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**NEW APPLICATION**



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May 22, 2007

To: Docket Control E-01575A-07-0310  
Arizona Corporation Commission

From: Bradley S. Carroll  
Snell & Wilmer

RE: EPS/REST Plan for Sulphur Springs Valley Electric Cooperative, Inc. ("Plan")  
Docket No. E-01575A-07-\_\_\_\_\_

Sulphur Springs Valley Electric Cooperative, Inc. hereby re-submits for filing an original and thirteen (13) copies of the above-referenced Plan. Although the Plan had been hand-delivered to individuals reflected in the April 17, 2007 cover letter, it appears that for some reason the Plan was not docketed.

If you have any questions, please do not hesitate to contact me.

Arizona Corporation Commission  
**DOCKETED**

**MAY 22 2007**

DOCKETED BY	<i>MW</i>
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April 17, 2007

Ernest Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Re: EPS/REST Plan for Sulphur Springs Valley Electric Cooperative, Inc.  
Docket No. E-01575A-07-\_\_\_\_\_

Dear Mr. Johnson:

Pursuant to the requirements of Arizona Corporation Commission ("Commission") Decision No. 68328 dated December 9, 2005 ("Decision"), Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC"), through counsel undersigned, hereby submits the attached EPS/REST Plan ("SSVEC Plan").

## Background

On December 22, 2006, Arizona Electric Power Cooperative, Inc. ("AEPSCO") filed with the Commission an Amended EPS/REST Plan on behalf of its member distribution cooperatives (including SSVEC) pursuant to the requirements of the Decision. In its filing, AEPSCO indicated that:

[A]fter the AEPSCO Board of Directors at its December, 2006, meeting reviewed and approved the filing of the Amended Plan, Sulphur Springs Valley Electric Cooperative ("SSVEC") notified AEPSCO that its Board has authorized the filing of its own Renewable Energy Standard Plan. While AEPSCO does not believe that any of the Amended Plan's programs will change as a result, SSVEC's decision to file its own plan will impact some of its aspects, including projected customer participation, anticipated renewable energy levels, surcharge revenues and budget estimates. In light of this development, AEPSCO will re-evaluate the Amended Plan, seek Board approval at its February, 2007, meeting and file appropriate revisions with the Commission promptly thereafter.

Ernest Johnson  
Director, Utilities Division  
April 17, 2007  
Page 2

On December 19, 2006, the SSVEC Board of Directors authorized the preparation and the filing of the SSVEC Plan with the Commission. Consequently, on March 29, 2007, AEPCO filed an Amended and Restated EPS/REST Plan to remove SSVEC from its filing. Therefore, in order to remain in compliance with the Decision, SSVEC is hereby submitting the SSVEC Plan.

Additionally, as you know, the Commission has recently approved the Renewable Energy Standard and Tariff Rules ("REST Rules") in Decision No. 69127 dated November 14, 2006. The REST Rules, however, have not yet taken effect pending certification by the Attorney General and, if certified, filing with the Secretary of State.

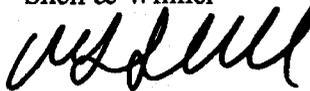
The SSVEC Plan

The SSVEC Plan has been formulated based on the assumption that the REST Rules will take effect in 2007 and the programs, budget and other matters covered in the SSVEC Plan have been based on the REST Rules' increased surcharge, renewable requirements and other revised provisions. Thus, the SSVEC Plan is submitted for two purposes: (1) to satisfy the requirement of the Decision requiring the cooperatives (including SSVEC) to file by December 31, 2006, an amended EPS plan and (2) to satisfy the REST Rules requirement, in proposed Rule 1814.B, that the cooperatives file by July 1, 2007, a plan for acquiring Renewable Energy Credits for, in this case, the remainder of 2007 and the year 2008. Should circumstances change or the REST Rules not take effect, SSVEC will contact Staff and prepare an amended filing to adjust this SSVEC Plan to the requirements of the current EPS Rules.

Should you or any other member of Staff have any questions concerning the SSVEC Plan, please do not hesitate to contact me or Jack Blair at SSVEC at 520-508-9957.

