



# Grand Canyon State Electric Cooperative Association, Inc.

Your Touchstone Energy® Cooperatives 



0000081673

47

RECEIVED

2008 FEB 12 A 9:51

February 12, 2008

AZ STATE COMMISSION  
DOCKET CONTROL Arizona Corporation Commission  
**DOCKETED**

FEB 12 2008

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

DOCKETED BY 

Re: *Cooperatives' Comments on the Staff Revised Draft Proposed Net Metering Rules  
Filed on February 1, 2008;  
Docket No. RE-00000A-07-0608*

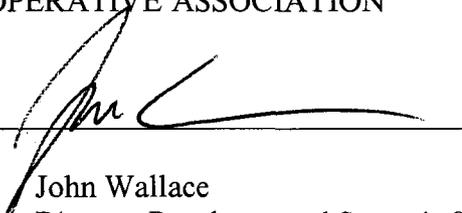
Dear Sir/Madam:

The Grand Canyon State Electric Cooperative Association ("GCSECA"), on behalf of its Arizona cooperative members,<sup>1</sup> submits the attached comments on the Staff Revised Draft Proposed Net Metering Rules filed on February 1, 2008.

RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of February, 2008.

GRAND CANYON STATE ELECTRIC  
COOPERATIVE ASSOCIATION

By

  
John Wallace  
Director, Regulatory and Strategic Services

<sup>1</sup> The Arizona cooperative members are: Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.; Navopache Electric Cooperative, Inc.; Sulphur Springs Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. (collectively the "Electric Cooperatives").

Docket Control  
February 12, 2008  
Page 2

**Original and 13 copies** filed with Docket  
Control this 12th day of February, 2008, with:

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

# **ELECTRIC COOPERATIVE COMMENTS ON THE STAFF REVISED DRAFT**

## **PROPOSED NET METERING RULES DATED FEBRUARY 1, 2008**

**DOCKET NO. RE-00000A-07-0608**

### **Introduction**

The following comments on the Revised Draft Proposed Net Metering Rules ("Revised Net Metering Rules") dated February 1, 2008 are provided by Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"), Mohave Electric Cooperative, Inc. ("Mohave"), Navopache Electric Cooperative, Inc. ("Navopache"), Trico Electric Cooperative, Inc. ("Trico") and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively "Electric Cooperatives" or "ECs").

### **Electric Cooperatives' General Comments**

Net metering creates a subsidy for customers who receive net metering. The cooperative and its members have incurred the cost of a transmission and distribution system to serve all member/customers. A customer that is net metered avoids paying the full cost of those facilities and yet receives a full retail rate for power generated by the customer. The other members will eventually be forced to pay higher rates to subsidize these costs that are not being paid by net metered customers. In addition, as a result of the high cost of Distributed Generation ("DG") systems, affluent member/customers will be installing DG at the expense of less affluent member/customers.

For example, currently the Electric Cooperatives have monthly customer charges ranging from approximately \$7.50 to \$20.00. These monthly customer charges do not completely recover the

## **ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

fixed cost associated with the distribution and transmission plant dedicated to serving this customer. The Electric Cooperatives' current rate design collects a portion of the fixed costs associated with providing distribution and transmission service from the per kWh charge that on average is approximately \$0.10 per kWh and will be avoided by net metered customers when their DG systems produce energy. By avoiding the Electric Cooperatives' kWh charge, a net metered customer is not paying their share of the fixed costs associated with the transmission and distribution system.

In the Revised Net Metering Rule R14-2-2307(B), Commission Staff has added a sentence at the end of this section that restricts capacity limits placed on a net metering tariff and states that "... such limits must be fully justified using appropriate loads and resources." This language excludes capacity limits on the basis of the subsidy that is being created for net metered customers and lack of cost recovery that is discussed above. For these reasons, the Electric Cooperatives would recommend that the last sentence in the Revised Net Metering Rule R14-2-2307(B) be removed.

