COMMISSIONER	COMMISSIONER

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** **THE ALLIANCE FOR SOLAR CHOICE'S (TASC) COMMENTS**

I. INTRODUCTION

The Alliance for Solar Choice ("TASC") respectfully submits these comments in response to the August 20, 2015 *Notice of Opportunity to Provide Comments Concerning Scope of the Proceeding*. TASC appreciates the opportunity to comment on the scope of issues the Commission must address if it wishes to consider APS's proposal to impose increased charges on new net-metered customers.

At the outset, TASC strongly disagrees with APS's claim that it has provided "sufficient evidence" to establish a cost basis for its LFCR Reset Application. See Decision No. 75251, page 15, lines 15-16. The "evidence" APS refers to is both self-serving and outdated with studies that were undertaken in 2012 and 2013. There has been no hearing and thus there is no evidence to support the application filed by APS. Nothing can be accepted into the record without a hearing and an

opportunity for cross-examination. To do so would be a clear and egregious violation of interveners' rights to due process to examine and object to the introduction of that evidence.

APS must prove the justness and reasonableness of any charge it proposes. To satisfy that burden, APS must submit information necessary to determine the fair value of its property in compliance with the Arizona Constitution and A.A.C. R14-2-103. APS must also submit a cost of service study and benefit-cost analysis to support its proposed charge. This information is necessary to determine if a cost shift exists, and if so, its magnitude. APS ratepayers have the right to demand that APS operate with reasonable efficiency, which includes an assessment of any efficiencies or avoided costs brought about by increased penetration of net-metered systems. A cost of service study and benefit-cost analysis are also necessary to determine whether APS's proposed charge on net-metered customers complies with Federal law. Any consideration of a new charge that reduces APS's risk of revenue loss due to reduced sales attributable to energy efficiency ("EE") and distributed generation ("DG") must include consideration of whether there should be a commensurate adjustment to APS's authorized rate of return.

II. SCOPE AND ISSUES TO ADDRESS IN THIS PROCEEDING

A. APS MUST SUBMIT DATA NECESSARY FOR THE COMMISSION TO DETERMINE FAIR VALUE OF ITS PROPERTY AND TO SATISFY GENERAL RATEMAKING REQUIREMENTS.

Although the Commission has plenary power to set "just and reasonable rates and charges" for public service corporations, *see* Ariz. Const. art. 15, § 3, the Commission's plenary power over ratemaking is not unfettered. The Arizona Constitution requires the Commission to "ascertain the fair value of property" as a prerequisite to prescribing just and reasonable classifications, rates and charges. Ariz. Const. art. 15, § 14.

Surcharges, such as APS proposes, trigger constitutional requirements for a fair value determination. *See Residential Util. Consumer Office v. Ariz. Corp. Comm'n*, 199 Ariz. 588, 589, ¶ 1, 20 P.3d 1169, 1170 (App. 2001). Any adjustment to the LFCR will therefore require the Commission to determine the fair value of APS property. The Commission acknowledged this in reaching its 2013 Decision adjusting the LFCR, concluding that the Arizona Constitution "requires the Commission to ascertain the utility's fair value and to consider the impact of any rate increase upon the utility's rate of return." Decision No. 74202 ("2013 Decision"), page 26, lines 21-22.

When the Commission issued the 2013 Decision on December 3, 2013, the Commission relied on fair value rate base and fair value rate of return findings it had adopted in APS's last rate case. *See* Decision No. 74202, page 28, lines 23-24. The Commission had approved APS's fair value rate base and fair value rate of return in that rate case on May 24, 2012. *See* Decision No. 73183, page 46, lines 1-15. When the Commission approved adjustments to the LFCR in the 2013 Decision, the fair value rate base and fair value rate of return findings it relied upon were out of date by approximately 19 months, and were based on a 2010 test year. Those findings are now out of date by over 3 years.

