

January 11, 2010

ORIGINAL

RE-00000A-07-0608

Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007



0000106707

Dear Corporation Commissioners:

I respectfully ask that the Arizona Corporation Commission implement new rules to increase best practices with regard to net metering and interconnection of renewable energy in this state. The organization Network for New Energy Choices published their study *Freeing the Grid: Best and Worst Practices in State Net Metering Policies and Interconnection Standards* in November, 2009 (click on this link for the study). Exhibit A of this document shows additional findings for the state.

This study made two recommendations for Arizona.

Net Metering

Arizona received an "A" for its Net Metering legislation with the following recommendation:

"Implement safe harbor language to protect customer-generators from extra or unanticipated fees."

Interconnection

Arizona received a "C" in Interconnection legislation with the following recommendation:

"Create uniform IREC requirements and standard Interconnection recommendations for all utilities."

Proposed New Legislation

The following legislation would address the above recommendations, plus enable the state to improve its score card and take even more advantage of the economic promise of renewable energy.

1. Create a "Safe Harbor" provision to protect customer-generators from extra or unanticipated fees.
2. Develop standardized agreements that apply to all regulated utilities for:
 - (a) Interconnection
 - (b) Additional insurance
 - (c) External disconnect switch requirements
3. Allow customer-generators the option to *permanently* roll over Net Excess Generation (NEG).

Sincerely,

Jean Lasee
Citizen Intervener

Arizona Corporation Commission
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CORPORATION COMMISSION

Exhibit A

The attached .pdf file shows Arizona's score card from the *Freeing the Grid: Best and Worst Practices in State Net Metering Policies and Interconnection Standards*.



Free the Grid
AZ.IMG_0004.pdf

ARIZONA

NET METERING

May 2007	B 2008	A 2009
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INTERCONNECTION

C 2007	C 2008	C 2009
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Eligible Renewable/
Other Technologies:

Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Municipal Solid Waste, CHP/Cogeneration, Hydrogen, Biogas, Anaerobic Digestion, Small Hydroelectric, Fuel Cells using Renewable Fuels

Eligible Technologies:

Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Fuel Cells, CHP/Cogeneration, Microturbines, Other Distributed Generation Technologies

Applicable Sectors:

Commercial, Industrial, Residential, Nonprofit, Schools, Local Government, State Government, Institutional

Applicable Sectors:

Commercial, Industrial, Residential

Limit on System Size:

System must be sized to meet all or part of customer's electric load and may not exceed 125% of the customer's total connected load

Limit on System Size:

Varies by utility

Limit on Overall Enrollment:

No limit specified

Standard Interconnection Agreement?

Varies by utility

Treatment of Net Excess:

Credited to customer's next bill at retail rate; excess reconciled annually at avoided-cost rate

Additional Insurance Required?

Varies by utility

Utilities Involved:

All utilities

External Disconnect Switch Required?

Varies by utility

REC Ownership:

Customer owns RECs (must be relinquished to utility in exchange for distributed generation payments)

Utilities Covered:

Investor-owned utilities, SRP

Recommendations:

- Adopt safe harbor language to protect customer generators from extra and/or unanticipated fees

Recommendations:

- Uniform requirements, using IREC standard interconnection recommendations, for all utilities

The Arizona Corporation Commission (ACC) adopted net metering rules in October 2008 which became effective in May 2009. These rules, which apply to investor-owned and cooperative utilities in the state, allow net metering for systems that provide 125% or less of the customer's peak connected load. Net Excess Generation will be credited monthly at the retail rate and any remaining NEG at the end of the calendar year will be paid to the customer, via check or billing credit, at the utility's avoided cost payment. The ACC also requires that net metering charges be assessed on a non-discriminatory basis. For interconnection, the Arizona Corporation Commission (ACC) recommends that utilities use draft rules that apply for systems up to 10 MW.

Proposed Amendments

1. The current definition of customer-sited resources outlined in the REST clearly indicates that DG eligible resources must be customer sited. The applicability of this definition should be explicit in this docket and allow RECs created as part of the Bright Tucson program to count only towards the non-DG portion of the REST requirement.

In the Staff report, Page 19 lines 3 insert "56. Any RECs generated as a result of the Bright Tucson Community Solar Tariff, if and when the project is authorized by the commission, are not eligible to meet the distributed generation portion of the Renewable Energy Standard."

2. Because of the low number of residential photovoltaic systems installed in 2009, it is critical that TEP take steps to encourage the development of the residential market, through the creation of a \$4.00 per watt residential incentive for PV and increasing UFI system percentage caps. This change is crucial to help truly jumpstart the TEP solar market as has been the case in neighboring service territories.

In the Staff report, Page 19 lines 3 insert, "56. TEP is directed to increase their residential PV Upfront Incentive to \$4.00 per Watt, and to increase the cap on the percentage of total PV system costs that UFI incentives can meet to 100%.

3. It is critical to develop trigger mechanisms that lead to automatic reductions in the UFI rate in order to ensure that market stability is maintained.

In the staff report, Page 19 Line 3 insert " 56. Staff hereby directs TEP to submit a plan for creating a system of declining incentives that are market responsive and triggered by the achievement of program milestones by the beginning of the second quarter of 2010. "

4. While TEP's residential solar program is undersubscribed, neighboring territories serviced by SSVEC and TRICO are greatly over-subscribed. Currently, SSVEC has a wait list of around 250 individuals who are seeking incentives for residential solar and the wait list for TRICO is around 130.

In the staff report, Page 19 Line 3 insert "56. TEP is hereby directed to create a program for working with other affected utilities whereby they would be able to fund upfront incentives for, and purchase the resulting RECs from, residential DG systems installed inside the service territories of other affected utilities. Plans for this program will be submitted by the start of the second quarter of 2010.