

Arizona Net Metering Rules Brief Sheet

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The Essentials

- The Arizona Net Metering Rule allows customers to receive credit for excess electricity they generate from renewable energy installations at their home or business.
- Both electricity purchased from the utility and electricity generated by the customer is measured with a bi-directional meter installed at the house of the customer.
- Any net excess electricity generated in one month is carried over as a kilowatt-hour credit onto the customer's next bill.
- At the end of the calendar year, customers receive a check or a billing credit from the utility for any unused kilowatt-hour credits.
- Utilities must annually file with the Arizona Corporation Commission proposed tariffs; such tariffs set standard rates for the annual purchase of credits. The tariff is then added to each utility customer's electricity bills.

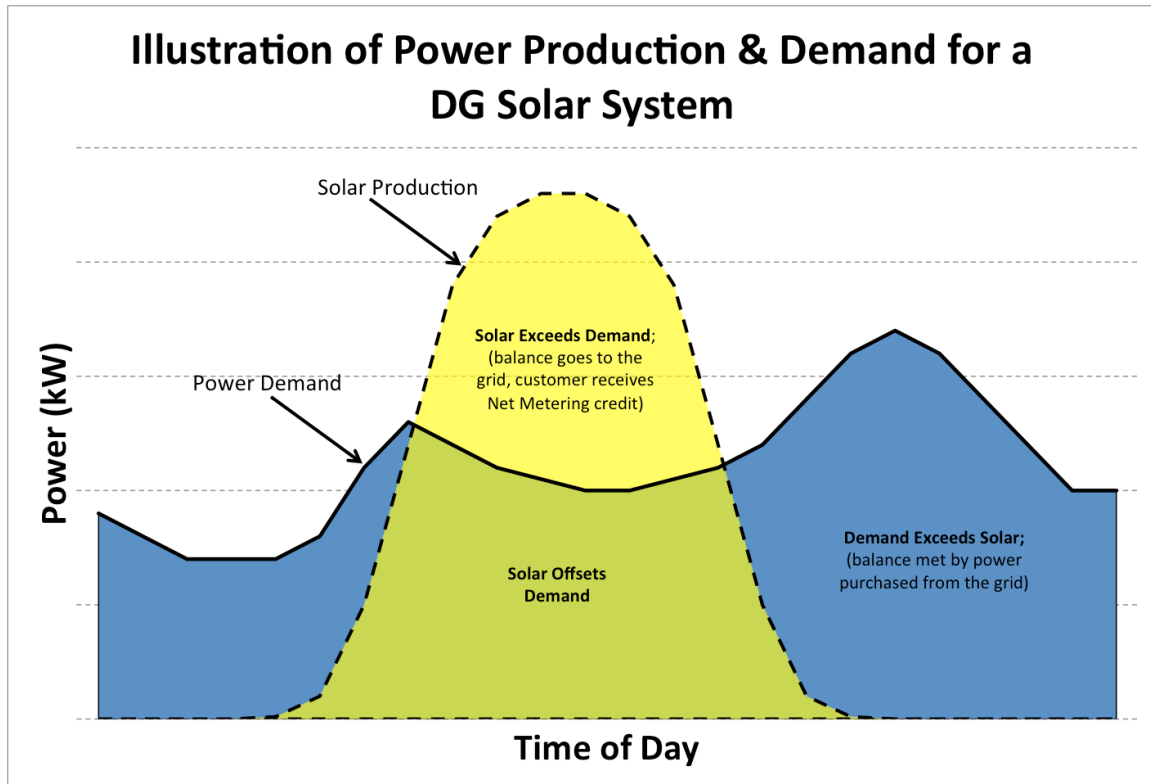
What is Net Metering? And why was it adopted?

Traditionally, a property owner receives all the power he or she needs by connecting to "the grid." The grid is the network of power lines (i.e. transmission and distribution) that a utility company uses to deliver power to its customers. When a distributed renewable energy system (such as a rooftop solar panel array) is installed, some of the customer's power will instead come from the renewable energy source, thereby reducing the amount coming from the grid. If the renewable energy system generates any power in excess of what the customer can use, the excess power flows back into the grid and serves other customers in the utility's network.

The Arizona Corporation Commission ("ACC") approved and passed the Net Metering Rules in October of 2008, and the Rules were approved by the State Attorney General in 2009 and became effective in May of that year. Without Net Metering rules, customers with a renewable energy source installed on their property will not benefit directly from any excess power they are producing for the utility. The Net Metering Rule is designed to fix this problem by requiring utilities to pay customers for the excess energy the customer generates that flows into their network. The goal of this policy is to encourage customers to install renewable energy generating power sources on their properties.

