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ORIGINAL

Decision folder

BEFORE THE ARIZONA CORPORATION COMMISSION
Arizona Corporation Commission

DOCKETED

MAR 30 2001

- 2 WILLIAM A. MUNDELL
Chairman
- 3 JIM IRVIN
Commissioner
- 4 MARC SPITZER
Commissioner

DOCKETED BY	<i>sd</i>
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6 IN THE MATTER OF AJO IMPROVEMENT)
 COMPANY - APPLICATION FOR APPROVAL)
 7 OF ENVIRONMENTAL PORTFOLIO)
 SURCHARGE)
 8 _____)

DOCKET NO. E-01025A-01-0200
 DECISION NO. 63511
ORDER

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

11 BY THE COMMISSION:

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
- 13 capacity much sooner than would otherwise be possible. In a future rate review
- 14 proceeding, the Commission could evaluate the actual costs of acquiring
- 15 environmentally friendly generation capacity and whether the applicant used
- 16 the surcharge funds appropriately.
- 17 d. If the applicant does not file an application for a rate review proceeding that
- 18 would provide sufficient information for a fair value determination within 18
- 19 months of the date of implementation of this tariff, Staff has recommended that
- 20 the applicant file such information, including at minimum the following:
- 21 (i) A dollar amount representing its total revenue for the first twelve
- 22 months after implementation of the surcharge.
- 23 (ii) Its total actual operating expenses for the first twelve months after
- 24 implementation of the surcharge.
- 25 (iii) The value of all assets, listed by major category, used for the first twelve
- 26 months after implementation of the surcharge to provide electric service
- 27 to customers. The applicant should specifically identify the assets, and
- 28 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.

- e. The tariff should become effective May 1, 2001, or upon the effective date of
- the Environmental Portfolio Standard rules, whichever occurs later.
- 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

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

6 g. The applicant should file annual reports within 60 days of the end of a calendar
7 year. The reports should list the amount of funds collected through the
8 surcharge during the year, the amount of surcharge funds spent during the year,
9 and a brief description of the projects for which the funds were spent.

10 h. The applicant should file tariff pages consistent with the terms of this Decision
11 within 15 days from the effective date of the Decision.

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

15 CONCLUSIONS OF LAW

16 1. Ajo is an Arizona public service corporation within the meaning of Article XV, Section
17 2, of the Arizona Constitution.

18 2. The Commission has jurisdiction over Ajo and over the subject matter of the application.

19 3. The Commission, having reviewed the application and Staff's Memorandum dated
20 March 8, 2001, concludes that it is in the public interest to approve the application.

21 ORDER

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

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

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

26 IT IS FURTHER ORDERED that if the applicant does not file an application for a rate review
27 proceeding that would provide sufficient information for a fair value determination within 18 months
28 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

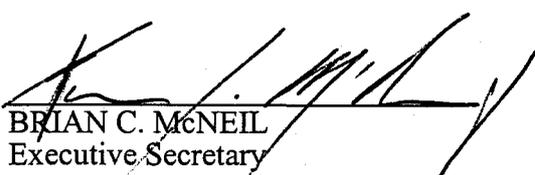
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14 COMMISSIONER

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14 COMMISSIONER

15 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
18 Commission to be affixed at the Capitol, in the City of
19 Phoenix, this 30th day of March, 2001.

20 
21 BRIAN C. McNEIL
22 Executive Secretary

23 DISSENT: _____

24 DRS:BEK:lmh

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