

E-01575A-15-0312

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Arizona Corporation Commis:
Utilities Complaint Form

Investigator: Michael Buck

Phone: <<< REDACTED >>>

Opinion Date: 5/6/2016

Opinion Number: 2016 - 130443

Priority: Respond within 5 business days

Opinion Codes: Rate Case Items - Opposed

Closed Date: 5/6/2016 3:01 PM

Arizona Corporation Commission

DOCKETED

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MAY 09 2016

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DOCKETED BY [Signature]

2016 MAY 9 9:27 & 38
AZ CORP COMMISSION
DOCKET CONTROL

Company: Sulphur Springs Valley Electric Cooperative, Inc.

Division: Electric

Nature Of Opinion

Docket Number: E-01575A-15-0312

Docket Position: Against

To ACC Commissioners: As I understand the current rate problem with SSVEC, the genesis of it can probably be attributed to the methodology that SSVEC developed to charge its customer. At some point in the past, SSVEC's methodology shifted a portion of Fixed Costs to Variable Costs. SSVEC might have done this to comply with broad ACC directives to incentivize alternative energy sources. Nonetheless, the methodology was a cost shift that created an artificial market. I used to think, naively, that SSVEC was charging everyone on the basis of what they consumed. However, I now realize the current pricing scheme artificially decreases the actual Fixed Costs by increasing Variable Costs. Instead of paying for what one uses, the higher use customers are subsidizing the lower use customers. This shifted the true costs of usage and created the current problem. When Variable Costs increased artificially, a false incentive for reducing usage occurred. Therefore, solar energy became more economically attractive. The truth is that without this artificial pricing scheme, solar energy would not be economically feasible. In other words, without interference from the federal government, the ACC and SSVEC, there wasn't an incentive for solar development. Now that solar power customers are a reality, SSVEC has a big problem. Solar power users aren't using as much power. Therefore, the Variable Costs revenue has diminished and the Fixed Costs remain the same. Without a solution soon, SSVEC deficits will eventually precipitate bankruptcy. Whose fault is that? Is it SSVEC's et al. for the artificial price structure? Or, is it the solar users' fault for trying to make a smart economic decision? Or ...? The current shortfall in revenue exists because adjustments in the pricing structure created an artificial incentive for solar power. Frankly, I'm deeply disappointed and frustrated in the partisan, populist rhetoric SSVEC propagates. Rather than honestly describing the history of the problem and seeking "fair" solutions, SSVEC scapegoats the solar power customers for making smart economic decisions, and they compound the problem by disparaging a minority customer base they helped to create through misleading pricing schemes and incentives. How do you "fairly" rectify the problem? A "fair" solution must regard the interests of all parties involved. I'm glad you're meeting and listening to solar power customers. Hopefully, you can influence SSVEC to stop pitting solar power customers against non-solar power customers. Any price structuring solution needs to be the same for ALL residential customers — adjustments on the basis of "solar vs. non-solar" is discriminatory. The solution needs to abide in the overarching principle that everyone should pay for what they use — period. Before closing, let me offer a brief, broad construct for an approach to finding a solution. I have no background in your business, but would ask you to consider the following: 1. Direct SSVEC to rebuild the pay-for-what-you-use model over a specified transition timeframe. 2. Direct SSVEC to treat their residential customers as one class while honoring previous commitments — i.e., grandfather all existing solar power owners. (This requires SSVEC to incrementally increase Fixed Costs shared equally across the residential customer base while decreasing the Variable Costs.) 3. For Fixed Costs revenue: Prorate the necessary increases over the transition period. 4. For Variable Costs revenue: establish the same rate for everyone while committing to buy-back solar

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power at the same adjusted rate they charge. 5. Direct SSVEC to establish a wholesale power purchase policy that credits the expected production from existing solar power customers. I understand they currently purchase power as if no solar power production existed from their customers. Require SSVEC to determine a prudent risk factor from historical analysis and start reducing excessive power projections accordingly. It's time to get closure on this issue. The current pricing model appears to be a misguided effort to ween utility companies and their customers from traditional sources of power. However, it's clear that incentivizing solar energy is a failed policy. From my perspective, SSVEC's current proposals for a solution are dishonest and breach the commitment they made to solar power owners. We need a solution that is free from discrimination! Respectfully, Roy Bass

Investigation

Date:	Analyst:	Submitted By:	Type:
5/6/2016	Michael Buck	Telephone	Investigation

Entered into the record and docketed. Closed.
