

EXCEPTION

ORIGINAL

OPEN MEETING AGENDA ITEM



0000080856

Solar Advocates

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The Arizona Solar Energy Industries Association  
The Solar Alliance

2008 MAR -6 A 11: 35

**Exceptions to Proposed Rulemaking Regarding Net Metering  
(Docket No. RE-00000A-07-0608)**

AZ CORP COMMISSION  
DOCKET CONTROL

**Exception 1**

**R14-2-2301 Applicability**

After "...as defined in these Rules" insert: "*Utility customers with Solar Service Agreements have the same rights to participate in Net Metering as those utility customers who own their system*"

**Justification for the Amendment**

It is likely that a significant percentage of the Distributed Generation systems that will be installed in the coming years will be installed under what is known as a "solar service agreement" in which a third party owns the solar system and the owner of the site where the solar system is installed purchases the electricity from the solar system. For this reason we feel it is appropriate to add the above clause to this section for clarification.

**Exception 2**

**R14-2-2302 Definitions**

At the end of the Section insert: "*Solar Service Agreement: A contractual agreement between a customer and a third party for the provision of electricity from solar equipment which is intended primarily to serve the load on a customer's premises where the equipment is located or on contiguous property. This activity shall not be considered a sale of electricity for the purposes of any state or local regulation governing sales of electricity or regulating utility service.*"

**Justification for the Amendment**

Concern over the how Solar Service Agreements may be defined or classified by the ACC in the future creates uncertainty for those considering entering into long term service agreements. Also, term, "Solar Service Agreement," if added to section R14-2-2301, needs to be defined.

**Exception 3**

**R14-2-2304. Metering**

Arizona Corporation Commission  
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Strike *“and accumulating the kilowatt hours (“kWh”) of”*

#### **R14-2-2308. Filing and Reporting Requirements**

Strike Section B: *“Also included in this report shall be, for each existing Net Metering Facility, the monthly peak demand delivered to and from the Electric Utility and the monthly amount of energy delivered to and from the utility.”*

#### **Justification for the Amendment**

The reporting requirements outlined in this section would prevent utilities from using simple bi-directional meters, as TEP has proposed, that do not record total electricity that is fed into the grid, but instead spin forward and backward, and record the total *net* production or use for a billing cycle. These sections are a de facto mandate requiring the utilities use a certain type of Meter. The language in 2308 that requires Utilities to report the “peak demand delivered to...the electric utility”, is physically impossible for most if not all residential net metering meters currently installed today. They simply don't have this function.

This would also require voluminous reporting on behalf of the utilities. Imagine a hard copy report listing several thousand projects.

#### **Exception 4**

#### **R14-2-2305 A. New or Additional Charges**

Strike Section A: *“Any proposed charge that would increase a Net Metering Customer's costs beyond those of other customers in the same rate class shall be filed by the Electric Utility with the Commission for Approval. The Filings shall be supported with cost of service studies and benefit/cost analysis.”*

#### **Justification for the Amendment**

One of the key rationales behind the idea of having statewide standards is to resolve critical issues that affect multiple entities in a single forum, and avoid having to rehash the same issue separately for each regulated utility.

Specific to net metering, Arizona Public Service, in their most recent General Rate Case, filed a net metering tariff that sought to collect additional charges for serving net metered customers. The Solar Advocates were forced to hire an attorney and intervene, and spent considerable time and money on the issue. In Decision No. 69663, the Commission ruled in favor of the Solar Advocates on the issue of collection of ‘uncollected fixed costs’ (and many of the arguments in the rate case concerned the idea of the cost benefit analysis raised in this section). This proposed draft rule essentially vacates what the Commission has already decided in the APS rate case, and then—instead of deciding the issue once

and for all—kicks the issue farther down the road and requires the issue to be re-decided individually for each regulated utility.

In the APS rate case (Mayes Amendment 7, which passed by a 4-1 vote), the Commission decided that if there are any “uncollected fixed costs” then APS should “seek their recovery in the next rate case.” We believe that this is a just and proper approach. In a broad sense, the Commission has already decided that the benefits of distributed generation outweigh costs—that’s why the Commission wisely adopted the Renewable Energy Standard and Tariff, with specific distributed generation requirements, in the first place. And as the benefits of customer-sited distributed generation accrue to all ratepayers, the costs of supporting a network with distributed generation should be shared as well.

As a practical matter, the prospect of additional customer charges—or even the uncertainty of potential future additional customer charges—will severely depress the solar market (and other distributed generation technologies), and will inhibit compliance with the RES. For this reason, many other states have chosen to use net metering standards to expressly prohibit the additional of additional customer charges for net metered customers.

### **Exception 5**

#### **R14-2-2307 Net Metering Tariff**

Strike section B: *“The Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities and may specify total capacity limits. If capacity limits are included in the Tariff, such limits must be fully justified using appropriate loads and resources data.”*

#### **Justification for the amendment**

Section B notes that the tariff may specify capacity limits. It has been the working understanding that perhaps the most important issue that the Net Metering ROO addresses is capacity limits. Section R14-2-2303 B does a good job of this. It sets no capacity cap but allows DG facilities with a capacity of under 125% of the customer’s on-site connected load to be eligible for net metering. We are also concerned that capacity limits might trump full compliance with the distributed resources requirement of the RES. Also, it is not clear if “total capacity limits” refers to individual systems or an aggregate of the total number of kW of net metering systems that a utility can have. Either way the inclusion of this section ensures further litigation.

Finally, annual purchase of remaining credits is covered under section R14-2-2606 G and it is not necessary to include it here.