

ORIGINAL

OPEN MEETING



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MEMORANDUM

TO: THE COMMISSION

Arizona Corporation Commission

DOCKETED

MAR 13 P 2:06

FROM: Utilities Division

MAR 13 2001

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: March 12, 2001

DOCKETED BY	<i>sd</i>
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RE: AJO IMPROVEMENT COMPANY - APPLICATION FOR APPROVAL OF ENVIRONMENTAL PORTFOLIO SURCHARGE (DOCKET NO. E-01025A-01-0200)

On March 5, 2001, Ajo Improvement Company ("Ajo") filed an application for approval of a tariff, Environmental Portfolio Surcharge. The proposed tariff is a result of the Commission's adoption of Environmental Portfolio Standard rules on February 8, 2001 (Decision No. 63364).

The Environmental Portfolio Standard rules require a portion of electricity sold to be derived from solar resources or environmentally friendly renewable technologies. At least part of portfolio standard costs are to be recovered by an Environmental Portfolio Surcharge on customer bills. The surcharge is to be \$0.000875 per kWh of retail electricity purchased by the customer. There is to be a surcharge cap of \$0.35 per month per service for residential customers. The surcharge cap for nonresidential customers is to be \$13 per month per service, except for those nonresidential customers with demands of 3,000 kW or more for three consecutive months who will have a surcharge cap of \$39.00 per month per service. Customer bills are to have a line item entitled "Environmental Portfolio Surcharge, mandated by the Corporation Commission."

Staff recommends the following:

1. The proposed tariff should be approved because its features conform to the surcharge requirements discussed above.
2. The surcharge should be applied to special contract service customers unless a previously approved special contract explicitly excluded any additional charges.
3. The proposed tariff should be approved on an interim basis, pending true-up in a rate review proceeding in which fair value findings are determined by the Commission. The reason Staff is recommending adoption of the surcharge on an interim basis is the urgent need for increased energy capacity in the western United States at this time. The proposed tariff would provide an incentive to the applicant to obtain solar resources and environmentally friendly generation capacity much sooner than would otherwise be possible. In a future rate review

proceeding, the Commission could evaluate the actual costs of acquiring environmentally friendly generation capacity and whether the applicant used the surcharge funds appropriately.

3. If the applicant does not file an application for a rate review proceeding that would provide sufficient information for a fair value determination within 18 months of the date of implementation of this tariff, Staff recommends that the applicant file such information, including at minimum the following:
 - a. A dollar amount representing its total revenue for the first twelve months after implementation of the surcharge.
 - b. Its total actual operating expenses for the first twelve months after implementation of the surcharge.
 - c. The value of all assets, listed by major category, used for the first twelve months after implementation of the surcharge to provide electric service to customers. The applicant should specifically identify the assets, and their value, acquired to comply with the Environmental Portfolio Standard.

With this information, the interim surcharge and its impact on the applicant's rates related to fair value can be reviewed and appropriate findings and rate determinations made by the Commission, including true-up, refund, or the setting of permanent rates.

4. The tariff should become effective May 1, 2001, or upon the effective date of the Environmental Portfolio Standard rules, whichever occurs later.
5. Within the electric competition rules, R14-2-1615(A) requires generation assets to be separated from an Affected Utility prior to January 1, 2001. Staff recommends that the applicant be granted a waiver of R14-2-1615(A) as needed to allow the applicant to own "solar resources" and "environmentally friendly renewable electricity technologies" as those terms are described in the Environmental Portfolio Standard rules. The waiver would apply only to solar resources and environmentally friendly renewable electricity technologies.
6. The applicant should file annual reports within 60 days of the end of a calendar year. The reports should list the amount of funds collected through the surcharge during the year, the amount of surcharge funds spent during the year, and a brief description of the projects for which the funds were spent.
7. The applicant should file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.

THE COMMISSION

March 12, 2001

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8. The tariff filed by the applicant should be modified to conform with any changes made by the Commission to the Environmental Portfolio Standard rules.



Deborah R. Scott

Director

Utilities Division

DRS:BEK:lhm\JFW

ORIGINATOR: Barbara Keene

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL
Chairman

3 JIM IRVIN
Commissioner

4 MARC SPITZER
Commissioner

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6 IN THE MATTER OF AJO IMPROVEMENT)
COMPANY - APPLICATION FOR APPROVAL)
7 OF ENVIRONMENTAL PORTFOLIO)
SURCHARGE)

DOCKET NO. E-01025A-01-0200

DECISION NO. _____

8 ORDER

9 Open Meeting
March 27 and 28, 2001
10 Phoenix, Arizona

11 BY THE COMMISSION:

12 FINDINGS OF FACT

13 1. Ajo Improvement Company ("Ajo") is certificated to provide electric service as a public
14 service corporation in the State of Arizona.

15 2. On March 5, 2001, Ajo filed an application for approval of a tariff, Environmental
16 Portfolio Surcharge. The proposed tariff is a result of the Commission's adoption of Environmental
17 Portfolio Standard rules on February 8, 2001 (Decision No. 63364).

