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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner
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Commissioner
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Commissioner

Arizona Corporation Commission

DOCKETED

DEC 21 2007

DOCKETED BY 

IN THE MATTER OF SULPHUR SPRINGS
VALLEY ELECTRIC COOPERATIVE,
INC.'S AMENDED AND RESTATED
EPS/REST PLAN

DOCKET NO. E-01575A-07-0310

DECISION NO. 70096

ORDER

Open Meeting
December 18 and 19, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Company") is engaged in providing electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On December 9, 2005, the Commission entered Decision No. 68328, which required Arizona Electric Power Cooperative, Inc. ("AEPSCO"), on behalf of its Arizona member distribution cooperatives ("the Cooperatives") to file an amended Environmental Portfolio Standard ("EPS") Plan by December 31, 2006, or "120 days after the EPS Rules are amended, whichever comes first."

3. On December 22, 2006, AEPSCO submitted an Amended EPS/Renewable Energy Standard and Tariff ("REST") Plan, including SSVEC as part of the Plan.

4. In December 2006, the Board of Directors of SSVEC voted to allow SSVEC to withdraw from the AEPSCO EPS/REST Plan and establish its own EPS/REST Plan and Program.

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1 5. On March 29, 2007, AEPCO submitted an Amended and Restated EPS/REST Plan,
2 indicating that SSVEC was no longer a participant in the AEPCO Plan.

3 6. On April 17, 2007, SSVEC submitted its EPS/REST Plan pursuant to the
4 requirements in Commission Decision No. 68328.

5 7. On June 11, 2007, SSVEC filed a Revised EPS/REST Plan.

6 8. On August 30, 2007, SSVEC filed an Amended REST Plan and Tariff.

7
8 **Details of the SSVEC REST Plan**

9 9. The SSVEC EPS/REST Plan is very similar to the AEPCO EPS/REST Plan, with a
10 few differences. Both programs have a SunWatts Green Energy Purchase Program, a SunWatts
11 Residential and Commercial Rebate Program, and a SunWatts Large Scale Generating Program.

12 10. The major differences are that SSVEC does not have a Large-Scale Power Purchase
13 Contract Program and does not have solar water heating as part of its Residential and Commercial
14 Rebate Program. SSVEC has two major new programs that are not included in the AEPCO Plan:
15 A Loan Program for residential, commercial and large systems and a Public Schools Clean
16 Renewable Energy Bond Program.

17
18 The SunWatts Green Contribution Program

19 11. SSVEC will continue to offer its SunWatts Green Power Contribution Program. In
20 this current program, customers may elect to contribute additional dollars on their bills to be used
21 to fund various renewable energy projects.

22
23 The SunWatts Residential and Commercial Rebate Program

24 12. The SunWatts Residential and Commercial Rebate Program provides incentives to
25 customers for installation of qualifying photovoltaic ("PV") and small wind energy systems.

26 13. For the photovoltaic and small wind systems, SSVEC will provide incentives of
27 \$4.00 per installed Watt, up to 50 percent of the total installed cost of the system.

28 ...

1 14. SSVEC commits that a portion of the total surcharge funds collected each year will
2 be set aside for the SunWatts Residential and Commercial Rebate Program. At least one-half of
3 the Rebate Program funds will be set aside for residential distributed projects. Any allocated funds
4 not used in a particular year will roll over to the following year and may be used in subsequent
5 years to support any program.

6 15. SSVEC anticipates that rebate incentives will support around 20-25 projects each
7 year with an installed capacity of 25 kW.

8 16. SSVEC believes that it can increase participation by offering new home builders a
9 \$1,500 incentive (for 2 kW systems or larger) to add PV systems as an option on new homes.
10 SSVEC already has several builders planning to participate if the incentive is approved.

11
12 The Clean Renewable Energy Bonds ("CREB") for Schools Program

13 17. The Federal Energy Bill of 2006 allowed cooperatives to borrow monies at no
14 interest for renewable energy projects. SSVEC submitted 41 projects, requesting \$11,480,000 to
15 fund solar shade structures for each public school in SSVEC's service territory. In December
16 2006, SSVEC was notified that all of the projects were approved. The total program will provide
17 975 kW of renewable resources.

18
19 The SunWatts Large-Scale Generating Program

20 18. The SunWatts Large-Scale Generating Program will have SSVEC, by itself or in
21 partnership with others, install and operate utility-sized renewable generating units.

