



Grand Canyon State Electric Cooperative Association, Inc.

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Arizona Corporation Commission
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Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

DOCKETED BY

Re: *Cooperatives' Comments on Value and Cost of Distributed Generation (Including Net Metering), Docket No. E-00000J-14-0023*

Dear Sir/Madam:

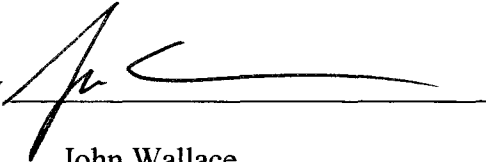
The Grand Canyon State Electric Cooperative Association ("GCSECA"), on behalf of its electric cooperative members,¹ submits the attached comments on the Letter from Arizona Corporation Commission ("ACC" or "Commission") Staff dated January 27, 2014 regarding the value and cost of Distributed Generation ("DG"). The Electric Cooperatives reserve the right, individually and collectively, to provide additional or different comments and positions on any of the legal issues or proposed rule changes as becomes necessary in the future. The Electric Cooperatives, individually and collectively, also reserve the right to change the opinions expressed in these comments as new information becomes available.

¹ The electric cooperative members are: Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.; Navopache Electric Cooperative, Inc.; Sulphur Springs Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. (collectively the "Electric Cooperatives").

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RESPECTFULLY SUBMITTED this 14th day of February, 2014.

GRAND CANYON STATE ELECTRIC
COOPERATIVE ASSOCIATION

By 

John Wallace
Chief Executive Officer

Original and 13 copies filed with Docket
Control this 14th day of February, 2014, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**ELECTRIC COOPERATIVE COMMENTS ON VALUE AND COST OF DISTRIBUTED
GENERATION (INCLUDING NET METERING)**

DOCKET NO. E-00000J-14-0023

Introduction

The following comments on the Letter from Arizona Corporation Commission (“ACC” or “Commission”) Staff dated January 27, 2014 regarding the value and cost of Distributed Generation (“DG”) are provided by Grand Canyon State Electric Cooperative Association, Inc. (“GCSECA”) on behalf of Duncan Valley Electric Cooperative, Inc. (“Duncan”), Graham County Electric Cooperative, Inc. (“Graham”), Mohave Electric Cooperative, Inc. (“Mohave”), Navopache Electric Cooperative, Inc. (“Navopache”), Trico Electric Cooperative, Inc. (“Trico”) and Sulphur Springs Valley Electric Cooperative, Inc. (“Sulphur”) (collectively “Electric Cooperatives” or “ECs”).

Electric Cooperatives’ General Comments

The ECs support the Commission’s efforts to receive information in an effort to assist the Commission in developing a revised and updated net metering policy. The customer-elected Boards of member-owned and operated not for profit cooperatives appreciate the Commission’s recognition that adoption of net metering, renewable energy and energy efficiency rules does not eliminate the need to continue to re-evaluate them in order to achieve a fair and equitable balance among electric customers and a financially stable utility. Given each utility’s unique cost and rate structure, availability of information and range of benefits and costs associated with net metering, developing a one-size fits all policy for net metering is not possible. In fact, given the differences between cooperatives in these areas, a single policy for cooperatives may not even be possible. In addition, Staff has listed many potential DG benefits and cost categories without

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any explanation of how these factors will be used to develop a policy. For example, some of these items will be able to be identified and quantified while other items will not. Will the items that cannot be quantified be given an equal weight in determining a policy or not? The ECs believe it will be important for Staff to recognize the difference early in the process.

The ECs agree with the findings in the APS Decision No. 74202 that there is a cost shift from DG customers to non-DG customers as a result of Net Metering. Net metering creates a subsidy for customers who receive net metering. Each cooperative and its members have incurred the fixed costs of a generation, transmission and distribution system to serve all member/customers. A customer that is net metered avoids paying the full cost of those facilities and yet receives a full retail rate for power generated by the customer. The other members will eventually be forced to pay higher rates to subsidize these costs that are not being paid by net metered customers.

