



ARIZONA CORPORATION COMMISSION

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Commission Passes Historic Decision to Protect Solar Interests and Provide Equity for all Customers.

(Phoenix) In a first of its kind in the nation decision, the Arizona Corporation Commission voted 4 to 1 to restructure how distributed generation (DG) is compensated and paid for in Arizona, laying the foundation to invigorate renewable energy technologies while providing equity to all customers.

The Commissioners' decision to replace net-metering is landmark and protects the tens of thousands of existing customers while restructuring the methodologies to determine a fair export rate for the future.

"Existing solar customers can rest assured that their investment is safe," said Commissioner Andy Tobin. "Our decision recognizes those customers while taking the next step by determining rates which take into account advancements in solar and other renewable technology which helps us push forward proactively."

The decision comes after a three-year investigation into the Value and Cost of Solar which included input from a broad coalition of solar, utility, consumer advocates and customers.

"A little over a year ago, I proposed that the Arizona Commission finally address the questions associated with the Value and Costs Associated with Distributed Generation in a full evidentiary proceeding," said Chairman Doug Little. "I believed that we needed to invest the time and energy to create a factual record that would form a basis for thoughtful analysis of the issues and help us find real solutions to the questions that have bedeviled the rooftop solar conversation in Arizona for over three years. In passing this policy, we have accomplished something historic. We have taken a very important step down a path that I hope will accomplish twin goals. The first, is addressing the cost shift that has previously burdened non-DG customers and begin bringing the compensation rates for DG customers in line with current market economics versus the economics of 10 years ago. Second, to do this is such a way that we protect the investment of existing rooftop solar customers, making sure that we do not change the rules on them in the middle of the game. What we have done is probably not perfect. The issues are far too complex and divergent to reach a decision that will satisfy everyone, but I believe that we have worked very hard to find a reasonable balance. We now have a meaningful first step that we can build on in the future."

Under net-metering adopted in 2009, customers are given full retail credit for the power they generate and can sell back the excess at wholesale. Those rules will be grandfathered for the existing customers. The new methodologies will take into account wholesale rates which is what utilities pay for solar energy from large plants. Both methods will be established in rate cases and updated annually and promote a gradual change in export rate not to change more than 10 percent

from year to year.

Customers with DG systems that are subject to the new DG export rate will have that rate locked in for 10 years. Further, the order permits persons who purchase a home with a DG system subject to the 10-year rate to “inherit” the remaining years of that locked in rate.

“To have maintained status quo (with net-metering) would have made the industry, long term, less competitive, and less self-reliant,” said Commissioner Bob Stump. “The Commission ensured that all ratepayers will be treated fairly and that technological innovation will continue to thrive. This is the last Open Meeting of my career and I’m proud to end it on this note.”

Commissioner Bob Burns dissented from the decision. *“In my view, this decision did not get to where I needed it to be in order to support it. Future solar customers should have their solar export rate grandfathered for 20 years, not 10 years, just like what was approved for existing customers. The decision to designate solar customers as a separate rate class for rate design purposes is a rate design question that should be decided in the rate case, not this proceeding. The decision to prohibit solar customers from banking unused kWh should be resolved in a rulemaking proceeding, not here. I did, however, appreciate my fellow commissioners passing my amendment #3, which added avoided transmission, distribution and line losses to the Resource Comparison Proxy methodology. In the same vein, I believe my amendment #1, which included a discussion of all costs and benefits should have been included in the Avoided Cost Methodology. The inclusion would have been for discussion purposes only and only if the benefit became quantifiable in the future would its value be included. I think having more information about the value of solar, not less, is preferable, especially when it would not even be included in the quantitative calculation of the export rate. Although this decision came close to the result I was hoping for, it regrettably came up short and I could not support it.”*

The entire Value for Solar docket can be viewed at azcc.gov and clicking on eDocket. The docket number is E-00000J-14-0023