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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION
OF SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC., FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH
RETURN AND FOR RELATED
APPROVALS.

DOCKET E-01575A-15-0312

Arizona Corporation Commission

DOCKETED

AUG 05 2016

DOCKETED BY *JA*

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POST-HEARING RESPONSE BRIEF

OF

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

August 5, 2016

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1 Sulphur Springs Valley Electric Cooperative, Inc., (“SSVEC” or the “Cooperative”)
2 hereby files its Post-Hearing Response Brief in support of its application (“Application”) filed in
3 this docket.

4 **SUMMARY OF RECOMMENDATIONS**

5 1. SSVEC recommends that the Arizona Corporation Commission (“Commission”)
6 approve the Standard Offer Tariff that was attached as Rebuttal Exhibit DWH-3 to the Rebuttal
7 Testimony of David Hedrick (Hearing Exhibit A-6) including, without limitation: (i) the proposed
8 new Partial Requirements Service, Standby Service, Backup Service Schedule R-PR E (with
9 grandfathering); (ii) the proposed new Partial Requirements Service, Standby Service, Backup
10 Service Schedule R-PR; (iii) the proposed new Partial Requirements Service, Standby Service,
11 Backup Service Schedule PR-1; and (iv) the proposed modifications to Net Metering Tariff
12 Schedule NM-1.

13 2. SSVEC recommends that the Commission approve any required waivers of its net
14 metering rules (“Net Metering Rules”), Arizona Administrative Code (“A.A.C.”) R14-2-2301 *et*
15 *seq.*, necessary in connection with the approval of SSVEC’s proposed Standard Offer Tariff.

16 3. SSVEC recommends that the Commission approve an export rate for excess
17 energy exported to the grid by residential customers with installed rooftop distributed generation
18 (“DG”) equal to the Cooperative’s short term avoided cost.

19 4. SSVEC recommends that the Commission approve its revised Service Conditions
20 which were attached as Rebuttal Exhibit DWH-1 to the Rebuttal Testimony of David Hedrick
21 (Hearing Exhibit A-6), and which were separately admitted as Hearing Exhibit A-8.

22 5. SSVEC recommends that the Commission approve its requested changes to
23 various service charges as described in its Application

24 6. SSVEC recommends that the Commission approve its request to re-base the
25 Wholesale Power Cost Adjustment to reflect the current cost of purchased power.

26 7. SSVEC recommends that the Commission grant its request to freeze its Time-of-
27 Use (“TOU”) Rate Schedules.

28

1 **I. RESPONSE TO STAFF'S CLOSING BRIEF**

2 SSVEC and Staff agree on a majority of the issues in this case, with rate design remaining
3 as the most contested issue between the two parties. In the following sections, SSVEC describes
4 the areas of agreement between Staff and the Cooperative, discusses the remaining areas of
5 disagreement, and discusses Staff's decision not to take a position in this case on changes to net
6 metering.

7 **A. Areas of Agreement between SSVEC and Staff.**

8 As set forth in Staff's Closing Brief and SSVEC's Initial Post-Hearing Brief, SSVEC and
9 Staff agree on each of the following:

- 10 ● A revenue requirement of \$100,874,563 (an increase of \$3,171,421 over
11 test year revenues), producing an operating margin of \$7,234,777.
- 12 ● A test year rate base of \$208,373,755.
- 13 ● A base cost of power of \$0.065857.
- 14 ● A Debt Service Coverage ("DSC") ratio of 1.85. SSVEC calculated a DSC
15 ratio of 1.94 using a different methodology as described in Staff's Closing
16 Brief.¹ However, SSVEC has not opposed (and does not oppose) using
17 Staff's DSC ratio in this case.
- 18 ● Approving SSVEC's Cost of Service Study, with the one change proposed
19 by Staff to SSVEC's Schedule G-6.3 to account for a slight adjustment to
20 customer count for the Residential Class as shown on Exhibit RSP-1 of Ms.
21 Paladino's direct testimony.²
- 22 ● Accepting SSVEC's evidence of a test-year under recovery of fixed costs
23 in the amount of \$1,139,013.69.³
- 24 ● Continuing SSVEC's three adjustor mechanisms, subject to compliance
25 with Staff's recommendations.⁴
- 26 ● Approving SSVEC's requested changes to various service charges, subject
27 to compliance with Staff's recommendations.⁵

28 ¹ Staff's Closing Brief at 2, lines 2-3.

² Hearing Exhibit S-7 (Paladino Direct) at 4, lines 22-25.

³ Staff's Closing Brief at 11, lines 6-8.

⁴ The three adjustors are the Power Cost Adjustor, the Renewable Energy Standard Surcharge Adjustor and the Demand-Side Management Surcharge Adjustor.

⁵ In its Closing Brief at page 4, line 6, Staff discusses four increases to service charges proposed by SSVEC but Staff does not mention SSVEC's request to decrease the fee for New and Additional Service with No

- 1 • Approving SSVEC’s requested changes to its Service Conditions.
- 2 • Approving rate case expense of \$409,770.
- 3 • Approving SSVEC’s proposed revenue allocation, subject to compliance
- 4 with Staff’s recommendation regarding two adjustments to revenues and
- 5 costs to be made in future rate case filings.
- 6 • Eliminating the requirement in Decision 73349, which modified Decision
- 7 71274, that SSVEC file an analysis of TOU rates that includes a proposal
- 8 for TOU rates designed to maximize customer participation.⁶
- 9 • SSVEC is operating and maintaining its system properly, completing
- 10 system improvements and upgrades efficiently and reliably, and
- 11 maintaining acceptable levels of system losses and service interruptions.
- 12 • Although SSVEC and Staff do not agree on the implementation of two
- 13 proposed new rate classifications for residential partial requirements
- 14 members (including members with installed DG), they do agree on the
- 15 remaining proposed rate schedules for all other classes of service, including:

13 Residential

- 14 ▪ Residential Service (except for partial requirements residential
- 15 service)
- 16 ▪ Residential Time-of-Use
- 17 ▪ New Residential Auxiliary Service

17 Commercial and Industrial

- 18 ▪ General Service
- 19 ▪ General Service Time-of-Use
- 20 ▪ General Service RV Parks
- 21 ▪ Unmetered Service

21 Large Power

- 22 ▪ Large Power Service
- 23 ▪ Large Power Time-of-Use
- 24 ▪ Seasonal Power Service
- 25 ▪ Industrial Service

26 Field Visit from \$50 to \$30. SSVEC believes this is simply an oversight as Staff clearly did not oppose

27 this decrease in its testimony or at the hearing. See Hearing Exhibit S-5 (McNeely-Kirwan Direct) at 7,

28 lines 24-26.

⁶ Hearing Exhibit S-6 (McNeely-Kirwan Surrebuttal) at 4-5.

1 Irrigation

- 2 ▪ Irrigation Service
3 ▪ Irrigation Load Factor Service
4 ▪ Controlled Irrigation Service
5 ▪ Interruptible Irrigation Service

6 Security Lighting

- 7 ▪ Security Lighting

8 Street Lighting

- 9 ▪ Street Lighting

10 Staff and SSVEC have reached agreement on each one of the items above and no party in
11 the case has opposed any of these items.⁷

12 **B. Areas of Disagreement between SSVEC and Staff.**

13 In light of the fact that Staff is taking no position on net metering or an export rate in this
14 case, as discussed below, the most contested area of disagreement between SSVEC and Staff is
15 the Cooperative's request to establish new tariffs for partial requirements customers including
16 customers with installed DG. A second less important area of disagreement is SSVEC's request
17 to freeze its TOU rate schedules, which Staff opposes. These areas of disagreement are discussed
18 below.

19 **1. Rate Design-the Proposed New Partial Requirements Tariffs.**

20 Staff correctly states in its Closing Brief that rate design is the most contested issue in this
21 case.⁸ While Staff agrees with the majority of the changes in rate design that have been proposed
22 by SSVEC, Staff "disagrees with the Company's proposed creation of new residential rate
23 schedules for customers who have installed DG and new customers who may install DG."⁹

24 SSVEC has proposed new tariffs for partial requirements members to address the problem
25 of unrecovered fixed costs. Staff opposes the new tariffs because Staff attributes the
26 Cooperative's inability to recover fixed costs to shortcomings in its rate design, rather than the

27 ⁷ EFCA has advocated that SSVEC's Application should be dismissed in its entirety but has not presented
28 testimony or evidence specifically opposing any of the points of agreement between Staff and the
29 Cooperative listed above.

⁸ Staff's Closing Brief at 7, line 9.

⁹ Staff's Closing Brief at 7, lines 16-18.

1 existence of DG customers on its system.¹⁰ Citing *Scates v. Arizona Corporation Commission*,
2 118 Ariz. 531, 578 P.2d 612 (Ct. App. 1978) (“*Scates*”), Staff also asserts that “because Tariff
3 DG-E increases the customer charge while holding the energy charge constant, this proposal will
4 result in an increase in rates without determining fair value and without a determination of the
5 impact on the Company’s fair value rate of return, which may be prohibited.”¹¹ Finally, Staff
6 believes that the proposed new tariffs will likely slow the adoption of DG in the Cooperative’s
7 territory.¹² Each of these arguments are addressed below.

8 SSVEC has established through testimony and other evidence in this case that the
9 proliferation of customers with DG is the cause of the Cooperative’s under-recovery of fixed
10 costs. SSVEC Chief Executive Officer Creden Huber testified that “the principal reason for filing
11 this rate case at this time is to make critical changes to the Cooperative’s rate design that will
12 enable the Cooperative to better cover the fixed costs associated with providing electric service.”¹³
13 He further testified that “[t]he proliferation of PV systems in SSVEC’s service territory has caused
14 a large increase in unrecovered fixed costs attributable to the Cooperative’s net metered members”
15 and that “[t]he estimated annual lost fixed costs attributable to the 1,013 net metered members at
16 the end of the 2014 test year under the existing residential rate is \$1,139,013.”¹⁴ The calculation
17 of the lost fixed costs attributable to DG during the test year is shown on Schedule DWH-8
18 (revised) which is attached to Mr. Hedrick’s direct testimony, and which was admitted as Hearing
19 Exhibit A-10. No party in this case has presented any alternative calculation or analysis of the
20 lost fixed costs attributable to DG and no party has provided credible analysis or data based upon
21 the facts of this case to refute SSVEC’s calculation. In fact, Staff validated the under-recovery
22 of fixed costs due to DG in SSVEC’s service territory as set forth in the direct testimony of Staff
23 witness Van Epps, as follows:

24 Q. Is there evidence that the Company is under-recovering due to current DG
25 installations?

26 ¹⁰ Staff’s Closing Brief at 7, lines 5-6.

