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**MAY 19, 2008**

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street, Suite 108  
Phoenix, Arizona 85007

**Re: Docket No. RE-00000A-07-0608**

Docket Control Center:

Enclosed please find an original and 13 copies of the Comments of the Interstate Renewable Energy Council on the Commission's Proposed Net Metering Rules in Docket No. RE-00000A-07-0608. These comments have been mailed to parties on the service list for this docket.

Thank you for your attention.

Sincerely,

Kevin T. Fox,

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Docket No. RE-00000A-07-0608

**ARIZONA CORPORATION COMMISSION**

**Docket No. RE-00000A-07-0608**

In the Matter of the Proposed Rulemaking ) COMMENTS OF THE INTERSTATE  
Regarding Net Metering Rules ) RENEWABLE ENERGY COUNCIL ON  
 ) PROPOSED NET METERING RULES

**COMMENTS ON PROPOSED NET METERING RULES**

The Interstate Renewable Energy Council ("IREC") would like to thank the Arizona Corporation Commission ("Commission") and its Staff for their work on Decision No. 70194, which establishes proposed net metering rules for Arizona<sup>1</sup> ("Proposed Net Metering Rules").

IREC has worked for over two decades to accelerate the sustainable utilization of renewable energy resources and technologies. With funding from the U.S. Department of Energy, IREC's mission includes helping states identify "best practices" in the areas of net metering and interconnection of renewable resources.

IREC commends the Commission and its staff for putting forward solid net metering rules that when taken together with the Commission's interconnection standard and Renewable Energy Standard and Tariff ("REST") will position Arizona well for the development of a robust renewable distributed generation market.

IREC would like to address two issues in which consistency between the Commission's Proposed Net Metering Rules and REST rules may be clarified. These issues are addressed below.

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

IREC is concerned that R14-2-2305 subsections A and B may cause some confusion. Subsection A addresses "proposed charges that would increase a Net Metering Customer's costs beyond those of other customers in the same rate class." By comparison, subsection B addresses

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<sup>1</sup> Rules R14-2-2301 through R14-2-2308

costs assessed to Net Metering Customers relative to “customers with similar load characteristics.”

In adopting these separate sections, the Commission appears to have made a principled distinction between charges that increase one Net Metering Customer’s costs above those paid by another Net Metering Customer (subsection A) and charges paid by Net Metering Customers as a whole as compared to “other customers with similar load characteristics” who are not net metered (subsection B). Although this distinction is apparent on the face of the Commission’s Proposed Net Metering Rules, greater clarification may avoid any future disagreement over the applicability of these two sections.

IREC understands that under the Proposed Net Metering Rules, a utility will carry the burden of proof when proposing to increase a Net Metering Customer’s costs beyond those of other Net Metering Customers, but that additional costs for Net Metering Customers as a whole are prohibited. This interpretation is in line with best practices established in Colorado, California, New Jersey, Maryland and Pennsylvania, all of which prohibit additional net metering charges, and is consistent with the Commission’s REST rules which state in the definition of net metering that “[t]he Affected Utility does not charge the customer-generator any additional fees or charges or impose any equipment or other requirements unless the same is imposed on customers in the same rate class that the customer-generator would qualify for if the customer-generator did not have generation equipment.”<sup>2</sup>

Consistent with this understanding and the Commission’s REST rules, IREC respectfully suggests the following clarifying modifications:

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<sup>2</sup> Rule R14-2-1801(M)

**R14-2-2305(A)**

“Any proposed charge that would increase a Net Metering Customer’s costs beyond those of another Net Metering Customer in the same rate class shall be filed by the Electric Utility with the Commission for consideration. The filings shall be supported with cost of service studies and benefit/cost analyses. The Electric Utility shall have the burden of proof on any new proposed charge.”

**R14-2-2305(B)**

“Net Metering costs shall be assessed on a nondiscriminatory basis with respect to other customers with similar load characteristics. The Affected Utility may not charge the customer-generator any additional fees or charges or impose any equipment or other requirements unless the same is imposed on customers in the same rate class that the customer-generator would qualify for if the customer-generator did not have generation equipment.”

In order to meet the Commission’s REST goals and foster a vibrant DG market in Arizona, IREC believes the Commission’s net metering rules should clarify that the installation of renewable DG will not be undermined by the imposition of additional fees, which can substantially increase the cost of self-generation and neutralize the benefits of net metering, particularly for smaller systems. Consistent with these goals, IREC respectfully suggests the above clarifications.

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

Proposed Net Metering Rule R14-2-2307(B) states that utilities “may specify total utility capacity limits” for net metering in their net metering tariffs, but such capacity limits “must be fully justified.”

Arizona utilities subject to the REST must obtain 15% of their retail electric load from eligible renewable resources by 2025.<sup>3</sup> The REST requires 30% of this amount to come from renewable distributed generation resources.<sup>4</sup> Accordingly, utilities will need to procure 4.5% of their electricity supply from renewable distributed generation by 2025.

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<sup>3</sup> Rule R14-2-1804(B)

<sup>4</sup> Rule R14-2-1805(B)

In Decision No. 69877, the Commission acknowledged that net metering provides “a financial incentive to encourage the installation of DG, especially renewable resources.”<sup>5</sup> As such, it will be difficult for Arizona utilities to meet their REST distributed generation goals if net metering enrollment is capped below 4.5% of utility electric supply. Capacity limits artificially restrict the expansion of on-site renewable generation and curtail the market for new renewable energy DG systems. They may also prove incompatible with aggressive targets for renewable energy deployment.

To facilitate distributed renewable generation and assist Arizona utilities in meeting the Commission’s REST requirements, IREC believes Proposed Net Metering Rule R14-2-2307(B) should clarify that capacity limits must be consistent with REST requirements for renewable distributed generation. IREC respectfully suggests the following clarifying modification:

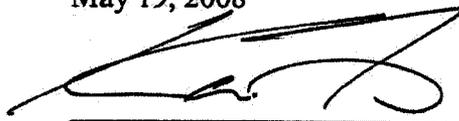
**R14-2-2305(A)**

If total utility capacity limits are included in the Tariff, such limits must be fully justified and must be consistent with applicable REST goals for renewable distributed generation resources.

**II. CONCLUSION**

IREC appreciates the opportunity to file comments on the Commission’s Proposed Net Metering Rules and looks forward to working with the Commission to ensure successful implementation of these rules through utility net metering tariffs.

Respectfully submitted,  
May 19, 2008



Kevin T. Fox,

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<sup>5</sup> Decision No. 69877 at ¶ 9