

February 19, 2025

Salt River Project
1500 N. Mill Avenue
Tempe, AZ 85288

RE: 2025 Pricing Proceeding Recommendations

Mr. President, Board Members, and Staff,

The Arizona Solar Energy Industries Association (AriSEIA) is the solar, storage, and electrification trade association for the State of Arizona. We advocate for pro renewables policies at every level of government. AriSEIA does not speak for or represent a single company. We represent nearly 100 companies in the State and we advocate for policies that we think are beneficial for the industry and the grid and best serve the public interest to the greatest extent possible.

As such, we agree with most of the proposals made by the other organizations, namely Southwest Energy Efficiency Project (SWEET), Vote Solar, Wildfire, Arizona PIRG, Western Resource Advocates, and Sierra Club on February 6th. We also support many of the points made by Mr. Neil. We agree with an evidenced based approach to policy and ratemaking. We do not support or endorse comments or proposals that impede the clean energy transition, either by individual commenters or individual companies. Batteries are an essential and integral component to increased renewables on the grid, both at the distributed and utility scale levels. Misinformation about the safety or efficacy of batteries is unhelpful and shortsighted and we encourage the board and management to disregard such comments and proposals.

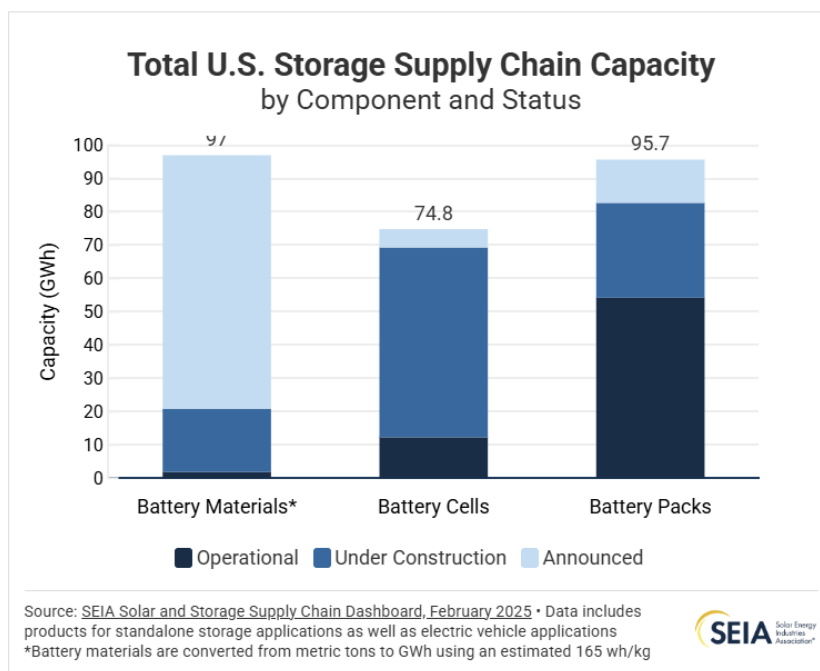
Correcting Battery Misinformation

While China is currently the world's leading manufacturer of battery cells, a diversified supply chain outside of China is rapidly developing, including manufacturing here in the U.S. The risk of China-only sourcing diminishes by the day.

Residential batteries do not fail at high rates; they work well when properly installed. Very few residential batteries fail. Like any other mechanical or chemical device, batteries degrade over time. The manufacturer maps, specifies, discloses, and guarantees this degradation. After 10 years, typical home batteries are guaranteed to still produce 70% (on average) of their original rated capacity. Capable installers consider this degradation when modeling system performance and expected savings and discuss these factors with their clients. Every home is different, uses different amounts of energy, and has different load profiles from other houses. Ethical, competent solar installers study the complexities of home batteries and design the best system for the home, the homeowner's usage, and savings goals. Batteries are often used to achieve these goals, and when designed and installed correctly, they will provide many years of reliable operation and savings.

