



AMERICANS FOR TAX REFORM OPEN MEETING AGENDA ITEM

November 14, 2013



ORIGINAL

Arizona Corporation Commission
1200 W Washington St
Phoenix, AZ 85007

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2013 NOV 14 P 4:37

Dear Commissioners,

I write today in support of net metering reform in the state of Arizona. Americans for Tax Reform believes that the cost shifting that occurs from solar to non-solar consumers has a similar effect as a tax on traditional consumers. **Without a change in the way that net-metered customers (generally rooftop solar homes) pay for their use of the energy grid, traditional ratepayers will continue to subsidize net-metered customers' energy costs.**

Net-metered customers are paid (or credited) at the retail rate for any excess electricity they generate and sell back to the local electric utility. Utilities are required to pay this higher, premium rate despite the fact that they often can produce or purchase power at the much-lower wholesale rate. Higher prices for utilities lead to higher prices for customers.

A solution to this problem would be to credit net-metering customers at the wholesale rate for electricity, rather than the retail rate.

The retail rate includes all of the utility's fixed costs, including transmission, distribution, and balancing services related to the power grid. When net-metered customers sell electricity, they are using the grid. They also need the grid to buy electricity during times when their rooftop solar panels are not generating enough electricity to meet their needs. Yet, because of the way net metering policies are structured and customers are credited, solar homes effectively avoid paying for the fixed costs of the grid. These costs are like taxes being shifted to non-solar homes.

To end the cost shifting that is happening under current policies, net-metered customers should be charged a separate fee that adequately covers their share of the grid's fixed costs.

The debate over net metering reform and solar subsidies, tax credits, and mandates is not unique to Arizona. That is because the rooftop solar industry has attempted to co-opt countless conservative groups in its fight to protect crony capitalism in other states as well. In Georgia, they convinced a local tea party group to support new mandates on solar power generation, which will result in higher costs for a large number of consumers in the state.

According to the Energy Information Administration, solar energy remains the most expensive energy source at \$144.3 per megawatt hour. Solar is more expensive per megawatt hour than coal (\$100), natural gas (\$67.1), and nuclear (\$108.4), which can produce power regardless of the time of day.

I hope this letter puts the tax matter into perspective and I urge you to reform the Arizona net metering policy in order to protect the vast majority of electric consumers.

If you have any questions about ATR's position on this issue, please contact state affairs manager Paul Blair at 202-785-0266.

Onward,

Grover Norquist
President, Americans for Tax Reform

Arizona Corporation Commission
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