

October 6, 2017

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Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

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RE: *Arizona Investment Council's Comments in the Matter of Proposed Rulemaking regarding Interconnection of Distributed Generation Facilities (RE-00000A-07-0609)*

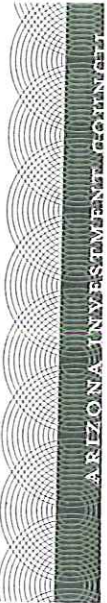
Dear Commissioners and Commission Staff:

Arizona Investment Council appreciates the opportunity to provide comments regarding rulemaking for interconnection of distributed generation facilities to the electricity grid. While the proposed rules focus on the technical and engineering aspects of interconnection, the rules do not adequately address how additional costs arising from interconnection are to be recovered by the utilities. Nor do the rules consider the potential for additional cost shifts associated with increased DG exports.

As the Commission is aware, the promulgation of new rules generally creates costs for the companies that must implement them. In many instances costs can be assigned directly to an individual customer who creates additional costs – in this case, a DG customer to be interconnected to the grid. Proposed rule R14-2-2604, for example, generally contemplates that certain costs related to engineering studies and utility facilities upgrades necessary for interconnection are the responsibility of the DG customer.

However, in certain situations, costs might be appropriately shared with other customers, or groups of customers. For example, if a transformer currently serving several current DG customers must be upgraded to serve a new DG customer, should the last DG customer be required to pay the entire cost of the upgrade, or should the earlier customers also share in the cost? In this example, who pays the capital cost of interconnection is akin to the line extension controversy of several years ago, and one for which the Commission should clearly articulate its policy. The rules as currently drafted do not address such situations. Recovery of other costs, like site inspections, that might be incurred by a utility in evaluating the feasibility of interconnection are not specifically addressed in the rules.

Whether certain additional costs related to interconnection should be recovered directly from the prospective DG customer or socialized among other customers should be part and parcel to the rules package. Some costs are appropriately recovered directly from the cost causer, while other costs, like installing upgraded distribution facilities, could be recovered from all or groups of customers who also benefit from the upgrades. Who ultimately pays these costs and whether they are a subject of future rate base cost recovery is a critical policy matter for the Commission to decide. To avoid confusion and uncertainty on who pays and how utilities recover these costs, the commission should make its policies clear and provide guidance on how utilities and DG customers should proceed.



Letter to Commissioners and Commission Staff

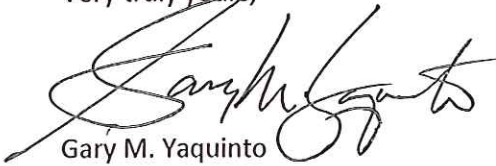
October 6, 2017

Page 2

Additionally, the Commission must be mindful that as it encourages and facilitates interconnection of DG, and more importantly storage solutions, it will likely foster an increase of DG exports to the electricity grid. Because the gradual transition away from net metering as directed in the Value of Solar decision may mitigate, but not eliminate cost shifts, the rules must address the matter of cost shifts and recovery of grid-related fixed costs.

The matter and manner of cost recovery should not be relegated to an afterthought, to be dealt with when controversial issues of cost recovery arise.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gary M. Yaquinto". The signature is fluid and cursive, with a large initial "G" and "Y".

Gary M. Yaquinto
President & CEO

ORIGINAL and thirteen (13) copies
filed this 6th^h day of October with:
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