There are very few fire risks associated with modern batteries. Manufacturers have incorporated numerous safety features designed to ensure safety, and data shows very few issues. Additionally, the best practice in Arizona is to install the battery inside of a home, in a garage or utility room, and not

outdoors. Home batteries are widely available and can be ordered, delivered, and installed today. Out of half a dozen popular battery manufacturers, only one is experiencing supply issues.



Virtual Power Plants

Distributed batteries allow individual ratepayers to reduce their electric bills and increase their resiliency in the event of a power outage, while also benefiting the utility and other ratepayers, by providing valuable capacity when the grid needs it most. Valuing that capacity sends a price signal to a ratepayer who has used their own capital to install a battery to provide the stored energy to the grid, instead of their own home, when there is strain on the grid. This is a supply virtual power plant (VPP). SRP can call an event on a hot August afternoon and thousands of homeowners can respond by allowing SRP to use their batteries, instead of them using the stored power themselves.

According to the U.S. Department of Energy, there is currently 30-60 GW of VPP capacity on the grid today, but that amount needs to triple by 2030.¹ Arizona Public Service (APS) is in the process of adopting a VPP modeled off of AriSEIA's proposal, which is derived from a very successful VPP program called ConnectedSolutions. Our proposal is a pay for performance only model that allows the utility to call up to 60 events in the summer season for up to three hours. A third party aggregator operates the program just like a smart thermostat program. Participants can lock in their rate for five years. **While we understand that actual adoption of a VPP program within this pricing proceeding may not be possible, we recommend the Board direct management to engage with AriSEIA to develop a program to bring to the board for consideration by the end of the year.**

¹ U.S. Department of Energy, Pathways to Commercial Liftoff: Virtual Power Plants, Sept. 2023, *available here* https://liftoff.energy.gov/wp-content/uploads/2023/10/LIFTOFF_DOE_VPP_10062023_v4.pdf.

Virtual Power Plant Proposal

Principles:

- Performance-based
- Allow batteries to export to grid
- No opt-out fee or limit
- Targeted, 3-hour max events, max 60 events per year
- Performance payments are stackable & open to all tariff/rate schedules
- Allow third-party aggregators
- Lock in payment level for 5 years
- Summer only events

Proposed Tariff-based Incentive:

- \$150/kW performance payment
 - Based on SRP's marginal cost of demand and marginal energy cost at the secondary distribution level
- Incentive payment would retain value for SRP and rest of rate base, while appropriately compensating VPP customers
- Payment to be based on actual average kW discharge

Time of Use

64% of SRP's customers are not on a time of use rate and 95% of SRP's customers can opt out of a time of use rate. Only 5% of SRP's customers are solar customers and, yet, they are the only customers required to be on a time of use rate. All customers should have the same rate plan options and all customers should be defaulted onto a time of use rate. Contrary to the comments of the board consultant, no one has argued for 100% participation on the time of use rates, but it should be the majority of customers and customers should have to opt out, rather than opt in. No current time of use customers should be defaulted to non-time of use rates in 2029. They should instead be defaulted to E-28. The differential between the on peak and off peak rates should be roughly 3:1 and that differential should be between on and off peak, not on and super off peak. The on peak time of use window should be three hours to maximize participation.

We recommend that E-16 and E-28 have the same on peak period. To alleviate management's concern about the shifting on peak window and the need to cover more than just 3 hours, we recommend customers have the option of one of two staggered on peak windows. **We recommend a 4-7pm on peak option and a 6-9pm on peak option.** This alleviates strain on the grid, allows families to select which plan works best for their schedule, and does not penalize solar owners.

We also recommend that the super off peak window be 10-3pm in the winter. This aligns with both the costs experienced by SRP and with what other utilities, such as APS, are currently offering. This will reduce customer confusion, create an evidence and cost based program, and does not unnecessarily penalize solar customers.