18 3. The Environmental Portfolio Standard rules require a portion of electricity sold to be
19 derived from solar resources or environmentally friendly renewable technologies. At least part of
20 portfolio standard costs are to be recovered by an Environmental Portfolio Surcharge on customer
21 bills. The surcharge is to be \$0.000875 per kWh of retail electricity purchased by the customer. There
22 is to be a surcharge cap of \$0.35 per month per service for residential customers. The surcharge cap
23 for nonresidential customers is to be \$13 per month per service, except for those nonresidential
24 customers with demands of 3,000 kW or more for three consecutive months who will have a surcharge
25 cap of \$39.00 per month per service. Customer bills are to have a line item entitled "Environmental
26 Portfolio Surcharge, mandated by the Corporation Commission."

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1 4. Staff has recommended the following:

- 2 a. The proposed tariff should be approved because its features conform to the
- 3 surcharge requirements discussed above.
- 4 b. The surcharge should be applied to special contract service customers unless
- 5 a previously approved special contract explicitly excluded any additional
- 6 charges.
- 7 c. The proposed tariff should be approved on an interim basis, pending true-up in
- 8 a rate review proceeding in which fair value findings are determined by the
- 9 Commission. The reason Staff has recommended adoption of the surcharge on
- 10 an interim basis is the urgent need for increased energy capacity in the western
- 11 United States at this time. The proposed tariff would provide an incentive to
- 12 the applicant to obtain solar resources and environmentally friendly generation
- capacity much sooner than would otherwise be possible. In a future rate review
- proceeding, the Commission could evaluate the actual costs of acquiring
- environmentally friendly generation capacity and whether the applicant used
- the surcharge funds appropriately.
- 13 d. If the applicant does not file an application for a rate review proceeding that
- 14 would provide sufficient information for a fair value determination within 18
- 15 months of the date of implementation of this tariff, Staff has recommended that
- the applicant file such information, including at minimum the following:
- 16 (i) A dollar amount representing its total revenue for the first twelve
- 17 months after implementation of the surcharge.
- 18 (ii) Its total actual operating expenses for the first twelve months after
- 19 implementation of the surcharge.
- 20 (iii) The value of all assets, listed by major category, used for the first twelve
- 21 months after implementation of the surcharge to provide electric service
- 22 to customers. The applicant should specifically identify the assets, and
- their value, acquired to comply with the Environmental Portfolio
- Standard.

23 With this information, the interim surcharge and its impact on the applicant's

24 rates related to fair value can be reviewed and appropriate findings and rate

25 determinations made by the Commission, including true-up, refund, or the

 setting of permanent rates.

- 26 e. The tariff should become effective May 1, 2001, or upon the effective date of
- 27 the Environmental Portfolio Standard rules, whichever occurs later.
- 28 f. Within the electric competition rules, R14-2-1615(A) requires generation assets
- to be separated from an Affected Utility prior to January 1, 2001. Staff

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recommends that the applicant be granted a waiver of R14-2-1615(A) as needed to allow the applicant to own "solar resources" and "environmentally friendly renewable electricity technologies" as those terms are described in the Environmental Portfolio Standard rules. The waiver would apply only to solar resources and environmentally friendly renewable electricity technologies.

- g. The applicant should file annual reports within 60 days of the end of a calendar year. The reports should list the amount of funds collected through the surcharge during the year, the amount of surcharge funds spent during the year, and a brief description of the projects for which the funds were spent.
- h. The applicant should file tariff pages consistent with the terms of this Decision within 15 days from the effective date of the Decision.
- i. The tariff filed by the applicant should be modified to conform with any changes made by the Commission to the Environmental Portfolio Standard rules.

CONCLUSIONS OF LAW

- 1. Ajo is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.
- 2. The Commission has jurisdiction over Ajo and over the subject matter of the application.
- 3. The Commission, having reviewed the application and Staff's Memorandum dated March 8, 2001, concludes that it is in the public interest to approve the application.

ORDER

THEREFORE, IT IS ORDERED that the proposed tariff be and hereby is approved.

THEREFORE, IT IS ORDERED that the surcharge shall be applied to special contract service customers unless a previously approved special contract explicitly excluded any additional charges.

IT IS FURTHER ORDERED that the tariff is approved on an interim basis.

IT IS FURTHER ORDERED that if the applicant does not file an application for a rate review proceeding that would provide sufficient information for a fair value determination within 18 months of the date of implementation of this tariff, the applicant shall file the information described in Finding of Fact Nos. 4(d)(i) through 4(d)(iii).

IT IS FURTHER ORDERED that the tariff shall become effective May 1, 2001, or upon the effective date of the Environmental Portfolio Standard rules, whichever occurs later.

1 IT IS FURTHER ORDERED that the applicant is granted a waiver of R14-2-1615(A) as
2 needed to allow the applicant to own "solar resources" and "environmentally friendly renewable
3 electricity technologies" as those terms are described in the Environmental Portfolio Standard rules.

4 IT IS FURTHER ORDERED that the applicant shall file annual reports as described in Finding
5 of Fact No. 4(g).

6 IT IS FURTHER ORDERED that the applicant shall file tariff pages consistent with the terms
7 of this Decision within 15 days from the effective date of the Decision.

8 IT IS FURTHER ORDERED that the applicant shall modify its tariff to conform with any
9 changes made by the Commission to the Environmental Portfolio Standard rules.

10 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

11

12 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

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14 CHAIRMAN

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
16 Secretary of the Arizona Corporation Commission, have
17 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2001.

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BRIAN C. McNEIL
Executive Secretary

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23 DISSENT: _____

24 DRS:BEK:lhm

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1 SERVICE LIST FOR: Ajo Improvement Company
2 DOCKET NO. E-01025A-01-0200

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