



Arizona Corporation Commission  
Docket E-01575A-09-0429, Proposed Net Metering Tariff  
Sulphur Springs Valley Electric Cooperative

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DEC 24 10 03  
NR

December 23, 2009

Dear Commissioners,

I respectfully request the Commissioners and Staff give the following comment due consideration in the above referenced case. The purpose of my comment is to recommend two changes to Sulphur Springs Valley Electric Cooperative's proposed Net Metering Tariff.

**Monthly Minimum kWh charge**

SSVEC argues that it should fully recover fixed costs from net metering customers. In its December 16 amendment filed in this case, SSVEC proposed a minimum kWh charge as a mechanism to recover fixed costs from net metering customers. The minimum kWh charge is the difference between the approved monthly service charge and the fixed costs for each rate class. This difference is pegged at \$15.06 for residential customers.

There are two fallacies with SSVEC's proposed minimum kWh charge:

- In its amendment, SSVEC argues that the minimum kWh charge is necessary in order to prevent cross subsidization between rate payers and rate classes. In fact, this is already the case with the existing rate structure, as ordered by the Commission. Singling out net metering customers for rectification of this issue violates R14-2-2305. I would argue that R14-2-2305 was never intended as a mechanism for recovery of fixed costs that were previously under-recovered in the overall rate structure.
- To the extent that fixed costs in excess of the monthly service charge are recovered through energy sales, the proposed minimum kWh charge amounts to double recovery, or nearly so, since only a small fraction of the retail kWh rate represents fixed cost recovery.

It is also useful to point out that SSVEC's amendment implies that only net-zero energy customers would be affected by the proposed minimum kWh charge. This is not accurate. Based on my modeling, customers with systems that supply as little as 50% of the annual load may be subject to the minimum kWh charge at least one month during the year.

To the extent that net metering customers in the aggregate reduce system-wide kWh sales, SSVEC could theoretically design a recovery mechanism that accounts for that portion of lost kWh sales that represents fixed cost recovery. However, other Arizona utilities have not attempted to recover under-recovered fixed costs in their respective net metering proposals. I

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would argue the reason for this is because the amount is de minimis compared to the peak load reductions derived from net metering customers. Indeed, SSVEC acknowledged peak reduction as a significant system benefit flowing to all members in its filings related to the school ramada project, as well as in its member communications.<sup>1</sup>

For these reasons, the Commission should deny the proposed Monthly Minimum kWh charge.

## **Net Metering Billing Year (Annual Reset)**

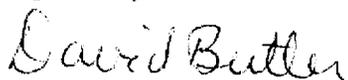
SSVEC proposes a September to August billing year for net metering customers, whereby any excess energy produced during the year is settled at the utility's average avoided cost. This mechanism comes into play for net-zero energy customers, that is, customers with solar systems sized to match annual electric consumption.

The September 'reset date' favors customers with fossil fuel heat since solar output during the months following the reset date will likely exceed consumption. Credits would accumulate until May when air conditioners typically begin operating.

However, net-zero energy customers who heat with electricity would be penalized by a September reset date since the highest monthly energy deficits would occur during the months following the reset. Those customers would forever pay for excess energy consumed during the winter, only recovering a portion of that cost at the reset date. Ironically, any purpose-built net-zero energy home or community would necessarily be penalized, as these homes would almost certainly use heat pumps. (A net-zero energy home with a fossil fuel appliance is an oxymoron.)

As the designer and developer of a net-zero energy community in SSVEC's service territory, I've given serious thought to the challenge of marketing net-zero energy homes to the average buyer. Although I do not think that it was SSVEC's intention to discriminate against heat pumps, the selection of a September reset date effectively does just that. I urge the Commission and SSVEC to consider giving all-electric customers the option of selecting a March reset date.

Respectfully,



David Butler, President  
Optimal Building Systems, LLC

cc: Service List

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<sup>1</sup> "All SSVEC members will experience savings from this project... (the project) will result in an estimated annual peak kW savings to SSVEC of over \$209,000 per year." July 2008 Currents Magazine, pg. 5