27 ¹¹ Staff’s Closing Brief at 7, lines 6-10 (emphasis added).

28 ¹² Staff’s Closing Brief at 8, lines 21-22.

¹³ Hearing Exhibit A-2 (Huber Direct) at 5, lines 11-14.

¹⁴ Hearing Exhibit A-2 (Huber Direct) at 5, lines 21-25.

1 A. Yes. The Company has indicated that there was an under-recovery
2 associated with the proliferation of DG systems that equated to \$1,139,013
3 under the existing residential rate in its 2014 test year.

4 Q. Can the aforementioned under-recovery claim be substantiated?

5 A. Yes. If you were to set aside cross subsidization and the alignment of costs
6 with cost causation then it would be appropriate to assume that under-
7 recovery associated with the proliferation of DG in SSVEC's service
8 territory would be equal to DG production, multiplied by unavoidable fixed
9 costs. For SSVEC, in addition to the total customer costs, the unavoidable
10 fixed costs would be the purchased power demand and the distribution wires
11 portion of the bill.¹⁵

12 In discussing how to address the problem of unrecovered fixed costs, Staff witness
13 Paladino testified that “[o]ne option allows for each customer to pay for the level of service they
14 may require at any point in time through a service availability charge, demand charge, and energy
15 charge—in essence, a three-part rate.”¹⁶ Staff would like to have proposed three part rates to
16 address the under-recovery of fixed costs in this case. However, Ms. Paladino recognized that
17 “SSVEC’s current system conditions, metering and customer information capabilities, do not
18 allow for the implementation of a real-time three-part rate at this time.”¹⁷ Thus, Staff concluded
19 that three-part rates are not an option.

20 The rate design proposed by SSVEC, including the new rate classes for partial
21 requirements customers, are an appropriate way to address the under-recovery of fixed costs
22 which have been shown to be attributable to the proliferation of customers with installed DG.
23 Staff’s alternative proposed rate design is deficient because it will result in shifting approximately
24 \$315,000 in test year lost fixed costs from customers with DG to other residential customers via
25 the energy charge.¹⁸ As a result, Staff’s proposed rate design will not produce rates that are just
26 and reasonable.

27 Staff asserts that increasing the customer charge while holding the energy charge constant
28 results in “an increase in rates without determining fair value and without a determination of the

¹⁵ Hearing Exhibit S-9 (Van Epps Direct) at 3, lines 12-24.

¹⁶ Hearing Exhibit S-7 (Paladino Direct) at 6, lines 24-26.

¹⁷ Hearing Exhibit S-7 (Paladino Direct) at 6, lines 24-26.

¹⁸ Hearing Exhibit S-8 (Paladino Surrebuttal) at 6, lines 5-7.

1 impact on the Company's fair value rate of return."¹⁹ However, other than providing a solitary
2 citation to the *Scates* case, Staff provides no explanation or analysis why this is the case. In
3 *Scates*, the Arizona Court of Appeals explained that in establishing just and reasonable rates, the
4 Arizona Constitution requires that the Commission ascertain the value of a utility's property,
5 stating:

6 "It is clear . . . that under our constitution as interpreted by this court, the
7 commission is required to find the fair value of (the utility's) property and use such
8 finding as a rate base for the purpose of calculating what are just and reasonable
9 rates. . . . While our constitution does not establish a formula for arriving at fair
10 value, it does require such value to be found and used as the base in fixing rates.
The reasonableness and justness of the rates must be related to this finding of fair
11 value." *Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 151, 294 P.2d
12 378, 382 (1956).²⁰

13 SSVEC has proposed a fair value rate base in this case of \$208,373,755 and Staff has
14 accepted that fair value after thorough evaluation and analysis. The *Scates* court acknowledged
15 that "the Corporation Commission has broad discretion in establishing rates" so long as it
16 ascertains the value of a utility's property in setting just and reasonable rates.²¹ The Commission
17 will make a finding of fair value in this case and that finding is sufficient to support the rate design
18 proposed by SSVEC. Staff's less than definitive assertion in its Closing Brief that the
19 Commission's adoption of tariff schedule DG-E as proposed by SSVEC "may" be prohibited
20 under *Scates* is without explanation or support and should be rejected.

21 Finally, while the proposed new tariffs for partial requirements customers may slow the
22 adoption of DG in SSVEC's territory, that should not be used as a basis to preclude the adoption
23 of rates that will enable the Cooperative to better recover its fixed costs from customers which
24 are known to be causing lost fixed costs. The Commission should focus on whether or not the
25 rates approved are just and reasonable and based on fair value rate base.

26 For all of the reasons set forth above, SSVEC's proposed rate design should be approved,
27 including the creation of new classes of service for partial requirements members.

28 ¹⁹ Staff's Closing Brief at 7, lines 6-10 (emphasis added).

²⁰ *Scates v. Ariz. Corp. Comm'n*, 118 Ariz. 531, 534, 578 P.2d 612, 615 (Ct. App. 1978).

²¹ *Id.*

1 Second, Staff believes that “both the existing and proposed TOU rates are not harmful to
2 the Company’s operations, and Staff recommends that the Company continue to offer TOU rates
3 for its residential, commercial , and large power customers.”²⁹ However, SSVEC provided
4 evidence of specific harm in maintaining TOU rates which are generally ill-suited and in some
5 cases financially disadvantageous to Cooperative members as described by Mr. Hedrick in his
6 rejoinder testimony:

7 Given the inadequacy of the TOU rates, as recognized by Staff, SSVEC believes
8 that it is inappropriate to offer to its members rates which provide no benefit. In
9 fact, customers could pay more on the TOU rate than on the standard rate. SSVEC
10 recently reviewed the accounts of customers served on the TOU rates and
11 determined that many of those customers would be better off on the standard rate
and has subsequently moved those customers. SSVEC would prefer not to offer
the TOU rates to its members.³⁰

12 It is an undisputed fact that there is little or no demand for TOU rates in SSVEC’s service
13 territory as evidenced by the minimal number of customers who utilize TOU rates. Moreover,
14 the Cooperative presented unrefuted evidence that its TOU customers receive no benefit under
15 TOU rates and, in some cases, are worse off under TOU rates than under standard rates. Finally,
16 no intervenor and no customer has opposed freezing the TOU rate schedules as requested by
17 SSVEC and expressly authorized by the Cooperative’s member-elected board of directors.³¹ For
18 all of these reasons, the Commission should approved SSVEC’s request to freeze its TOU rate
19 schedules.

20 **C. Net Metering.**

21 SSVEC has proposed changes to net metering in this case. As set forth in its Closing
22 Brief, Staff initially supported changes to SSVEC’s net metering tariff, with certain recommended
23 revisions, “but during the course of this case, Staff ultimately took no position regarding changes
24 to the Company’s net metering tariff.”³² On cross-examination by counsel for SSVEC at the
25 hearing, Utilities Division Director Broderick explained the effect of Staff taking no position on

26 ²⁹ Staff’s Closing Brief at 11, lines 23-25.

27 ³⁰ Hearing Exhibit A-7 (Hedrick Rejoinder) at 11, lines 4-10.

28 ³¹ SSVEC’s elected Board of Directors approved freezing the TOU rate schedules at its April 20, 2016,
board meeting. See Hearing Exhibit A-6 (Hedrick Rebuttal) at 25, lines 1-2.

³² Staff’s Closing Brief at 5, lines 18-20.

1 SSVEC's net metering request in this case:

2 Q. And regarding net metering in this case, is Staff proposing to maintain the
3 status quo on net metering or is Staff taking no position?

4 A. Staff is taking no position. So we're allowing the case to go forward with
5 the evidence in the record provided by the other parties without Staff taking
6 a position to change net metering.³³

6 * * *

7 Q. And if I could characterize your testimony, I believe what you've said is
8 that as Judge Martin writes a recommended opinion and order in this case,
9 that she can — she will do that based upon the evidence that's been
10 presented in this case?

11 A. Certainly we all expect that, yes.

12 Q. And it is not Staff's position that this case should be held open for either the
13 Cost and Value of DG docket to conclude or negotiations occurring in the
14 governor's office between industry and APS?

15 A. That's correct....³⁴

16 With respect to an appropriate export rate in this case, Mr. Broderick testified that Staff is
17 likewise taking no position, as set forth in the following exchange on cross examination by
18 counsel for SSVEC:

19 Q. Okay. With respect to the export rate, in his direct testimony Mr. Van Epps
20 stated that Staff recommends that the export rate be higher than avoided
21 costs and lower than the retail rate. I believe that Staff is now not taking a
22 position on the export rate.

23 Is that correct?

24 A. Correct.³⁵

25 In its Closing Brief, Staff repeated a statement contained in the surrebuttal testimony of
26 Mr. Broderick that "Staff is unable, without further policy direction from the Commission, to
27 support changes to NEM in this case."³⁶ However, when this statement is viewed in the context

28 ³³ Hearing Transcript Vol. IV at 739, lines 15-21 (emphasis added).

³⁴ Hearing Transcript Vol. IV at 745-746 (emphasis added).

³⁵ Hearing Transcript Vol. IV at 741-742.

³⁶ Staff's Closing Brief at 7, lines 4-5.

1 of the statements made by Mr. Broderick at the hearing, there is a subtle but critical distinction
2 that must be acknowledged. In order to clarify that the statement in Mr. Broderick’s surrebuttal
3 testimony was not intended to communicate “opposition” to SSVEC’s net metering proposal, the
4 Cooperative’s counsel elicited the following testimony from Mr. Broderick at the hearing:

5 Q. So, Mr. Broderick, back to the language in your testimony that Judge Martin
6 was just looking at — again, I want to make sure that the record is exactly
7 clear on this. And on line 2 of page 3 in your surrebuttal testimony, I’m
8 going to read part of the sentence. It says, Staff is unable at this time —
without further policy direction from the Commission — to support changes
to net electric metering in this case.

