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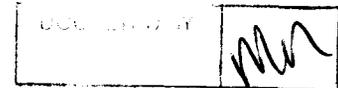
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AZ CORP COMMISSION
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Arizona Corporation Commission

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OCT -3 2000



IN THE MATTER OF THE PROPOSED)
RULEMAKING REGARDING NET METERING)

DOCKET NO. RE-00000A-07-0608

**ELECTRIC COOPERATIVES'
EXCEPTIONS**

The following comments on the Arizona Corporation Commission Administrative Law Judge's Recommended Opinion and Order on the Proposed Rulemaking Regarding Net Metering ("Net Metering Rules") are being submitted 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 the "Electric Cooperatives").

I. INTRODUCTION

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

1 yet receives a full retail rate for power generated by the customer. The other members will
2 eventually be forced to pay higher rates to subsidize these costs that are not being paid by net
3 metered customers. In addition, as a result of the high cost of Distributed Generation (“DG”)
4 systems, affluent member/customers will be installing DG at the expense of less affluent
5 member/customers.
6

7 For example, currently the Electric Cooperatives have monthly customer charges ranging
8 from approximately \$7.50 to \$20.00. These monthly customer charges do not completely recover
9 the fixed cost associated with the distribution and transmission plant dedicated to serving this
10 customer. The Electric Cooperatives’ current rate design collects a portion of the fixed costs
11 associated with providing distribution and transmission service from the per kWh charge that on
12 average is approximately \$0.10 per kWh and will be avoided by net metered customers when their
13 DG systems produce energy. By avoiding the Electric Cooperatives’ kWh charge, a net metered
14 customer is not paying their share of the fixed costs associated with the transmission and distribution
15 system that has been built to provide electric service to a net metered customer.
16

17 The Electric Cooperatives have comments regarding the Net Metering Rules in the following
18 areas, as more specifically described herein:
19

20 A. The Electric Cooperatives have concerns about the language in R14-2-2302 M.
21 regarding a generating capacity of less than or equal to 125 percent of the Net Metering Customers
22 on-site total connected load and the problems associated defining and quantifying “total connected
23 load” and with sizing of DG systems, payment for net energy provide to the utility, etc. that this
24 language may cause.
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1 **R-14-2-2302 Definitions - M. Net Metering Facility: Generating Capacity Less Than or Equal**
2 **to 125% of Customer's Total Connected Load**

3 The Revised Net Metering Rule R-14-2-2302 M.4 state that a customer with generating
4 capacity less than or equal to the 125% of the customer's total connected load is eligible to receive
5 net metering. Most of the Electric Cooperatives' customers do not have demand meters.
6 Consequently, under the Revised Net Metering Rules, "total connected load" would need to be
7 estimated. Estimating "total connected load" can be an involved and difficult process with many
8 variables. For these reasons, the Electric Cooperatives recommend that the language "total
9 connected load be removed from this section and the language "peak demand" be inserted.
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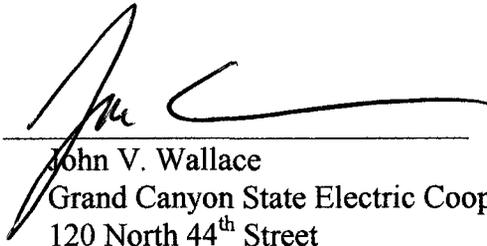
11 The Electric Cooperatives have also previously stated in their comments that net metering
12 systems should be sized to meet the customer's load and that customers should not be incented to
13 over-size their distributed generation ("DG") system such that on a regular, net basis they are able to
14 provide electricity to the utility. A net metering rule that would allow net metered customers to
15 oversize their systems by up to 25% appears to incent customers to install more DG equipment so
16 that net metered customers could regularly sell energy to a utility. In addition, the Electric
17 Cooperatives are already required to maintain reserve margins for all customers in order
18 to maintain system reliability. To require utilities and their consumers to buy power from net
19 metered customers on a regular basis that is due to the additional 25% is unfair to non-net metered
20 customers and duplicative.
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22 The Electric Cooperatives also have concerns about the potential need to upgrade their
23 distribution systems to meet the net metered customer's 125 percent of total connected load. Since
24 most electric utilities including the Electric Cooperatives design/size their distribution systems based
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1 on 100 percent of the customers total connected load, during low load periods a net metered
2 customer's generation output could produce flow back into the distribution system at a level greater
3 than 100 percent of its total connected load. To remain consistent with current design practice for
4 the distribution system, it is important to limit the customer's generation to no more than 100
5 percent. This would allow sizing of the local distribution system in a consistent manner regardless
6 of whether or not there is currently, or may be in the future, customers with generating facilities.
7 This will also eliminate the need for additional distribution plant investment to meet the 125 percent
8 of the total connected load.
9

10 Finally, as noted in the Net Metering Staff Report dated December 17, 2007, many types of
11 distributed generation are not dispatchable and there will be a need for total distributed generation
12 limits to maintain system reliability. The limit can be reached through a small number of large
13 systems or a large number of small systems. For the reasons stated above and to more closely align
14 distribution system sizing with distributed generation sizing, the Electric Cooperatives would request
15 that the percentage stated in Net Metering Rule R-14-2-2302 M.4 be changed from 125% to 100%.
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1 RESPECTFULLY SUBMITTED this 8th day of October, 2008.
2

3
4 By: 

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9 Original and thirteen copies of the foregoing
10 filed this 8th day of October, 2008, with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007
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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

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION – FIXED UTILITIES

ARTICLE 23. NET METERING

- 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 100% of the Net Metering Customer's peak demand, or in the absence of customer load data, a capacity less than or equal to the Customer's electric service drop capacity; and
 5. Is interconnected with and can operate in parallel and in phase with an Electric Utility's existing distribution system.

Deleted: 125

Deleted: total connected load