

ORIGINAL

OPEN MEETING AGENDA ITEM



0000149381

**COMMISSIONERS**  
BOB STUMP – Chairman  
GARY PIERCE  
BRENDA BURNS  
ROBERT BURNS  
SUSAN BITTER SMITH

RECEIVED



2013 ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman

Direct Line: (602) 542-2925  
Fax: (602) 542-0752  
E-mail: bstump@azcc.gov

AZ CORP COMMISSION  
DOCKET CONTROL

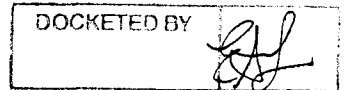
Arizona Corporation Commission

DOCKETED

NOV 07 2013

November 7, 2013

RE: Net Metering; Docket No. E-01345A-13-0248



Parties to the Docket:

As I ponder the record, larger questions regarding distributed generation, as it relates to net metering, arise. Written responses to the questions below are not required; but kindly be prepared, during open meeting on November 13 and 14, to engage in a robust discussion on the following points and questions:

1. Does the RUCO proposal offer the best balance in covering cost shifts before the next APS rate case? While utilities' revenue is, of course, affected by consumer behavior, weather events, more efficient AC units, and the like, can we all acknowledge that some behaviors and technologies are more valuable to the grid than others? Were incentives most effective when -- as some argued -- solar was above grid parity and, if so, should the question be, "is there value parity"? If such parity does not exist, is it prudent to phase-in a fixed charge now and work on rate design (such as demand charges) later?
2. With regard to self-supply produced by a solar system, is 20 percent of household load excess generation, or 40 percent, on average, for a residential net metering customer?
3. How does Austin Energy's value-of-solar (VOST) tariff compare to any of the proposals before us?
4. What is the impact of each proposal on energy efficiency and conservation? Do any involve a conflict between rate designs intended to promote efficiency and pricing incentives designed to promote DG?
5. Is it reasonable to assert that a utility reimbursing a customer a sum larger than the utility's cost savings arises from the fact that a DG customer may conceivably pay only the fixed portion of their bill and be paid the full retail value of power they produce beyond their usage? This would include the wholesale cost of energy, as well as charges incurred by distribution and transmission. Put another way, a net-metering DG customer enables a utility to save money on wholesale energy costs and, to a degree, transmission costs, but not distribution costs. Does the retail rate fairly compensate the solar customer, or under- or over-compensate him? The "million-dollar question": Is paying a wholesale price fair to solar customers? Would other sources of new generation be compensated at these rates? How do we price this resource to reflect its overall value?

6. Are the environmental benefits of DG ultimately degraded when distributors engage in cost pass-throughs that are fixed instead of variable? Is customer "empowerment" similarly degraded, as SWEEP and others counter, when financial complications of net metering lead utilities to seek to place more costs into the fixed portion of bills, which shrinks the amount of the bill subject to customer conservation efforts? In other words, does an imperfect net metering system lead to a shrinking of the bill tied to customer usage and a distortion of pricing mechanisms, thereby eroding the rewards of energy efficiency and distributed generation? Will less customer control over the elastic portions of their bills, which rise with consumption, be the outcome of a DG system meant to encourage greater customer empowerment? How are environmental benefits captured in the current system?
7. Is there an inherently socially regressive element to DG if we consider consumption-based variable costs in relation to fixed costs incurred equally by all consumers? In other words, lower-income consumers who use less electricity, for the sake of argument, will pay the same in costs as higher-income customers who consume more electricity if we move to more fixed-charge-based rates.
8. Is triggering at 20 MW too late or too soon in the game?
9. Does 30 MW represent the "right" size of a market for APS? Would 50 MW represent an overheated market or double compliance? Is it prudent to exceed compliance for scaling benefits or to take advantage of the 30 percent federal tax credit?

Thank you. Our discussions next week will grant this commission greater clarity as we ponder what course of action is in the public interest.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Bob Stump". The signature is fluid and cursive, with the first name "Bob" and last name "Stump" clearly distinguishable.

Bob Stump  
Chairman