Very truly yours,

Snell & Wilmer



Bradley S. Carroll

Enclosure

Original and 13 copies filed with  
Docket Control this 17<sup>th</sup> day of April, 2007.

cc (w/enclosure): Ray Williamson, Utilities Division  
Janice Alward, Legal Division



**Sulphur Springs Valley Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative 

**Sulphur Springs Valley Electric Cooperative  
EPS/REST Plan  
2007/2008**

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## **I. BACKGROUND**

On February 8, 2001, the Commission entered Decision No. 66364 adopting the Environmental Portfolio Standard ("EPS") Rules as A.A.C. R14-2-1618. Pursuant to subsequent Decisions, Sulphur Springs Valley Electric Cooperative Inc. (SSVEC) agreed to allow Arizona Electric Power Cooperative, Inc. ("AEPCO"), on behalf of its member distribution cooperatives (collectively, the "Cooperatives"), filed for Staff review and Commission approval an EPS Plan describing the various programs the Cooperatives would undertake in relation to the EPS Rules. On August 10, 2004, in Decision No. 67176, the Commission approved the EPS Plan as "consistent with the requirements of the EPS Rules for AEPCO and its Arizona Class A member distribution cooperatives."

By Decision No. 68328 dated December 9, 2005, the Commission extended until December 31, 2006 the filing date for an Amended EPS Plan by the Cooperatives finding that "the AEPCO EPS Plan approved in Decision No. 67176 is consistent with the requirements of the current EPS Rules and, as they may be revised, until the Commission acts on the amended EPS Plan filing and associated requests."

Recently, the Commission passed the Renewable Energy Standard and Tariff Rules ("REST Rules") in Decision No. 69127 dated November 14, 2006. Among other things, the REST Rules require affected utilities serving retail electric load, such as AEPCO's member distribution cooperatives, to derive certain percentages of the total energy they sell at retail from Eligible Renewable Energy Resources. This decision also allows the distribution cooperatives to file their own plans and to not be a part of the AEPCO plan. Although the Commission has finalized the REST Rules, they are not yet in effect pending certification by the Attorney General and filing with the Secretary of State's Office.

After an in-depth study, the management of SSVEC recommended to its Board of Directors and the Board approved a resolution to allow SSVEC to withdraw from the AEPCO plan and establish its own EPS/REST plan and program. In addition, AEPCO and the other Arizona Cooperatives have been notified. After the new REST Rules take effect, SSVEC will file the required tariffs to establish a REST surcharge or request a reset of their adjustor mechanisms, if applicable, pursuant to proposed Rule 1808. Upon ACC approval, SSVEC will collect the surcharge and will use the surcharge proceeds to administer and implement the EPS/REST Plan (the "Plan") as described herein.

The REST Rules contain a section that specifically addresses Electric Power Cooperatives. Similar to the procedure which has been followed for several years under the current EPS Rules, proposed Rule 1814.A instructs the Cooperatives to file "an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year. Upon Commission approval of this plan, its provisions shall substitute for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative proposing the plan."

Because the REST Rules are not yet in effect, SSVEC submits this Plan for two purposes: (1) to comply with the requirement of Decision No. 68328 that it file an amended plan in relation to the current EPS Rules and (2) to satisfy the REST Rules requirement, in proposed Rule 1814.B, that they file by July 1, 2007 a plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year or, in this case, 2008.

SSVEC notes that it has formulated this Plan based on the assumption that the REST Rules will take effect. Should, however, the REST Rules not be certified, SSVEC will make a

subsequent filing with the Commission to adjust this Plan to the requirements of the current EPS Rules and the proceeds of the current surcharge.

## **II. SSVEC EPS/REST PLAN**

SSVEC will use surcharge dollars, any proceeds from consumer participation in the Green Energy Purchase Program and other potential sources to fund its renewable program. These programs include both residential and commercial photovoltaic and wind project distributed generation rebates, and large-scale renewable installations, including possible participation in multi-utility joint projects. Surcharge funds will also be used to pay for the administration, advertising and promotion of these programs, as well as educational activities.

There are four primary parts to the Cooperatives' REST plan, which is called SunWatts:

- (1) The SunWatts Green Energy Purchase Program;
  - (2) The SunWatts Residential and Commercial Rebate Program;
  - (3) The public schools Clean Renewable Energy Bond program; and
  - (4) The SunWatts Large-Scale Generating Program.
- (5) Sun Watts Loan Program.

Each of these programs is discussed in detail below.

**(1) SunWatts Green Contribution Program:** SSVEC will continue to offer its Sun Watts Green Power Contribution Program. Although to date SSVEC has not signed up anyone for this program, we believe that the reason for this is that we've been emphasizing the rebate portion of the Sun Watts program and have made the contribution portion of the program only a "small type" portion of the program.

Over the next five years, SSVEC anticipates we can add 50 participants each year with an average participation of \$5.00 per month. Increased advertising and promotion activities will support this program with the contribution portion of the plan being heavily emphasized.