A recent appeals court decision in *Residential Util. Consumer Office v. Ariz. Corp. Comm'n*, 2015 Ariz. App. LEXIS 151 at 23 (Aug. 18, 2015), confirmed that reliance on valuation factors from a past rate case is "inconsistent with the mandate that the Commission perform a fair value determination 'at the time of inquiry.'" *See also Ariz. Corp. Comm'n v. Ariz. Water Co.*, 85 Ariz. 198, 201-02, 335 P.2d 412, 414-15 (1959) ("A reasonable judgment concerning all relevant factors is required in determining the fair value of the properties at the time of inquiry. If the Commission abuses its discretion in considering these factors or if it refuses to consider all the relevant factors, the fair value of the properties cannot have been determined under our Constitution.") Thus, it is clear that it was unconstitutional for the Commission to have relied on its fair value findings from APS's last rate case when it issued the 2013 Decision, and it would be even more egregious for the Commission to rely on those findings for any future adjustment to the LFCR.

If the Commission determines to move forward with considering adjustments to LFCR charges in this proceeding, it will not be possible to sidestep constitutional requirements for determining fair value as it did in the 2013 Decision. Arizona's appellate courts have recognized only two narrow exceptions to the constitutional requirement that the Commission determine the fair value of a utility's property when setting rates: (1) automatic adjustor clauses and (2) interim rates. *RUCO*, 2015 Ariz. App. at 10. Neither of these exceptions apply.

The purpose of an automatic adjustor mechanism is to pass on to customers changes in specific operating expenses, such as wholesale gas or electricity prices, that are outside of a public service company's control. *Id.* at 10-11. This exception does not apply. APS is seeking to impose charges to recoup capital expenditures rather than narrowly defined operating expenses that naturally fluctuate. By definition, the LFCR seeks to recover reductions in contributions to APS "fixed costs" due to reduced kWh sales arising from EE and DG. *See* Decision No. 75251, page 31, lines 2-6 (the LFCR "gives APS the opportunity to recover a portion of the distribution and transmission costs associated with those residential, commercial and industrial customers' verified lost kWh sales attributable to EE and DG requirements.") As such, the LFCR is not an automatic adjustor mechanism and this narrow exception does not apply.

The interim rate exception also does not apply. The interim rate exception is "limited to circumstances in which: (1) an emergency exists; (2) a bond is posted by the utility guaranteeing a refund to customers if interim rates paid are higher than the final rates determined by the Commission; and (3) the Commission undertakes to determine final rates after valuation of the utility's property." *RUCO*, 2015 Ariz. App. at 13. These requirements have not been met.

The Commission's 2013 Decision did not find that an emergency existed. Rather, that 2013 Decision concluded that "a defect in the method for allocating the revenue spread in the LFCR is an 'extraordinary event'..." Decision No. 74202, page 29, lines 3-4. However, Arizona courts do not recognize an "extraordinary event" exception to the constitutional requirement to determine

fair value as a prerequisite to approving rate increases or surcharges. In fact, the Arizona appeals court in *RUCO* expressly rejected the Commission's argument that such an exception exists. *RUCO*, 2015 Ariz. App. at 24-25 ("Nor do we agree that *Scates* authorizes a rate increase without a fair value determination based on 'exceptional circumstances,' as the Commission and [Arizona Water Company] suggest.") This suggests that the Commission's 2013 decision was patently unconstitutional.

Moreover, no emergency can be claimed to justify an additional adjustment to the LFCR before APS's next rate case. As the appeals court observed in *RUCO*: "The word 'emergency' has a well understood meaning. It is defined as: 'An unforeseen combination of circumstances which call for immediate action.'" *RUCO*, 2015 Ariz. App. at 16. As noted above, no mention of an emergency can be found in the Commission's 2013 Decision, and no mention of an emergency can be found in the Commission's recent Decision No. 75251 authorizing a further adjustment to the LFCR for the second time this year. *See, e.g.*, Decision No. 75251, page 31, lines 2-11. As TASC fully briefed, the LFCR is working exactly as designed in the last rate case and recovering well below its cap. This is certainly not an emergency.

