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C.H. HUCKELBERRY
County Administrator

December 17, 2010

Arizona Corporation Commission
DOCKETED

DEC 21 2010



Honorable Chair Mayes and
Commissioners Kennedy, Newman, Pierce and Stump
Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: Docket No. E-00000J-10-0202 – Aggregated Net Metering Rules

Dear Chair Mayes and Commissioners:

After listening to the Arizona Corporation Commission (Commission) meeting regarding this subject on November 20, 2010, it was apparent the scope and purpose of Aggregated Net Metering (ANM) had been dramatically curtailed or reduced – essentially making it impractical and ineffective. In my November 24, 2010 correspondence (Attachment 1), I inquired of the Commission's Executive Director as to whether the oral statements by Commission staff were accurate, as they represented a position entirely different from our understanding of the proposal. I have not yet received a response; however, the staff report of November 30, 2010 appears to confirm this very limited interpretation based on the recommendations contained in the report.

To illustrate this fact, I am enclosing a map of downtown Tucson showing Pima County's buildings and annual energy loads. Today, Pima County has 17 buildings in the general downtown Tucson area, consuming over 35 million kilowatt hours of energy annually at a cost of \$3.5 million (Attachment 2). Staff's recommendations would prohibit the County from building a solar facility on highly-suitable land outside of Downtown to supply these government buildings with clean, renewable energy.

Moreover, the staff recommendations contradict the majority approach adopted by 86% of the states with formal ANM programs, as described in Part I of the staff report. Six of seven states with ANM allow the solar generating facility to be physically separated from the load center by some distance, and in other cases, there is no limitation. Only one state, Oregon, requires participating meters to be on the same, or adjacent, tract of land as the generation facility. In Oregon, this limitation is further conditioned upon the fact that the meters must be

Honorable Chair Mayes and
Commissioners Kennedy, Newman, Pierce and Stump
Re: Docket No. E-00000J-10-0202 – ANM Rules
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served by the primary electrical power feeder. It should be noted that in our case, most – if not all – of our downtown facilities are served by the same Tucson Electric Power primary electrical feeder.

In all states surveyed and in programs that addressed the cost to some degree, we have no disagreement over the utility being able to charge and recover a transmission and/or distribution fee, providing the charges are fully supported with cost of service studies and benefit/cost analyses and the utility has the burden of proof of any proposed charge. This is consistent with Arizona's current net metering rules. See Ariz. Admin. Code § R14-2-2305. However, we note that the staff report does not present facts or data that would warrant the differential treatment of an ANM customer versus a net metering customer with regard to either transmission costs or energy generation credits. Consequently, we do not find any substantiation for staff's recommendation that ANM customers receive credit only for the KWh component of their bills, while net metering customers receive the full retail rate.

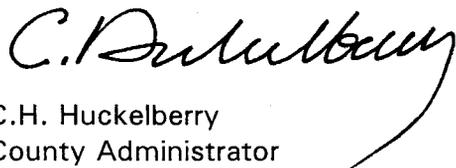
In reviewing the party comments, those made by utilities would appear to attempt to exclude from consideration any rules or flexibility regarding ANM. We can only assume such exclusion, particularly of the option most desired by the County, eliminates us from considering ANM.

Regarding the staff report, staff claims ANM is not expressly addressed or explicitly prohibited by present metering rules, yet staff concludes current net metering rules are inconsistent with ANM because among other things, net metering does not mention multiple meters. However, the definition also does not mention a single meter. The definition is silent on the issues of meters altogether; hence, the argument advanced by staff is very weak.

I am also attaching more detailed comments for your information and use in Attachment 3 to this correspondence.

We had hoped for a definition and application of ANM that would have fostered more use of alternative energy uses as opposed to the very restrictive recommendations made by Commission staff. We urge you to reject or significantly modify staff's recommendation regarding this matter.