For the reasons stated above, the Electric Cooperatives support the comments contained within the Staff report dated December 17, 2007 regarding the restriction of total net metering capacity (Staff Report at the bottom of Page 2) and in the language contained in R14-2-2307.B in the Net Metering Rules dated December 17, 2007 and believe this language should remain unchanged.

## **ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

Also for the reasons stated above, the Electric Cooperatives support those cost recovery provisions of the proposed Net Metering Rules dated December 17, 2007 in sections R14-2-2304.C, 2304.F, 2305.A, 2305.B and 2305.C and also would recommend that these provisions be included in the Revised Net Metering Rules.

The Electric Cooperatives have comments regarding the Net Metering Rules in the following areas, as more specifically described herein:

- A. The Electric Cooperatives have concerns about the language in R14-2-2302 M. regarding a generating capacity of less than or equal to 125 percent of the Net Metering Customers on-site expected peak demand and the problems associated defining and quantifying “expected peak demand” and with sizing of DG systems, payment for net energy provide to the utility, etc. that this language may cause.
  
- B. The Electric Cooperatives suggest the Revised Net Metering Rules define “expected peak demand” and how this will be calculated in the absence of customer demand data.
  
- C. Concerning R14-2-2306.F, the Electric Cooperatives are concerned about the time and expense associated with Net Metering customers who take service under Time of Use tariffs.

**ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

D. The Electric Cooperatives are concerned about that the provisions of proposed section R14-2-2308.B to report “monthly peak demand delivered to the Electric Utility”.

**R-14-2-2302 Definitions – Expected Peak Demand:**

**Electric Cooperatives’ Comments**

A definition should be added to clarify the meaning of “expected peak demand” as stated in R-14-2-2302.M.4. Most of the Electric Cooperatives’ customers do not have demand meters. Consequently, under the Revised Net Metering Rules, “expected peak demand” would need to be estimated. Estimating “expected peak demand” can be an involved and difficult process with many variables. If demand data is available for a net metered customer, the calculation of “expected peak demand” should be based on the highest demand for the last 12 months or 50% of the total connected load. For these reasons, a definition should be added that will address these issues.

**R-14-2-2302 Definitions - M. Net Metering Facility: Generating Capacity Less Than or Equal to 125% of Customers On-site Expected Peak Demand**

**Electric Cooperatives’ Comments**

The Revised Net Metering Rule R-14-2-2302 M.4 state that a customer with generating capacity less than or equal to the 125% of the customer’s expected peak demand is eligible to receive net metering. The Electric Cooperatives have previously stated in their comments that net metering systems should be sized to meet the customer’s load and that customers should not be incented to

## **ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

over-size their distributed generation (“DG”) system such that on a regular, net basis they are able to provide electricity to the utility. A net metering rule that would allow net metered customers to oversize their systems by up to 25% appears to incent customers to install more DG equipment so that net metered customers could regularly sell energy to a utility. In addition, the Electric Cooperatives are already required to maintain reserve margins for all customers in order to maintain system reliability. To require utilities and their consumers to buy power from net metered customers on a regular basis that is due to the additional 25% is unfair to non-net metered customers and duplicative.

The Electric Cooperatives also have concerns about the potential need to upgrade their distribution systems to meet the net metered customer’s 125 percent of expected peak demand. Since most electric utilities including the Electric Cooperatives design/size their distribution systems based on 100 percent of the customers expected peak demand, during low load periods a net metered customer’s generation output could produce flow back into the distribution system at a level greater than 100 percent of its expected peak demand. To remain consistent with current design practice for the distribution system, it is important to limit the customer’s generation to no more than 100 percent. This would allow sizing of the local distribution system in a consistent manner regardless of whether or not there is currently, or may be in the future, customers with generating facilities. This will also eliminate the need for additional distribution plant investment to meet the 125 percent of expected peak demand.