The 2013 Decision "was issued in contemplation of a full rate case vetting of the fixed cost recovery issues raised in the 2013 Application." *See* Decision No. 75251, page 31, lines 15-16. Accordingly, the 2013 Decision required APS to file a full rate case in June 2015. *Id.* at lines 16-17. However, APS petitioned the Commission to modify the 2013 Decision to remove that requirement, and the Commission obliged. *Id.* at lines 17-20. Neither APS nor the Commission can now claim that an emergency exists after finding a full rate case filing was unnecessary this year. Moreover, APS acknowledged in the oral proceeding held on June 12, 2015 that "if its proposal is granted, its non-DG customers' bills would be reduced by an amount of less than $1 per month." *Id.* at page 14, lines 13-17. Even assuming APS's calculations are accurate, which TASC disputes, this amount is hardly the basis for claiming an emergency. Commission Staff agrees that "it is unlikely that the cost shift APS alleges is of such magnitude that it must be

addressed prior to the rate case APS intends to file in the second quarter of 2016." *Id.* at page 28, line 21 to page 29, line 2. Furthermore, the Commission did not require APS to post a bond as a result of the 2013 decision, which is a requirement under the interim rate exception. For these reasons, the interim rate exception does not apply.

The situation that APS finds itself in is of its own making. APS's solar customers should not be required to bear the burden of APS's decisions. APS has proposed to increase rates charged to a segment of its customers, and it has chosen to make its proposal outside of a rate case. This triggers the Commission's constitutional requirement to determine the fair value of APS's property and to base any decision regarding the proposed rate increase on that determination. Neither of the narrow exceptions to a fair value determination recognized by Arizona's appeals courts apply to APS's rate increase proposal. Accordingly, the Commission is constitutionally required to determine the fair value of APS's property and to use that fair value in setting rates. Accordingly, at a minimum, APS must file the information required in A.A.C. R14-2-103 (Defining Filing Requirements in Support of a Request by a Public Service Corporation Doing Business in Arizona for a Determination of the Value of Property of the Corporation and of the Rate of Return Thereon, or in Support of Proposed Increased Rates or Charges).

B. APS MUST PROVIDE COST OF SERVICE STUDIES AND BENEFIT/COST ANALYSIS TO SUPPORT ITS PROPOSED INCREASE TO LFCR CHARGES.

Any proposed charge on net metering customers must overcome a significant burden of demonstrating that the cost of serving customers that self-supply electricity with on-site solar generation varies significantly from the cost of serving customers with similar load characteristics that do not have solar such that different charges are justified. If the average solar customer goes from a slightly larger than average consumer (pre solar installation) to a somewhat lower than average consumer (post solar installation) but is not an atypical customer within the rate class, there is no justification to treat customers differently.

The Commission's net metering rules recognize this and place the burden on APS to fully support its proposal to impose increased charges on net-metered customers. A.A.C. R14-2-2305 requires (underlining added):

> **New or Additional Charges**
>
> Net Metering charges shall be assessed on a nondiscriminatory basis. Any proposed charge that would increase a Net Metering Customer's costs beyond those of other customers with similar load characteristics or customers in the same rate class that the Net Metering Customer would qualify for if not participating in Net Metering shall be filed by the Electric Utility with the Commission for consideration and approval. The charges shall be fully supported with cost of service studies and benefit/cost analyses. The Electric Utility shall have the burden of proof on any proposed charge.

A.A.C. R14-2-2305 requires APS to carry the burden of proof on its proposed charge and to bring forward data necessary to determine the justness and reasonableness of the proposed charge. APS has not satisfied this requirement. The Commission should require APS to file this information. The Commission should also take notice of a recent Utah Public Service ("PSC") decision rejecting a proposal by Rocky Mountain Power to impose similar discriminatory charges on net-metered customers. The Utah PSC concluded:

> "We emphasize that ratemaking is a dynamic process and must respond appropriately as the demands customers place on the utility system change. Prior to approving responsive new rate structures, we must understand these changes. For example, if net metered customers are a subclass (as PacifiCorp asserts), data must confirm this assertion. We cannot determine from the record in this proceeding that this group of customers is distinguishable on a cost of service basis from the general body of residential customers. ***Simply using less energy than average, but about the same amount as the most typical of PacifiCorp's residential customers, is not sufficient justification for imposing a charge, as***

