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COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

ARIZONA CORPORATION COMMISSION

Direct Line: (602) 542-3682
E-mail: rburns@azcc.gov

July 2, 2013
Arizona Corporation Commission

DOCKETED

JUL 6 - 2013

DOCKETED IN [Signature]

The Honorable Steve Pierce
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007-2890

Dear Senator *Steve* Pierce:

I appreciate your comments concerning net metering and electric retail competition in your letter dated June 25, 2013.

I, too, have concerns related to potential cross-subsidies that might be occurring under the current net metering rules. I recently filed a letter in the docket expressing my understanding of how net metering works that may be of interest to you. I have attached that letter for your reference.

Regarding your comments concerning electric retail competition, I agree that it is a serious issue for the State of Arizona and one that all five commissioners have stated on the record will need to be closely examined. We recently sent a letter to stakeholders requesting answers to eighteen very detailed questions including, but not limited to, whether electric retail competition would be better for Arizona ratepayers than the current system and, if so, how to successfully implement it (see attached). Your comments were docketed and thus, are included for the commissioners' consideration moving forward in our examination of this issue.

It is important for the Arizona Corporation Commission to stay apprised of developments within the power generation arena, including developments by third parties that are outside of our jurisdiction and control. We need to make sure that the present energy supply system is the best system for all Arizonans. I am hopeful that our request for information, as discussed above, will ensure we are well-equipped to make decisions that are in the best interest of the Arizona ratepayer. I assure you that the discussion will be transparent, open and robust.

Sincerely,

Bob
Robert L. Burns

Enclosures

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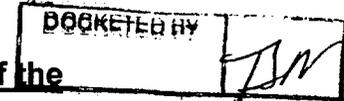
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May 23, 2013
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MAY 23 2013



Re: Generic Docket No.: E-0000W-13-0135 / In the Matter of the
Commission's Inquiry into Retail Electric Competition

Dear Stakeholders:

The purpose of this letter is to invite you to provide detailed comments communicating your views on retail electric competition in Arizona.

At the May 9, 2013 Staff Meeting, the Commission expressed a desire to receive and consider comments from any and all interested parties regarding whether it is in the public interest to implement retail electric competition in Arizona. The Commission plans to take the material filed in the above referenced generic docket and consider it in an upcoming Open Meeting.

The Commission needs input from electric industry stakeholders and customers to assist in the evaluation of the potential benefits versus the potential pitfalls of any possible transition to retail electric competition. The Commission takes seriously its obligations to understand and plan for Arizona's future energy needs and to look at viable production options now in the energy generation pipeline. The Commission finds it critical to stay abreast of energy generation developments and to stay engaged in this development curve.

It is clear that the Commission must undertake a rigorous examination of the complex issues surrounding electric retail competition in order to reach an informed decision. To help facilitate an organized and prudential examination of the matter, Commission Staff recommends that parties address, at a minimum, the following matters:

- 1) Will retail electric competition reduce rates for all classes of customers – residential, small business, large business and industrial classes?
- 2) In addition to the possibility of reduced rates, identify any and all specific benefits of retail electric competition for each customer class.
- 3) How can the benefits of competition apply to all customer classes equally or equitably?
- 4) Please identify the risks of retail electric competition to residential ratepayers and to the other customer classes. What entity, if any, would be the provider of last resort?

- 5) How can the Commission guarantee that there would be no market structure abuses and/or market manipulation in the transition to and implementation of retail electric competition?
- 6) What, if any, features, entities or mechanisms must be in place in order for there to be an effective and efficient market structure for retail electric competition? How long would it take to implement these features, entities, or mechanisms?
- 7) Will retail electric competition require the divestiture of generation assets by regulated electric utilities? How would FERC regulation of these facilities be affected?
- 8) What are the costs of the transition to retail electric competition, how should those costs be quantified, and who should bear them?
- 9) Will retail electric competition impact reliability? Why or why not?
- 10) What are the issues relating to balancing area authorities, transmission planning, and control areas which must be addressed as part of a transition to retail electric competition?
- 11) Among the states that have transitioned to retail electric competition, which model best promotes the public interest for Arizonans? Which model should be avoided?
- 12) How have retail rates been affected in states that have implemented retail electric competition?
- 13) Is retail electric competition viable in Arizona in light of the Court of Appeals' decision in *Phelps Dodge Corp. v. Ariz. Elec. Power Coop.*, 207 Ariz. 95, 83 P.3d 573 (App. 2004)? Are there other legal impediments to the transition to and/or implementation of retail electric competition?
- 14) Is retail electric competition compatible with the Commission's Renewable Energy Standard that requires Arizona's utilities serve at least 15% of their retail loads with renewable energy by 2025? (See A.A.C. R14-2-1801 et seq.)
- 15) Is retail electric competition compatible with the Commission's Energy Efficiency Standard that requires Arizona's electric utilities to achieve a 22% reduction in retail energy sales by consumption by 2020? (See A.A.C. R14-2-2401 et seq.)
- 16) How should the Commission address net metering rates in a competitive market?