## **ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

Finally, as noted in the Net Metering Staff Report, many types of distributed generation are not dispatchable and there will be a need for total distributed generation limits to maintain system reliability. The limit can be reached through a small number of large systems or a large number of small systems. The Staff Report accompanying the original proposed Draft Rules, notes on page 2 that customers will use Net Metering for "... essentially storing excess power on the grid...". This is a new role for electric utilities, one for which their assets are generally not appropriately suited. Eventually, as self-generation capacity reaches some future threshold yet to be determined, utilities will need to install energy storage assets, at some cost, to manage the energy storage demands imposed by customers. For the reasons stated above and to more closely align distribution system sizing with distributed generation sizing, the Electric Cooperatives would request that the percentage stated in Net Metering Rule R-14-2-2302 M.4 be changed from 125% to 100%. The language "based on the highest demand for the last 12 months" should also be added to the end of this sentence for clarity.

### **Section R14-2-2304.C – Metering**

#### **Electric Cooperative Comments**

The Commission should allow the utilities the option to install a second meter and double meter base to register the Net Metered customers' DG system output. For this reason the Electric Cooperatives request the language "including the cost of another meter and double meter base." be added to the end of this sentence.

**ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

**Section R14-2-2306.C – Billing for Net Metering**

**Electric Cooperative Comments**

Since the Electric Cooperatives bill for demand for some customers on basis of kVA, the language “ or kVA” be added after the word “kW” in this sentence.

**Section R14-2-2306.F - Billing for Net Metering**

**Electric Cooperative Comments**

While Time of Use (TOU) Net Metering can technically be implemented, the cost to the customer could be very expensive using existing available technology. As smart metering systems are implemented service territory wide, the cost of TOU Net Metering equipment and monthly reading may decline. No language changes are suggested at this time, but the proposed Net Metering tariffs will reflect technology for TOU Net Metering at the time the tariffs are presented. In addition, the implementation of TOU Net Metering in customer billing systems, while again are technically possible, will involve significant expense as those information processing systems will need to be programmed to support a billing concept they were not designed to calculate. The question of excess credit carryover of TOU summer credits into winter and vice versa with dissimilar values will need to be addressed in the Net Metering tariffs. The Electric Cooperative’s do not support participation in a TOU program for Net Metering customers, due to the concerns above and that the costs for such customers would not properly be recovered in the TOU rates. Should the Commission require offering of a TOU program to

# **ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

Net Metering customers, Net Metering customer's will need a separate TOU rate class to appropriately reflect the Net Metering customer's costs and service.

## **Section R14-2-2307.A – Net Metering Tariff**

### **Electric Cooperative Comments**

Given the complexities associated with designing and filing a net metering tariff, the Electric Cooperatives request that the 90 day time period contained this sentence be changed to 120 days.

## **Section R14-2-2308.B – Filing and Reporting Requirements**

### **Electric Cooperatives' Comments**

The Electric Cooperatives recommend the removal of the language "monthly peak demand delivered to the Electric utility and the" in the first line of this section. Demand recording meters are much more costly than a standard energy only recording bi-directional meter. Demand meters also require a manual reset after reading, which will result in additional expenses to be charged to the Net Metering customer. The Staff Report does not mention demand recording, nor does section R14-2-2304 – Metering reference any demand registers for the Net Metering meters. Given that the nameplate generation capacity of the Net Metering Facility will be reported, sufficient information would be available to determine connected distributed generation capacity. Recording of coincident demand information and time stamped demand data for multiple high demand periods in a month does not assist in determining the value of distributed generation to a utility. To implement monthly peak demand reporting at this time will result in a

**ELECTRIC COOPERATIVE COMMENTS ON REVISED NET METERING RULES**

**DOCKET NO. RE-00000A-07-0608**

high cost of entry to potential Net Metering customers and a high cost of administration in developing the reports, with only a small benefit to anyone beyond that provided by the nameplate generation capacity data reported in section R14-2-2308.A.