> ***there will always be customers who are below and above average in any class. Such is the nature of an average.*** In this instance, if we are to implement a facilities charge or a new rate design, we must understand the usage characteristics, e.g., the load profile, load factor, and contribution to relevant peak demand, of the net metered subgroup of residential customers. We must have evidence showing the impact this demand profile has on the cost to serve them, in order to understand the system costs caused by these customers. This type of analysis is a necessary part of determining the relationship of costs and benefits of the net metering program as required by the Net Metering Code."[1]

The Utah PSC is currently conducting a proceeding to determine the benefits of net metering systems so that such information can be incorporated into future decisions regarding rates and charges. Similarly, a fair evaluation of the costs and benefits of net metered generation in this proceeding will demonstrate that maintaining current net metering policy coupled with existing rate structures in Arizona is just, reasonable, and in the public interest.

C. THE COMMISSION SHOULD CONSIDER THE BENEFITS OF NET METERED SYSTEMS IN DETERMINING THE EXISTENCE AND MAGNITUDE OF ANY COST-SHIFTS.

The Commission cannot reasonably determine if a cost shift exists, and if so, its magnitude, if it does not first consider the benefits brought about by customer self-generation under net metering, including any utility avoided costs. A fundamental underpinning of the Arizona Constitution's fair value determination requirement is the principle that the public has the right to demand that a public utility operate with reasonable efficiency. *RUCO*, 2015 Ariz. App. at 18-19. This includes an assessment of any savings or other efficiencies attributable to economies and avoided costs in utility operations, such as those brought about by increased penetration of net-metered systems.

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[1] Utah PSC, Docket No. 13-035-184 at 66-67 (emphasis added).

See Scates v. Ariz. Corp. Comm'n, 118 Ariz. 531, 534, 578 P.2d 612, 615 (App. 1978) ("A noted peril of a 'piecemeal approach' to rate-making via tariff is that it serves 'both as an incentive for utilities to seek rate increased each time costs in a particular area rise, and as a disincentive for achieving countervailing economies in the same or other areas of their operations.")

The Commission recognized the importance of considering benefits of net-metered customer generation in its 2013 Order, concluding "that addressing the net metering cost-shift issue would benefit from a detailed analysis of the costs and benefits of distributed generation systems, and therefore, it is in the public interest to consider these matters further in Arizona Public Service Company's next general rate case." Decision No. 74202, page 28, lines 14-17. When the Commission issued its 2013 Decision, it had required APS to file a full rate case in June 2015. The Commission should not allow APS to avoid a consideration of countervailing benefits and avoided costs by postponing the requirement for a June 2015 rate case while at the same time allowing APS to propose further adjustments to the LFCR in advance of that rate case. Doing so invites the very piecemeal ratemaking that the Arizona Constitution prohibits.

a. The Commission Should Consider Costs and Benefits That Have Been Considered in Studies Performed By Commissions in Other States.

Multiple net metering benefit-cost analyses and value of solar studies conducted by public utility commissions across the country over the last two years have shown that the benefits of rooftop-distributed solar have outweighed the costs. Nevada's *Net Energy Metering Impacts Evaluation* concluded that grid benefits of rooftop-distributed energy installed through 2016 exceed costs by approximately $36 million.[2] Maine's *Distributed Solar Valuation Study* found that the value of solar power produced in Maine is $0.337/kWh,[3] which is approximately $0.20 more than the

[2] Snuller Price et al., *Nevada Net Energy Metering Impacts Evaluation*, NEV. PUB. UTIL. COMM., 7-8 (July 2014), *available at* http://puc.nv.gov/About/Media_Outreach/Announcements/Announcements/7/2014_-_Net_Metering_Study/.