9 Perhaps would it be better to say this: Staff is unable at this time — without
10 further policy direction from the Commission — to take a position on
changes to electric metering in this case?

11 A. I can agree to that.

12 Q. Does that fairly characterize your position?

13 A. Yes.³⁷

14 Thus, the record is clear that Staff is taking no position on SSVEC’s requested changes to
15 net metering in this case, which is to say that Staff neither supports nor opposes the request.
16 Besides Staff, the only parties providing testimony and evidence in this case are SSVEC and
17 intervenor Energy Freedom Coalition of America (“EFCA”). For the reasons that are set forth in
18 SSVEC’s Initial Post-Hearing Brief, and as further supplemented herein, the requested changes
19 to net metering are clearly and abundantly supported by the evidentiary record, are in the public
20 interest, and should be approved.

21
22 **II. RESPONSE TO EFCA’S POST-HEARING BRIEF**

23 **A. SSVEC’s Application Met Sufficiency and All Other Legal Requirements.**

24 EFCA asserts in its Post-Hearing Brief that SSVEC did not provide the documentation
25 required by law to support its proposal in this case.³⁸ Specifically, EFCA asserts that SSVEC
26 “*must* introduce solar-specific cost of service studies and benefit-cost analyses proving the
27

28 ³⁷ Hearing Transcript Vol. IV at 749-750 (emphasis added).

³⁸ EFCA’s Post-Hearing Brief at 2, line 22.

1 disparate treatment [of DG customers] is warranted.”³⁹ However, the record is clear that SSVEC
2 did provide documentation, a compliant cost of service study, and a cost-benefit analysis in
3 support of its proposals in this case and Staff agrees.

4 The filing requirements for a rate application are set forth in Arizona Administrative Code
5 (“A.A.C.”) R14-2-103 (“Rule 103”). Rule 103 sets forth the specific information that must be
6 submitted on schedules to support a rate application. Summary information is provided on “A”
7 schedules and must conform to the format of Appendices A-1 through A-5 pursuant to A.A.C.
8 R14-2-103(B)(1). However, “[a]ll other Appendix schedule formats and descriptions are
9 illustrative and the applicant’s specific formats may vary from that suggested in the Appendix.”⁴⁰

10 SSVEC filed its Application in this docket on August 31, 2015 and supplemented the
11 Application on September 25, 2015. Staff reviewed the Application and supplement to ascertain
12 compliance with Rule 103 as required pursuant to A.A.C. R14-2-103(B)(7) and on September 30,
13 2015, Staff issued a letter of sufficiency stating that the Application met the requirements of Rule
14 103. No party challenged Staff’s finding of sufficiency. Extensive discovery has been conducted,
15 multiple rounds of testimony was filed, and a hearing was held. All parties have relied in good
16 faith on the fact that the Application was deemed sufficient long ago. Thus, EFCA’s assertion
17 that SSVEC failed to provide information required by law to support its case should be summarily
18 rejected.

19 1. **SSVEC’s Cost of Service Study Met the Requirements of Rule 103 and**
20 **A.A.C. R14-2-2305.**

21 EFCA argues that SSVEC’s Application is legally deficient pursuant to A.A.C. R14-2-
22 2305 (“Rule 2305”), which states as follows:

23 Net Metering charges shall be assessed on a nondiscriminatory basis. Any proposed
24 charge that would increase a Net Metering Customer’s costs beyond those of other
25 customers with similar load characteristics or customers in the same rate class that
26 the Net Metering Customer would qualify for if not participating in Net Metering
27 shall be filed by the Electric Utility with the Commission for consideration and
28 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.

³⁹ EFCA’s Post-Hearing Brief at 2, lines 16-18 (emphasis in original).

⁴⁰ A.A.C. R14-2-103(B)(1).

1 EFCA's argument is without merit for at least two reasons. First, EFCA points to the
2 language of Rule 2305 highlighted above and asserts in its Post-Hearing Brief that the rule
3 requires "solar-specific" cost of service studies and benefit/cost analyses." However, the words
4 "solar-specific" do not appear anywhere in Rule 2305 and EFCA provides no Commission
5 authority or any other authority which discusses or interprets the rule the way EFCA does.

6 Second, EFCA is simply wrong that SSVEC's Application is legally deficient because
7 SSVEC clearly did provide a compliant cost of service study as well as testimony and evidence
8 addressing the costs and benefits of DG. Staff agrees. In its Closing Brief, Staff states that while
9 it does not support SSVEC's request for separate partial requirements service tariffs, "Staff
10 disagrees with EFCA's contention that separate DG tariffs would be impermissible."⁴¹ Staff
11 explains:

12 The Company performed a cost of service study for the residential class of
13 customers, and Staff accepted the Company's cost of service study. The Company
14 did not perform a cost of service study for the residential DG as a sub class of the
15 overall residential class. However, the Company did perform a cost of service study
16 for the residential class of customers, and Staff accepted the Company's cost of
17 service study. The plain language of the Rule requires a cost of service study;
18 therefore, Staff believes, by performing a cost of service study, the Company has
19 satisfied this part of the Rule's requirement.⁴²

20 Staff is correct that the cost of service study performed by SSVEC satisfies the
21 requirement of Rule 2305. While the Cooperative's cost of service study did not show the results
22 for the residential DG class separately from the residential non-DG class, SSVEC's expert witness
23 David Hedrick explained why a separate study was not necessary:

24 The underlying reality with regard to the cost of providing service to residential
25 customers with or without installed DG is that the costs of providing service are
26 essentially the same, except for additional metering costs and billing costs for
27 customers with DG. Until such time that monthly demand data is available for all
28 customers with installed DG, it was determined that the fixed cost components for
the total Residential class would provide the best representation of costs. Therefore
the Residential DG group is included as part of the total Residential class for the
purpose of defining the costs of providing service. The under-recovery of costs
resulting from lost fixed costs from DG is calculated in a separate analysis included
in my direct testimony. The combination of the fixed costs of service defined in

⁴¹ Staff's Closing Brief at 10, lines 20-21 (emphasis added).

⁴² Staff's Closing Brief at 10-11.

1 the cost of service study and the under-recovery of those costs defined in the lost
2 fixed cost analysis provides the basis for SSVEC's analysis supporting separate rate
3 schedules for customers with installed DG.⁴³

4 SSVEC has provided testimony and evidence in this case which support the creation of
5 new classes of residential service for customers such as those with installed DG who purchase
6 only a part of their energy requirements from SSVEC. Staff agrees with SSVEC that separate
7 tariffs for partial requirements customers "do not violate the Rule's prohibition against
8 discrimination."⁴⁴

9 **2. SSVEC Provided the Required Cost-Benefit Analysis in Compliance**
10 **with A.A.C. R14-2-2305.**

11 EFCA argues that SSVEC did not perform a cost-benefit analysis as required by Rule
12 2305 and that the Application in this case is therefore "legally deficient and cannot be
13 approved."⁴⁵ Again, this assertion by EFCA is contradicted by the testimony and evidence in this
14 case and Staff agrees, explaining as follows in its closing brief:

15 [T]he Company performed an analysis of the lost fixed costs that it claims to under
16 recover due to current DG installations, and Staff accepted the Company's evidence
17 of a test-year under recovery of \$1,139,013.69. Staff submits that this evidence
18 satisfies the benefit/cost analyses requirement of the rule. The Company also
19 provided evidence that DG customers have different load characteristics than other
20 residential customers participating in energy efficiency measures. The Company's
21 evidence confirmed that the load characteristics are not similar, so the DG proposal
22 does not violate the Rule in that regard.⁴⁶

23 In its Post-Hearing Brief, EFCA selectively quotes a portion of an exchange between
24 counsel for EFCA and SSVEC witness Huber at the hearing and omits critical text in what may
25 only be described as a disingenuous effort to support what is otherwise an unsupportable
26 argument.⁴⁷ The full exchange is set forth below, including the portion omitted by EFCA which
27 is highlighted in bold:

28 ⁴³ Hearing Exhibit A-6 (Hedrick Rebuttal) at 11, lines 4-16.

⁴⁴ Staff's Closing Brief at 11, lines 13-14.

⁴⁵ EFCA's Post-Hearing Brief at 3, lines 12-13.

⁴⁶ Staff's Closing Brief at 11, lines 6-12 (citations omitted).

⁴⁷ EFCA's Post-Hearing Brief at 3, lines 24-26.

1 Mr. Rich: *Let me confirm, SSVEC has never performed a cost-benefit analysis*
2 *for solar – for rooftop solar. Correct?*

3 Mr. Huber: *Correct. This is about our costs, existing costs in our rate case.*⁴⁸

4 Clearly, Mr. Rich and Mr. Huber were not on the same page with this exchange, and the
5 complete statement by Mr. Huber may not fairly be characterized as an “admission” that SSVEC
6 did not provide a cost-benefit analysis as required by Rule 2305. To the contrary, SSVEC
7 witnesses Lambert and Hedrick provided a cost of service study and an analysis of lost fixed costs
8 attributable to customers with installed DG. Staff agrees that SSVEC submitted the required cost-
9 benefit analysis and concluded that the Cooperative’s “proposed DG tariffs do not violate the
10 Rule’s prohibition against discrimination.”⁴⁹ EFCA’s assertions to the contrary should be
11 rejected.

12 **3. SSVEC’s Application and Accompanying Schedules Met All**
13 **Requirements of A.A.C. R14-2-103.**

14 EFCA asserts that “SSVEC’s Schedule H-5.2 was incomplete and failed to comply with
15 the requirements of A.A.C. § R14-103.”⁵⁰ However, this assertion was fully rebutted by SSVEC
16 witness Hedrick at the hearing. Mr. Hedrick testified that Schedule H-5.2 was not utilized in the
17 development of the rate analysis or in the determination of lost fixed costs in this case.⁵¹ He
18 testified that data did not exist in sufficient detail to develop a bill frequency report for residential
19 DG customers showing the amount billed by consumption level.⁵² He testified that the
20 development of a schedule showing the amount billed by consumption level would require
21 individual customer data from residential DG customers and that individual customer data is
22 typically not provided for residential customers in a rate case.⁵³ He testified that it would take
23 extensive and inordinate additional work to provide bill count data by block for DG customers.⁵⁴
24 When asked on direct examination whether Schedule H-5.2 is accurate, Mr. Hedrick answered in
25 the affirmative, as follows:

26 ⁴⁸ Hearing Transcript Vol. I at 190, lines 9-13.

