

Control Number: 46449



Item Number: 117

Addendum StartPage: 0

**PUC DOCKET NO. 46449
SOAH DOCKET NO. 473-17-1764**

**APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
AUTHORITY TO CHANGE RATES**

§
§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

RECEIVED

2017 FEB -3 PM 2:56

PUBLIC UTILITY COMMISSION
FILING CLERK

**COMMENTS OF
THE SOLAR ENERGY INDUSTRIES ASSOCIATION**

COMES NOW, the Solar Energy Industries Association (SEIA)¹ and files these comments regarding the Application of Southwestern Electric Power Company (SWEPCO) for Authority to Change Rates, and in support thereof would show the following:

SUMMARY

SEIA does not intend to intervene as a party to this proceeding. However, SEIA provides the following comments for the Commission's consideration regarding the proposal by SWEPCO to impose a new tariff structure pursuant to which it would bill customers full retail rates for all kWh delivered to the customer and pay only avoided cost for kWh produced by a customer's on-site renewable generation facility and delivered to SWEPCO. SEIA recommends the Commission reject SWEPCO's proposal.

COMMENTS

In its filing, SWEPCO proposes to reduce compensation to any future customers taking Residential Service, General Service, or Lighting and Power Service rate schedules who have on-site renewable energy generation facilities and who interconnect with SWEPCO. In particular, SWEPCO has proposed to bill customers full retail rates for all kWh delivered to the customer during a billing period and pay a customer only avoided cost for kWh produced by the customer's

¹ The comments contained in this filing represent the position of SEIA as an organization, but do not necessarily reflect the views of any particular member with respect to any issue.

generation facility and delivered to the electric grid during that billing period. SWEPCO Application at 11. This is a change from SWEPCO's current billing practice pursuant to which it measures the kWh delivered to the customer and the kWh delivered to the electric grid and, if there is a net consumption, bills the customer the retail rate for the net consumption or, if there is a net delivery to the grid, credits the customer with the excess generation at the retail rate in the next billing period. Direct Testimony of Shawwna Jones at 23-24.

SWEPCO's proposed change in its billing practices will significantly reduce the value of self-generation by affected customers by reducing the value of all electricity delivered from the customer to the grid from retail cost to avoided cost.² While the value reduction an affected customer would experience as a result of SWEPCO's proposal would depend on the extent to which the customer delivers electricity to the grid and the actual LMP at the time of and the location at which that electricity is delivered to the grid, the loss of value that the customer would experience could be 50 to 100% for that electricity based on SPP LMPs for 1/27/2017 compared to SWEPCO's current billing practice. This is not only unfair to future self-generating customers, but will tend to make self-generation less valuable and therefore less economical. The result will be the deployment of less clean, renewable energy that would have been added to the available energy mix at no additional cost to SWEPCO.

² SWEPCO has stated that its avoided cost is "the hourly SPP Real-Time Locational Marginal Price (LMP) for the QF location for such hour (in \$/kWh) and reduced for any charges assessed by SPP for such delivery. The LMP shall include both the marginal loss and congestion components as computed by SPP Settlements." SWEPCO Tariff Manual, Sheet No. IV-48 at p. 3. SWEPCO has not provided any information regarding how it would determine the LMP for each customer location on its distribution grid subject to this tariff change, which may result in the under-crediting of the value of electricity SWEPCO receives at that customer's location. Moreover, SWEPCO has not shown why its current calculation of its avoided cost is accurate when applied to generation on the distribution grid and that it fully considers the costs distributed renewable generation allows SWEPCO to avoid, including but not limited to the avoided cost of additional transmission, distribution, and generation facilities, as well as environmental and health benefits that result from the increased use of renewable generation.

In addition, electricity from distributed renewable generation facilities that is exported from customers' homes or businesses to the grid is quickly absorbed by neighboring homes and businesses. Compensating that local power at wholesale prices significantly undervalues the benefits of that power – such as avoiding the need to build new power lines, avoiding the generation of that electricity from an alternate source, and the long-term avoidance of the need for additional generation at considerable expense to ratepayers. If SWEPCO proves that the retail price for electricity is not a reasonable proxy for the value of the energy put back to the grid from distributed renewable sources, best practices and policy would dictate a rigorous examination of the factors that influence the real value of the distributed renewable generation, rather than resort to the lowest legal level of compensation without regard for the value SWEPCO customers do now and can in the future provide to the grid.

SWEPCO suggests that it is proposing this dramatic reduction in customer compensation for the electricity produced by its customers' distributed renewable generation “to better conform to the Commission’s rules regarding the purchase of customer-owned generation outflows” and cites as support 16 TAC §25.217(e)(1) and (f)(1).³ Direct Testimony of Shawna Jones at 24. Those subsections require an electric utility to purchase outflows from a customer’s on-site distributed renewable generation “at a value *consistent with* §25.242 of this title.” (Emphasis added). In general, 16 TAC §25.242 requires that a utility pay avoided cost for energy and capacity from a qualifying facility, but also allows a utility to pay more than that rate. See, e.g., 16 TAC §25.242(d)(1). The phrase “consistent with” in 16 TAC §25.217 (e)(1) or (f)(1) does not mandate that SWEPCO pay no more than its avoided cost for electricity generated by the customer’s distributed renewable generation and supplied to the company – a requirement that the

³ Subsection (e)(1) applies to school districts and Subsection (f)(1) applies all other distributed renewable generation owners.

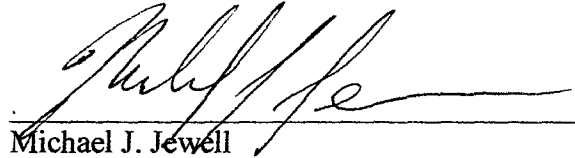
Commission could have but did not include. Pursuant to the flexibility included in 16 TAC §25.242, SWEPCO may pay *more* than its avoided cost for this electricity. This result is consistent with established law that a utility may pay more than avoided cost to a qualifying facility for electricity the qualifying facility generates. *See e.g., PUCT v Gulf States Utilities Company*, 809 S.W. 2d 201 (Texas 1991) (explaining that neither federal or state law prevented the utility from paying a qualifying facility more than avoided cost); *NYSEG v. Saranac Power*, 117 F.Supp. 2d 211 (N.D.N.Y. 2000) (finding that PURPA did not prevent a utility from paying more than avoided cost for purchases from qualifying facilities).

For the reasons discussed above, SEIA respectfully recommends that the Commission reject SWEPCO's proposal to reduce compensation to any future customers taking Residential Service, General Service, or Lighting and Power Service rate schedules who have on-site renewable energy generation facilities and who interconnect with SWEPCO. SWEPCO has not shown in its application that the current billing processes is not just and reasonable. Moreover, while SWEPCO has alleged that there will be no impact to existing customers with distributed renewable generation, this ignores the reality that existing customers can expect to realize a lower value from their investments when they seek to sell their properties due to the application of this reduced compensation system to any potential purchaser. *See*, Direct Testimony of Shawwna Jones at 24.

CONCLUSION

SEIA appreciates the Commission's consideration of these comments and welcomes the opportunity to work with the Commission and interested stakeholders on these issues.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael J. Jewell", is written over a horizontal line.

Michael J. Jewell
Jewell & Associates, PLLC
State Bar No. 10665175
506 West 7th Street, Suite 1
Austin, TX 78701
(512) 423-4065
(512) 236-5170 (FAX)
michael@jewellandassociates.com

ATTORNEY FOR THE SOLAR ENERGY
INDUSTRIES ASSOCIATION