Needed change to TOU periods

From To	2:00 AM	3:00 AM	4:00 AM	5:00 AM	6:00 AM	7:00 AM	8:00 AM	9:00 AM	10:00 AM	11:00 AM	12:00 PM	1:00 PM	2:00 PM	3:00 PM	4:00 PM	5:00 PM	6:00 PM	7:00 PM	8:00 PM	9:00 PM	10:00 PM	11:00 PM	12:00 AM
Total	H03	H04	H05	H06	H07	H08	H09	H10	H11	H12	H13	H14	H15	H16	H17	H18	H19	H20	H21	H22	H23	H24	
January	1.87	1.84	1.87	1.94	2.20	2.56	2.18	1.96	1.22	1.07	0.97	0.87	0.86	0.99	1.59	2.32	2.55	2.50	2.42	2.33	2.20	2.02	
February	1.47	1.45	1.45	1.52	1.72	2.01	1.62	0.93	0.62	0.50	0.42	0.37	0.36	0.44	0.74	1.51	1.99	2.12	1.98	1.90	1.82	1.66	
March	1.03	1.02	1.05	1.18	1.46	1.41	0.79	0.32	0.12	0.05	0.00	(0.02)	(0.02)	0.03	0.20	0.79	1.43	1.66	1.55	1.43	1.29	1.17	
April	0.99	0.99	1.04	1.19	1.36	0.89	0.29	0.07	(0.03)	(0.05)	(0.07)	(0.07)	(0.05)	0.00	0.14	0.59	1.34	1.72	1.61	1.41	1.23	1.13	
May	1.15	1.14	1.21	1.35	1.30	0.57	0.15	0.02	(0.02)	(0.04)	(0.04)	(0.01)	0.03	0.13	0.28	0.71	1.54	2.24	2.19	1.82	1.49	1.35	
June	1.32	1.30	1.33	1.46	1.34	0.77	0.57	0.52	0.53	0.58	0.66	0.73	0.88	1.19	1.49	2.52	2.40	2.82	2.47	2.08	1.63	1.50	
July	1.75	1.72	1.74	1.81	1.97	1.55	1.39	1.38	1.42	1.53	1.69	1.97	2.43	7.00	14.38	23.63	48.05	58.56	15.86	4.96	3.12	2.61	
August	1.89	1.85	1.87	1.98	2.22	1.80	1.52	1.46	1.49	1.59	1.76	2.44	2.48	4.34	6.34	10.43	19.44	17.45	4.98	3.26	2.59	2.34	
September	1.47	1.44	1.45	1.56	1.67	1.44	1.05	0.95	0.95	1.02	1.12	1.27	1.46	2.42	3.19	3.43	3.47	4.18	2.88	2.13	1.86	1.70	
October	1.10	1.09	1.12	1.23	1.44	1.33	0.88	0.65	0.58	0.57	0.59	0.63	0.72	0.84	1.13	1.70	2.06	1.76	1.57	1.51	1.32	1.22	
November	1.30	1.28	1.29	1.36	1.54	1.66	1.27	0.81	0.65	0.61	0.60	0.61	0.64	0.80	1.31	1.82	2.01	1.80	1.73	1.68	1.61	1.44	
December	1.80	1.77	1.77	1.81	1.97	2.37	2.05	1.66	1.44	1.34	1.27	1.24	1.26	1.37	1.80	2.25	2.42	2.35	2.28	2.24	2.17	1.99	
Summer	1.26	1.25	1.28	1.40	1.44	1.03	0.66	0.53	0.51	0.54	0.58	0.65	0.77	1.15	1.52	2.09	2.87	2.75	2.28	1.88	1.57	1.44	
Peak	1.82	1.79	1.81	1.90	2.09	1.68	1.45	1.42	1.46	1.56	1.72	2.21	2.46	5.67	10.36	17.03	33.75	38.00	10.42	4.11	2.85	2.47	
Winter	1.41	1.39	1.41	1.50	1.71	1.82	1.37	0.89	0.67	0.59	0.53	0.50	0.51	0.61	0.96	1.55	1.96	2.02	1.93	1.83	1.72	1.57	
Annual	1.43	1.41	1.43	1.53	1.68	1.53	1.15	0.86	0.75	0.73	0.75	0.84	0.92	1.63	2.72	4.31	7.56	8.26	3.46	2.23	1.86	1.68	

Fixed Fees

AriSEIA agrees with the other organizations that made comments on February 6th. Fixed fees should be as low as possible, as volumetric charges better align price signals with behaviors that improve efficiency. However, to the extent SRP has fixed fees, there should be parity between solar and non-solar residential customers. Solar customers should not be singled out for punitive and discriminatory fees.