27 ⁴⁹ Staff’s Closing Brief at 11, lines 13-14.

28 ⁵⁰ EFCA’s Post-Hearing Brief at 5, lines 2-4.

⁵¹ Hearing Transcript Vol. V at 1081, lines 16-19.

⁵² Hearing Transcript Vol. V at 1081, lines 20-24, and 1098, 15-21

⁵³ Hearing Transcript Vol. V at 1081-1082.

⁵⁴ Hearing Transcript Vol. V at 1095, lines 22-24, and 1099, lines 1-2.

1 It is the — it is an accurate schedule reflecting the kilowatt-hours delivered. In fact,
2 the other schedules that are similar to it also reflect the kilowatt-hours delivered.
3 For customers with DG, we are not able to provide a schedule without extensive
4 additional work that reflects what the actual bill count is by block and, again, we
5 don't use this schedule. It's a reference schedule that's provided. It is not utilized
6 in the analysis of determining the lost fixed costs that we have identified in the rate
7 study.⁵⁵

8 In order to provide an actual bill count by block for residential DG customers, Mr. Hedrick
9 further elaborated on the difficulty of the task and the inordinate amount of additional work that
10 would have been required to perform the task:

11 The Schedule H-5.0 for a typical residential customer, that reflects kilowatt-hours
12 delivered; but since there are no kilowatt-hours generated by that customer [unlike
13 a customer with installed DG], then we don't have the same data entry or data issue
14 with standard residential customers.⁵⁶

15 * * *

16 It would have required a significant amount of additional work to parse through the
17 individual customer data to match up the actual generated kilowatt-hours by the
18 DG customer being put back onto the system to match it up with the particular
19 individual customer in order to be able to craft a schedule that looks like 5.2
20 effectively for every single customer and then put them together. And so that would
21 be for 13-, 1,400 customers to be able to do that and put that together.⁵⁷

22 * * *

23 You would likely have to take the hourly data for each customer, if it's available,
24 and combine it, delivered with export with generated, to be able to get the schedule.
25 And, again, that would be 1,300 customers that you'd have to combine hourly load
26 data to be able to get it. It's an extensive process. It would take a lot of time and
27 effort to do it.⁵⁸

28 * * *

Again, given the fact that we don't utilize this schedule, that would be an inordinate
exercise for just a reference schedule. Had we been alerted at some point during
the proceeding that the schedule — that you know, additional information was
requested or required, I think the co-op could have addressed that or at least, you
know, looked at what additional work would have been necessary to provide the

⁵⁵ Hearing Transcript Vol. V at 1082, lines 8-17.

⁵⁶ Hearing Transcript Vol. V at 1090, lines 20-25.

⁵⁷ Hearing Transcript Vol. V at 1095, lines 13-21.

⁵⁸ Hearing Transcript Vol. V at 1099-1100.

information, but there — again, there was no data request.⁵⁹

SSVEC's Application, inclusive of the attached schedules, was found to be sufficient by the Commission's Staff and no party challenged that finding. The parties to this case had an unfettered opportunity to conduct discovery and to address any questions or concerns. EFCA's request that "the Commission dismiss the Application in its entirety or at a minimum, as it pertains to DG customers" based on an alleged deficiency in Schedule H-5.2 is absurd and should be rejected.⁶⁰

4. **SSVEC Met its Burden of Proof in Justifying Separate Rate Classes for Partial Requirements Customers.**

SSVEC has presented ample evidence to support the creation of separate rate classes for customers such as those with installed DG who purchase only a part of their energy requirements from the Cooperative. Mr. Hedrick testified that customers with DG are very different from other customers with respect to consumption, explaining as follows in his rejoinder testimony:

Mr. Fulmer points to the bill frequency data for SSVEC which shows that the Cooperative does indeed have a significant number of low consumption customers. Mr. Fulmer's premise is that a customer with low use is the same as a DG customer that generates a portion of its own power. They are not the same. The average consumption for a Residential SSVEC customer without installed DG is 677 kWh per month. This represents the energy requirement for the average Residential customer without DG which is purchased from SSVEC. Mr. Fulmer states that the average consumption for a customer with solar PV is 218 kWh.⁶¹ This is not accurate and is misleading. A customer with solar PV "purchases" a net 218 kWh on average from SSVEC. As reflected on Exhibit DWH-8 of my direct testimony, the average customer with installed DG generates 1,026 kWh per month. That indicates that a residential customer with installed DG has an energy requirement in excess of 1,200 kWh per month (218 kWh + 1,026 kWh = 1,244 kWh) which is much higher than the average residential customer without DG at 677 kWh per month.⁶² Thus, the data clearly demonstrates that customers with installed DG are significantly different than the average SSVEC Residential customer.⁶³

Mr. Hedrick explained further as follows:

⁵⁹ Hearing Transcript Vol. V at 1095-1096.

⁶⁰ EFCA's Post-Hearing Brief at 6, lines 19-20.

⁶¹ The 218kWh average for a customer with DG comes from Schedule H-4.03 as explained by Mr. Hedrick at the hearing. See Hearing Transcript Vol. II at 428, lines 9-10.

⁶² The 677kWh average for a residential customer without DG comes from Schedule H-5.0 as explained by Mr. Hedrick at the hearing. Hearing Transcript Vol. II at 379, lines 16-19.

⁶³ Hearing Exhibit A-7 (Hedrick Rejoinder) at 2-3. This testimony was corrected at the hearing by Mr. Hedrick as shown in the Hearing Transcript Vol. II at 427-430.

1 The average kWh consumption for Residential customers without installed DG is
2 677 kWh per month. However, it would be common for a Residential customer
3 with installed DG to have total load requirements ranging from 800 kWh per month
4 up to 2,000 kWh per month. This means that a customer with installed DG
5 producing 1,026 kWh per month would reasonably be expected to reduce his or her
6 energy consumption from SSVEC by 50% up to 100% of total energy requirements.

7 In contrast, a customer participating in energy efficiency measures and demand
8 response programs does not generate its own power and would reasonably expect
9 to reduce consumption by only a small percentage of the customer's total load. For
10 example, in the most recently filed report on DSM activities, SSVEC noted that the
11 average energy savings for a customer participating in the heat pump program was
12 57 kWh per month and the savings for a customer participating in the water heater
13 program was 85 kWh per month. Thus, the level of lost kWh sales and the
14 corresponding lost fixed costs is significantly and demonstrably greater for
15 customers with installed DG than the potential lost fixed costs for customer's
16 participating in energy efficiency measures and other demand response programs.

17 The creation of new rate classes for partial requirements customers is justified given the
18 unique characteristics of this residential sub-class. Additional analysis is provided in Section II.D
19 below.

20 **B. SSVEC's Proposed New Tariffs for Partial Requirements Customers Should**
21 **be Approved.**

22 **1. SSVEC's Proposed New Tariffs Are Necessary to Address the Serious**
23 **Problem of Lost Fixed Costs Attributable to DG.**

24 SSVEC has proven a test-year under-recovery of fixed costs in the amount of
25 \$1,139,013.69, as acknowledged by Staff.⁶⁴ The residential rate design proposed by SSVEC will
26 significantly reduce that under-recovery. EFCA responds that the proposed rate design "would
27 not be in accordance with the concept of gradualism" and that SSVEC ratepayers should not be
28 punished "because the Company decided to go sixteen years between rate cases."⁶⁵ However, the
29 problem of unrecovered fixed costs attributable to DG is a recent problem for SSVEC (and other
30 electric utilities) and not a result of any delay in filing a rate case. Mr. Huber explained as follows
31 in his direct testimony:

32 In Decision 70567 (October 23, 2008), the Commission approved new net metering
33 rules ... which became effective on May 23, 2009. As required by the Net Metering
34 Rules, SSVEC submitted a Net Metering Tariff Schedule NM which was approved

35 ⁶⁴ Staff's Closing Brief at 11, lines 6-8.

36 ⁶⁵ EFCA's Post-Hearing Brief at 8-9.

1 by the Commission in Decision 71463 (January 26, 2010). Like other electric
2 utilities in Arizona, since implementing its Net Metering Tariff Schedule NM,
3 SSVEC has experienced a dramatic increase in the number of customers installing
4 rooftop solar photovoltaic ... systems, the most common form of distributed
5 generation....⁶⁶

6 SSVEC witness Hedrick agreed that the problem of unrecovered fixed costs attributable
7 to DG is a recent problem, and explained in his rebuttal testimony that a gradual approach to
8 recovering fixed costs will not address the serious problem that SSVEC and its members are
9 facing:

10 The lost fixed cost problem related to customers with installed DG is relative to the
11 existing rates in place and the proliferation of these customers in the past few years.
12 When the existing rates were approved, there were relatively few customers with
13 installed DG. Clearly, there was no anticipation of the level of increase in these
14 customers or the impact they would have on the Cooperative's ability to recover
15 costs. While SSVEC has consistently requested increases in its fixed charges and,
16 to the extent allowed by the Commission, has implemented those rates, the
17 Commission has preferred a very gradual approach to the increase in customer
18 charges to address the overall recovery of fixed costs. With a gradual growth in
19 customers and consistency with regard to the consumer consumption levels, a
20 gradual approach to deal with the under-recovery of fixed costs issue would be
21 workable. However, that is not the case now for SSVEC. The change in
22 circumstances for SSVEC has rendered the existing residential rate design
23 inadequate in recovering the fixed costs for customers with installed DG. The
24 opportunity to correct the rate design by creating new rate schedules is now.
25 Requiring that customers with installed DG be served on the same rate as other
26 Residential customers only perpetuates the under-recovery of costs and continues
27 an inequitable subsidy that will require a more drastic correction in the future.⁶⁷

28 SSVEC witness Huber expressed the same concern when he was asked by counsel at the
hearing whether a so-called "go-slow" approach to increasing the monthly service charge would
work in the current environment of unrecovered fixed costs:

No, I don't. I think, you know, that was Staff's position back in 2009 or the last full
[SSVEC] rate case. We recognized the problem of not recovering our fixed costs
in a monthly service charge. Our kilowatt-hour charge was inflated at that time,
and we asked to move our service charge from \$7.50 to \$12.50, and we were told
we've got to go slow, gradualism. And they allowed us to move it from 7.50 to 8
and a quarter, and at our cost at that time, it would have taken 16 or 17 rate cases
to get it where it needs to be.

