

E-04204A-15-0142



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**ORIGINAL Arizona Corporation Commis
Utilities Complaint Form**

Investigator: Deborah Reagan Phone: <<< REDACTED >>> Opinion Date: 3/7/2016
Opinion Number: 2016 - 129195 Arizona Corporation Commission Priority: Respond within 5 business days
Opinion Codes: Rate Case Items - Opposed DOCKETED Closed Date: 3/7/2016 9:06 AM

First Name: David Last Name: Butler Account Name: David Butler
Address: <<< REDACTED >>> DOCKETED BY [Signature] Zip Code: 85616
City: Huachuca City State: AZ Email: <<< REDACTED >>>

Company: Unisource ** Energy Services (UNS) Division: Electric

Nature Of Opinion

Docket Number: E-04204A-15-0142

Docket Position: Against

I'm a building systems engineer who, in years past, has consulted with utilities on demand-side technologies (R&D), and more recently taken an active interest in evolving rate design in the residential sector. I was surprised to learn that ACC Staff had recommended a demand-based tariff in the UES rate case. While a handful of pending rate cases nationally seek to impose mandatory demand charges on residential customers, I'm only aware of a single instance where such a tariff has been approved -- Cobb Electric Membership Corp (referenced elsewhere in this docket). At present, a demand rate only applies to new residential customers. Cobb recognized the importance of education -- very few folks understand the nature of 'demand' billing, let alone how to manage it -- so it plans to transition existing customers to the new rate over a period of 3 years. That will be an interesting case to watch. Other utilities would be wise to take such a radical departure from conventional rate design very slowly, And while technology certainly exists to develop a consumer-friendly don't-bother-me-with-the-details demand management appliance, there's a huge difference between today's energy management apps, which focus on kWh monitoring and appliance scheduling or curtailment, and the technologies and techniques necessary to effectively manage kW demand (e.g., thermal storage, energy storage, appliance duty cycling, load interlocks, load priority setting, etc.). It will take years to push demand management solutions into the residential sector, and even then, there will always remain a sizable population segment that's left behind. APS and other utilities have been playing around with voluntary demand rates for decades. The problem with opt-in tariffs is that they're greatly affected by self-selection -- that is, the customers who opt-in and remain in are likely to already have favorable load profiles. In effect, these programs are more of a reward than an incentive, and thus don't move the needle much. The same can be said for voluntary TOU rates. I'm among those who believes this is where the industry needs to go. But it must be done with careful deliberation and phased in over time, e.g., start off with a relatively small demand component. Also, it's important to recognize that a demand or TOU tariff designed to be revenue neutral is highly unlikely to achieve that in practice. How can a utility reliably predict to what extent folks will react to these types of price signals? Due to the self-selection phenomena, experience with voluntary tariffs is pretty much useless as a statistical predictor when the price signal is mandated across the board. The last point I wish to make is my reaction to the growing number of utilities seeking to impose higher fixed charges, or a demand charge in this case, on solar (PV) customers. Although I understand where this is coming from technically, it smacks of politics rather than smart rate design. The fact is, big inequities are already built into existing rate structures, both between rate classes as well as among customers within a class. Do snow-birders pay their fair share of a utility's fixed costs? Do energy efficient homes and frugal energy consumers pay their share? Are the costs to serve remote rural households not heavily subsidized by urban customers? I applaud the Commission for re-activating the Value and Cost of DG docket. I just hope that fair consideration is given to the value side of the equation, and less consideration to singling out rooftop solar customers, especially those who own their systems. I'm less enamored with the lease business. Thank you for considering my comments.

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Investigation

Date:

Analyst:

Submitted By:

Type:

3/7/2016

Deborah Reagan

Telephone

Investigation

Comments entered for the record and filed with Docket Control.