Export Rate

SRP's export rate is significantly below the other large utilities in Arizona. The valuation of the avoided cost is not correct. That methodology has not been highly scrutinized by the Arizona Corporation Commission or stakeholders because the Resource Comparison Proxy (RCP) framework has not yet rendered it necessary; however, SRP's proposed export rate methodology in this case is inadequate. AriSEIA met with SRP extensively about our concerns with the value of solar study in 2024. The current cost allocation study does not correctly assign value to capacity costs and avoided transmission and distribution costs. **We recommend that SRP adopt an export rate closer to that of Tucson Electric Power (TEP) to be evaluated on an annual basis and locked in for existing customers for a period of ten years, not one year.** Even though SRP is three times larger than TEP, their current number of solar customers are comparable. Therefore, TEP is a reasonable starting place for an export rate that is fair to solar customers, but is closer to the current SRP proposal.

Additionally, **any customers on a net metered rate should be allowed to stay on that rate until 2034** and not be inadvertently bumped in 2029, as is currently proposed.

Current SRP Solar Policies Compared

Utility	# of Customers	# of Solar Customers	Export Rate	Duration
APS	~1.4 million	~185,000	\$.06857	10 years
TEP	~400,000	~53,000	\$.0570	10 years
SRP (proposed)	~1.2 million	~56,000	\$.0345	1 year

If SRP provided more than two months to process this pricing proceeding, AriSEIA could provide a more detailed analysis and recommendation as to solar rate design. Organizations need time to hire an expert, have the expert review the workpapers, run their own analyses, and make a detailed recommendation. Therefore, we recommend the board set a vote on this pricing proceeding this summer, since the rate will not take effect until November of 2025, so that the best possible recommendations can be brought forward.

Commercial Rates

SRP seems to want to move to more plans with a storage component, but not in a way that will increase the adoption of storage. We recommend SRP adopt a pilot storage rate similar to the E-32L SP rate that APS adopted in 2024. APS developed that tariff in 2023 as a result of the prior rate case in a stakeholder process with AriSEIA. A copy of that tariff is included as Attachment A.

Recommendations

As such, AriSEIA recommends the Board offer amendments that accomplish the following:

1. Move the final vote on the pricing proposal until summer of 2025, with new rates to still take effect in November of 2025;
2. Open all four proposed rate plans to solar and non-solar customers;
3. Default all new customers to E-28 with an opportunity to opt out;
4. Have the super off peak time be 10-3pm in winter, instead of 8-3pm year round;
5. Have the same on peak time of 4-7pm or 6-9pm on both E-28 and E-16 with the ability of the customer to choose which of those periods works better for their family;
6. Move the export rate closer to that of TEP with a 10 year lock in, evaluated annually by SRP;
7. Adopt a pilot commercial storage rate similar to APS' E-32L SP;
8. Grandfather all net metered customers on their current rate until 2034, if so desired by the customers; and
9. Management should be directed to work with AriSEIA via a stakeholder process to develop a VPP program to be presented to the board by the end of the year.

Respectfully,

/s/ Autumn T. Johnson
Executive Director
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ATTACHMENT A



**RATE SCHEDULE E-32 L SP
LARGE GENERAL SERVICE (401 kW +)
STORAGE PILOT**

AVAILABILITY

This rate schedule is for a pilot rate available only to non-residential Customers that meet all of the following criteria:

- a. Have average summer monthly peak site loads of 401 kW and greater.
- b. Do not qualify for Rate Schedules E-34 or E-35.
- c. Are not taking service under rate rider AG-X or through Direct Access.
- d. Operate a chemical, mechanical, or thermal energy storage system located on their premises.