With the Net Metering Rule, utility customers who install solar on their rooftops may "bank" their excess energy generation and receive credits on their monthly bills -- akin to a virtual "energy credit piggy bank." For instance, if a customer with solar

panels on his property needs power at night, he may use any “banked” solar energy credits accumulated instead of paying for electricity from the utility company. Once all the “banked” energy is used, the customer will then be charged the standard rate for electricity.



Who can use Net Metering? And how is it accomplished?

Both residential and commercial customers may utilize net metering.¹ The Net Metering Rule also helps utility companies meet their Distributed Energy requirements as mandated in the Renewable Energy Standard and Tariff Rule that was enacted in 2007.²

Approved renewable power sources include: Solar panels, wind, hydroelectric, geothermal, biomass, combined heat and power, and fuel cells.³ For each of these, net metering is accomplished by using a single bi-directional meter. The meter measures all net excess generation (“NEG”) that is generated by a renewable power source on the customer’s property so the customer can be properly credited. When

¹ A.A.C. R14-2-2302

² A.A.C. R14-2-1801 *et seq.*

³ A.A.C. R14-2-2302

energy is created on a property by renewable energy the energy meter typically runs backwards, thus accounting for all the extra energy created.⁴

Customers receive a reported NEG kilowatt-hour credit on their monthly utility bill. Each month, if there is a net excess of electricity generated from the renewable power source on the property, it is credited on the next month's bill. So, for example, if in May, the owner of a property with a solar power generating source does not use all of the electricity created by the solar, the electricity will be credited onto June's bill. Any remaining NEG kilowatt-hour credits at the end of the calendar year are paid to the customer by check or billing credit.⁵ In theory, a customer could pay nothing on his or her monthly utility bill throughout a calendar year, thanks to the monthly credits, and then at the end of the year he could receive compensation from the utility company in the form of a utility bill credit or a check.

Customers who have signed up for a "time-of-use" rate structure will be credited based on NEG measured separately for the off-peak and on-peak billing periods. For example, if a residential customer generates solar power during the on-peak use period, he or she is credited only for on-peak NEG.

How are Arizona's Net Metering policies unique?

Unlike in other states, Arizona's Net Metering Rules do not have a kilowatt-based limit on power source system size capacity. However, the rules do require that the renewable energy system does not exceed more than 125 percent of the customer's electric total connected load. The 125 percent cap is advantageous to customers because a customer may install a renewable energy source on his or her property that produces 25 percent more energy than the property's regular connection load requirements.

Investor-owned utilities must annually file with the ACC proposed customer tariffs to offset the costs of the kilowatt credits. Utilities must also report the proposed amount of tariffs and the net metered facilities that were installed in the previous year. Salt River Project ("SRP") is not regulated by the ACC and does not have to comply with these requirements. SRP must still provide some form of Net Metering Crediting to its customers because of the Energy Policy Act of 2005. With the Energy Policy Act of 2005, the United States Congress mandated that all public electric utilities must make net metering available to customers who request the service.⁶ SRP modified its net-metering in program in 2009. Net metering is available to commercial and residential SRP customers who generate renewable energy with PV

⁴ *Instructions from APS on how to read a bi-directional meter:*

http://www.aps.com/main/green/choice/choice_11.html

⁵ Salt River Project ("SRP") and other municipal utilities that are not regulated by the A.C.C. are not required to comply with A.C.C.'s Net Metering Rule, but the non-regulated utilities are federally mandated to offer similar net metering credits.

⁶ See 16 U.S.C. § 2621 (d)(11)

solar, geothermal, or wind systems on his or her property. There is a maximum 100 kW system capacity limit on installed systems in SRP's service territory.⁷

Update December 2013:

On November 14, 2013, the ACC voted to implement a \$0.70/kW fee for customers with rooftop solar installations who participate in their net metering program. The fee equals roughly \$5/month for a typical residential installation. The ACC agreed to review the net metering policy in more depth during the next APS rate case.

Read more

Net Metering Rule in Arizona Administrative Code:

http://www.azsos.gov/public_services/Title_14/14-02.htm#ARTICLE_23

ACC Press Release Regarding passage of the Net Metering Rule:

<http://www.azcc.gov/Divisions/Administration/news/090623APS%20Net%20metering.pdf>

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⁷ Read more:

SRP generator guidelines, <http://www.srpnet.com/electric/Generators.aspx?res>

SRP Renewable Net Metering Riders,

<http://www.srpnet.com/environment/earthwise/solarbiz/solarbizriders.aspx>