**(2) SunWatts Residential and Commercial Rebate Program:** The SunWatts rebate program pays customers rebates for the installation of qualifying photovoltaic (PV) and small wind installations. For both PV and small wind systems, SSVEC will pay \$4 per installed watt, up to 50 percent of the total cost of the system. For PV and small wind systems, in general, this equates to 2,000 watts or \$8,000 for residential installations or 5,000 watts or \$20,000 for commercial systems, although the wattage size of the installation and corresponding rebate support may be adjusted. This program will also be used in support of the Customer Self-Directed Renewable Energy Option as described in proposed Rule 1809.

Payment will be made following inspection and approval of the installed unit prior to energization. Customers have the option of hiring an electrician to certify the installation or having the distribution cooperative perform the inspection. Should the customer opt to have the cooperative do the inspection, he/she will pay a trip charge to the cooperative.

One-half of the surcharge funds collected each year will be set aside to support this distributed generation rebate program. Of the funds earmarked for distributed renewable generation, at least half will be set aside for residential distributed projects. Any allocated funds not used in a particular year will roll over to the following year and may subsequently be used to support any program.

In the past year, the pace of rebate-supported distributed generation installations has slowed considerably from SSVEC's initial success in 2004-2005. For this reason, in 2007, SSVEC is hopeful we can support up to 25 distributed installations with a total installed capacity

of 25 kW at a total cost of \$100,000 and would expect to add up to 20 to 25 such installations annually over the next five years. The reason that SSVEC believes that we can make these increases is that we are working with the builders in our service territory to offer solar as an option on new homes. This way, the homeowner can amortize the cost over the term of their mortgage and also receive the Sun Watts rebate. After discussions with several builders, we believe that adding a \$1,000 incentive (2,000 watt minimum) for the builder in addition to the rebate to the homeowner would significantly increase the solar installations and want to add this to the existing Sun Watts programs. We already have several builders ready to participate in this program as soon as it is approved.

**(3) The Clean Renewable Energy Bonds for Schools:** As part of the Federal Energy Bill of 2006, there was a provision for electric cooperatives to borrow monies at no interest. SSVEC submitted 41 projects for a total of \$11,480,000 in order to fund solar carports for each public school in SSVEC's service territory. SSVEC was informed in early December that all of the projects submitted by SSVEC have been approved by the federal government. These solar car ports are similar to those presented by AEPCO to the Commission several months ago. Based on the input received from the Commissioners, SSVEC is in the process of retooling this program in order to cut costs and secure funding/grants above and beyond using solely EPS monies collected.

**(4) The SunWatts Large-Scale Generating Program:** The large-scale program calls for SSVEC to install and operate or build/operate utility-sized renewable generating units. SSVEC will seek to develop one such program each year and, in order to increase the size of the project or the efficiency of the expenditure, seek partners wherever possible that can contribute

funding, in-kind facilities, services or expertise. SSVEC may also own and operate these large-scale projects or enter into long-term purchase power agreements.

SSVEC is also exploring several potential large-scale projects:

Biomass/Biogas Project: SSVEC has been contacted by two independent developers who have suggested the development of biomass and/or biogas projects at two sites in Cochise County. The first is a project to heat commercial greenhouses using plant wastes and chipped pallets in place of natural gas. SSVEC would buy Renewable Energy Credits created by this process. The second proposal calls for the development of a biogas generator that uses animal wastes from a large dairy. Both projects are in the initial phases of discussion and would not be operational until 2008 or 2009 at the earliest.

Wind Power: We have been working with Arizona Public Service (APS) as a "stakeholder" on their plan to add 1,000 MW in an area still to be determined in Northern Arizona. We have also begun working with a private investment group and the leaders at the Fort Huachuca military base on several wind projects.

Solid Waste Incineration: We are currently working with a local government agency in a project to convert trash to electricity. Preliminary studies indicate that this would be a 4 to 6 MW project.

(5) **Sun Watts Loan Program.** SSVEC focus groups have shown us that if we added a loan program in addition to the current rebate program, it would substantially increase the number of renewable energy installations by our members, particularly on existing homes and businesses. Therefore we are proposing a loan program to be funded from the SSVEC EPS/REST funds. Consumers would be eligible to receive a loan at a 3% interest rate. The consumer would be allowed to borrow \$2.00 per watt up to a maximum of 2,000 watts for residential (\$4,000 loan)

and a maximum of 4,000 watts for a business (\$8,000). Payments and interest from the Sun Watts Loan Program will be remitted back to the SSVEC EPS/REST fund. Payments would be monthly and payable over a 60 month period. These will be secured loans and liens will be placed against the property. Statements will be sent in a separate billing from the electric bill and the member will have a choice of being billed on either the 1<sup>st</sup> or the 15<sup>th</sup> of the month. Members requesting loans under this program will subject to internal and external credit checks.