⁶⁶ Hearing Exhibit A-2 (Huber Direct) at 5, lines 14-21.

⁶⁷ Hearing Exhibit A-6 (Hedrick Rebuttal) at 14-15.

1 It's just not practical and with the fact that DG is accelerated and so aggressive in
2 their installs, it's just changed our cost structure and our revenue structure. If it's
3 not addressed, basically if we are not given a waiver from the net metering rules
4 and this isn't addressed, we'll basically be in for a rate case every year.⁶⁸

5 EFCA challenged Mr. Huber's testimony regarding the aggressive installation of DG and
6 asserts that "the evidence showed that there are only an average of approximately four and a half
7 to nine DG installs per month in SSVEC territory."⁶⁹ However, this assertion misrepresents what
8 has actually happened in SSVEC's service territory. Mr. Hedrick testified that in January 2014,
9 SSVEC had 781 Residential customers with installed DG and that by the end of 2014, SSVEC
10 had 1,013 residential customers with installed DG, a growth of approximately 30% in one year.⁷⁰
11 This is dramatic growth by any measure. On April 14, 2015, SSVEC filed an application in
12 Docket E-01575A-15-0127 (the "Net Metering Docket") requesting: (i) to modify and rename its
13 current Net Metering Tariff Schedule NM; (ii) to add a new Net Metering Tariff Schedule NM-
14 2; and (iii) for related waivers of provisions of the Commission's Net Metering Rules. Included
15 in that application was a request to grandfather customers with installed DG or accepted contracts
16 for installed DG as of April 15, 2015, a request which was included in the Application filed in
17 this docket. Installations of DG systems in SSVEC's service territory diminished dramatically
18 following the filing of the application in the Net Metering Docket and have continued at a slow
19 pace relative to the time before the application was filed. There can be no doubt that had SSVEC
20 not filed its application in the Net Metering Docket, the pace of DG installations would have
21 continued at the rate of 30% per year or more.

22 At the hearing, SSVEC witness Hedrick also cautioned that gradualism in rate design may
23 benefit some customers to the detriment of others and that it requires careful balancing:

24 To the extent that you don't increase the fixed costs to recover those costs in the
25 appropriate way, somebody is not paying what they should and somebody is paying
26 more than they should. So gradualism can, in fact, prevent and harm some
27 customers because they end up paying more than they should. So there's a real
28 balance between the use of the principle of gradualism and depending on the issue
and the relevant — you know, how big an issue it is and how important it is to

⁶⁸ Hearing Transcript Vol. II at 269, lines 2-19.

⁶⁹ EFCA's Post-Hearing Brief at 9, lines 15-16.

⁷⁰ Hearing Exhibit A-6 (Hedrick Rebuttal) at 13, lines 10-13.

1 rectify that over a particular period of time, sometimes gradualism is not the best
2 approach.⁷¹

3 As stated above, SSVEC has proven a test-year under-recovery of fixed costs in the
4 amount of \$1,139,013.69, as acknowledged by Staff.⁷² The residential rate design proposed by
5 SSVEC will significantly reduce that under-recovery. While gradualism is a concept that may be
6 considered in rate setting, it has not worked well in the case of SSVEC and should not be used as
7 a basis to preclude a rate design that will address a demonstrated serious problem.

8 **2. SSVEC's Proposed Rate Design Is Not Punitive.**

9 EFCA argues that the imposition of the proposed increased service charges for both
10 regular residential customers and partial requirements customers is "punitive and will lead to
11 drastic financial consequences for ratepayers."⁷³ However, this ridiculous claim ignores the fact
12 that SSVEC is a member-owned non-profit electric cooperative which exists solely for the benefit
13 of its members. SSVEC management has absolutely no incentive to be punitive in any way to its
14 members or to take actions which would have "drastic financial consequences" for its members.
15 In fact, SSVEC's management has an incentive to carry out the wishes of its members. Mr. Huber
16 testified at the hearing that as Chief Executive Officer of SSVEC, his compensation does not
17 increase or decrease based on the amount of electricity the Cooperative sells, nor does he receive
18 any kind of performance-based bonus.⁷⁴ Likewise, he testified that none of the other executives
19 of SSVEC receive any performance-based bonuses on sales of electricity or any other metric.⁷⁵
20 He testified further that "[w]e're just looking to have a fair rate for all of our members."⁷⁶ Thus,
21 there is no incentive for SSVEC to propose rates which are punitive or which will place its
22 members in financial jeopardy.

23 Moreover, it bears noting that EFCA's prediction of drastic financial consequences to
24 members of SSVEC is not based on any financial analysis on actual members of the Cooperative,
25 whom EFCA does not represent in this proceeding. At the hearing, EFCA witness Fulmer

26 ⁷¹ Hearing Transcript Vol. II at 460, lines 6-16.

27 ⁷² Staff's Closing Brief at 11, lines 6-8.

28 ⁷³ EFCA's Post-Hearing Brief at 11, lines 2-3.

⁷⁴ Hearing Transcript Vol. I at 104, lines 4-10.

⁷⁵ Hearing Transcript Vol. I at 104, lines 11-14.

⁷⁶ Hearing Transcript Vol. I at 105, lines 5-6.

1 conceded on cross examination that he was not in contact with any customers of SSVEC, nor did
2 he review any solar leases:

3 Q. You've testified earlier, though, that you have not reviewed any solar leases.

4 Is that right?

5 A. I have not reviewed solar leases as in like the contract papers, no.

6 Q. As part of your — then I take it as part of your engagement here, Mr. Rich
7 did not provide you with any copies of lease agreements from solar leasing
8 companies?

9 A. He did not.

10 Q. Did you ask him to see copies of any solar leases?

11 A. I did not request that.

12 Q. And I may have been over this ground — I apologize if I have — but you
13 didn't — you didn't look at any specific leases within SSVEC's service
14 territory, did you?

15 A. That's correct.

16 Q. Okay. Did you look at any of the incentives that SSVEC provided to
17 customers over the last several years that purchased rooftop systems in
18 completing your analysis in this case?

19 A. I did not look at past incentives.⁷⁷

20 * * *

21 Q. ... Do you know anything about or have you looked at the customers who
22 sign up for solar leases?

23 A. No.⁷⁸

24 * * *

25 Q. Have you — in your work in this case, did you contact any of the customers
26 of Sulphur Springs?

27 A. No, I did not.⁷⁹

28 ⁷⁷ Hearing Transcript Vol. IV at 944-945.

⁷⁸ Hearing Transcript Vol. IV at 947-948.

⁷⁹ Hearing Transcript Vol. IV at 927, lines 6-8.

1 SSVEC's proposed rate design is not punitive.

2 **C. SSVEC's Proposed Changes to Net Metering Should be Approved.**

3 **1. Provisions of the Net Metering Rules May be Waived by the**
4 **Commission.**

5 EFCA asserts that “[u]nlike other provisions of the Commission’s Rules, the NEM Rules
6 do not include a provision permitting a waiver.”⁸⁰ However, the Commission clearly has the
7 authority to grant waivers of its own rules even when there is no express waiver provision
8 included in the rules. In fact, the Commission has done so on prior occasions where granting a
9 waiver is in the public interest. For example, in Decision 70706 in Docket T-01051B-07-0527,
10 the Commission granted a waiver of its anti-slamming rules even though the rules do not contain
11 a waiver provision, stating as follows:

12 Although the anti-slamming rules do not contain a waiver provision, the
13 Commission has in previous decisions granted waivers of the anti-slamming rules
14 when doing so served the public interest. (*See, e.g.*, Decision No. 70218 (March
15 27, 2008); Decision No. 70057 (December 4, 2007); Decision No. 69573 (May 21,
16 2007); Decision No. 67241 (September 15, 2004).⁸¹

17 SSVEC notes also that in this case, Staff initially supported a partial waiver of the Net
18 Metering Rules in order to enact the rate design recommendations of Staff.⁸² Obviously, Staff
19 believes the Commission has the authority to grant appropriate waivers of the Net Metering Rules.
20 Clearly, the Commission can grant a waiver of its Net Metering Rules if it finds that a waiver is
21 in the public interest as is the case here.

22 **2. Avoided Cost is the Appropriate Export Rate.**

23 EFCA purports to have presented a benefit-cost analysis in this docket which supports its
24 position on net metering, but this is simply not true. EFCA asserts that Mr. Fulmer “considered
25 six elements drawn directly from an Integrated Resource Plan (“IRP”) in formulating the benefit-
26 cost analysis included in this docket.”⁸³ The six elements were drawn from UNS Electric’s 2014
27 IRP—not from an SSVEC IRP—and are only summarily discussed at pages 12-15 of Mr.

28 ⁸⁰ EFCA’s Post-Hearing Brief at 11, lines 21-22.

⁸¹ Decision 70706 at Finding of Fact 46.

⁸² Hearing Exhibit S-9 (Van Epps Direct), Executive Summary, Paragraph e.

⁸³ EFCA’s Post-Hearing Brief at 12, lines

1 Fulmer’s direct testimony.⁸⁴ EFCA then asserts that “[w]hile acknowledging differences between
2 the SSVEC system and UNS Electric, Fulmer testified that ‘I believe that were I to conduct an
3 analogous analysis [of SSVEC], my conclusion would be similar.’”⁸⁵ Next, EFCA attempts to
4 drag into this case the supposed analysis that EFCA witness Fulmer presented in the UNS Electric
5 rate case, which it then attempts to pass off as the “only examination of the benefits and costs of
6 DG in the evidentiary record in this case.”⁸⁶

7 EFCA’s statements in its Post-Hearing Brief show several important things. First, EFCA
8 concedes that it did not conduct a cost-benefit analysis in this case and that it is in fact relying
9 upon the analysis conducted in the UNS Electric rate case. Second, EFCA acknowledges that
10 there are differences between SSVEC’s system and that of UNS Electric, and SSVEC submits
11 that those differences preclude the application of a UNS Electric cost-benefit analysis in this case.
12 Third, Mr. Fulmer asserts his belief that the conclusion “would be similar” had he actually done
13 an analysis in this case, but we will never know with any degree of certainty because EFCA
14 elected not to conduct an analysis in this case.

