



MEMORANDUM

Date: June 24, 2016

To: Charles Wesselhoft
Deputy County Attorney

From: C.H. Huckelberry
County Administrator 

Re: **TRICO Electric Cooperative Rate Case Before the Arizona Corporation Commission and Proposed Settlement Discussion**

The rate case before the Arizona Corporation Commission (ACC) has multiple components, including an impact on renewable energy production. I understand there has been at least one preliminary discussion regarding settlement of this rate case, a portion of which you were able to attend.

In addition, there appears to be another discussion scheduled for July 2016. So that the County's position is clear, I am providing this guidance. A copy of such will be provided to the Board of Supervisors for their information and discussion as they deem warranted.

- 1) Grandfathering of Solar Net Metering Facilities. As the operator of a major public utility serving approximately 275,000 customer connections, it would be very desirable to have internal fiscal policy decisions retroactive to the date it was decided they were appropriate. Obviously, we cannot, and no other utility should be able to do so. In fact, in my experience with utility rate setting, they are always prospective instead of retrospective; which means that if a change is warranted, it should be made sometime after an actual rate decision is made. Unfortunately, the threat of a retroactive policy position has already cost Pima County rate payers, since we were forced to abandon plans for a utility size system related to our Corona de Tucson wastewater facility due to this provision. I strongly recommend that any decision regarding net metering be made with an effective date in the future, not the past. I would further suggest the future date be set when the utility meets the targeted goal of achieving the required percentage of supply by renewable sources.
- 2) Customer Charges. In my understanding of the meeting, there was a discussion that converted the demand charge for residential and small commercial users to a fixed cost. Such has absolutely nothing to do with demand charge. I do not blame the utility for trying to shift their revenues to the fixed model, receiving a fixed monthly increase from all customers is very predictable. However, such has absolutely nothing to do with demand charges. What I understand about the demand charge is that it

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is a rate charged to a customer based on some hypothetical amount that will apply to their peak use. In my view, this is what time of use charges are. Those variable time demand charges allow customers to actually plan their schedule such that they consume energy during off-peak hours at a lower cost. To confuse fixed fees with demand charges is clearly inappropriate, and the County will oppose any and all demand charges, no matter how they are structured. A fixed fee per month charge may be appropriate, but it should not be confused with, or disguised as, a demand charge.

- 3) Net Metering. The concept of net metering and credits for same were not invented by the consumer. It is a concept promoted by the electric utility to provide incentives to increase renewable supply generation. It is clearly inappropriate to now try and disavow their concept. Further, it should not even be discussed until the renewable energy goals have been met by the respective utilities. However, given that the utilities now believe they have made a bad deal with the rate payers, any transition and/or reduction in net metering credits should occur over a number of years and be phased over several years. Reimbursement of the value of excess energy generated by an individual provider should continue at the same value it is today and reduced to the amount requested by the utility over a three to five-year period.

Please represent the above as the County's position regarding settlement.

I would like to note that the aggregate rate increase which, by our estimate, is approximately 4.5 percent, is generally acceptable. However, the issues associated with: 1) grandfathering; 2) demand charges, and 3) eliminating net metering credits are completely unacceptable.

CHH/anc

c: The Honorable Chair and Members, Pima County Board of Supervisors