Sincerely,



C.H. Huckelberry
County Administrator

Attachments

- c: The Honorable Chairman and Members, Pima County Board of Supervisors
Tedra Fox, Pima County Sustainability Manager
Terry Finefrock, Chief Contracts and Procurement Officer, Pima County Procurement

ATTACHMENT 1



COUNTY ADMINISTRATOR'S OFFICE

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C.H. HUCKELBERRY
County Administrator

November 24, 2010

Ernest Johnson, Executive Director
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: **Aggregate Net Metering (ANM) – Docket No. E-00000J-10-0202**

Dear Mr. Johnson:

At the Arizona Corporation Commission (ACC) meeting on November 23, 2010, Utilities Division Director Steve Olea told the Commissioners his soon-to-be-released staff report will recommend the three major utilities develop ANM pilot programs, but he said this will not help Pima County because Pima County wants something *other than ANM*. We were somewhat perplexed by this statement.

Could you help us understand this comment? Specifically, what have you and your staff believed Pima County has been talking about in numerous letters submitted to the above-referenced docket, at the recent ANM workshop and at the October 2010 meeting with your staff?

We observe that your consultant, Mr. Kevin Fox, included a version of ANM in his ACC workshop presentation that matches Pima County's concept of ANM. This version allows a customer's electric load and the solar-generating facility to be some distance away (please refer to Page 21 of Mr. Fox's PowerPoint presentation).

In addition, on October 27, 2010, Assistant Utilities Division Director Elijah Abinah initiated and conducted a meeting with ACC, Tucson Electric Power (TEP) and Pima County staff and concluded the meeting by stating that Pima County's ANM Program was indeed "doable;" that there were no physical or other insurmountable constraints that would prevent implementation; and that the primary utility company concerns were lost sales and

Mr. Ernest Johnson
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recovery of delivery service fees. It is my understanding from Pima County staff in attendance that there were no objections made to Mr. Abinah's concluding remarks by either ACC staff or TEP attendees.

I would appreciate a response by Monday, December 6, 2010. Thank you.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/mjk

Attachment

c: Tedra Fox, Pima County Sustainability Manager

Aggregated Net Metering/Bill Totalizing

- *Distance between generation and load (3 D.)*
 - *CA: on government property within geographic boundaries of local government and within utility service territory (CA also has virtual net metering for multi-family, low income housing)*
 - *CT, DE: under consideration*
 - *OR: within utility service territory*
 - *PA: meters must be within 2 miles of generation*
 - *RI: within utility service territory*
 - *WA: within utility service territory*
 - *WV: meters must be within 2 miles of generation*