22 19. SSVEC plans to develop one large-scale program each year. In order to optimize
23 efficiency, SSVEC will seek partners that can provide services, contribute funding, in-kind
24 facilities, services or expertise.

25 20. SSVEC is in discussions about the development of two Biomass/Biogas Projects at
26 two sites in Cochise County. One project would heat commercial greenhouses using plant wastes
27 and chipped pallets instead of natural gas. The second project is a biogas generator using animal
28 wastes from a large dairy. Other possibilities are wind projects in Arizona.

1 The SunWatts Residential and Small Business Loan Program

2 21. SSVEC has learned from customer focus groups that the addition of a loan program
3 to the current rebate program would greatly increase the number of renewable installations by
4 members, particularly on existing homes and businesses.

5 22. Customers would receive a loan at a 3 percent interest rate. The customer could
6 borrow \$2.00 per Watt up to a maximum of 2,000 Watts for residential (\$4,000 loan). For a
7 business, the maximum loan would be for 4,000 Watts, or \$8,000. The maximum amount of the
8 loan will not exceed 50 percent of the rebate amount. In total, no more than 75 percent of the total
9 project cost will be funded by utility incentives.

10 23. Payments and interest will be remitted back to the SSVEC Loan Fund for funding
11 of additional loans. Payments will be monthly over a 60-month period. Loans will be secured and
12 liens will be placed against the property. SSVEC will limit total loan program funds for
13 residential, small business and large systems each year to 15 percent of the monies collected under
14 the REST Program each year.

15
16 The SunWatts Loan Program for Large (Over 20 kW) Systems

17 24. This program is for commercial and industrial customers with large (over 20 kW)
18 systems. These customers may borrow \$2.00 a Watt up to a maximum of 50 percent of the cost of
19 the project. Similar to the Residential and Small Business Loan Program, the interest rate will be 3
20 percent, payable monthly over 60 months. Loans will be subject to program budget limitations.
21 Customers will also be eligible for SunWatts rebates.

22
23 Annual Reporting

24 25. SSVEC's Plan includes the filing of Compliance Plans on October 1, 2008 and
25 October 1, 2009, and then reverting to the Compliance Plan filing date (April 1st) required in R14-
26 2-1812.A in years after 2009. The proposed plan also sets a date of December 1st each year as the
27 date for SSVEC's filing of its annual REST Implementation Plan, which is different than the
28 Implementation Plan filing date of July 1st required in R14-2-1813.A.

1 Advertising, Promotion, R&D and Education

2 26. SSVEC has set limits on advertising, promotion, R&D and education programs.
3 The R&D effort, which will include grant writing and education programs will be limited to 3
4 percent of the annual budget. Advertising will be limited to 2 percent of the annual budget, but
5 SSVEC operating funds (not REST funds) may also be used to build awareness of SunWatts
6 programs. Finally, the cost of program administration will be limited to 1.5 percent of the budget.
7 All combined advertising, promotion, R&D, and administration will not exceed 6.5 percent of the
8 annual budget.

9
10 Habitat for Humanity

11 27. SSVEC plans to continue its partnership with Habitat for Humanity to encourage
12 renewable energy options for low-income families within SSVEC's service territory. Up to two
13 projects a year will be undertaken at a cost not to exceed \$15,000.

14
15 Budget

16 28. SSVEC, in its application, submitted a five-year budget plan for its REST
17 Implementation Plan. For 2008, the largest percentage of the budget (48.2%) is for \$765,333
18 which will be allocated for the repayment of the CREB bonds for the school photovoltaic systems.
19 The next largest allocation (17.6%) is for \$279,459 in rebates for residential renewable systems.
20 The third largest allocation (15%) is for \$238,108 for the Loan Fund. A total of \$186,306 of the
21 budget (11.7%) will be allocated to SunWatts rebates for commercial customers installing
22 renewable systems. A total of \$103,180 (or 6.4%) will be allocated for R&D, Advertising, and
23 Administration of the program. Finally, \$15,000 (.9%) of the annual budget will support Habitat
24 for Humanity programs.