[3] Benjamin L. Norris et al., *Final Value of Solar Study*, ME. PUB. UTIL, COMM. (revised April 2015), *available at* https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/CaseMaster.aspx?CaseNumber=2014-00171

average net metering credit on solar customers' bills in that state.[4] Massachusetts' study *Evaluating the Costs and Benefits of Alternative Net Metering and Solar Policy Options*, which covers net metering and the states' incentive program, concludes, "Under all scenarios, the benefits of the solar program exceed the costs by more than 2 to 1."[5] Mississippi's net metering analysis, done to help evaluate whether or not the state should require net metering, showed that net metering has the potential to provide net benefits to the state in 14 out of 15 scenarios/sensitivities analyzed and that generation from rooftop solar will most likely displace generation from the state's peaking resources – oil and natural gas combustion turbines.[6] As a result, the Mississippi Public Service Commission found that "it is in the best interest of ratepayers to proceed with the development of proposed net metering and interconnection rules."[7] Mississippi will likely become the 45th state to require its investor-owned utilities to offer net metering.[8] In addition, Vermont's Public Service Department's 2014 *Evaluation of Net Metering in Vermont* found a net benefit to ratepayers and society when analyzing fixed solar PV systems.[9]

Only two of the analyses completed recently have concluded that the net metering costs outweigh the benefits, yet these reports have been dismissed widely due to fundamental flaws. Louisiana's draft report, *Estimating the Impact of Net Metering on LPSC Jurisdictional Ratepayers*, includes the state's tax credits as a cost in the analysis, since it concludes, "Every dollar spent by the State

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4 *Rooftop Solar Power Delivers More Value Than Electricity Derived from Power Plants*, NATURAL RES. COUNCIL OF MAINE (March 3, 2015), *available at* http://www.nrcm.org/news/nrcm-news-releases/maine-puc-solar-power-study/.

5 Robert Grace et al., *Massachusetts Net Metering and Solar Task Force: Final Report to the Legislature*, Task 3-Evaluating the Costs and Benefits of Alternative Net Metering and Solar Policy Options in Massachusetts, p. 128, (April 27, 2015), *available at* http://www.mass.gov/eea/docs/doer/renewables/final-net-metering-and-solar-task-force-report.pdf

6 Elizabeth A. Stanton, PhD et al., *Net Metering in Mississippi: Cost, Benefits, & Policy Considerations.* MISS. PUB. SERV. COMM., (September 19, 2014) *available at* http://www.psc.state.ms.us/InsiteConnect/InSiteView.aspx?model=INSITE_CONNECT&queue=CTS_ARCHIVEQ&docid=337867

7 *Order Seeking Comments on Proposed Rules*, Docket 2011-AD-002 MISS. PUB. SERV. COMM., (August 3, 2015), *available at* http://www.psc.state.ms.us/InsiteConnect/InSiteView.aspx?model=INSITE_CONNECT&queue=CTS_ARCHIVEQ&docid=349139

8 *Net Metering Policies Detailed Summary Map*, DSIRE (March 2015), *available at* http://ncsolarcen-prod.s3.amazonaws.com/wp-content/uploads/2015/04/Net-Metering-Policies.pdf

9 *Evaluation of Net Metering in Vermont Conducted Pursuant to Act 99 of 2014*, VT. PUB. SERV. DEP'T. (Revised November 2015), *available at* http://psb.vermont.gov/sites/psb/files/Act%2099%20NM%20Study%20Revised%20v1.pdf

on solar tax credits is a dollar that cannot be spent on...other state programs and social services."[10] Its inclusion, and convoluted reasoning for including the tax credit as a cost, is unique to Louisiana. Hawaii's evaluation covered all of Hawaii's renewable energy policy and procurement programs, and while Hawaii's evaluation concludes that net metering costs exceeded the value to the system, the authors caveated their findings by stating, "these findings are based upon currently available information on energy and system costs and it is expected that additional data and improvements to the methodology would further strengthen the analysis."[11] Thereby discrediting the study's results.

Table 1 below highlights elements that were considered in each of these studies (the Table notes can be found on page 18 of this filing).

