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VIA FEDERAL EXPRESS

December 21, 2010,

Arizona Corporation Commission
Docket Control
1200 West Washington Street, Room 108
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

DEC 22 2010

DOCKETED BY	25786
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RE: *In the Matter of the Commission's Inquiry into Aggregated Net Metering ("ANM") for Electric Services and Possible Modification of Net Metering Rules, Docket No. E-00000J-10-0202*

Dear Sir or Madam:

Enclosed please find the following:

1. The original Initial Comments Of Wal-Mart Stores, Inc., And Sam's West, Inc., In Response To Staff Rep[ort: Aggregated Net Metering In Arizona;
2. Thirteen additional copies of the initial Comments of Wal-Mart Stores, Inc., and Sam's West, Inc. in the referenced docket.
3. A stamped, self-addressed envelope.

Please accept these dockets for filing and return two file-stamped copies to me in the enclosed envelope. If you have questions or need additional information, please do not hesitate to contact me.

Sincerely,

RICK D. CHAMBERLAIN

Enclosures

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ARIZONA CORPORATION COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

KRISTIN K. MAYES – CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE COMMISSION'S) DOCKET NO. E-00000J-10-0202
INQUIRY INTO AGGREGATED NET)
METERING ("ANM") FOR ELECTRIC)
SERVICES AND POSSIBLE MODIFICATION)
OF NET METERING RULES.)

**INITIAL COMMENTS OF
WAL-MART STORES, INC., AND SAM'S WEST, INC.,
IN RESPONSE TO STAFF REPORT: AGGREGATED NET METERING IN ARIZONA**

COMES NOW Wal-Mart Stores, Inc., and Sam's West, Inc., (collectively "Walmart") and respectfully submit these initial comments in response to the Staff report entitled "Aggregated Net Metering in Arizona" dated September 30, 2010 (hereinafter the "Staff Report").

GENERAL COMMENTS

1) Walmart appreciates the efforts of the Commission and the Commission's Utilities Division in initiating this inquiry. Walmart supports the concept of net metering and the development of specific rules that will expand net metering opportunities in the State of Arizona.

2) Walmart owns and operates many retail stores and related facilities in the State of Arizona. As of December 2010, Walmart's presence in Arizona includes:

- 71 Supercenters;
- 4 discount stores;
- 18 Neighborhood Markets;
- 15 Sam's Clubs; and
- 3 distribution centers.

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With these facilities Walmart is a very large consumer of electric energy in Arizona.

3) Walmart has made an operational and financial commitment to environmental stewardship in many aspects of its business. Walmart currently has over 40 on-site renewable projects involving solar, fuel cells, or micro-wind. Additionally, Walmart purchases over 200,000 MWhs on an annual basis from Notrees Wind Farm. Walmart's investment in renewable energy and energy efficiency measures is one of the most significant means towards reaching Walmart's aspirational goal of being supplied by 100% renewable energy.

4) Walmart has deployed a number of energy efficient technologies to assist in reaching its goal, including:

- Advanced metering systems have been installed in over 1,355 United States and 375 United Kingdom facilities to date;
- Daylight harvesting systems, in which lighting intensity automatically adjusts given the amount of incoming daylight from skylights;
- Highly efficient HVAC units that exceed the most stringent energy code in the United States;
- White membrane roofs that lower cooling load;
- Heat reclamation from refrigeration equipment to meet approximately seventy percent of the hot water needs of our Supercenters;
- T8 and LED lighting;
- Active dehumidification that enables stores to operate at higher temperatures and use less electricity; and
- Indirect evaporate cooling and radiant flooring.

5) Additionally, all of Walmart's United States stores are centrally monitored and controlled through energy management systems installed in each facility. Through this system, Walmart has the ability to centrally monitor and control store temperature,

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lighting, and refrigeration units. This system, in combination with its advanced metering system, also allows Walmart to efficiently implement demand response commands. As a result, Walmart currently participates in at least 20 utility and ISO/RTO demand response programs nationwide.

6) Wal-Mart supports the concept of net metering and the development of specific rules that will expand net metering opportunities in Arizona. If properly configured, net metering arrangements provide many direct and indirect benefits. Most obviously, the development and installation of renewable energy systems that will help mitigate congestion on the grid as it exists today and greatly reduce the amount of greenhouse gas emissions into the atmosphere.

7) However, this individual reduction in consumption, when aggregated with that of other customers, can indirectly benefit all customers by reducing system peak and demand. In fact, from a public policy perspective, net metering works hand in hand with energy efficiency and other demand side management measures. The reduced consumption by a particular facility may increase the amount of renewable power generated at the location, and that power can then be net-metered back onto the grid.