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29. In response to questions from Staff, SSVEC submitted the following revised budget to replace the budget numbers shown on Page 13 of the REST Plan application:

Estimated REST Funds Collected	Budget Limits	2007	2008	2009	2010	2011
		\$ 1,546,976	\$ 1,587,385	\$ 1,629,006	\$ 1,671,877	\$ 1,716,033
Loan Fund *	15%	\$ 232,046	\$ 238,108	\$ 244,351	\$ 250,782	\$ 257,405
R&D**	3%	\$ 46,409	\$ 47,622	\$ 48,870	\$ 50,156	\$ 51,481
Advertising	2%	\$ 30,940	\$ 31,748	\$ 32,580	\$ 33,438	\$ 34,321
Administration	1.5%	\$ 23,205	\$ 23,811	\$ 24,435	\$ 25,078	\$ 25,740
Habitat for Humanity projects		\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
CREB Bond Repayment		\$ 765,333	\$ 765,333	\$ 765,333	\$ 765,333	\$ 765,333
SunWatts Rebates Residential ***		\$ 260,426	\$ 279,459	\$ 299,062	\$ 319,254	\$ 340,052
SunWatts Rebates Commercial ***		\$ 173,617	\$ 186,306	\$ 199,375	\$ 212,836	\$ 226,701
Total Projected Budget		\$ 1,546,976	\$ 1,587,385	\$ 1,629,006	\$ 1,671,877	\$ 1,716,033

* Revolving Loan Fund Budget is found in Section 5

** includes Grant writing and Education Grants

*** SSVEC reserves the right to reallocate funds for residential and commercial projects, if demand in one exceeds the demand for the other.

Tariffs

30. SSVEC has submitted two possible tariffs for consideration by the Commission: REST Tariff A and REST Tariff B.

31. Both proposed tariffs include a surcharge rate of \$0.005 per kWh subject to monthly maximums that vary by customer category. The monthly maximums, for both tariffs, are:

Residential Customers	\$1.30
Commercial & Industrial	\$42.00
Industrial (Demand over 3 MWs)	\$150.00

32. The only difference between REST Tariff A and REST Tariff B is that REST Tariff A includes an annual adjustment mechanism. This mechanism is based on the December 31st REST fund balance. If the balance is more than \$2 million, an automatic mechanism will reduce the monthly maximum amount by 25 percent or more, depending on how large the year-end fund balance is. The new adjusted monthly maximums would go into effect on February 1st of the next year. SSVEC prefers the approval of REST Tariff A because it includes the adjustor mechanism.

SSVEC has calculated that REST Tariff A or REST Tariff B will collect the following funds, by customer category:

...

...

REST Funding from Proposed Surcharge

	Total \$	Average \$ per Bill	% reaching Cap
Residential	585,405	\$ 1.21	87.3%
Small Commercial (Rate GS)*	562,143	\$ 6.07	2.7%
Large Commercial (Rate P and PI)	206,638	\$ 36.95	75.6%
Irrigation (Rates IS, CD, CW, CD-I, etc.)	233,195	\$ 33.47	69.4%
Industrial (Contract Rates)**	3,600	\$150.00	100%
Total	1,587,381		

SSVEC believes that the surcharge rate and monthly maximums proposed in SSVEC's REST Tariff A and REST Tariff B will be sufficient to fund SSVEC's annual budget for 2008.¹

Requests for Clarification

33. In its application, SSVEC asks for clarification that the REST Rules are the standard that applies to renewable energy issues for SSVEC and that the former Environmental Portfolio Standard Rules ("EPS Rules") are no longer applicable to or legally binding on SSVEC. Specifically, SSVEC requests the following clarifications:

1. The REST Rules have superseded the EPS Rules and any other reporting requirements related to renewable energy resources.
2. The REST Tariff supersedes the EPS surcharge and upon Commission approval of the REST Tariff, SSVEC shall no longer be required to charge customers the current EPS surcharge.
3. All monies collected under the EPS surcharge for the current EPS program will be transferred to the REST Program.
4. In the event that the REST Rules or REST Tariff are rescinded during the 16-year life of the CREB program, an equivalent surcharge necessary to cover SSVEC's repayment obligation shall remain on customers bills until such time as the loan is repaid, in order to ensure that SSVEC is in compliance with its repayment obligations with respect to the CFC loan.

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¹ SSVEC's full response, describing the impact of the proposed new Tariffs on a variety of specific customer types, is included in Attachment B.

Staff Review of the SSVEC REST Plan

34. Staff has reviewed the SSVEC REST Plan and has some specific suggestions of proposed changes and modifications.

The SunWatts Green Contribution Program

35. Staff supports Commission approval of the continuation of the SunWatts Green Contribution Program, as described in the plan.