May 23, 2013

Page 3

- 17) What impact will retail electric competition have on resource planning?
- 18) How will retail electric competition affect public power utilities, cooperatives and federal controlled transmission systems?

By no means should you consider these questions an exhaustive list. If there are any other matters related to the advantages or disadvantages of retail electric competition that you would like to address, that information is welcome.

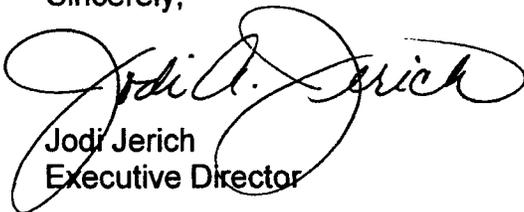
Initial comments should be filed in Docket No.: E-00000W-13-0135 by July 15, 2013. Responsive comments should be filed by August 16, 2013. Instructions for filing written comments in the docket may be found at www.azcc.gov, or you may call (602) 542-4251 or 1-800-222-7000 for information about how to file comments. Anyone intending to file comments is reminded that such filings are matters of public record, and should not contain information, including personal information, that is not intended for public disclosure.

If you would like to receive information about this docket on an ongoing basis, please file a notice with Docket Control indicating that you would like to be on the service list. Your notice should include your name, address, and email address. Future notices regarding this docket will be sent only to those individuals/entities that have asked to be included on the service list.

After the Commission has had an opportunity to review the written comments, it plans to convene an Open Meeting to discuss the issues and information filed in this docket. Please consult the Commission's website after the comment period to ascertain the scheduled date. All Commission hearings, workshops, and Open Meetings for this docket and all others are posted on the Commission website

Your comments will be vital to the Commission's consideration of these important issues, and I thank you in advance for your thoughtful contributions to this process.

Sincerely,



Jodi Jerich
Executive Director

Cc: See attached list

ORIGINAL

COMMISSIONERS
BOB STUMP - Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTNER SMITH



**ARIZONA CORPORATION
COMMISSION**

June 17, 2013

COMMISSIONER
Arizona Corporation Commission
Email: RBurns-web@azcc.gov
DOCKETED

JUN 17 2013

DOCKETED BY *ne*

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

RE: Net Metering Docket Nos. ~~RE 000001-07-0600~~ E-01345A-12-0290, E-01345A-10-0394, E-01933A-12-0296, E-04204A-12-0297

Dear Interested Parties and Stakeholders:

I want to take this opportunity to comment on certain matters related to the Commission's net metering rules and their current and potential future impact on our electric utilities and their customers. Recent articles and letters to the newspapers highlight what seem to be confusion concerning how net metering works. The opinions expressed in these letters and articles focus on the benefits of utility customers' solar rooftop installations, and I agree that there are many. These opinions, however, may not reflect the whole picture when it comes to how net metering may cause substantial cost shifting to the utilities' other customers.

Here is my understanding of how net metering may act to shift electric service costs from customers with net metering for their solar rooftop installations to non-solar customers. There are fixed utility costs of providing the infrastructure to ensure reliable electric service 24 hours a day, 7 days a week, and 365 days a year. At the present time, solar rooftop installations do not always produce the energy required for solar rooftop customers, and do not provide energy 24/7. Thus, solar customers rely on the back-up infrastructure that keeps the lights on whether the sun is shining or not. These circumstances present issues regarding how to allocate costs among customers in a manner that does not require non-solar customers to unfairly bear shifted costs for infrastructure that is also necessary to serve solar customers.

A recent study released by the solar industry concludes that the long-term benefits of rooftop solar systems outweigh the costs by 50% based on the decreased need for the utility to purchase new generation, transmission, and other pertinent factors over the 20-30 year life cycle of the solar system. The study, however, does not allay my concerns related to whether non-solar customers may pay a disproportionate share of the infrastructure fixed costs now and until the presumed point when the system's benefits to the grid outweigh its costs. A significant percentage of the usage portion of a customer's electric bill is for fixed cost infrastructure. Solar customers reduce or eliminate the usage portion of their bill. As a consequence, it appears that solar customers may significantly reduce their contribution to the support of the infrastructure that they rely on for back-up when the sun is not shining.

