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Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85004

AZ CORP COMMISSION  
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SUBJECT: Docket No. RE-00000A-07-0608 – Net Metering Rules

Dear Sir or Madam:

The Distributed Energy Association of Arizona (DEAA) wishes to file the following written comments in response to other interested persons' comments regarding the Arizona Corporation Commission's Notice of Proposed rulemaking regarding Net Metering.

DEAA supports and advocates the development of efficient, on-site, distributed energy production in Arizona. DEAA appreciates the efforts the Commission and Staff have taken and we support Decision No. 70194 regarding Net Metering.

DEAA board members and our membership are available to the Commission and Commission Staff for any assistance the Commission might request in this matter or other matters relating to fostering beneficial distributed generation throughout Arizona.

Sincerely,  
*for Daniel Musgrove*  
**Daniel Musgrove**  
Daniel Musgrove, President  
DEAA

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Arizona Corporation Commission  
**DOCKETED**  
MAY 27 2008  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

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

IN THE MATTER OF THE ) **DOCKET NO. RE-00000A-07-0608**  
PROPOSED RULEMAKING )  
REGARDING NET METERING ) DISTRIBUTED ENERGY ASSOCIATION OF  
RULES ) ARIZONA (DEAA) WRITTEN COMMENTS IN  
 ) RESPONSE TO OTHER INTERESTED  
 ) PERSONS' COMMENTS

The Distributed Energy Association of Arizona ("DEAA") hereby submits written comments to the Arizona Corporation Commission ("Commission") on the Commission's Notice of Proposed Rulemaking Regarding Net Metering. DEAA's comments; 1) address and are in response to other interested persons' comments, and 2) recap our oral comments made during past Net Metering Workshops and Open Meetings of the Commission.

**Response to APS Comments Filed May 19, 2008**

DEAA does not agree with the APS premise that the Proposed Net Metering Rules should be designed and developed to (solely) promote renewable resources. Hence, DEAA does not agree with APS' continued recommendation that the Commission adopt the definition of Renewable Combined Heat and Power (RCHP). DEAA does not believe that limiting CHP to renewable resources was the original intent of the Proposed Rule. To argue this point;

1) On April 7, 2005, Commission Decision No. 67744 directed Staff to schedule workshops to consider issues concerning distributed generation (DG). Nowhere in Decision No. 67744 does it state that DG issues are limited to renewable resources. In addition, Decision No. 67744 Ordered that the parties shall begin the DG workshop process by evaluating the three recommendations made by ACA/DEAA in its post hearing brief.

2) Ernest G. Johnson, Director Utilities Division for the Commission, issued a letter date August 24, 2006, announcing a workshop on Net Metering. Nowhere in that Staff

announcement did it refer to the fact that Net Metering was only being applied to renewable resources.

3) The Meeting Minutes from the Net Metering Workshop developed by Commission Staff and dated September 7, 2006 stated the background of the proposed Net Metering Rule was the Federal Energy Policy Act (EPACT) and not the Commission's proposed Renewable Energy Standard (RES) rule. No where in the Meeting Minutes does it state that Net Metering standards were for only renewable resources. The published Meeting Minutes went so far as to state on page 3; "Ms. Keene commented that the two standards (*meaning the RES and Net Metering standards*) should be separate, but compatible, and the net metering standard should be able to stand on its own."

4) On August 28, 2007 the Commission issued Decision No. 69877 which stated; "IT IS THEREFORE ORDERED that the PURPA standard on net metering, as included in Finding of Fact No. 4, that would apply to all electric distribution companies in Arizona that are regulated by the Commission is adopted". No where in the Order, in the included Findings of Fact, did it state that Net Metering should only be applied to renewable resources.

DEAA agrees with APS's alternate recommendation to require CHP systems to meet the efficiency standards of Qualified Facilities as defined under Public Utility Regulatory Policies Act of 1978 (PURPA). To this end, DEAA can support the proposed language addition proposed and provided in APS's Attachment B of APS's May 19, 2008 Comment filing.

#### **Response to Solar Advocates Comments Filed May 19, 2008**

DEAA shares concerns raised by Solar Advocates regarding the understanding and clarity of Section R14-2-2305(B) pertaining to New or Additional charges. DEAA supports Solar Advocates position that this section can be modified for the purposes of clarifying its intent and meaning. DEAA can support the language proposed by Solar Advocates.

DEAA does not agree with Solar Advocates in their recommendation of adding a new "part D" to Section R14-2-2307 pertaining to Net Metering Tariffs. DEAA opposes what appears to be an effort by Solar Advocates to 'couple' or link the implementation of Net

Metering Rules and the RES Rule. DEAA advocates and stands by its position that these two rules are distinct and separate and that the Net Metering Rule standard has been set by the Commission based on a PURPA standard and the EPACT of 2005. In neither case, does that standard limit Net Metering to only renewable resources.

#### **Response to IREC Comments Filed May 19, 2008**

DEAA has reviewed the comments and recommendations provided by IREC and concur with their points pertaining to clarifications with R14-2-2305 New or Additional Charges and to concerns over capacity limits in R14-2-2307 Net Metering Tariff. DEAA can support IREC's stated recommended modifications.

#### **Response to Electric Cooperatives' Comments Filed May 20, 2008**

DEAA has reviewed the comments and recommendations provided by the Electric Cooperatives. DEAA does not agree with the premise or concerns of Electric Cooperatives' arguments for restricting CHP to only renewable resources. As stated above in DEAA's response to APS's comments, we have stated our advocacy position that all CHP systems meeting PURPA efficiency standards should be included and allowed under the Proposed Net Metering Rule.

#### **Reiterate DEAA Comments Made During the September 6, 2006 Net Metering Workshop**

DEAA stated that Net Metering policy should include distributed generation in sizes up to two (2) Megawatts. The Western Governor's Association endorsed a one (1) megawatt standard, but the Net Metering Workshop attendees thought two (2) megawatts was more appropriate.

DEAA agreed during the Commission Workshop that Net Metering should be approved for Combined Heat and Power Systems (CHP) that meet or exceed the current Federal (PURPA) efficiencies. The Western Governor's Association Combined Heat and Power White Paper (January 2006) states "Combined heat and power, using proven and affordable technologies,

significantly improves every key outcome from power generation”. The report also recommends inclusion of CHP in “renewable portfolio standards, environmental portfolio standards”. The PURPA efficiency standards ensure that CHP systems are efficient.

DEAA also has made the point that Net Metering policies must be coupled to a review of General Service Rates to properly allow the customer to receive appropriate credit for the value of electricity produced.