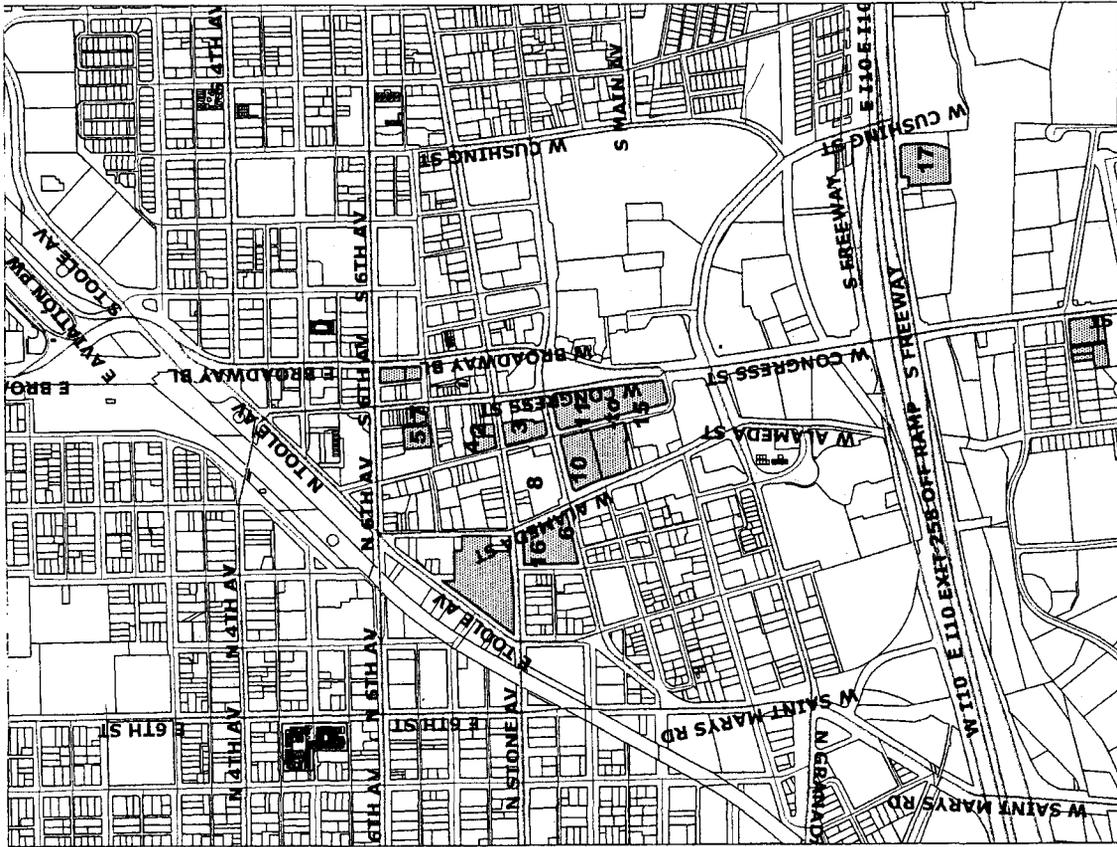
* Based on preliminary research

ATTACHMENT 2

ENERGY COST - ANM SOLAR Analysis Downtown Properties 10/11

12/8/2010

ADDRESS	FACILITY NAME	GROSS SQ FT	ENERGY	Ave. Cost
1 23 W 27TH STREET	LAS ARTES ART & EDUC CTR	17,602	124550 KWH/YR	\$12,455
2 32 N STONE	LSB - LEGAL SERVICES BUILDING	208,570	2953800 KWH/YR	\$295,380
3 33 N STONE	'B of A 33 N STONE	196,783	4540800 KWH/YR	\$454,080
4 44 N STONE	ROY PLACE BUILDING (Walgreen's)	33,733		\$0
5 50 N SCOTT AVE	LEGAL SERVICES PARKING GARAGE	107,000	97880 KWH/YR	\$9,788
6 50 W ALAMEDA	PUBLIC WORKS PARKING GARAGE	258,708	166625 KWH/YR	\$16,663
7 97 E CONGRESS	97 E CONGRESS	32,618		\$0
8 101 N STONE AV	LIBRARY, VALDEZ-MAIN	71,850	1806800 KWH/YR	\$180,680
9 110-150 W CONGRESS A & B LEVEL GARAGES				\$0
10 115 N CHURCH	OLD COURT HOUSE	87,493		\$0
11 110 W CONGRESS	SUPERIOR COURT	279,892		\$0
12 130 W CONGRESS	ADMINISTRATION BLDG	100,869		\$0
13 150 W CONGRESS	HEALTHWELFARE	95,775		\$0
14 165 W ALAMEDA ST	PRESIDIO PKG	231,592	21530064 KWH/YR	\$2,153,006
15 190 W PENNINGTON	CENTRAL PLANT		3649600 KWH/YR	\$364,960
16 201 N STONE	PUBLIC WORKS	197,475	178720 KWH/YR	\$17,872
17 332 S FREEWAY	CLINIC - TERESA LEE	9,787		\$3,504,884



Downtown Tucson Pima County Facilities Energy Consumption Analysis

North

ATTACHMENT 3

**Pima County Comments and Recommended Actions Regarding
Commission Staff Recommendations
(Aggregated Net Metering in Arizona, Part 3,
Analysis and Recommendations, November 15, 2010)**

1. ANM Definition & Pilot Program vs. Rule Clarification/Change (II.A. page 2 and III.A. 4., page 12)

The ANM definition recommended by Commission Staff, requiring that the generating facility and serviced meters be located on the same or contiguous premises, is without foundation, would benefit relatively few Customers, provide minimal incremental benefit to all Ratepayers, provide insufficient benefit relative to the costs incurred by the Commission, Customers and utilities regarding the expended work associated with this docket, and invite significant non-value added legal challenge, additional work and costs.

Regarding unsubstantiated claims of "shifted and unrecovered costs", Pima County believes that there exists ample evidence within this docket and elsewhere to reasonably conclude that the combined amount of avoided utility costs (R.W. Beck 8-14c/kwh), avoided external costs, and benefits provided by the creation of jobs and associated income and sales tax revenues, far exceed any unrecovered Delivery Service costs consequent to Customer generated DRE and lost utility sales.