Table 1. Summary of elements included in recent CBA and VOS studies/frameworks

	IREC[i]	HI[ii] (CBA)	LA[iii] (draft CBA)	MA[iv] (CBA)	ME[v] (VOS)	MN[vi] (VOS frame-work)	MS[vii] (CBA)	NV[viii] (CBA)	SC[ix] (CBA frame-work)	VT[x] (CBA)
Energy (Avoided Generation Cost)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
System Losses	Y	Y		Y	Y		Y	Y	Y	Y
Generation Capacity (Avoided Generation Capacity Cost/Capacity Value Benefits)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Transmission and Distribution Capacity	Y	SA	Y	Y	Y, PL	Y	Y	PL	Y	Y
Grid Support Services (Ancillary Services)	Y	Y			PL		PL	Y	Y	
Financial: Fuel Price Hedge	Y			Y	Y		Y		Y	
Financial: Market Price Response	Y				Y					Y
Security: Reliability and Resiliency (Risk)	Y			Y			Y			
Environment: Carbon	Y	SA		Y	Y	Y	Y	PL	Y	Y

[10] David E. Dismukes, PhD, *Estimating the Impact of Net Metering on LPSC Jurisdictional Ratepayers.* LA. PUB. SER. COMM. (February 27, 2015), p. 128, available at http://lpscstar.louisiana.gov/star/ViewFile.aspx?Id=f2b9ba59-eaca-4d6f-ac0b-a22b4b0600d5

[11] *Evaluation of Hawaii's Renewable Energy Policy and Procurement*, HI. PUB. UTIL. COMM. (January 2014), p. 3, *available at* http://puc.hawaii.gov/wp-content/uploads/2013/04/HIPUC-Final-Report-January-2014-Revision.pdf

Environment: NOx, SOx, particulates	Y			Y	Y	Y			Y	
Environment: Other									Y	
RPS: Compliance Value				Y				Y		Y
Social: Economic Development	Y		Y	Y				SA		
Avoided Natural Gas Pipeline Costs				Y	PL					
Behind-the-Meter Production During the Billing Month				Y						
Utility: Integration Costs	Y				Y	PL		Y	Y	
Utility: Interconnection Costs			Y						Y	
Utility: Administration Costs	Y		Y	Y			Y	Y	Y	Y
Rate Impacts: NEM Credits		Y	Y	Y				Y		Y
Rate Impacts: Lost Utility Revenue	Y		Y				Y			Y
Incentive Costs (i.e. utility rebates (NV) state tax credits (LA), SREC (MA))			Y	Y				Y		

Y= Yes, included in the study (or, recommended to be included in the case of IREC)
SA = Included in the sensitivity analysis only, not the base study
PL = A placeholder was included but no value assigned
Blank = No, not included (or, not recommended in the case of IREC)

The Commission should consider cost and benefit categories that have been common in studies performed by commissions in other states. Many of these categories of costs and benefits are not controversial. For example, we have attached to this filing a table developed by Oregon Public Utility Commission ("PUC") Staff in a proceeding (Oregon PUC Docket UM 1716) considering the cost and benefit elements that should be incorporated into a resource value of solar investigation. Oregon PUC Staff developed this table in just a few short months after soliciting feedback from parties through workshops and written comments using elements common to recent state cost benefit analysis and value of solar studies/frameworks as a starting point.

Although an evaluation of this sort requires some effort, it is essential to determining the degree to which net-metered systems provide countervailing economies and avoided costs in utility operations. Given the Commission's decision to move forward with considering a potential adjustment to the LFCR outside of a rate case, it is critical that the Commission consider efficiencies and avoided costs brought about by net-metered systems within the scope of this proceeding.

b. The Commission Should Consider Costs and Benefits of Net Metered Systems Over A Minimum 25-Year Period.

The Commission should consider the benefits net-metered systems provide to utility ratepayers generally, including reduced utility investment, over a photovoltaic ("PV") system's lifetime. PV systems are long-term resources that are typically warrantied to produce power for 25+ years. Over such a long period, relatively few of a utility's costs are fixed. In the long run, the utility will install, maintain, and replace its generation, transmission, and distribution capacity to meet the long-term demand for power on its system, and these costs will change depending on how that demand evolves over time.