8) In essence, net metering arrangements can enhance customer-provided DSM/EE plans, which also complement utility or ISO/RTO programs. A reduction in system peak and demand – whether from net metering, DSM/EE or Smart Grid technology – can delay or eliminate the need for new generation capacity additions. In addition, however, encouraging net metering arrangements can also encourage the development and deployment of renewable energy technology and resources. This

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complements other ongoing efforts to encourage renewable technology.

9) Walmart believes that a significant opportunity may exist in the future to benefit from renewable on-site generation to reduce the overall energy costs of individual consumers, while simultaneously delivering broader societal benefits. These benefits include assisting the State of Arizona in achieving its renewable energy and greenhouse gas emissions reduction objectives and lowering fuel cost purchases for customers.

10) A fundamental consideration for customers, such as Walmart, in assessing whether or not to deploy renewable on-site generation is the availability of, and the rules and the regulations attendant to net metering. These rules are critical to analyzing the cost-effectiveness of possible investments. Net metering of on-site generation enables customers to directly offset their otherwise applicable energy costs through the production of energy at their facilities, while also providing them with the ability to more easily sell any excess generation into the grid. These features of net metering provide essential cost benefits to customers to help: (a) offset the cost of deploying renewable on-site generation; and (b) justify the cost-effectiveness of such investments, which can be very challenging. Absent appropriate net metering rules that incent investment in renewable on-site generation, Arizona will fail to capture the full potential of the benefits associated with large scale deployment of such projects.

11) Specifically, Walmart respectfully requests that the Commission ensure that the prices paid by utilities to customers for excess generation produced by net metered facilities are fair to the customer, considering both time of use and additional

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renewable energy attributes associated with energy delivered through net metering.

12) For customers such as Walmart, the cost-effectiveness of deploying on-site generation is a fundamental consideration in assessing whether to make such investments. A critical component in assessing cost-effectiveness is analyzing the cost savings that may be derived, inclusive of the payments that will be realized by the customer during periods when such facility produces energy in excess of the customer's requirements. Accordingly, the Commission should ensure that the appropriate benefits are retained by the customer and economic signals are provided to customers to incent further deployment of on-site generation. Such appropriate economic signals include ensuring that all customers with net metering eligible generation facilities are paid fairly for their services in a manner comparable to generation in during the hours in which any such facility produces excess generation.

13) Ensuring that the prices paid for excess generation are fair and accurate is essential to ensuring that the customer is compensated at a level commensurate with their investment. Moreover, such compensation ensures that the payments made by the utilities for excess generation are comparable to benefits received by them for purchasing the excess generation. Additionally, when purchasing the energy, ownership of the REC's that are produced from the net-metered energy should be negotiated with the utility taking the renewable energy. By doing so, both parties have the potential benefit of assistance in reaching their renewable goals. When a net metering customer produces excess generation, such excess generation effectively insulates electric utilities from having to purchase an equal amount of electricity from the wholesale

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markets to fulfill their load obligations for other customers, thereby providing the utility with benefits from reduced greenhouse gas emissions, reduced resource requirements, and lower fuel costs.

SPECIFIC COMMENTS

Walmart respectfully submits these comments in response to the specific recommendations in the Staff Report:

I. Recommended Approach For Aggregate Net Metering ("ANM") In Arizona

The Staff Report recommends that the Commission move forward with a pilot program for ANM instead of full or limited implementation under existing net metering rules. Staff Report p. 8. Walmart believes that a pilot program is unnecessary and that the Commission should immediately move forward with a full ANM rulemaking.

As the Staff Report itself indicates, ANM is not a new concept; it has already been implemented by numerous states. Arizona can use the experience of these states to quickly implement a full ANM program.

If, however, a pilot ANM program is initiated, Walmart believes that the program should be of a specified and limited duration, together with specific and rapid time frames for a full rulemaking.

II. Eligible Customer Classes

The Staff Report recommends that only governmental and agricultural customers be allowed to participate in the pilot ANM program. Staff Report p. 10. Walmart disagrees with this recommendation and recommends that commercial customers be

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included as well. The sources cited in the Staff Report unanimously indicate that all customer classes should be allowed to participate:

The majority of states with formal ANM programs permit *all customer classes* to participate in their net metering programs, including ANM. Similarly, Arizona's current net metering rules similarly allow *all end-use retail customers* to participate in net metering, and parties agreed in their written and oral comments that *all customer classes* should be eligible for ANM, as well.