This rate schedule will be capped at a peak demand total of 35,000 kW of installed systems and active interconnection applications, on a first-come first-served basis. This rate is subject to the availability of required metering equipment, including bidirectional production meters for solar systems and bidirectional meters for the battery installation for the evaluation of effectiveness of the pilot program, and completion of necessary enhancements to the Company's billing system.

DESCRIPTION

This rate has three parts: (1) a basic service charge; (2) a demand charge for the highest amount of demand (kW) averaged in a 15-minute period for the month; and (3) an energy charge for the energy (kWh) used during the month. The demand and energy charges vary by season (i.e., summer or winter) and time of day (i.e., On-Peak and Off-Peak).

If a Customer no longer meets the requirements of this rate schedule, the Company will place that Customer on the applicable Time-of-Use Rate Schedule (E-32 TOU XS, E-32 TOU S, E-32 TOU M, E-32 TOU L) based on the Customer's average summer monthly maximum demand, as determined by the Company each year.

A customer's monthly peak site load is the average kW supplied during the 15 minute period of maximum use during on-peak hours for each respective billing period.

TIME PERIOD

Summer Hours

On-Peak hours:	4:00 pm – 9:00 pm Monday through Friday
Off-Peak hours:	All remaining hours

Winter Hours

On-Peak hours:	4:00 pm – 9:00 pm Monday through Friday
Off-Peak hours:	All remaining hours



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Summer season:

Bill cycles months May through October

Winter season:

Bill cycles months November through April

CHARGES

The monthly bill will consist of the following charges, plus adjustments:

Bundled Charges

Basic Service Charge (only one applies)		
For service through Self-Contained Meters	\$ 3.307	per day
For service through Instrument-Rated Meters	\$ 4.238	per day
For service at Primary Voltage	\$ 7.410	per day
For service at Transmission Voltage	\$ 41.918	per day

Demand Charges (only one set applies)				
		Summer	Winter	
Secondary	On-Peak kW	\$ 6.994	\$ 5.455	per kW
	Off-Peak kW	\$ 2.634	\$ 1.885	per kW
Primary	On-Peak kW	\$ 6.696	\$ 5.448	per kW
	Off-Peak kW	\$ 2.513	\$ 1.868	per kW
Transmission	On-Peak kW	\$ 5.399	\$ 4.885	per kW
	Off-Peak kW	\$ 1.707	\$ 1.413	per kW

Energy Charges			
	Summer	Winter	
On-Peak	\$ 0.21763	\$ 0.08455	per kWh
Off-Peak	\$ 0.07889	\$ 0.04959	per kWh



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Unbundled Components of the Bundled Charges

Bundled Charges consist of the components shown below. These are not additional charges.

Basic Service Charge Components

Customer Accounts Charge	\$ 2.597	per day
Meter Reading	\$ 0.010	per day
Billing	\$ 0.032	per day
Metering* (only one applies)		
Self-Contained Meters	\$ 0.668	per day
Instrument-Rated Meters	\$ 1.599	per day
Primary	\$ 4.771	per day
Transmission	\$ 39.279	per day

*These daily metering charges apply to typical installations. Customers requesting specialized facilities are subject to additional metering charges.

Demand Charge Components

		Summer	Winter	
Transmission On-Peak		\$ 2.870	\$ 2.870	per kW
Generation On-Peak		\$ 1.462	\$ 1.462	per kW
Generation Off-Peak		\$ 0.934	\$ 0.934	per kW
Delivery - Secondary	On-Peak kW	\$ 2.662	\$ 1.123	per kW
	Off-Peak kW	\$ 1.700	\$ 0.951	per kW
Delivery -Primary	On-Peak kW	\$ 2.364	\$ 1.116	per kW
	Off-Peak kW	\$ 1.579	\$ 0.934	per kW
Delivery - Transmission	On-Peak kW	\$ 1.067	\$ 0.553	per kW
	Off-Peak kW	\$ 0.773	\$ 0.479	per kW