From a long-term perspective, the only utility costs that will not be impacted by distributed solar are the final costs to serve a residential customer, *i.e.,* the service drop, metering, and billing costs that are covered by monthly fixed charges. These are costs that do not change regardless of the long-term demand that a customer places on the utility system. Other than these limited costs, the other elements of a utility's cost of service – generation, transmission, and distribution – can all be impacted by long-term changes in demand that result from a variety of factors, including increased adoption of distributed solar resources. Thus, some if not all of these utility costs will not be fixed in the long-term, and can be avoided through the installation of net-metered generation.

D. APS MUST DEMONSTRATE COMPLIANCE WITH THE FEDERAL PUBLIC UTILITY REGULATORY POLICIES ACT.

Federal law reinforces the need for APS to support its proposed increase in LFCR charges for DG customers with cost of service studies and benefit-cost analysis. Federal law prohibits discriminatory charges in electric utility rates for customers with on-site Qualifying Facility ("QF") generators. QF status automatically applies to on-site solar generators up to 1 MW, *see* 18 C.F.R. § 292.203(d) (exempting facilities with net power production capacity up to 1 MW from certification requirement), and includes QF generators that participate in NEM. *Sun Edison LLC,* 129 FERC ¶ 61,146 (2009) (recognizing onsite generators that participate in NEM are eligible for QF status even if they make no net sale of electricity to a utility). Federal Energy Regulatory Commission ("FERC") regulations require that rates charged to QFs for energy and capacity must "be just and reasonable and in the public interest," and "not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility." 18 C.F.R. § 292.305(a)(1). To fulfill this requirement, retail rates charged to customers with on-site generators must be based on accurate utility data and make use of consistent statewide cost principles.[12] Under the Public Utility Regulatory Policies Act ("PURPA"), rates are nondiscriminatory to the extent that the rates charged to QFs also apply to other customers with similar load or cost-related characteristics. *Id.* To demonstrate compliance with PURPA, APS must provide cost of service studies and benefit-cost analysis to support its proposed charges.

E. THE COMMISSION SHOULD CONSIDER ADJUSTMENTS TO APS AUTHORIZED RATE OF RETURN.

TASC, SEIA and AriSEIA have all argued that APS's proposal constitutes a risk reduction mechanism that would result in lower investment risk for the utility. This raises the issue of

[12] Burns, Robert E. and Rose, Kenneth, *PURPA Title II Compliance Manual.* Sponsored by the American Public Power Association, Edison Electric Institute, National Association of Regulatory Utility Commissioners, National Rural Electric Cooperative Association, March 2014. At 48.

whether there should be a commensurate adjustment to APS's authorized rate of return on equity. Adjustments to APS's fair value rate of return should be considered within the scope of this proceeding.

F. THE COMMISSION SHOULD CONSIDER THE EXISTENCE AND EXTENT OF COST SHIFTS CURRENTLY EMBEDED IN APS'S RATES.

The Commission must refrain from taking actions and imposing charges that are arbitrary and capricious. It is a matter of fact that utility rates include a host of cost shifts that are passed both within and between customer classes. Some shifts are the results of the Commission's policy direction and others have simply grown organically and never been examined. If, after proper examination and study, a DG cost shift is found to exist, it will be necessary to put that shift in perspective with the numerous other cost shifts embedded in APS's rate structure before deciding how or if to remedy such shift. To do otherwise would be to arbitrarily single out DG solar customers and subject them to unique treatment.

As a result, this hearing process must include a robust examination of costs shifts already embedded in APS's rate structure to allow the Commission to avoid making an arbitrary decision.

III. CONCLUSION

TASC appreciates the opportunity to comment on the scope of issues the Commission must address if it wishes to consider APS's proposed increased charges on new net-metered customers.

Respectfully submitted this 4th day of September, 2015.

