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ARIZONA CORPORATION
COMMISSION

DOCKETED

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Re: Trico Electric Cooperative, Inc. Docket No. E-01461A-15-0363

Dear Colleagues and Other Interested Parties:

After considering Commissioner Tobin's letter of October 12th, 2016 to the parties in this case, I feel it is appropriate to make several comments.

On July 8, 2016, a Settlement Agreement was filed to the docket. The parties to the Settlement Agreement were Trico Electric Cooperative, Inc. and ACC Utilities Division Staff. On Page 2, Section 1.9 of the Settlement, a summary of the significant provisions of the Agreement were listed. The principal settlement terms in this discussion are:

1. The introduction of a demand rate component at a \$0.00 per kW rate that would allow an extended period of time for customer education regarding demand rates without any bill impacts.
2. Freezing of the current net metering tariff and adoption of a DG Energy Export Rate applicable to new DG customers
3. Grandfathering of the current net metering tariff for members who had DG interconnection applications submitted by May 31, 2016 so they remain on the current net metering tariff.

Commissioner Tobin's letter takes issue with the grandfathering date and the demand rate.

Regarding the grandfathering date, he correctly points out that the Commission expressed a point of view in Decision 75697 dated August 18, 2016, regarding retroactive grandfathering dates. Essentially the position expressed was that it is inappropriate to set grandfathering dates at a point in time prior to the date of the Commission order on that particular case.

The same issue was discussed in Decision 75224, dated August 26th, 2015, when the Commission voted to remove an application deadline from a disclaimer offered to Tucson Electric Power customers applying for rooftop solar referencing a cutoff date of June 1, 2015 since it was a date in advance of the final decision on the issue by the Commission.

If the parties do, in fact, believe there is a reason to deviate from prior positions taken by the Commission, the parties should place meaningful and compelling arguments for such a deviation in the record for the Commission to consider. My examination of the Settlement Agreement and Briefs indicates that the parties have included several arguments as to why we should consider the alternatives they are putting forward.

Regarding the issue of demand charges, in the recent past there have been numerous discussions on the merits of demand charges. Three Part Rates (demand rates) and Time of Use rates have been components of rate design in the electric industry for years. While demand charges were not adopted for UNS in Decision 75697, that decision does not preclude the adoption of demand charges in other cases.

Additionally, in my April 25th letter to the parties in the UNS docket, I was clear that my position on demand charges expressed therein should not be construed as applying to other cases.

The parties should be free to continue discussions of the merits of demand charges as a rate design option in the Trico rate case. I believe it is reasonable to allow the parties to explore the appropriateness of a zero demand charge, which they did as part of the Settlement Agreement dated July 8, 2016 and have the opportunity to argue the case for that Settlement Agreement before the Commission.

I do not believe that a zero demand charge is a “back door” to positive demand charges as a rate design option in the Trico rate case. In utility ratemaking there are no back doors. Any rate design changes will have to be approved by this Commission before being adopted.

I believe that the parties have the freedom to advocate (either individually, or as part of a settlement agreement) the solution that they feel works best for their particular view of the public interest. Each rate case has needs and characteristics specific to the particular applicant and its customers. While parties should respect previous Commission decisions, they should also be free to pursue creative and novel solutions to problems identified by the Commission.

In addition, TRICO is a member-owned electric cooperative with an elected board, accountable to the membership of the cooperative. I am willing to listen to certain alternative proposals precisely because of that accountability and the special relationship between the cooperative and its member owners. This is not to say that the Commission should not thoroughly evaluate recommendations by the cooperatives, but I believe that Commissioners should acknowledge and appreciate the difference between a cooperative and an investor-owned utility. In the case of a cooperative, the members are the ‘shareholders’.

Finally, with respect to settlement discussions, I believe that to achieve meaningful discussions, the parties need to be in a position to be flexible in placing various options on the table. In the absence of established policy in the form of rulemaking, arbitrarily taking options off the table ties the hands of the parties in a settlement discussion. I look forward to the opportunity to discuss and consider the full range of options presented as part of the Settlement Agreement when the matter comes before the full Commission.

Sincerely,

A handwritten signature in black ink, appearing to read "DLittle", with a long horizontal flourish extending to the right.

Doug Little
Chairman
Arizona Corporation Commission



On this 21st day of October, 2016, the foregoing document was filed with Docket Control as a Correspondence from Chairman Doug Little, and copies of the foregoing were mailed on behalf of Chairman Doug Little to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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