### **III. MISCELLANEOUS ISSUES**

Habitat for Humanity Program: SSVEC will continue our partnership with the Habitat for Humanity Program to offer renewable energy options to low-income families in cooperative service territories. SSVEC will contribute dollars to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes and will also assist in finding local renewable energy equipment dealers who are willing to donate products and services. The type and amount of equipment will vary from project to project. Up to two of these projects will be undertaken each year at a cost not to exceed \$15,000.

Federal Grants: SSVEC has been working with a local grant writer to determine which federal agencies offer grants that SSVEC could combine with our EPS monies in order to fund programs in our service territory. After reviewing these available grants, SSVEC is confident that we can obtain some of these additional monies. A listing of the available grants that SSVEC is eligible for is attached.

### **IV. ADMINISTRATION OF THE SUNWATTS PROGRAM**

#### Annual Reporting

On April 1, 2007, SSVEC will file a report that describes results under the current approved EPS Plan. Assuming the REST Rules take effect and this Plan is approved,

compliance reports will be filed in relation to this Plan and subsequent plans beginning April 1, 2008, and every April 1<sup>st</sup> thereafter.

Beginning July 1, 2008, and every July 1<sup>st</sup> thereafter, SSVEC will file an updated plan as required by proposed Rule 1814.B.

Advertising, Promotion and Education

SSVEC will develop and execute a plan for advertising and promoting the various SunWatts programs available to residential and business customers, including the rebate program and the green power purchase program. SSVEC will develop and place this advertising as well as evaluate its effectiveness. Advertising will include a variety of mediums including, but not limited to: bill inserts and ads/stories in monthly newsletters; counter cards and posters; paid ads in local newspapers and rural radio stations; participation at local events, such as cooperative annual meetings and county fairs; and presence on the SSVEC Web site. SSVEC will also spend a portion of its current advertising budget to further build awareness of the Sun Watts program. These will be monies above and beyond the 5% allowed under the current plan and will be funded by SSVEC and not Sun Watts/EPS monies.

SSVEC is also exploring the possibility of the joint marketing of renewable programs with Arizona Public Service, Tucson Electric Power, the other cooperatives in the state and the Salt River Project. Initially, this group is planning to conduct a statewide consumer survey.

In a separate project, SSVEC has joined with the other Arizona Cooperatives, APS, SRP, TEP and Navopache Electric Cooperative in the Arizona Utility Renewable Energy Education (AZURE) project. AZURE is jointly developing renewable energy education materials for teachers and educators across Arizona. The group's Web site is already up and running—[www.azureeducation.com](http://www.azureeducation.com)—and the group is working with the National Renewable Energy

Laboratory to bring the NREL wagon, an interactive vehicle that shows renewable energy at work, on a tour of Arizona schools sometime in 2007.

Finally, SSVEC is offering teachers in their service territories education grants for the development of renewable projects for the classroom. SSVEC plans to grant ten teachers in our service territory school district \$500.00 annually for this purpose, up to a maximum of \$5,000.00.

In order to ensure that their members receive maximum value from the SunWatts programs, SSVEC will not use more than 15 percent of total surcharge funds for administrative, research and development and advertising expenses. At the end of each year, unused funds, if any, will be carried over to fund activities and programs in the following year.

**V. ESTIMATED RESULTS/BUDGET/TARIFFS**

In 2005, SSVEC collected \$314,723.32 under the EPS program, paid out rebates totaling \$145,364.78 for 238 projects with a total rated output of 37 kW, and had a total administrative/research and development/advertising costs of \$46,423.65 (15% of total monies collected).

Through the first 3 quarters of 2006, SSVEC have collected \$252,558.91 under the EPS program, paid out rebates totaling \$38,200.00 for 34 projects with a total rated output of 10.6 kW, and had a total administrative/research and development/advertising costs of \$7,607.79 (3% of total monies collected)

**Anticipated REST Surcharge and Proposed Cooperative Budget**

	2007*	2008	2009	2010	2011
Estimate of Funds Collected	1,346,976	1,387,385	1,429,006	1,471,877	1,516,033
R&D incl. grant	67,000	69,000	71,000	73,000	75,000
Writing & edu. grants					

<b>Advertising**</b>	40,000	41,000	42,000	43,000	44,000
<b>Administration</b>	30,000	32,000	34,000	36,000	38,000

*\*Assumes a full year of operations. Actual amounts will be dependant on when the plan is approved.*  
*\*\*Does not include SSVEC advertising monies to be used to support the program*

### **Tariffs**

SSSVEC will file a REST surcharge tariff (or reset of its adjustor clause, if applicable), a Customer Self-Directed tariff and a Green Energy Purchase Program tariff, assuming the REST Rules take effect.