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Solar Advocates

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The Arizona Solar Energy Industries Association
The Solar Alliance
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AZ CORP COMMISSION
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Comments on Staff Report on Revised Draft Proposed Net Metering Rules
RE-00000A-07-0608

The Solar Advocates appreciate the Arizona Corporation Commission (Commission) Staff's ongoing efforts to create a set of far reaching and encompassing net metering rules for Commission regulated utilities.

Commission Staff has consistently gone out of their way to work closely with stakeholders; creating an open and collaborative process that is very much appreciated. *The Revised Draft Proposed Net Metering Rules for the Proposed Rulemaking on Net Metering Rules* is a substantive step forward toward "best practice" net metering.

While the Solar Advocates still have significant concerns, several changes to the Revised Draft, if implemented, would create a set of net metering rules comprehensive enough to serve as example for other states.

To this end, the Solar Advocates offer the following suggestions.

R14-2-2301 Applicability

These Rules govern the treatment of Electric utility customers in Arizona who operate a Net Metering Facility and wish to interconnect with the Electric utility which serves them and engage in Net Metering operation as defined below. These Rules apply to all Electric utilities, as defined in these Rules.

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 following clause to this section for clarification: "Utility customers with Solar Service Agreements have the same rights to participate in Net Metering as those utility customers who own their systems."

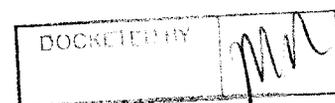
R14-2-2302 Definitions

We suggest that the following definition be added to the definitions section.

"Solar Service Agreement":

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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."

R14-2-2302 M.

"Net Metering Facility" means a facility for the production of electricity that:

- 1. Is operated by a Net Metering Customer and is located on the net metering customer's Premises.*

It is suggested that the words "or on behalf of a net metering customer" be added after the words "*Net Metering Customer.*" This change would allow for those taking advantage of the third party solar service contracts discussed above to be included in the definition.

R14-2-2304

If the meter that is currently installed on the Net Metering Facility is incapable of registering and accumulating the kilowatt hours ("kWh") of electricity flowing in both directions in each billing period, a bi-directional meter with that capability shall be installed by the Electric Utility to record the kWh of electricity in both directions.

Eliminating the above underlined words, "*and accumulating the kilowatt hours ("kWh") of*" and substituting "the net" would serve to create a much more flexible program. It would give utilities the option of installing less expensive meters that do not record the total kilowatt hours in each direction, but are still capable of registering the net electricity flowing in both directions. With this type of meter at the end of the billing cycle the meter reader simply, "looks to see where the meter is." Tucson Electric Power's (TEP) notes this in its comments in response to the original draft rule. TEP also supports allowing the use of the more simple bi-directional meters. While APS often uses digital meters that can record accumulating kilowatt hours in both directions, eliminating the above suggested words would allow for both and give the utility a choice of which they wish to use. We believe there is no reason not to allow both types of meter.

R14-2-2305 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.

We wish to reiterate and stress the importance of our comments that were filed with regard to this section in response to the previous draft ROO:

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.

For example, New Jersey's net metering standard (§ 14:4-9.3) provides:

(j) A supplier/provider or EDC shall provide net metering at non-discriminatory rates that are identical, with respect to rate structure, retail rate components, and any monthly charges, to the rates that a customer-generator would be charged if not a customer-generator...

(k) A supplier/provider or EDC shall not charge a customer-generator any fee or charge; or require additional equipment, insurance or any other requirement; unless the fee, charge, or other requirement is specifically authorized under this subchapter, or the fee would apply to other customers that are not customer-generators.

Other states with ambitions to develop a solar market—Colorado, California, Pennsylvania, Maryland—have net metering standards with similar protections against additional customer charges.

We highly recommend that the draft rule be revised to remove this sub-section completely.

R14-2-2305 B.

Net Metering costs shall be assessed on a nondiscriminatory basis with respect to other customers with similar load characteristics.

We are unsure what specific intent of this section is and seek clarification. Read one way, it seems to indicate that costs the utility claims are associated with net metering would be required to be spread across the entire rate class. If this is the case then some of the concerns associated with R14-2-2305 A. are allayed. In addition, the benefits of net metering should be taken into account similar to any costs.

R142-2306 C.

With Net Metering, only the kWh units of a customer's bill are affected by the energy credits described in R14-2-2306(E): i.e., not KW demand charges or customer charges

It is recognized that net metering does not affect kW demand. The kW demand of a customer for the month is whatever it is. In other words, we recognize there is no carry-forward of excess kW units to future billing periods. However, there is concern that this section may be attempting to indicate that utilities will be able to recover demand charges for any capacity supplied by the on-site system. If this is the case, we would oppose this section.

R14-2-2606 G.

G. Once each calendar year the Electric Utility shall issue a check or billing credit to the Net Metering Customer for the balance of any credit due in excess of amounts owed by the customer to the Electric Utility. The payment for any remaining credits shall be at the Electric Utility's Avoided Cost. That Avoided Cost shall be clearly identified in the Electric Utility's Net Metering tariff.

We support these elements, but suggest that the annual true up occur at the end of the summer billing cycle. Stored credits from net excess generation in the winter and spring months are typically used up during the summer months when electricity usage increases due to cooling demands. An "end of summer" annual true up would have the benefit of reducing the amount of true-up checks that need to be issued as well as reducing the associated accounting and customer service costs.

R14-2-2307 A.

Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 90 days from the effective date of these rules, including financial information and supporting data sufficient to allow the Commission to determine the Electric Utility's fair value for the purposes of evaluating any specific proposed charges. The Commission shall issue a decision on these filings within 120 days.

This section seems to encourage utilities to file cost information related to any new charges sought. However, the utility is not required to provide supporting information for the associated offsetting benefits. We propose adding the following language, "The utility should also be required to provide information and supporting data sufficient to allow the Commission to determine the cost savings and other benefits for the purposes of evaluating any specific proposed charges."

R14-2-2307 B.

The Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities and may specify capacity limits. If capacity limits are included in the Tariff, either for individual projects or in total, such limits must be fully justified using appropriate loads and resources data.

Section B notes that the tariff may specify capacity limits. It has been the working understanding that perhaps the most important issues that the Net Metering ROO is to address 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. A final reason the reference to capacity in this section should be stricken, is that it is in conflict with section 2303 B which proscribes an excellent method for addressing capacity limits.

R14-2-2308 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.

This relates back to concerns that were addressed under section **R14-2-2304**. 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. This would also require voluminous reporting on behalf of the utilities. Imagine a hard copy report listing several thousand projects.