

ORIGINAL

OPEN MEETING



0000097628

MEMORANDUM

Arizona Corporation Commission

TO: THE COMMISSION

DOCKETED

RECEIVED

FROM: Utilities Division

JUN 11 2009

2009 JUN 11 P 1:19

DATE: June 11, 2009

DOCKETED BY [Signature]

ARIZONA CORPORATION COMMISSION DOCKET CONTROL

RE: ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF NET METERING RATE SCHEDULE EPR-6 (DOCKET NO. E-01345A-09-0012)

I. Background

On January 12, 2009, Arizona Public Service Company ("APS" or "Company") filed an application for approval of its Net Metering rate Schedule ("EPR-6").

Commission Decision No. 70567 (October 23, 2008), approved Proposed Rulemaking Regarding Net Metering ("Rules"). The Rules, after certification by the Arizona Attorney General, became effective on May 23, 2009. Section R14-2-2307 of the rules require each Electric Utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.

For this tariff filing, APS has waived the 30-day time provisions referenced in A.R.S. Section 40-367 and 40-250, (B).

II. The APS Tariff

APS has a net metering tariff similar to its proposed EPR-6, that is, its EPR-5. EPR-5 was approved June 28, 2007, by Commission Decision No. 69663, and it is a three-year pilot program for customers with 100 kW or less of on-site renewable generation. APS proposes that EPR-5 remain available until its expiration in June of 2010, at which time the EPR-6 will be the only tariff available for net metering customers.

Net Metering allows electric utility consumers to be compensated for generating their own energy using renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

Customers with this generation capability would participate in the Net Metering program and have two-way meters installed that will measure both the electricity delivered to the customer, as well as the energy going back to the grid. Customers would therefore be credited for any excess energy generated and sent back to the utility. According to the Rules, once each calendar year, the utility company will issue a check or billing credit for the balance of any energy generated in excess of the customer's usage. Such excess energy is paid at the Utility's avoided cost rates which are specified in the tariff.

The EPR-6 net metering tariff would include partial requirements service which is necessary for customers who provide either all or part of their own generation. If the self generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed during maintenance or other outage circumstances of the customer's generation. The Company would bill the customer for net kWh supplied in accordance with the applicable standard retail rate schedule.

Some self-generating customers may not qualify for net metering yet would still require partial requirements service. APS has other partial requirements tariffs such as its EPR-2, E-56, and SC-S that would be suitable for these customers. However, as noted below, APS has stated that SC-S will no longer be required.

The proposed EPR-6 tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

Staff takes issue with the language of APS' proposed EPR-6 rate schedule in two places.

1. Future Recovery of Certain Net Metering Costs -- APS has included the following in its proposed tariff:

In accordance with A.C.C. Decision No. 69663, the Company shall defer a portion of its "uncollected fixed costs" associated with the three year pilot net metering program and seek their recovery in the Company's next general rate case. The uncollected fixed costs will be based on the difference between the applicable standard retail rate and the Company's avoided cost and applied to the excess generation provided in accordance with this rate schedule.

Staff notes that, as APS has stated, Decision No. 69663 applies to the three-year pilot program associated with APS' net metering rate schedule EPR-5. The Commission's Decision with respect to that tariff has no bearing on the proposed EPR-6 tariff. Staff recommends that the language be removed from the proposed EPR-6 tariff.

2. The Metering section of the proposed tariff reads:

Customers served under this rate schedule will require a bi-directional meter that will register and accumulate the net electrical requirements of the customer. For customers with a Net Metering Facility greater than 100kW, the Company will also install a meter at the customer's Net Metering Facility.

For Customers using Renewable Resources, renewable combined heat and power or a fuel cell using a renewable fuel, the initial incremental metering costs for bi-directional metering and the facility meter will be incurred by the

Company and be recovered through Renewable Energy Standard (RES) funding.

For other customers qualifying for service under this rate schedule the incremental metering costs for bi-directional metering and the facility meter will be incurred by the Customer.

Stating the customer qualifications in the metering section appears to be unnecessary, since it is simply a repetition of the definition of a Net Metering Facility as shown in both the proposed APS tariff and in the Rules. Also, the 100 kW limit does not correspond to anything in the Rules, but appears to be a holdover from the EPR-5 tariff.