When there is evidence of significant unrecovered costs the Commission already provides a formal base rate review process for a Utility to request appropriate action to remedy that condition, wherein all costs and benefits would be considered.

The RW Beck/APS Study also indicates that the utility avoided costs would be significantly greater and sooner if DRE implementations were increased; the "High Penetration Case" was achieved. ANM would result in significantly greater DRE.

Pima County is greatly concerned with the enormous use and loss of precious water supply by utility wet-cooling processes, from ½ to ¾ gallon of water/kWh, that could be displaced by Customer DRE and the cost that will be borne by Ratepayers to acquire incremental water supply. Based on Tucson Electric Power Company annual sales filing with the Commission that water loss is about 5 to 7 billion gallons per year. CAP Project Manager Dave Modeer was recently quoted in an Arizona Daily Star article that the cost of new water supply is 4 to 5 times current costs and may be required as soon as 2012(CAP Describes Costly future Water options; 11/18/10).

2. Pima County recommends that the Commissioners expeditiously and without further delay adopt the following actions:

ANM Capacity Restrictions(III.A.3, page 11)

To assure consistent and efficient implementation the Commission should provide functional and general guidance to Utilities and Customers.

Pima County concurs with Staff recommendation that established Net Metering rules and practices be applied to ANM Customers when possible; specifically that ANM generation by a Customer be limited to no more than 125 percent of the Customers total, sum of all meters, connected load.

Pima County also believes that existing REST Program rules developed by and unique to each regulated Utility and approved by the Commission already provide adequate technical, functional and financial constraints and that it would be premature and not possible to accurately anticipate and implement any changes at this time. Utility technical and engineering interconnect rules consider infrastructure capacity constraints and require that Customer generating facilities be compatible with Utility generation. Annual REST Customer Commercial Production Based Incentive programs provide financial controls regarding the amount of capacity that can be implemented by both Net Metered and ANM eligible Customers. The Staff recommendation is not needed; would impede and defer DRE implementations and expected benefits.

Pima County recommends that Commissioners reject Staff recommendation; "The Commission should require each participating utility to propose a cumulative capacity limitation and an ANM system-size limitation for that utility's particular ANM Program. The Commission would be able to approve the proposed limitations before the utility could move forward with its ANM program."

3. Geographic Restrictions (III.A.4, page 12)

This recommendation is restrictive and should be rejected. Refer to comments in #1 above.

4. Change of Participating Meters (III.C. 2, page 15).

Pima County recommends that the following addition be made to Staff recommendation: "Customers are allowed to designate a replacement meter at any time should any currently designated meter be removed from service".

5. Allocation of (Excess) Generation Credit (III.C.3, page 16,).

As previously expressed Pima County believes it beneficial to utilize existing Net Metering rules and practices for ANM whenever possible; there is no significant justification for doing otherwise.

Pima County requested and agrees with the clarification regarding this recommendation received from Commission Staff counsel, Robin Mitchell, that ANM Customers be compensated in the same manner and full retail rate as a Net Metered Customer for annual electricity actually consumed by the Customer.

6. In III.C.1 (page 14) designation of Participating Meters, Staff recommends, and Pima County agrees, that Customers shall designate the participating meters. Each of those meters is already assigned an appropriate tariff by Utility and Customer.

For ANM, it seems that the only issue is if and how those Net Metered practices require modification for multiple meters. For TEP territory and tariff structure, Pima County does not

believe any modification is necessary; TEP may simply consolidate and credit meters by tariff, in the sequence designated by the Customer.

Pima County recommends that the Commissioners reject Commission Staff recommendation, "The Commission should require that utilities credit only the kWh component of an ANM Customer's bill" and adopt instead the following, or equivalent:

"The Utility shall allocate credit to ANM Participating Meters using the same amounts and practices used to provide credits to Net Metered customers; at the full retail rate of the designated meter for 100% of the generation used annually by the Customer and at the energy portion amount of that rate for the electricity generated and not used by the Customer not to exceed 125% of the Customers annual actual usage by the Participating Meters."