The SunWatts Residential and Commercial Rebate Program

36. Staff has reviewed this Program and is in general agreement with the scope and implementation details of the program. Staff does, however, have some recommendations for Program modifications. Currently the Program provides incentives only for photovoltaic ("PV") and small wind systems. Staff believes that SSVEC's decision to offer \$4 per installed Watt as an incentive, up to 50 percent of the total installed cost of the system, is an appropriate incentive level for 2008. This is identical to the incentive approved in the AEPCO REST Plan in July 2007.

37. Staff notes that the Plan has wording that appears to imply a 2.5 kW cap for residential PV and small wind systems and a 10 kW cap for commercial PV and small wind systems. Staff recommends against setting any firm caps for system size.

38. Over the past five years, when various caps have been set for incentive programs, it often has resulted in the need for a utility to come back for a revision of the cap in order to accommodate the enthusiastic response of customers.

39. Rather than establishing fixed system size caps, Staff suggests using a funding allocation mechanism which allocates funding for various sized customer systems. As an example, SSVEC has proposed to expend \$279,459 in 2008 for residential rebates. Staff recommends that SSVEC determine, prior to January 1, 2008, that X percent of the \$279,459 will be allocated to residential systems up to 2.5 kW in size. SSVEC could also allocate the remainder of the residential rebate funding using Y percent of the \$279,459 for systems larger than 2.5 kW. A similar funding allocation approach could be used for commercial systems of sizes above and

1 below 10 kW. This would accommodate any size of system proposed, but would be limited by the
2 budget allocation to a specific total dollar expenditure.

3 40. Then, at some time in June or July of 2008, SSVEC could review how much rebate
4 funding is left unspent in the 2008 budget and re-allocate, as needed, to meet the customer demand
5 for incentives.

6 41. Staff's recommendation is that no system size caps be established and that SSVEC
7 be allowed to control the size of systems by how it allocates its funding. Staff supports SSVEC's
8 decision to limit rebates to a maximum of 50 percent of the total installed cost of the system.

9 42. Staff notes that only two of the 24 technologies and subtechnologies that are
10 authorized in the REST Rules are offered incentives in the SSVEC Plan. This is reasonable for
11 2007 and 2008, particularly since the REST Rules were not yet certified when the original plan
12 was submitted. Also, the work of the Uniform Credit Purchase Program ("UCPP") Working
13 Group, which commenced in 2006, needs to be completed prior to development of reasonable
14 uniform incentives for each technology.

15 43. Staff believes that the work of the Uniform Credit Purchase Program Working
16 Group should be completed in 2008. Staff believes that, if the Commission approves a UCPP, that
17 SSVEC should be required to develop a mechanism to incorporate UCPP procedures and incentive
18 levels for all eligible technologies in its proposed REST Plan for 2009 and later years. To the
19 extent that SSVEC feels that different incentive levels than those of the UCPP program are
20 justified, particularly in remote, rural areas, SSVEC could develop such proposals.

21
22 The Clean Renewable Energy Bonds for Schools Program

23 44. Staff notes that the School CREB Bond application by SSVEC resulted from focus
24 groups and input from SSVEC members. The SSVEC members wanted the REST funding to be
25 spent on projects in the SSVEC service territory that are for the "greater good of all SSVEC
26 members."

27 45. Staff believes that the Clean Renewable Energy Bonds for Schools Program is an
28 excellent way to allocate REST Surcharge funding, while building a series of distributed

1 generation systems throughout the SSVEC service territory. In a cooperative, where the members
2 are the customers, the benefits from the program will accrue to all customer/taxpayers in lower
3 school energy bills.

4 46. The federal no-interest CREB Bonds are an excellent way to finance major
5 renewable system capital costs, while allowing SSVEC to repay the bonds gradually through the
6 use of REST surcharge funds collected each month.

7 47. Staff recommends approval of the Clean Renewable Energy Bonds for Schools
8 Program.

9
10 The SunWatts Large-Scale Generating Program

11 48. Staff has reviewed this sub-program and recommends approval without changes.
12 This particular sub-program, in conjunction with other utilities and partners, has the potential of
13 taking advantage of large system economies of scale, which, in turn, has the potential to
14 significantly reduce the cost of renewable kWh.

15 49. SSVEC is exploring a number of diverse projects such as biomass, biogas, and
16 wind projects. Completion of projects such as these would greatly diversify SSVEC's renewable
17 portfolio.