Therefore, much of the language shown in the Metering section should be deleted. Staff recommends the Metering section of the proposed tariff be amended to read:

Customers served under this rate schedule will require a bi-directional meter that will register and accumulate the net electrical requirements of the customer. The Company will install such a meter at the customer's Net Metering Facility if proper metering is not already present. The initial incremental metering costs for bi-directional metering and the facility meter will be incurred by the Company.

III. Other Parties' Comments

The Solar Alliance has expressed concern that certain customers may remain subject to the terms of the SC-S partial requirements tariff which is less favorable to customers than the proposed EPR-6. Staff notes that APS has indicated in its filing of its Distributed Generation Study¹ (January 29, 2009) that Schedules SC-S and E-57 would no longer be required. The Company intends to petition the Commission to cancel Schedule SC-S and to discontinue any further consideration of Schedule E-57.

IV. Staff Recommendations

Staff recommends that APS' Net Metering Tariff EPR-6 be approved by the Commission as amended herein.

¹ Docket Nos. E-01345A-05-0816, -0826, and -0827

Staff recommends that APS be ordered to file, within 30 days from the effective date of the Commission Decision, a revised EPR-6 tariff including the amended language shown herein.

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:JJP:lhmkOT

ORIGINATOR: Jeffrey Pasquinelli

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

- KRISTIN K. MAYES
Chairman
- GARY PIERCE
Commissioner
- SANDRA D. KENNEDY
Commissioner
- PAUL NEWMAN
Commissioner
- BOB STUMP
Commissioner

IN THE MATTER OF ARIZONA PUBLIC)
 SERVICE COMPANY'S APPLICATION)
 FOR APPROVAL OF A NET METERING)
 RATE SCHEDULE EPR-6)
)
)

DOCKET NO. E-01345A-09-0012
 DECISION NO. _____
ORDER

Open Meeting
 June 23 and 24, 2009
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On January 12, 2009, APS filed an application for approval of its Net Metering rate Schedule ("EPR-6").
3. Commission Decision No. 70567 (October 23, 2008), approved Proposed Rulemaking Regarding Net Metering ("Rules"). The Rules, after certification by the Arizona Attorney General, became effective on May 23, 2009 and require each Electric Utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.
4. For this tariff filing, APS has waived the 30-day time provisions referenced in A.R.S. Section 40-367 and 40-250, (B).

...
...

1 **II. The APS Tariff**

2 5. APS has a net metering tariff similar to its proposed EPR-6, that is, its EPR-5.
3 EPR-5 was approved June 28, 2007, by Commission Decision No. 69663, and it is a three-year
4 pilot program for customers with 100 kW or less of on-site renewable generation. APS proposes
5 that EPR-5 remain available until its expiration in June of 2010, at which time the EPR-6 will be
6 the only tariff available for net metering customers.

7 6. Net Metering allows electric utility consumers to be compensated for generating
8 their own energy using renewable resources, fuel cells, or Combined Heat and Power (i.e., co-
9 generation).

10 7. Customers with this generation capability would participate in the Net Metering
11 program and have two-way meters installed that will measure both the electricity delivered to the
12 customer, as well as the energy going back to the grid. Customers would therefore be credited for
13 any excess energy generated and sent back to the utility. According to the Rules, once each
14 calendar year, the utility company will issue a check or billing credit for the balance of any energy
15 generated in excess of the customer's usage. Such excess energy is paid at the Utility's avoided
16 cost rates which are specified in the tariff.

17 8. The EPR-6 net metering tariff would include partial requirements service which is
18 necessary for customers who provide either all or part of their own generation. If the self
19 generation supplies less than 100 percent of the customer's load, utility generation must be
20 purchased for the remainder. Even if the customer's generation is sufficient to serve the full load,
21 utility service is needed during maintenance or other outage circumstances of the customer's
22 generation. The Company would bill the customer for net kWh supplied in accordance with the
23 applicable standard retail rate schedule.

24 9. Some self-generating customers may not qualify for net metering yet would still
25 require partial requirements service. APS has other partial requirements tariffs such as its EPR-2,
26 E-56, and SC-S that would be suitable for these customers. However, as noted below, APS has
27 stated that SC-S will no longer be required.

28 ...

1 10. The proposed EPR-6 tariff follows the Net Metering Rules with respect to
2 eligibility, metering, billing, and disposition of excess customer generation.

