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OPEN MEETING ⁴¹²

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MEMORANDUM

Arizona Corporation Commission

DOCKETED

2001 APR 17 A 10:40 #63625

TO: THE COMMISSION

APR 17 2001

AZ CORP COMMISSION DOCUMENT CONTROL

FROM: Utilities Division

DOCKETED BY	SD
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DATE: April 16, 2001

RE: MORENCI WATER & ELECTRIC COMPANY - APPLICATION FOR APPROVAL OF ENVIRONMENTAL PORTFOLIO SURCHARGE (DOCKET NO. E-01049A-01-0271)

On April 2, 2001, Morenci Water & Electric Company ("Morenci") 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 within 60 days of the effective date of this decision.
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.

THE COMMISSION

April 16, 2001

Page 3

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



Deborah R. Scott
Director
Utilities Division

DRS:BEK:lhmvJFW

ORIGINATOR: Barbara Keene

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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

IN THE MATTER OF MORENCI WATER &)
ELECTRIC COMPANY - APPLICATION FOR)
APPROVAL OF ENVIRONMENTAL)
PORTFOLIO SURCHARGE)

DOCKET NO. E-01049A-01-0271
DECISION NO. _____
ORDER

Open Meeting
May 1 and 2, 2001
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Morenci Water & Electric Company ("Morenci") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On April 2, 2001, Morenci 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).

3. 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."

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recommended 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.

CONCLUSIONS OF LAW

- 1. Morenci is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.
- 2. The Commission has jurisdiction over Morenci and over the subject matter of the application.
- 3. The Commission, having reviewed the application and Staff's Memorandum dated April 16, 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 within 60 days of the effective date of this decision.

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 this Decision shall become effective immediately.

9
 10 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

11
 12 CHAIRMAN COMMISSIONER COMMISSIONER

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

18 _____
 19 BRIAN C. McNEIL
 20 Executive Secretary

21 DISSENT: _____

22 DRS:BEK:lmh

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1 SERVICE LIST FOR: Morenci Water & Electric Company
DOCKET NO. E-01049A-01-0271

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