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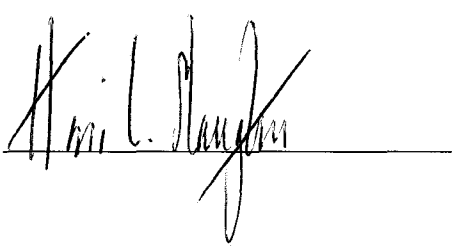
By: 

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ATTACHMENT

Table 2 – Compilation of Parties' Elements for Resource Value of Solar Investigation

	Elements	Utilities*			Non-Profits/Advocacy **									Totals	
#	Should these elements be included for exploration for a methodology to lead to a resource value of solar?	PGE	PAC	Idaho	CUB	IREC	GEI	TASC	OREP	Enviro OR	RNP	OSEIA	NWEC	Total (Yes out of total responders)	% of Responders Said Yes
1	**Avoided Energy Impacts**													12	100%
2	**Avoided Capacity Additions**													12	100%
3	**Line Losses**													12	100%
4	**Avoided Transmission and Distribution**													12	100%
5	**Compliance value:** reduced RPS procurement due to reduced utility sales													12	100%
6	**Security: Reliability, Resiliency, and Disaster Recovery**													12	100%
7	**Utility: Integration Impacts**													12	100%
8	**Utility: Interconnection Impacts**													11	92%
9	**Financial: Market Price Response**				~									11	92%
10	**Utility: Administration Impacts**													11	92%
11	**Operational Impacts-** Enhanced Forecasting, scheduling, resulting from availability of solar.				~	~				~	~	~		6	86%
12	**Ancillary Services and Grid Support**													11	85%
13	**Financial: Fuel Price Hedge** (Adjustable mechanism)													11	85%
14	**Rate Impacts: Net Metering Credits**													9	75%
15	**Societal: Economic Development**													8	67%
16	**Avoided Natural Gas Pipeline Impacts**													8	67%
17	**Health and Other Societal Impacts**											~		7	64%
18	**Capital Risk-** Decreased risk of capital and cost due to system impacts of solar.				~	~				~	~	~		4	57%
19	**Utility: Production Impacts (IRP Process)** Levelized cost of production over the lifetime of the project based on an assumed annual capacity factor ($/MWh)											~		6	55%
20	**Behind-the-Meter Production During Billing Month**		~		~									5	50%
21	**Resource Need**				~				~			~		4	44%
22	**Rate Impacts: Lost Utility Revenue**													3	25%
23	**Tax credits** (State and Federal)									TBD	TBD	TBD		2	22%
24	**DSM Alternative Impacts**		~	~	~	~			~			~		0	0%

#	Should these elements be included for exploration for a methodology to lead to a resource value of solar?	PGE	PAC	Idaho	CUB	IREC	GEI	TASC	OREP	Enviro OR	RNP	OSEIA	NWEC	Total (Yes out of total responders)	% of Responders Said Yes
25	**Environment: Compliance Impacts**														
	Carbon—Current (e.g. 111d is very soon)											~		10	91%
	Carbon—Future											~		8	80%
	NOx/SOx/Particulates—Current											~		10	91%
	NOx/SOx/Particulates—Future											~		8	80%
	Other—Current (e.g. MATS - Mercury Air Toxics)											~		10	91%
	Other—Future				TBD							~		7	78%
26	**Environment: Externalities**														
	Carbon—Societal Impacts of Carbon											~		8	73%
	Carbon—Ocean Warming and Acidification		~									~		7	64%
	NOx/SOx/Particulates—Societal Impacts											~		7	64%
	Avoided water usage—for Thermal Power Production											~		7	64%
	Avoided water usage—for Natural Gas Hydraulic Fracturing											~		7	64%
	Avoided pollution—Associated with Hydraulic Fracturing											~		7	64%

* Portland General Electric (PGE), Pacific Power (PAC), Idaho Power (Idaho)

** Citizens' Utility Board (CUB), Interstate Renewable Energy Council, Inc. (IREC), Green Energy Institute, Lewis & Clark Law School (GEI), The Alliance for Solar Choice (TASC), Oregonians for Renewable Energy Progress (OREP), ,Renewable Northwest (RNW), Oregon Solar Energy Industries Association (OSEIA), and Environment Oregon (Enviro OR), Northwest Energy Coalition (NWEC), Oregon Department of Energy (ODOE)

Legend:

- = YES
- = YES with a caveat
- = No
- ~ = No Answer, TBD
- = Input needed