15 SSVEC notes that the table and supporting explanation included on page 13 of EFCA’s
16 Post-Hearing Brief were not presented in the testimony of Mr. Fulmer in this docket or at the
17 hearing. Thus, the table and supporting explanation starting at page 12, line 22 and continuing
18 through page 13, line 21 of EFCA’s Post-Hearing Brief should be stricken and not considered as
19 part of the evidentiary record in this case.

20 **3. SSVEC Has Properly Considered the Known and Measurable Benefits**
21 **of DG.**

22 EFCA argues that SSVEC’s analysis “is designed to entirely ignore DG benefits and
23 conclude that NEM should be changed.”⁸⁷ EFCA further argues that “[t]o determine the full
24 scope of the benefits realized by the adoption of DG systems, it is imperative to engage in a
25 forward-looking analysis that considers and accounts for the full range of costs avoided by the

26 ⁸⁴ Hearing Exhibit EFCA-6 (Fulmer Direct) at 12-15; *see also* EFCA’s Post-Hearing Brief at 12, lines 18-
27 19.

⁸⁵ EFCA’s Post-Hearing Brief at 12, lines 12-14.

⁸⁶ EFCA’s Post-Hearing Brief at 12, lines 15-16.

⁸⁷ EFCA’s Post-Hearing Brief at 14, lines 12-13.

1 utility.”⁸⁸ However, the testimony and evidence in this case is clear that there are no benefits of
2 DG that are known and measurable and that have been quantified by any party.

3 SSVEC witness Hedrick testified that “[t]he bedrock principle of rate design is that rates
4 must be based on costs that are known, measurable and of a continuing nature.”⁸⁹ In other words,
5 “[t]he Commission should not approve rates that are based on unquantifiable future costs or
6 potential benefits.”⁹⁰ Applying this foundational principal of rate-making, Mr. Hedrick addressed
7 each of the elements listed by Mr. Fulmer, even though those elements were drawn from UNS
8 Electric’s 2014 IRP and not from any SSVEC IRP.⁹¹ Mr. Hedrick testified that with the exception
9 of avoided energy and fuel costs, there are no other known and measurable avoided costs to be
10 included in an export rate.⁹² Thus, it is not that SSVEC *failed* to consider the possible range of
11 avoided costs in developing its recommended export rate in this case. As Hedrick explained, “it’s
12 not a matter of a lack of analysis, ... [t]here just aren't any costs that are reduced as a result of a
13 reduction in demand at this point.”⁹³

14 In its Post-Hearing Brief, EFCA includes a discussion starting at page 14, line 21 and
15 continuing through page 15, line 16 which purports to explain why “[i]t does not make sense to
16 use wholesale power purchases as a comparison to distributed generation.”⁹⁴ This discussion is
17 void of any citations to the record because the information set forth therein is not found in the
18 record in this case, including in the testimony of EFCA witness Fulmer. In any event, SSVEC
19 disputes EFCA’s analysis and submits that it should be disregarded by the Commission.

20 EFCA asserts in its Post Hearing Brief that “SSVEC entirely ignores one crucial side of
21 the equation when it refuses to credit DG with the values of: (1) avoided energy costs, (2) avoided
22 generation capacity costs, (3) avoided transmission costs, (4) avoided distribution costs, and (5)
23 environmental benefits including greenhouse reductions and decreased water demands.”⁹⁵ EFCA

24 ⁸⁸ EFCA’s Post-Hearing Brief at 14, lines 14-16.

25 ⁸⁹ Hearing Exhibit A-6 (Hedrick Rebuttal) at 18, lines 4-5.

26 ⁹⁰ Hearing Exhibit A-6 (Hedrick Rebuttal) at 18, lines 4-5.

27 ⁹¹ Hearing Exhibit EFCA-6 (Fulmer Direct) at 12-15; see also EFCA’s Post-Hearing Brief at 12, lines 18-
19.

28 ⁹² Hearing Transcript Vol. II at 469, lines 4-18.

⁹³ Hearing Transcript Vol. II at 467, lines 3-6.

⁹⁴ EFCA’s Post-Hearing Brief at 14, lines 21-22.

⁹⁵ EFCA’s Post-Hearing Brief at 15, lines 17-20.

1 then alleges that “if the value of all of those benefits is summed, it results in a range of 9-14 cents
2 per kWh.”⁹⁶ However, EFCA’s calculation of an export rate was based upon an analysis
3 conducted in the UNS Electric rate case in Docket E-04204A-15-0142 and not this case. There
4 is absolutely no evidence in the record in this case which proves the existence of any of the alleged
5 benefits of DG that are suggested by Mr. Fulmer or that quantifies in monetary terms any alleged
6 benefits of DG.

7 When asked on cross examination why he did not conduct an analysis in this case based
8 upon SSVEC’s specific facts, Mr. Fulmer responded “[t]he simple reason was that I wasn’t
9 requested to by my client.”⁹⁷ EFCA’s assertion that “witness Fulmer was the only witness to
10 provide a comprehensive analysis of all avoided costs” is simply absurd.⁹⁸ EFCA could have
11 presented evidenced quantifying Mr. Fulmer’s alleged benefits of DG but it chose not to do so.
12 It cannot simply pull a number out of another rate case and apply it in this case. Thus, EFCA’s
13 assertion that the value of net metering is between 9.5¢ and 14¢ per kWh should be rejected.⁹⁹

14 **4. Net Metering Under the Current Rules Causes Lost Fixed Costs for**
15 **SSVEC.**

16 EFCA argues that the “retail rate for NEM is a simple and elegant design of
17 ratemaking.”¹⁰⁰ While simplicity in rate design may be preferable to complexity where possible,
18 simplicity should never prevail at the expense of a rate design which appropriately permits a
19 utility to recover its fixed costs. Again, SSVEC has proven a test-year under-recovery of fixed
20 costs in the amount of \$1,139,013.69, as acknowledged by Staff.¹⁰¹ SSVEC witness Hedrick
21 presented testimony and analysis which shows that this under-recovery is attributable to the
22 proliferation of DG in the Cooperative’s service territory.¹⁰² Net metering under the existing rules
23 is causing lost fixed costs for SSVEC and the rules must change. SSVEC has proposed a rate
24 design which will produce rates that are just and reasonable under the facts of this case and that

25 ⁹⁶ EFCA’s Post-Hearing Brief at 15, lines 20-21.

26 ⁹⁷ Hearing Transcript Vol. IV at 943, lines 12-15.

27 ⁹⁸ EFCA’s Post-Hearing Brief at 16, lines 13-14.

28 ⁹⁹ EFCA’s Post-Hearing Brief at 16, lines 14-15.

¹⁰⁰ EFCA’s Post-Hearing Brief at 16, lines 14-15.

¹⁰¹ Staff’s Closing Brief at 11, lines 6-8.

¹⁰² Hearing Exhibit A-6 (Hedrick Rebuttal) at 14-15.

1 rate design should be adopted.

2 **D. Residential DG Customers Are Sufficiently Different from Residential Non-**
3 **DG Customers to Warrant a Separate Rate Class.**

4 EFCA argues that DG customers are not the only customers in the residential rate class
5 with different load profiles and that “SSVEC should not be permitted to create a separate
6 discriminatory class for customers who use DG with retail NEM.”¹⁰³ However, SSVEC witness
7 Hedrick identified a number of reasons in addition to differences in load profiles which support
8 new rate classes for customers with installed DG:

- 9 1. Customers with installed DG exhibit unique usage characteristics and
10 present unique cost recovery issues that distinguish them from all other
11 customers who reduce their energy consumption through means other than
12 DG. Exhibit DWH-8 attached to my direct testimony shows that the
13 average customer with installed DG produces 1,026 kWh per month. The
14 average kWh consumption for Residential customers without installed DG
15 is 677 kWh per month. However, it would be common for a Residential
16 customer with installed DG to have total load requirements ranging from
17 800 kWh per month up to 2,000 kWh per month. This means that a
18 customer with installed DG producing 1,026 kWh per month would
19 reasonably be expected to reduce his or her energy consumption from
20 SSVEC by 50% up to 100% of total energy requirements.
21 In contrast, a customer participating in energy efficiency measures and
22 demand response programs does not generate its own power and would
23 reasonably expect to reduce consumption by only a small percentage of the
24 customer’s total load. For example, in the most recently filed report on DSM
25 activities, SSVEC noted that the average energy savings for a customer
26 participating in the heat pump program was 57 kWh per month and the
27 savings for a customer participating in the water heater program was 85
28 kWh per month. Thus, the level of lost kWh sales and the corresponding
lost fixed costs is significantly and demonstrably greater for customers with
installed DG than the potential lost fixed costs for customer’s participating
in energy efficiency measures and other demand response programs.
2. The number of customers with installed DG has increased such that the
magnitude of the number of customers, coupled with the lost fixed cost
problem, has established this as an appropriate stand-alone class of
customers. In January 2014, SSVEC had 781 Residential customers with
installed DG. By the end of 2014, SSVEC had 1,013 residential customers
with installed DG, or growth of approximately 30% in one year. As of April
1, 2016, SSVEC is serving 1,147 residential customers with installed DG.
The magnitude of the under-recovery of costs as a result of lost fixed cost

¹⁰³ EFCA’s Post-Hearing Brief at 17, lines 7-11.

1 from this group of customers is far more significant than any other customer
2 group and will continue to grow under the current conditions.

3 By way of comparison, during the 2014 test year SSVEC had only 41
4 customers that participated in the high efficiency heat pump rebate program
5 and only 7 customers that participated in the high efficiency water heater
6 rebate program. Again, there is no other group of customers that is
7 comparable to the customers with installed DG.

