

Andrea Gaston



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From: Inge & Steve Scheumann <sscheumann@cox.net>
Sent: Friday, May 06, 2016 2:25 PM
To: Arizona Corporation Commission
Subject: RE: Sulphur Springs Valley Electric Cooperative (SSVEC) Rate Application Case, Docket E-01575A-15-0312 - Wish to Modify

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Dear Commissioners,

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I am a member of the Sulphur Springs Valley Electric Cooperative (SSVEC) and an existing distributed generation (DG) residential customer, so this rate case will directly affect me now and in the future. These higher-level comments are primarily based upon the SSVEC Rate Application Case, Docket E-01575A-15-0312, 18 March Direct Rate Design Testimony of ACC Staff and the 22 April SSVEC Rebuttal:

1. I support the Arizona Corporation Commission (ACC) Staff's Proposed Residential Service Rate's service availability charges of \$18.25 in year one and \$27.00 in year two for all residential customers based upon the ACC staff's preference to not differentiate between distributed generation (DG) or non-DG SSVEC customers that make up the residential class of customers.

I understand that this is an interim rate structure proposal and I appreciate the incremental approach of the ACC staff. The entire issue of how to fairly charge customers for fixed infrastructure costs based upon anticipated changes in the electric utility industry philosophy and type of power mix supports the ACC staff's incremental approach, as some of the anticipated changes will not occur or not occur as predicted and other unanticipated changes might have a significant impact. I recommend waiting until the next SSVEC rate case to make any larger service availability charge adjustments than the ACC Staff proposed, as there will be additional information to make a more informed decision.

2. I support the ACC Staff recommendation and appreciate the SSVEC rebuttal support that the current rate schedule be retained for existing DG customers (installed or signed agreement) before 15 April 2015. In addition, I suggest these recommendations should be enhanced in the following ways:

a) The ACC staff does not appear to have indicated how long the current rate schedule should remain in effect for existing DG customers before 15 April 2015, but the SSVEC rebuttal indicates 20 years from the date the customer's solar system provided energy to the grid. I support the SSVEC's clarification of 20 years, as this is a reasonable timeframe based upon the warrantee ranges of the currently installed solar generation components. In addition, the 20-year grandfathering period should be transferrable to all subsequent owners of the DG system up to the 20-year period end date. SSVEC DG customers made a long-term investment and they should get the return from the entire 20-year period.

b) SSVEC distributed a short/no reaction time notice to its members that close of business 14 April 2015 was the last date members could install or obtain a signed agreement that allowed them to remain under the current rules or tariff. I strongly recommend the ACC should rule that the cutoff date for the current SSVEC rules and tariff is not 14 April 2015, but at least the date the ACC announces its rate case decision or the future date when the ACC rate case decision rates take effect. This enhancement is supported by the principle that a utility should not be allowed to change the rules of the game with so little notice that those effected do not have any time to react in a meaningful way and without getting the prior approval of the ACC. I believe this is especially true of electric cooperatives, such as SSVEC, where the members are the owners. In this case, I believe the ACC should not support the concept where a utility can change the rules (rate structure, etc.) before the ACC has made a considered decision on the utility's rate application. The ACC is charged with oversight of Arizona utilities and is responsible for approving rate changes, so no utility should be allowed

to make or indicate that it can make any rate related changes before an ACC decision. Finally, the utilities know roughly how long it takes the ACC to decide a rate case, so why should a utility's customers be surprised and penalized for the lack of planning on the part of the utility?

3. I do not support the ACC staff recommendation to eliminate the banking of excess kWh and the elimination of the current SSVEC net-zero process. The ACC staff talked about the possibility of DG customers installing DG systems that produce far in excess of the DG customer's needs. I believe SSVEC has created a net-zero process that has precluded this from happening and could make further enhancements to ensure it does not happen in the future. In addition, I believe the net-zero system is easy to administer where the "true-up" occurs on an annual basis rather than a monthly basis.

4. I support the ACC staff recommendation that the export rates be updated on a recurring basis, but I recommend doing this on an annual basis.

Currently the SSVEC kWh rate for positive net metering annual balances is recalculated annually under the supervision of the ACC and the export rate in the ACC staff proposal could involve many if not all of the same factors.

In addition, the SSVEC rebuttal proposed using the criteria of known, measurable, and of a continuing nature for its export rate calculations.

With the ongoing changes in the utility industry, there could be new/changed factors that meet the proposed SSVEC criteria on an annual basis.

5. As for the export rate calculation, I recommend the ACC should support the goal that those who caused a benefit should reap the cost savings of the benefit with ACC oversight of the process. The ACC staff has recommended the use of an export rate to value DG generated power. In the SSVEC rebuttal a series of Energy Freedom Coalition of America (EFCA) recommended DG savings were listed for the export rate, which SSVEC rejected in most cases based upon the SSVEC proposed export rate criteria of known, measurable, and of a continuing nature. It was encouraging to see that SSVEC did not reject electricity generation and transmission (G&T) DG savings out of hand, because SSVEC representatives have stated that SSVEC is only a power distribution utility, so they should not count G&T savings in their export rate DG savings calculations. DG savings to SSVEC of any sort should be included in the export rate calculations. Consequently, for the reasons stated above, I recommend the ACC create strong, thorough ACC oversight procedures for the export rate setting process that include SSVEC member participation, if feasible, to help ensure DG savings throughout the grid are passed on to the DG customers in some manner.

In addition, in their rebuttal SSVEC recommended the export rate be set at the SSVEC avoided cost. I disagree with the SSVEC rebuttal and recommend the ACC support the ACC staff testimony position that the "price floor for DG should be valued at Avoided Cost and the price ceiling for DG should be its currently valued rate, the retail rate. Staff is left with determining an export rate for DG somewhere between avoided cost and the retail rate."

The ACC has created ACC Investigation of Value and Cost of DG, Docket E-00000J-14-0023, where the cost-benefits of DG will be determined, so this docket's findings should be used as the basis for the ACC staff to determine the initial SSVEC export rate and as the basis for the annual export rate update recommended in the previous paragraph. The findings of Docket

E-00000J-14-0023 are a snapshot in time. The ACC staff should also be tasked with updating these findings, so that new and/or enhanced current DG cost-benefit factors can be added to the export rate calculation process.

Sincerely,

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