

ORIGINAL
OPEN MEETING
MEMORANDUM



410

TO: THE COMMISSION
FROM: Utilities Division
DATE: February 25, 2008
RE: PROPOSED RULEMAKING REGARDING NET METERING (DOCKET NO. RE-00000A-07-0608)

Commission Decision No. 69877, dated August 28, 2007 directed Staff to begin a rulemaking process to draft rules on net metering. On December 17, 2007, Staff promulgated a draft of proposed Net Metering Rules, encouraging interested parties to provide comments on the draft. On January 31, 2008, Staff distributed a revised draft of proposed Net Metering Rules incorporating many of the comments received. Subsequent comments from interested parties have been incorporated into the proposed Net Metering Rules.

Staff has recommended that the proposed Net Metering Rules be forwarded to the Secretary of State for Notice of Proposed Rulemaking.

Staff further recommends that the Hearing Division schedule a public comment proceeding on the proposed Net Metering Rules no earlier than 30 days after publication in the Arizona Register, but as soon as practicable thereafter.

Ernest G. Johnson
Director
Utilities Division

EGJ:JJP:lhm\KT

ORIGINATOR: Jeffrey Pasquinelli

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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

- MIKE GLEASON
Chairman
- WILLIAM A. MUNDELL
Commissioner
- JEFF HATCH-MILLER
Commissioner
- KRISTIN K. MAYES
Commissioner
- GARY PIERCE
Commissioner

IN THE MATTER OF PROPOSED
RULEMAKING REGARDING NET
METERING

DOCKET NO. RE-00000A-07-0608
DECISION NO. _____
ORDER

Open Meeting
March 11 and 12, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Commission Decision No. 69877, dated August 28, 2007, directed Staff to begin a rulemaking process to draft rules on net metering.
2. On December 17, 2007, Staff promulgated a draft of proposed Net Metering Rules, encouraging interested parties to provide comments on the draft.
3. On January 31, 2008, Staff distributed a revised draft proposed Net Metering Rules incorporating many of the comments received. Subsequent comments from interested parties have been incorporated into the proposed Net Metering Rules.
4. Staff has recommended that the proposed Net Metering Rules be forwarded to the Secretary of State for Notice of Proposed Rulemaking.
5. Staff further recommends that the Hearing Division schedule a public comment proceeding on the proposed Net Metering Rules no earlier than 30 days after publication in the Arizona Register, but as soon as practicable thereafter.

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IT IS FURTHER ORDERED that the Hearing Division schedule a public comment proceeding on the proposed Net Metering Rules no earlier than 30 days after publication in the Arizona Register, but as soon as practicable thereafter.

IT IS FURTHER ORDERED that this Decision become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2008.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:JJP:lh\KT

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21	E-01851A	E-01575A
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23	PO Box 631	Cooperative, Inc.
24	Deming, NM 88031	PO Box 820
25	E-01703A	Willcox, AZ 85644
26	Duncan Valley Electric Cooperative, Inc.	E-01933A
27	PO Box 440	Tucson Electric Power Company
28	Duncan, AZ 85534	Attn: Karen Kissinger
29	E-01891A	PO Box 711, MS OH-203
30	Garkane Energy Cooperative, Inc.	Tucson, AZ 85702
31	PO Box 465	E-01461A
32	Loa, UT 84747	Trico Electric Cooperative, Inc.
33	E-01049A	PO Box 930
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ATTACHMENT
Proposed Net Metering Rules

ARTICLE 23.

NET METERING

- | | |
|-------------|-----------------------------------|
| R14-2-2301. | Applicability |
| R14-2-2302. | Definitions |
| R14-2-2303. | Requirements and Eligibility |
| R14-2-2304. | Metering |
| R14-2-2305. | New or Additional Charges |
| R14-2-2306. | Billing for Net Metering |
| R14-2-2307. | Net Metering Tariff |
| R14-2-2308. | Filing and Reporting Requirements |
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**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS; SECURITIES REGULATION**

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 23. NET METERING

R14-2-2301. Applicability

These Rules govern the treatment of Electric Utility Customers in Arizona who 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.

R14-2-2302. Definitions

For purposes of this Article, the following definitions apply unless the context requires otherwise:

- A. "Avoided Costs" means the incremental costs to an Electric Utility for electric energy or capacity or both which, but for the purchase from the net metering facility, such utility would generate itself or purchase from another source.
- B. "Biomass" means any raw or processed plant-derived organic matter available on a renewable basis, including dedicated energy crops and trees; agricultural food and feed crops; agricultural crop wastes and residues; wood wastes and residues, including landscape waste, right-of-way tree trimmings, or small diameter forest thinnings that are 12 inch in diameter or less; dead and downed forest products; aquatic plants; animal wastes; other vegetative waste materials; non-hazardous plant matter waste material that is segregated from other waste; forest-related resources such as harvesting and mill residue, pre-commercial thinnings, slash, and brush; miscellaneous waste such as waste pellets, crates, and dunnage; or recycled paper fibers that are no longer suitable for recycled paper production, but not including painted, treated, or pressurized wood, wood contaminated with plastics or metals, tires, or recyclable post-consumer waste paper.
- C. "Biogas" means gases that are derived from plant-derived organic matter, agricultural food and feed matter, wood wastes, aquatic plants, animal wastes, vegetative wastes, or wastewater treatment facilities using anaerobic digestion or from municipal solid waste through a digester process, an oxidation process, or other gasification process.
- D. "Combined Heat and Power" or "CHP" (also known as cogeneration) means a system that generates electricity and useful thermal energy in a single, integrated system.
- E. "Commission" means the Arizona Corporation Commission.
- F. "Electric Utility" or "Utility" means an electric distribution company that constructs, operates, and maintains the electrical distribution system for the receipt and/or delivery of power.
- G. "Electric Utility Customer" or "Customer" means an end-use retail Customer served under a Utility's rate schedule.
- H. "Fuel Cell" means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. For purposes of these Net Metering rules, the source of the chemical reaction must be derived from Renewable Resources.
- I. "Geothermal" means heat from within the earth's surface.
- J. "Hydroelectric" means the kinetic energy derived from moving water.
- K. "Net Metering" means service to an Electric Utility Customer under which electric energy generated by or on behalf of that Electric Utility Customer from a Net Metering Facility and delivered to the Utility's local distribution facilities may be used to offset electric energy provided by the Electric Utility to the Electric Utility Customer during the applicable billing period.

- L. "Net Metering Customer" means any Arizona Customer who chooses to take electric service in the manner described in the definition of Net Metering above, and under the Net Metering tariff, as described in R14-2-2307.
- M. "Net Metering Facility" means a facility for the production of electricity that:
1. Is operated by or on behalf of a Net Metering Customer and is located on the Net Metering Customer's premises.
 2. Is intended primarily to provide part or all of the Net Metering Customer's requirements for electricity;
 3. Uses Renewable Resources, a Fuel Cell, or CHP to generate electricity;
 4. Has a generating capacity less than or equal to 125% of the Net Metering Customer's total connected load, or in the absence of customer load data capacity less than or equal to 100 kW; and
 5. Is interconnected with and can operate in parallel and in phase with an Electric Utility's existing distribution system.
- N. "Renewable Resources" means natural resources that can be replenished by natural processes. Renewable Resources include Biogas, Biomass, Geothermal, Hydroelectric, Solar, or Wind.
- O. "Solar" means radiation or heat from the Earth's Sun that produces electricity from a device or system designed for that purpose.
- P. "Wind" means energy derived from wind movement across the Earth's surface that produces electricity from a device or system designed for that purpose.

R14-2-2303. Requirements and Eligibility

- A. An Electric Utility shall interconnect with any retail Customer with a Net Metering Facility in the Electric Utility's service territory.
- B. Facilities with a generating capability greater than 125% of the customer's peak demand shall require a special contract between the Utility and the Customer.

R14-2-2304. Metering

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.

R14-2-2305. New or Additional Charges

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

R14-2-2306. Billing for Net Metering

- A. On a monthly basis, the Net Metering Customer shall be billed or credited based upon the rates applicable under the Customer's currently effective standard rate schedule and any appropriate rider schedules.
- B. The billing period for net metering will be the same as the billing period under the Customer's applicable standard rate schedule.
- C. If the kWh supplied by the Electric Utility exceed the kWh that are generated by the Net Metering Facility and delivered back to the Electric Utility during the Billing Period, the Customer shall be billed for the net kWh supplied by the Electric Utility in accordance with the rates and charges under the Customer's standard rate schedule.

- D. If the electricity generated by the Net Metering Customer exceeds the electricity supplied by the Electric Utility in the Billing Period, the Customer shall be credited during the next Billing Period for the excess kWh generated. That is, the excess kWh during the Billing Period will be used to reduce the kWh supplied (not kW or kVA demand or customer charges) and billed by the Electric Utility during the following Billing Period.
- E. Customers taking service under time-of-use rates who are to receive credit in a subsequent Billing Period for excess kWh generated shall receive such credit during the next Billing Period during the on- or off-peak periods corresponding to the on- or off-peak periods in which the kWh were generated by the Customer.
- F. 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.

R14-2-2307. Net Metering Tariff

- A. Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 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.
- 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.
- C. Electric utilities may include seasonally and time of day differentiated avoided cost rates for purchases from Net Metering Customers, to the extent that Avoided Costs vary by season and time of day.

R14-2-2308. Filing and Reporting Requirements

- A. Prior to May 1 of each year, each Electric Utility shall file a report listing all existing Net Metering Facilities and the inverter power rating or generator rating as of the end of the previous calendar year.
 - 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.
-