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Vice President, General Counsel & Corporate Secretary

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August 5, 2016

Chairman Doug Little
Arizona Corporation Commission
1200 W Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

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Re: **EEI Comments on the Recommended Opinion and Order**
DOCKET NO. E-04204A-15-0142

Dear Chairman Little:

The Edison Electric Institute (EEI) respectfully submits this letter to the Arizona Corporation Commission (ACC or Commission) regarding the Recommended Opinion and Order filed in the above-referenced docket on July 20, 2016. EEI has been monitoring this proceeding, as well as proceedings just like it taking place across the country, and appreciates the opportunity to provide the Commission with a national perspective on the importance of rate design and the role it will play in ensuring a distributed energy future for all customers.

EEI is the association that represents all U.S. investor-owned electric companies, international affiliates and industry associates worldwide. Our members, which includes UNS Electric Inc. (UNS Electric), provide electricity for 220 million Americans, operate in all 50 states and the District of Columbia, and directly employ more than 500,000 workers. With more than \$100 billion in annual capital expenditures, the electric power industry is responsible for millions of additional jobs. Reliable, affordable and sustainable electricity powers the economy and enhances the lives of all Americans. Our members include the local distribution and transmission companies that interconnect distributed generators to the larger energy grid and then continue to provide them a range of services.

As leaders in renewable energy, electric utilities provide virtually all of the wind, geothermal and hydropower generated in the U.S. to customers across country. Our members also have installed about 60 percent of all U.S. solar capacity and expect to install nearly three times as much solar in 2016 as we did in 2015, with the goal of bringing cost-effective universal solar to all customers. Utilities everywhere are increasing their investment in solar and are expected to invest \$9 billion per year in solar through 2020, with an additional \$40 billion per year in investments to help manage the integration of solar and other new technologies into the power grid. These investments in the power grid, and the reasonable opportunity to recover the associated costs from all customers who utilize it, are increasingly important as the power grid continues to serve as the key platform for integrating distributed generation technologies.

In addition to the development of new cost-effective communications and digital control technologies, our members are installing new grid technologies and seeking new grid pricing systems to facilitate the cost-effective and efficient widespread adoption of new distributed generation technologies – including not just solar but smart meters, demand response, storage and pricing for ancillary services.

The ACC Should Move Forward Without Delay on the Proposed Rate Design Changes

In order to facilitate the continued growth and development of distributed generation technologies in a fair and efficient manner, both utilities and our regulators must address the important issues around utility rate design now. In fact, in June, the President's Council of Economic Advisors issued a report on incorporating renewables into the power grid highlighting the need for states to refine rate structures across the country.¹ The report recognized that delay and uncertainty are bad for both innovation and technology development and urged regulators to act quickly to develop appropriate

¹ President's Office of Economic Advisors, *Incorporating Renewables Into The Electric Grid: Expanding Opportunities For Smart Markets and Energy Storage*, June 2016, https://www.whitehouse.gov/sites/default/files/page/files/20160616_cea_renewables_electricgrid.pdf.

pricing structures, or “smart markets,” to respond to the impact of new renewable technologies and to create a “level playing field” for these desirable new technologies.² The Recommended Opinion and Order (ROO) also appears to recognize this pressing need in noting that “the time is ripe for a more modern rate design.”³ Unfortunately, when given the opportunity to recommend real substantive movement in this area, the ROO instead proposes to delay change and to focus on a slow transition.⁴ This slow transition is both unnecessary, given the available technologies in the UNS Electric footprint, and inappropriate, given the substantial record before the Commission.

Reviewing and determining the compensation structure for distributed generation resources is a challenging and often new phenomenon for utility commissions. The review and approval of basic rate structures for customers, however, remains one of the Commission’s core competencies and should not be held at bay by those complexities. While the process of changing rate structures may seem difficult and may require educating consumers about new pricing options and their impacts, neither investors in new technologies nor consumers are well served by delay. Consumers contemplating new investments must not be misled into assuming that their underlying rate structure will not change. Moreover, investors may be diverted from supporting needed technologies by inappropriate pricing signals, as we have seen occur in Europe.

Although EEI is not a party to the underlying proceeding, based on the public filings and the lengthy discussion in the ROO, it appears that the Commission has in front of it a substantial evidentiary record with respect to both cost of service and rate structure proposals. As a result, EEI has reviewed the Exceptions of UNS Electric filed in the above-referenced docket and specifically supports the request for the Commission to address the Company’s rate structure proposals for its distributed generation class of customers, while understandably addressing the net metering compensation issue after the conclusion of the generic docket.

² *Id.*


³ Proposed Opinion and Order, p. 66.

⁴ *Id.* at p. 69.

Conclusion

Because distributed generation is so important, EEI is focused on getting the right policies that support both distributed generation and the grid implemented, and would urge ACC not to delay the deployment of a more modern rate design. Timely regulation can truly provide the glide path that enables utilities to support both customer demands and state policy goals.

Respectfully submitted,



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Cc: Commissioner Bob Burns
Commissioner Tom Forese
Commissioner Bob Stump
Commissioner Andy Tobin