3 11. Staff takes issue with the language of APS' proposed EPR-6 rate schedule in two
4 places.

5 First Tariff Language Issue

6 12. Future Recovery of Certain Net Metering Costs -- APS has included the following
7 in its proposed tariff:

8 In accordance with A.C.C. Decision No. 69663, the Company shall defer a
9 portion of its "uncollected fixed costs" associated with the three year pilot
10 net metering program and seek their recovery in the Company's next
11 general rate case. The uncollected fixed costs will be based on the
12 difference between the applicable standard retail rate and the Company's
13 avoided cost and applied to the excess generation provided in accordance
14 with this rate schedule.

13 13. Staff notes that, as APS has stated, Decision No. 69663 applies to the three-year
14 pilot program associated with APS' net metering rate schedule EPR-5. The Commission's
15 Decision with respect to that tariff has no bearing on the proposed EPR-6 tariff. Staff recommends
16 that the language be removed from the proposed EPR-6 tariff.

17 Second Tariff Language Issue

18 14. The Metering section of the proposed tariff reads:

19 Customers served under this rate schedule will require a bi-directional meter
20 that will register and accumulate the net electrical requirements of the
21 customer. For customers with a Net Metering Facility greater than 100kW,
22 the Company will also install a meter at the customer's Net Metering
23 Facility.

24 For Customers using Renewable Resources, renewable combined heat and
25 power or a fuel cell using a renewable fuel, the initial incremental metering
26 costs for bi-directional metering and the facility meter will be incurred by
27 the Company and be recovered through Renewable Energy Standard (RES)
28 funding.

For other customers qualifying for service under this rate schedule the
incremental metering costs for bi-directional metering and the facility meter
will be incurred by the Customer.

1 15. Stating the customer qualifications in the metering section appears to be
2 unnecessary, since it is simply a repetition of the definition of a Net Metering Facility as shown in
3 both the proposed APS tariff and in the Rules. Also, the 100 kW limit does not correspond to
4 anything in the Rules but appears to be a holdover from the EPR-5 tariff.

5 16. Therefore, much of the language shown in the Metering section should be deleted.
6 Staff recommends the Metering section of the proposed tariff be replaced with:

7 Customers served under this rate schedule will require a bi-directional meter
8 that will register and accumulate the net electrical requirements of the
9 customer. The Company will install such a meter at the customer's Net
10 Metering Facility if proper metering is not already present. The initial
incremental metering costs for bi-directional metering and the facility meter
will be incurred by the Company.

11 **III. Other Parties' Comments**

12 17. The Solar Alliance has expressed concern that certain customers may remain
13 subject to the terms of the SC-S partial requirements tariff which is less favorable to customers
14 than the proposed EPR-6. Staff notes that APS has indicated in its filing of its Distributed
15 Generation Study¹ (January 29, 2009) that Schedules SC-S and E-57 would no longer be required.
16 The Company intends to petition the Commission to cancel Schedule SC-S and to discontinue any
17 further consideration of Schedule E-57.

18 **IV. Staff Recommendations**

19 18. Staff recommends that APS' Net Metering Tariff EPR-6 be approved by the
20 Commission as amended herein.

21 19. Staff recommends that APS be ordered to file, within 30 days from the effective
22 date of the Commission Decision, a revised EPR-6 tariff including the amended language shown
23 herein.

24 **CONCLUSIONS OF LAW**

25 1. Arizona Public Service Company is an Arizona public service corporation within
26 the meaning of Article XV, Section 2, of the Arizona Constitution.

27 _____
28 ¹ Docket Nos. E-01345A-05-0816, 0826, and 0827

1 SERVICE LIST FOR ARIZONA PUBLIC SERVICE COMPANY
2 DOCKET NO. E-01345A-09-0012

3 Mr. Leland Snook
4 Director, State Regulation & Pricing
5 Arizona Public Service Company
6 Post Office Box 53999/MS 9708
7 Phoenix, Arizona 85072-3999

8 Mr. Tom Alston
9 The Solar Alliance
10 1475 North Scottsdale Road, Suite 410
11 Scottsdale, Arizona 85257

12 Mr. Ernest G. Johnson
13 Director, Utilities Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Ms. Janice M. Alward
18 Chief Counsel, Legal Division
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

22
23
24
25
26
27
28