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Energy Charge Components

System Benefits Charge:	\$ 0.00361	per kWh
Delivery Charge	\$ 0.00000	per kWh

	Summer	Winter	
Generation On-Peak	\$ 0.21402	\$ 0.08094	per kWh
Generation Off-Peak	\$ 0.07528	\$ 0.04598	per kWh

For billing demand purposes:

The On-Peak kW used in this rate schedule will be the greater of the following:

1. The average kW supplied during the 15-minute period of maximum use during On-Peak hours for each respective billing period, as determined from readings of the Company's meters or in accordance with the Company's Service Schedule 8.
2. The minimum kW specified in the agreement for service or individual contract.
3. 300 kW.

Off-peak kW will be based on the average kW supplied during the 15-minute period of maximum use during Off-Peak hours of the billing period, as determined as recorded by the Company's meters or in accordance with the Company's Service Schedule 8.

The monthly bill for service under this rate schedule will not be less than the Bundled Basic Service Charge plus the Bundled Demand Charge for each kW.

Summer Billing Season: May through October billing cycles
Winter Billing Season: November through April billing cycles

Seasonal billing charges will be applied to a Customer's bills by monthly bill cycle.

ADJUSTMENTS

The bill will include the following adjustments:

1. The Renewable Energy Adjustment Charge, Adjustment Schedule REAC-1.



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2. The Power Supply Adjustment charges, Adjustment Schedule PSA-1.
3. The Transmission Cost Adjustment charge, Adjustment Schedule TCA-1.
4. The Demand Side Management Adjustment Charge, Adjustment Schedule DSMAC-1.
5. The Tax Expense Adjustor Mechanism charge, Adjustment Schedule TEAM.
6. The Court Resolution Surcharge, Adjustment Schedule CRS-1.
7. The System Reliability Benefit Adjustment Mechanism charge, Adjustment Schedule SRB-1
8. Any applicable taxes and governmental fees that are assessed on APS's revenues, prices, sales volume, and generation volume.

RATE RIDERS

Eligible rate riders for this rate schedule are:

EPR-2	Partial Requirements – Net Billing
EPR-6	Partial Requirements – Solar Net Metering
E-56 R	Partial Requirements – Renewable
GPS-1, GPS-2, GPS-3	Green Power

POWER FACTOR REQUIREMENTS

1. The Customer's load must not deviate from phase balance by more than 10%.
2. Customers receiving service at voltage levels below 69 kV must maintain a power factor of 90% lagging. The power factor cannot be leading unless the Company agrees.
3. Customers receiving service at voltage levels of 69 kV or above must maintain a power factor of $\pm 95\%$.
4. The Company may install certain monitoring equipment to test the Customer's power factor. If the load doesn't meet the requirements, the Customer will pay the cost to install and remove the Company's equipment.



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5. If the load does not meet the power factor requirements, the Customer must resolve the issue with the Company. Otherwise, the Customer must pay for any costs incurred by the Company for investments on its system necessary to address the issue. Also, until the problem is remedied, the Company may compute the Customer's monthly billing demand with kVA instead of kW.

SERVICE DETAILS

1. APS provides electric service under the Company's Service Schedules. These Service Schedules provide details about how the Company serves Customers.
2. Electric service provided will be single-phase, 60 Hertz at the Company's standard voltages available at the Customer site. Three-phase service is required for motors of an individual rated capacity of 7 ½ HP or more.
3. Electric service is supplied at a single point of delivery and measured through a single meter.
4. At the Company's option, a Customer will be required to sign the Company's standard agreement for service. If additional construction is required to serve the Customer, the contract period will be five years. If no additional distribution construction is required to serve the Customer, the contract period will be two years. At the end of a two-year service agreement, the Customer may request to modify the minimum kW in the standard agreement for service to reflect the Customer's actual usage during those two years.