Perhaps an even more significant issue is the possibility that net metering may result in the electric utilities purchasing energy back from customers' rooftop installations at the retail rate when the energy is available to the utility at the lower wholesale rate. This could occur when a customer's meter spins backwards when that customer's solar rooftop installation is producing more power than the customer is using at that particular time. Since the meter is spinning backwards, the utility is paying that particular customer at the same rate the utility is charging that customer, *i.e.*, the retail rate, for the extra energy being produced by that customer's solar rooftop installation. The energy that the utility is buying at that retail rate is the energy that the utility is using to serve its other customers. It is my understanding that typically the utility would buy energy and/or produce its own energy to serve its customers at a wholesale rate which is less than the retail rate. The lower cost of the energy generated or purchased by the utility at the lower retail costs is presumably passed through to all utility customers.

I think we all will be striving for a net metering system that is fair to all, and in the spirit of fairness, cost subsidies that may penalize one group of customers at the expense of another will need to be looked at closely. I very much look forward to the Commission's future consideration of matters related to net metering and exploring these issues with my colleagues. I welcome interested party and stakeholder comments on these important topics and will keep an open mind on the challenging issues presented.

Sincerely,



Robert L. Burns

SENATOR STEVE PIERCE
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Arizona State Senate

COMMITTEES:

NATURAL RESOURCES & RURAL AFFAIRS
CHAIRMAN

JUDICIARY

TRANSPORTATION

June 25, 2013

The Honorable Bob Burns
Commissioner
Arizona Corporation Commission
Commissioners Wing
1200 West Washington
Phoenix, AZ 85007-2996

Re: Electric Deregulation and the use of Net Metering in Arizona

Dear Commissioner Burns,

I am very concerned about all the misinformation flying around about our utility partners. Arizona utility companies have demonstrated a strong commitment to the use of renewable energy by embracing solar power. I have read that some energy users throughout Arizona have chosen to adopt customer-installed solar panels for their rooftops; as a result, they have enjoyed the benefits of a sustainable lifestyle and cost-savings.

Today utilities remain supportive of customers who have chosen to install rooftop solar panels on their homes and businesses. Nevertheless, companies also recognize the need to extend that same support to their entire customer base. This includes those who cannot afford or choose not to install solar panels.

Under Arizona's current Net Energy Metering Program, utility customers are seeing inconsistent energy costs between solar and non-solar ratepayers. Although metering is a beneficial tool that has led to an increased public interest in solar use, it has also lead to increasingly higher rates for those non-participating customers.

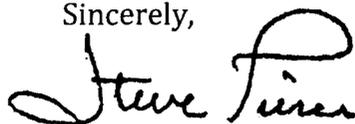
Under current law, a utility such as APS, is required to compensate those residential customers with rooftop solar systems who produce more energy than they use. However, this net excess energy is required to be bought at a substantially higher rate than APS would normally purchase through other outside generators in the market. In addition, these same residential customers do not pay their full share of the electricity grid used to power their homes. To compensate for the difference, the outstanding expenses are passed on to those customers without solar systems in the form of a subsidy or higher rate.

Applications for rooftop solar systems are escalating because of new leasing arrangements and lower costs. As a result, we are inclined to see higher electricity rates for residential customers in the future. Arizona is not alone in facing this situation. Presently, many states are holding discussions on the issue of cross-subsidies between solar and nonsolar customers.

Recently, there has been talk of moving Arizona to a deregulated market; however, the basic necessity of power will be subject to volatile prices in a driven marketplace. This transition is expensive to implement; in addition, deregulation has a long record of power shortages, rolling blackouts, and price manipulation.

This is a serious issue for the state of Arizona, and I implore the Arizona Corporation Commission to shy away from experimenting with the option of deregulation. I encourage the ACC to facilitate an open dialogue, which hopefully leads to a workable solution benefiting both residential customers and the solar industry alike.

Sincerely,

A handwritten signature in cursive script that reads "Steve Pierce". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Senator Stephen M. Pierce
District 1

CC: The Honorable Bob Stump, Chairman
CC: The Honorable Brenda Burns, Commissioner
CC: The Honorable Susan Bitter Smith, Commissioner
CC: The Honorable Gary Pierce, Commissioner