For example, currently the ECs have monthly customer charges ranging from approximately \$8.50 to \$20.00. These monthly customer charges do not completely recover the fixed costs associated with the generation, distribution and transmission plant dedicated to serving this customer. The ECs' current rate design collects the majority of the fixed costs associated with providing generation, transmission and distribution service from the energy rate or per kWh charge that on average is approximately \$0.10 per kWh and will be avoided by net

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metered customers when their DG systems produce energy. By avoiding the ECs' kWh charge, a net metered customer is not paying their share of the fixed costs associated with the generation, transmission and distribution system. To demonstrate the magnitude of net metering cost shift, Sulphur Springs Valley Electric Cooperative, Inc. has estimated at its current rate of DG installations, the cumulative total of the fixed cost that will not be paid by net metered customers and be shifted to other customers will be approximately \$30 million dollars by the year 2025. The EC's would support an increase in monthly customer charges to mitigate the cost shift from net metering. Another method to mitigate the cost shift would be through the collection of a separate charge on customers' bills. However neither of these cost shift mitigations may adequately address the future and continuing growth in amount of cost shifting that occurs from net metering due to the retail credit provided for all energy that the customer produced and banked over what the customer consumed.

List of Potential DG Benefits and Cost Categories

In its letter, Staff identified some potential DG Benefits and Cost Categories. The remaining comments will address these potential DG Benefits and Cost Categories.

Capacity

Under this category, Staff has listed "Distributed Energy Capacity Value (MW)" which the Electric Cooperatives will be able to calculate. The next item is the "Avoided Generation Capacity Value (new generation \$)" which the Cooperatives would state is zero, primarily due to

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the fact that the EC's do not currently need to build additional generation capacity. It should be noted however, that DG does not eliminate the need for additional generation capacity because all types of DG with the exception of thermal storage require the utility to provide capacity when a customer's DG is not producing energy (i.e. at night or cloudy days for PV systems, calm days for wind systems, etc.) and at peak times regardless if DG is producing or not.

The EC's believe that addition of utility scale renewables is far more likely to affect its plans for future capacity and energy requirements than the relatively small amount of DG that is being installed at customers' homes.

Grid Support Services

The Electric Cooperatives that are required to file REST Implementation Plans and Tariffs are distribution cooperatives and do not have the information listed under this category but have some general comments as follows.

The Electric Cooperatives are already required to maintain reserve margins for all customers in order to maintain system reliability. To require utilities and their consumers to buy power from net metered customers on a regular basis is unfair to non-net metered customers and duplicative.

Avoided Costs/Financial Risk

The Electric Cooperatives that are required to file REST Implementation Plans and Tariffs are distribution cooperatives and do not have the information listed under this category.

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Security and Reliability

The Electric Cooperatives believe that DG has and will continue to create reliability issues and have some general comments as follows.

Many types of distributed generation are not dispatchable by the utility and as a result cannot be counted on to support the system peak requirements necessary to maintain system reliability. Customers use Net Metering for "... essentially storing excess power on the grid...". This is a new role for electric utilities, one for which their system assets are generally not appropriately suited. Eventually, as self-generation capacity reaches some future threshold yet to be determined, utilities may need to install energy storage assets, at some cost, to manage the energy storage demands imposed on the system by customers.

Environmental

The Electric Cooperatives that are required to file REST Implementation Plans and Tariffs are distribution cooperatives that do not have the information listed under this category. That being stated, some of these items will be difficult to identify and quantify.

Social

The Electric Cooperatives do not have the information listed under this category. That being stated, some of these items will be difficult to identify and quantify.

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Electric Cooperatives' Recommended Presenters at Workshops

Staff has requested Stakeholder recommendations for persons or entities that would be presenters at the net metering workshops. At this point in time, the EC's do not have any recommended presenters for the workshops.

Conclusions:

Given each utility's cost and rate structure, availability of information and range of benefits and costs associated with net metering, developing a one-size fits all policy for net metering is not possible. In fact, given the differences between cooperatives in these areas, a single policy for cooperatives may not even be possible. The cost shift created by having DG and Non-DG customers is a problem not with Net Metering but with the historic rate design which recovers fixed costs through the variable kWh consumption to keep the monthly service charge as low as possible. Collecting all of the fixed cost through the ECs fixed customer or demand charges may be a "one size fits all" solution that the EC's could support. The ECs look forward to working with the Commission in this ongoing process.