Id. p. 9 (emphasis added).

However, the Staff Report goes on to indicate that "several parties acknowledged that *commercial*, agricultural, and municipal customers would likely derive the most benefit from ANM...." *Id.* (emphasis added). Inexplicably, the recommendation is limited governmental and agricultural customers while commercial customers are omitted completely.

Walmart disagrees with limiting eligibility to government and agricultural customers and recommends that, at a minimum, industrial and commercial classes also be included. Industrial and many commercial customers face competition on local, regional, and global scales. Managing energy costs is an important part of staying competitive. Energy efficiency and DSM measures, including ANM, are a cost-effective way to reduce the energy demand, consumption, and energy costs for these customers, as well as benefitting all customers by reducing system peak and demand.

In addition, many industrial and commercial customers have experience with ANM in other states. This expertise can benefit the Commission, the Staff and all customers.

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III. Eligible Tariffs

The Staff Report recommends that each participating utility be allowed to decide whether or not to require a pilot program customer to have all of its participating meters on the same tariff. Staff Report p. 10. While Walmart does not necessarily disagree with this recommendation, utility determinations should not be absolute or unilateral. That is, the determinations should be made publicly, not just privately to Staff, (e.g., in a Commission docket) and affected stakeholders should be given notice and an opportunity to comment on, disagree with, or dispute utility determination.

IV. Capacity Restrictions

The Staff Report recommends that ANM generating capacity be limited to 125 percent of a participating customer's total connected load. Staff Report p. 11. Walmart disagrees with this recommendation.

The report cites general agreement "that system size would be limited by physical and technical conditions, as well as cost." *Id.* Despite these natural boundaries on system size the Staff Report arbitrarily recommends a capacity restriction of 125 percent. To the contrary, Walmart believes a better approach is to eliminate the capacity restriction and allow participating customers to determine the appropriate size within the natural confines of physical and technical conditions, as well as the type of renewable project that is being implemented.

The Staff Report also recommends that each participating utility propose a cumulative capacity limitation and an ANM system-size limitation for the utility's ANM

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program. *Id.* Again, Walmart suggests that this be done in the context of a public docket with the ability of interested stakeholders to dispute the utility's proposal.

V. Designation of Participating Meters

The Staff Report recommends permitting a customer to aggregate an unlimited number of that customer's meters, and allowing that customer to designate which meters to aggregate, within any limits that a utility is permitted to set. Staff Report p. 14.

Walmart agrees with this recommendation with the proviso that customers be entitled to dispute a utility's limitations.

VI. Allocation of Excess Generation Credits to Multiple Accounts

The Staff Report recommends that utilities be allowed to decide how excess generation credits should be allocated among a customer's participating meters, after allocation to the meter at the renewable generation facility. Staff Report p. 16. Walmart disagrees with this recommendation.

Walmart believes that participating customers, rather than utilities, should be allowed to determine how excess generation credits should be allocated among the customer's participating meters. At a minimum, if utilities are allowed to determine the allocation, participating customers should be provided an opportunity to dispute the utility's determination.

The Staff Report also recommends that utilities credit only the kWh component of an ANM customer's bill. Staff Report p. 17. Walmart has no comment on this recommendation at this time.

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VII. Program Costs

The Staff Report recommends that cost issues such as cost shifting and cost recovery not be addressed in the pilot program stage, but only that data be collected for use in a future rulemaking. Staff Report p. 18. As stated previously, Walmart believes that a pilot program is unnecessary, and that the Commission should immediately move forward with a full ANM rulemaking. If the Commission chooses this approach Walmart suggests that costs be addressed in the rulemaking.

However, should the Commission adopt Staff's recommended pilot program approach, Walmart does not oppose the recommendation to gather comprehensive cost data during that phase provided that the pilot program is of a specified and limited duration, together with specific and rapid time frames for a full rulemaking.

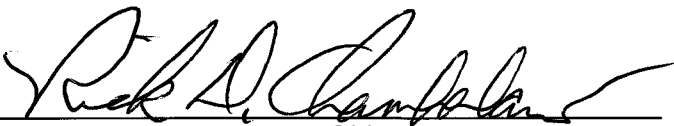
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CONCLUSION

Walmart respectfully urges the Commission to proceed with an ANM rulemaking consistent with these comments.

Dated this 21st day of December, 2010.

Respectfully submitted,

By 
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CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of December, 2010, a true and correct copy of the foregoing instrument has been furnished by electronic mail and/or U.S. mail, postage prepaid, to the following:

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