- 8 3. The load characteristics for customers with installed DG are completely
9 different than for any other customer group. Attached as Rebuttal Exhibit
10 DWH-2 is a load profile graph for a typical residential customer with and
11 without installed DG. The graph clearly shows the difference between the
12 two customer types. There is a reduction in kWh consumption during the
13 middle hours of the peak day and a secondary peak created in the later hours
14 of the day for the customer with installed DG. This illustrates how
15 markedly different the usage consumption is for this group in comparison
16 to any other customer group.

17 Customer's employing energy efficiency measures are reducing the level of
18 the customer's energy requirements whereas a customer with installed DG
19 is not reducing the level of the customer's energy requirements but rather is
20 providing another source of power for those energy requirements during a
21 short time period of the day. SSVEC's distribution system facility
22 requirements to provide service are not reduced for a customer with
23 installed DG, yet their usage patterns are fundamentally different. In
24 addition, that usage pattern changes dramatically on a cloudy day or when
25 there is a distributed generation equipment malfunction on the customer's
26 equipment. Sierra Vista averages 284 sunny days a year meaning
27 distributed generation does not operate or only partially operates 81 days a
28 year.

- 19 4. The lost fixed cost problem related to customers with installed DG is
20 relative to the existing rates in place and the proliferation of these customers
21 in the past few years. When the existing rates were approved, there were
22 relatively few customers with installed DG. Clearly, there was no
23 anticipation of the level of increase in these customers or the impact they
24 would have on the Cooperative's ability to recover costs. While SSVEC
25 has consistently requested increases in its fixed charges and, to the extent
26 allowed by the Commission, has implemented those rates, the Commission
27 has preferred a very gradual approach to the increase in customer charges
28 to address the overall recovery of fixed costs. With a gradual growth in
customers and consistency with regard to the consumer consumption levels,
a gradual approach to deal with the under-recovery of fixed costs issue
would be workable. However, that is not the case now for SSVEC. The
change in circumstances for SSVEC has rendered the existing residential
rate design inadequate in recovering the fixed costs for customers with
installed DG. The opportunity to correct the rate design by creating new
rate schedules is now. Requiring that customers with installed DG be served

1 on the same rate as other Residential customers only perpetuates the under-
2 recovery of costs and continues an inequitable subsidy that will require a
3 more drastic correction in the future.

- 4 5. The DG cost shift has been proven and substantiated by SSVEC and Staff,
5 and has been recognized by the Commission in previous decisions. As I
6 testified earlier, the Commission in Decision 74202 affirmed the cost shift
7 created by customers with installed DG in the APS case. In Decision 73183,
8 the Commission approved a Lost Fixed Cost Recovery Rider (“LFCR”) for
9 APS that allowed recovery of unrecovered costs associated with a portion
10 of distribution and transmission costs related to EE programs and DG. The
11 LFCR mechanism is a form of alternate surcharge applied to all customer
12 bills for the recovery of costs clearly caused by a specific group of
13 customers. In reality, it is a rate mechanism which requires non-DG
14 members to pay a portion of the under-recovered fixed cost caused by
15 customers with installed DG that is discriminatory. The most fair and
16 equitable recovery of costs from customers with installed DG and the
17 method that will most significantly reduce cross subsidies provided by other
18 members is to establish a separate rate schedule for these customers.¹⁰⁴

12 EFCA asserts that SSVEC “perceives DG as competition.”¹⁰⁵ This comment underscores
13 the fact that EFCA still does not understand the distinctions between electric cooperatives such
14 as SSVEC and investor-owned utilities. As stated above, SSVEC is a member-owned non-profit
15 electric cooperative which exists solely for the benefit of its members. If a majority of SSVEC’s
16 members want to promote DG through continued subsidies, the management of the Cooperative
17 has no reason to oppose such a desire.

18 EFCA asserts that “SSVEC’s discriminatory motive is also shown by the fact that SSVEC
19 has not offered to create a separate rate schedule for any other sub-classes of residential customers
20 other than DG, even though many other customers undertake various measures to change their
21 demands on the distribution system.”¹⁰⁶ However, SSVEC has not proposed any other sub-classes
22 of residential service because no other group of customers is able to reduce its demand on the
23 electric grid to even remotely the same extend as customers with installed DG. SSVEC witness
24 Hedrick explains:

25 The average kWh consumption for Residential customers without installed DG is
26 677 kWh per month. However, it would be common for a Residential customer
27 with installed DG to have total load requirements ranging from 800 kWh per month

28 ¹⁰⁴ Hearing Exhibit A-6 (Hedrick Rebuttal) at 12-16.

¹⁰⁵ EFCA’s Post-Hearing Brief at 17, lines 20-21.

¹⁰⁶ EFCA’s Post-Hearing Brief at 17, lines 20-21.

1 up to 2,000 kWh per month. This means that a customer with installed DG
2 producing 1,026 kWh per month would reasonably be expected to reduce his or her
energy consumption from SSVEC by 50% up to 100% of total energy requirements.

3 In contrast, a customer participating in energy efficiency measures and demand
4 response programs does not generate its own power and would reasonably expect
5 to reduce consumption by only a small percentage of the customer's total load. For
6 example, in the most recently filed report on DSM activities, SSVEC noted that the
7 average energy savings for a customer participating in the heat pump program was
8 57 kWh per month and the savings for a customer participating in the water heater
9 program was 85 kWh per month. Thus, the level of lost kWh sales and the
corresponding lost fixed costs is significantly and demonstrably greater for
customers with installed DG than the potential lost fixed costs for customer's
participating in energy efficiency measures and other demand response
programs.¹⁰⁷

10 EFCA asserts that "[i]ndividuals have the right to generate their own energy as much as
11 they have the right to grow their own food."¹⁰⁸ However, there is simply no reasonable
12 comparison between a customer which installs a DG system which is connected to the public
13 electric grid, and all that that entails, and a person growing a garden in the back yard. And, while
14 a person may have a right to generate his or her own electricity, they certainly do not have any
15 right to expect that other people connected to the electric grid will pay a portion of the fixed costs
16 of their electric service.

17 SSVEC has provided compelling evidence in this case supporting the creation of new rate
18 classes for customers such as those with installed DG who purchase only a portion of their energy
19 requirements from the Cooperative. SSVEC's proposed rate design should be approved.

20 **E. The Establishment of a New Class for Residential Partial Requirements**
21 **Customers Will Not Eliminate the Ability of Customers to Choose DG to Save**
22 **Money.**

23 EFCA argues that SSVEC's proposed rate design will eliminate the ability of customers
24 to install DG to save money.¹⁰⁹ However, EFCA has done no real analysis in SSVEC's service
25 territory to be able to make that assertion. EFCA witness Fulmer concedes that he did no financial
26 investigation or analysis regarding the solar providers he purports to represent, as evidenced on
cross-examination by counsel for SSVEC:

27 ¹⁰⁷ Hearing Exhibit A-6 (Hedrick Rebuttal) at 12-13.

28 ¹⁰⁸ EFCA's Post-Hearing Brief at 18, lines 2-3.

¹⁰⁹ EFCA's Post-Hearing Brief at 20, lines 13-14.

- 1 Q. These companies that comprise the membership of EFCA, have you
2 reviewed any financial statements for any of those companies?
- 3 A. No, I have not.
- 4 Q. Do you have any information about the business operations of any of those
5 companies?
- 6 A. No.
- 7 Q. Do you know which, if any, of those companies provide rooftop solar
8 installations in SSVEC's service territory?
- 9 A. I don't know which ones provide which services in the territory. I believe
10 that SolarCity has had some presence there, but I don't know how big it is
11 or what other ones might be.
- 12 Q. Do you know whether SolarCity leases rooftop solar systems in SSVEC's
13 service territory?
- 14 A. I do not know.
- 15 Q. Do you know if they sell rooftop systems through purchase agreements in
16 SSVEC's service territory?
- 17 A. I know they have a presence there, but I don't know their exact business.
- 18 Q. Have you ever reviewed a copy of a SolarCity rooftop solar lease
19 agreement?
- 20 A. No, I have not.
- 21 Q. Have you ever reviewed a copy of a SolarCity solar purchase agreement?
- 22 A. No, I have not.
- 23 Q. Is it fair to say that you've not done any kind of financial analysis on a solar
24 lease agreement or a solar rooftop purchase agreement?
- 25 A. Not from the perspective of the solar provider.¹¹⁰
- 26 * * *
- 27 Q. Okay. You don't know anything about the economics of the solar leasing
28 companies, though. That's your testimony today.
- Correct?

¹¹⁰ Hearing Transcript Vol. IV at 878-879.

1 A. That's correct.

2 Q. So you don't know whether a leasing company could lower a charge from 9
3 cents per kilowatt-hour to 7 cents per kilowatt-hour, do you?

4 A. I don't know their economics so, of course, I can't answer that.¹¹¹

5 Without knowing anything about the economics of the companies which provide DG,
6 either through sales or leases of rooftop systems, it is not possible to determine with any degree
7 of certainty what impact SSVEC's proposed rate design would have on DG installations.
8 However, what is clear in this case is that SSVEC has proven a test-year under-recovery of fixed
9 costs in the amount of \$1,139,013.69, as acknowledged by Staff.¹¹² The Cooperative has
10 proposed a rate design which will address that problem and which produces rates that are just and
11 reasonable, and which should be approved.

12 F. **SSVEC's Proposal to Grandfather Residential Customers with Installed DG**
13 **Systems or Accepted Contracts as of April 15, 2015, is Consistent with**
14 **Applicable Law and Does not Violate any Commission Statute or Rule.**

15 EFCA makes several arguments in opposing SSVEC's request to "grandfather" net
16 metering customers who installed DG systems or who had accepted contracts to install DG
17 systems as of April 15, 2015. However, all of EFCA's arguments lacks merit.

18 First, EFCA repeatedly mischaracterizes the proposed grandfathering of DG customers
19 under the existing net metering rules as retroactive rate making, which it is not. The Arizona
20 Court of Appeals explained in *Pueblo Del Sol Water Company v. Arizona Corporation*
21 *Commission*, 160 Ariz. 285, 772 P.2d 1138 (Ct. App. 1988) ("*Pueblo Del Sol*") that "[r]etroactive
22 rate making occurs when the Commission requires refunds of charges fixed by a formal finding
23 which has become final."¹¹³ In *Pueblo Del Sol*, the Commission granted the application of one
24 utility to transfer substantially all of its assets to another utility and authorized higher interim
25 rates, subject to refund, pending a hearing on the new rates and charges for the consolidated
26 system. The utility objected, arguing that once the Commission sets rates, the rates are final and

27 ¹¹¹ Hearing Transcript Vol. IV at 947, 1-10.

28 ¹¹² Staff's Closing Brief at 11, lines 6-8.

¹¹³ *Pueblo Del Sol Water Co. v. Ariz. Corp. Comm'n*, 160 Ariz. 285, 287, 772 P.2d 1138, 1140 (Ct. App. 1988).

1 any subsequent reduction would constitute retroactive rate making. The Court of Appeals rejected
2 the argument ruling that retroactive rate making occurs only when the Commission attempts to
3 change rates after they have been set in a formal hearing, not when they are imposed pending a
4 formal hearing.

5 In this case, SSVEC is proposing that customers with installed DG systems or with
6 accepted contracts for DG systems as of April 15, 2015, be grandfathered under the existing net
7 metering rules. Customers with DG installed after the April 15, 2015 grandfathering date would
8 be subject to a modified version of the existing net metering rules. SSVEC is not proposing to
9 retroactively apply any increased or any decreased rate on any customer. All rate changes will
10 be effective as of the date of an order in this rate case.

11 Staff certainly does not view SSVEC's proposal to grandfather net metering customers as
12 retroactive rate making. In fact, Staff initially supported changes to SSVEC's net metering policy
13 in this docket as described in the direct testimony of Staff witness Eric Van Epps, which he
14 summarized as follows:

- 15 ● Staff recommends that SSVEC's Schedule NM-1 be changed so that it is
16 only available to customers who installed a DG system on or before April
17 14, 2015. After this change to the Availability section is made, Staff
recommends that NM1 be frozen.
- 18 ● Staff recommends that SSVEC's Schedule DG be adapted to eliminate the
19 banking of excess kWh, require that all energy procured from the grid be
20 compensated for at SSVEC's retail rate, and provide a methodology for the
21 treatment of any energy provided or exported by a DG system to the grid.
22 Schedule DG should act as an export rate rider. This rider should provide
23 language outlined in schedule NM-1 that provides definitions,
24 interconnection requirements, system requirements, sizing requirements,
etc. Schedule DG should be updated to include an export rate methodology
25 that includes a year one and year two phase-in. Schedule DG should be
26 made available to all eligible DG customers who install a system on or after
27 April 15, 2015.
- 28 ● Staff recommends that, to the extent necessary, and in the event one of the
parties to this case believes the NEM rules should be waived for SSVEC,
there be a partial waiver of the NEM rules for SSVEC to enact the rate
design recommendations discussed herein.¹¹⁴

¹¹⁴ Hearing Exhibit S-9 (Van Epps Direct), Executive Summary, Paragraphs a, b and e.

1 Clearly, SSVEC's proposal to grandfather certain net metered customers is not retroactive
2 rate making. EFCA's argument to the contrary should be rejected.

3 Second, EFCA argues that "[t]his proposed cutoff date is more than a year *before* the
4 hearings in the docket even commenced and violates past Commission decisions on
5 grandfathering."¹¹⁵ However, this disingenuous argument conveniently ignores the fact that
6 SSVEC earlier attempted to address the problem of lost fixed costs attributable to DG customers
7 in an earlier application filed in the Net Metering Docket where it first proposed the April 15,
8 2015 grandfathering date. Recognizing the quickly growing financial threat to the Cooperative
9 of unrecovered fixed costs, SSVEC filed its application in the Net Metering Docket on April 14,
10 2015 requesting: (i) to modify and rename its current Net Metering Tariff Schedule NM; (ii) to
11 add a new Net Metering Tariff Schedule NM-2; and (iii) for related waivers of provisions of the
12 Commission's Net Metering Rules. The objective of that application was to attempt to
13 immediately arrest the growing problem of unrecovered fixed costs related to the installation of
14 DG systems.

15 However, the Alliance for Solar Choice ("TASC") opposed SSVEC's application in the
16 Net Metering Docket, arguing in a brief filed July 31, 2015 that "Arizona's Constitution is clear
17 that the Application must be heard in the context of a full rate proceeding,"¹¹⁶ adding:

18 The Commission should deal with this issue in a forum that allows it to truly
19 consider and implement any and all options it deems appropriate after reviewing
20 the mater. The only forum that permits that process is a general rate case.¹¹⁷

21 At least three of the key members of TASC are key members of EFCA (*i.e.*, SolarCity
22 Corporation, Silevo, LLC, and Zep Solar, LLC) and TASC and EFCA are represented by the
23 same legal counsel. The Commission voted to close the Net Metering Docket and this Application
24 was filed as a direct result of that decision. SSVEC maintained the April 15, 2015 grandfathering
25 date that was first proposed in the Net Metering Docket.

26 It also bears noting that SSVEC has provided extensive notice to its customers regarding
27 the proposed grandfathering date. Mr. Huber describes the Cooperative's efforts to notify its

28 ¹¹⁵ EFCA's Closing Brief at 22, lines 7-9 (emphasis in original).

¹¹⁶ Alliance for Solar Choice Brief (Docket E-01575A-15-0127) at 2, lines 9-10.

¹¹⁷ *Id.* at 10, lines 13-16 (emphasis added).

1 customers in his direct testimony, where he testified as follows:

2 SSVEC understands the importance of educating its members regarding the
3 equitable recovery of fixed costs and the need to make structural changes to the
4 Cooperative's rate design. Since 2014, SSVEC has been educating its members on
5 DG, net metering and the fast-growing problem of under-recovery of fixed costs.
6 We have conducted a number of town-hall style meetings with members; we have
7 provided information in a multi-part series in the Cooperative's newsletter
8 *Currents*, we have included bill inserts, we have included information on the
9 Cooperative's website, and we have provided a letter mailed to all members as
10 recently as April 2015 regarding the net metering docket I discussed earlier. A
11 copy of the April letter is attached hereto as Attachment CWH-1. An article from
12 the May & June edition of *Currents* entitled "*Does SSVEC Benefit from Solar*" is
13 attached hereto as Attachment CWH-2. In addition to these educational efforts, the
14 Cooperative has more presentations to the membership planned for the future.¹¹⁸

15 Thus, for quite some time, customers of SSVEC have had notice of the proposed
16 grandfathering date.

17 Regarding EFCA's assertion that the proposed grandfathering violates past Commission
18 decisions on grandfathering, there is no Commission decision cited by EFCA that is applicable to
19 SSVEC which would preclude a grandfathering of certain net metered customers as proposed by
20 SSVEC if ordered by the Commission. The Commission is not a court of law and is not subject
21 to the judicial doctrine of *stare decisis*, which obligates a court to follow earlier judicial decisions
22 when the same facts arise again in litigation. Rather, the Commission is always required to act in
23 the public interest, regardless of prior decisions, and the public interest is evaluated based upon
24 the facts and circumstances of each specific case. The Commission is fully within its prerogative
25 to approve the grandfathering date requested by SSVEC.

26 Third, EFCA argues that SSVEC customers who elect grandfathering are worse off than
27 those who do not. However, on cross examination, SSVEC witness Hedrick refused to accept
28 EFCA's blanket assertion that customers who are grandfathered would be worse off than
customers who are not grandfathered. Mr. Hedrick explained:

¹¹⁸ Hearing Exhibit A-2 (Huber Direct) at 9, lines 3-14.

1 Well, I do think that you've got — again, you've got to look at the billing
2 comparison for customers under grandfathered rate[s] which reflect, you know, the
3 billing for those customers. To the extent that those — there's customers that have
4 a lot of excess generation, it may be more beneficial for them to, you know, stay on
5 the grandfathered rate. The proposed rates also provide the opportunity for any
6 customer, if they — if it's more advantageous for them to go on the new rates, they
7 can do that. So I think there's flexibility in the rate to allow customers to move to
8 where they want to be or where they need to be.¹¹⁹

9 Thus, customers are free to elect grandfathering or not based on the specifics of their
10 individual case.

11 III. CONCLUSION

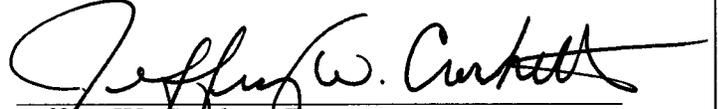
12 For the reasons set forth herein, and in the Cooperative's Initial Post-Hearing Brief,
13 SSVEC requests that the Commission approve the proposed Standard Offer Tariff that was
14 attached as Rebuttal Exhibit DWH-3 to the Rebuttal Testimony of David Hedrick (Hearing
15 Exhibit A-6) including, without limitation: (i) the proposed new Partial Requirements Service,
16 Standby Service, Backup Service Schedule R-PR E (with grandfathering); (ii) the proposed new
17 Partial Requirements Service, Standby Service, Backup Service Schedule R-PR; (iii) the proposed
18 new Partial Requirements Service, Standby Service, Backup Service Schedule PR-1; and (iv) the
19 proposed modifications to Net Metering Tariff Schedule NM-1. SSVEC further requests that the
20 Commission approve an export rate for energy exported to the grid by DG customers equal to the
21 Cooperative's short term avoided cost. In connection with the requested approvals, SSVEC
22 requests that the Commission grant any required waivers of its Net Metering rules.

23 SSVEC further requests that the Commission approve its revised Service Conditions
24 which were attached as Rebuttal Exhibit DWH-1 to the Rebuttal Testimony of David Hedrick
25 (Hearing Exhibit A-6), and which were separately admitted as Hearing Exhibit A-8. SSVEC
26 requests that the Commission approve the requested changes to its service charges. SSVEC
27 requests that the Commission approve its request to re-base the Wholesale Power Cost
28 Adjustment to reflect the current cost of purchased power. Finally, SSVEC requests that the
Commission grant its request to freeze its Time-of-Use Rate Schedules.

¹¹⁹ Hearing Transcript Vol. II at 518, lines 3-15.

1 RESPECTFULLY submitted this 5th day of August, 2016.

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3 

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