18
19 The SunWatts Residential and Small Business Loan Program

20 50. The use of loans for residential and small business incentives to encourage wide-
21 spread use of distributed renewable systems may be the key to meeting a major portion of
22 SSVEC's Distributed Renewable Energy Requirement. Although the distributed system rebates
23 are an ideal incentive for those who have access to immediate capital to buy and install a
24 renewable energy system, the vast majority of potential customers will need to consider financing
25 in order to purchase such a system. The 3 percent interest rate is an excellent incentive that will
26 encourage customers to purchase a system.

27 51. The structure of the loan program has numerous advantages for SSVEC and its
28 customers. First, when a loan is granted, the funding is not consumed, but becomes part of a

1 revolving loan package that will re-use the money over and over again as the monthly principal
2 and interest payments are made each year, allowing more loans to be granted. Second, because the
3 3 percent interest rate returns more funds than were originally allocated, the revolving loan
4 account will grow by 3 percent each year.

5 52. For instance, if SSVEC loans out \$238,108 at the beginning of 2008, by 2009, those
6 first year customers will have returned \$47,621 of principal (one-fifth of \$238,108) and \$7,143 of
7 interest, totaling \$54,764. Add a new year's allocation of loan funds in 2009 (\$244,351) and the
8 revolving loan fund will be able to provide \$299,115 in loans in 2009.

9 53. SSVEC has set a limit for residential loans at 2 kW and a similar limit for
10 businesses at 4 kW. Unfortunately, even though customers could, if they chose to do so, install
11 much larger systems, this "cap" on loans could become an effective financial barrier to customers
12 wanting to install much larger systems. Staff recommends that the caps on loan amounts be
13 increased to 4 kW for residential systems and 10 kW for small businesses. If SSVEC is concerned
14 that these increased limits will allow customers wanting large systems to capture all or most of the
15 loan funds, Staff suggests that SSVEC could allocate most of the loan funds in its budget for
16 smaller systems, with a reasonable amount for residential systems over 2 kW and business systems
17 greater than 4 kW.

18 54. Staff notes that in SSVEC's REST Plan the only option for the customer is to obtain
19 a 5-year loan. Although this loan term may be sufficient to induce a small number of customers to
20 purchase and install a renewable energy system, other customers may require a longer term of
21 loan. More than one loan option may be the key to attracting more customers to the renewable
22 program. However, it is important that the program not be complicated and be easy for SSVEC to
23 administer. SSVEC has since agreed that the loan program shall provide for two options:

- 24 a. Loans in amounts up to \$10,000 will be repayable over five years; and
25 b. Loans in amounts of \$10,001 or more will be repayable over 10 years.

26 We believe that allowing the customers these options will greatly increase the potential for
27 customers to see participation as a worthwhile financial investment.

28 ...

1 SunWatts Loan Program for Large (over 20 kW) Systems

2 55. Staff supports the SSVEC Loan Program for Large (over 20 kW) Systems.
3 However, Staff notes that the limitation that only 10 kW of the system will receive a rebate may
4 limit the number of customers interested in installing systems larger than 20 kW.

5 56. At this time, Staff does not recommend any changes to the SunWatts Loan Program
6 for Large (over 20 kW) Systems. Staff recommends the approval of the Large System Loan
7 Program as proposed.

8
9 Annual Reporting

10 57. In its August 30 filing, SSVEC indicated that it planned to file its Compliance
11 Report, as required by the REST Rules, on October 1, 2008. In response to an inquiry by Staff
12 concerning the date of the Compliance Report filing, SSVEC responded that "In the best case, a
13 report filing date of February 15th (based on the prior calendar year) each year would fit better into
14 both our internal workload and our internal financial report." Staff agrees with SSVEC that a
15 February 15th filing date for SSVEC's Compliance Report is more timely than an October 1st filing
16 date. Staff recommends that the Commission waive the April 1st Compliance Report filing date,
17 required in R14-2-1812.A., for SSVEC and replace that date with a filing date of February 15th
18 each year.

19 58. SSVEC also requested a filing date for its annual REST Implementation Plan for
20 December 1st of each year, rather than the July 1st filing date as required in R14-2-1813.A. Staff
21 agrees with SSVEC that there are good reasons for SSVEC to shift its filing date to a time later
22 than July 1st. For instance, a filing of eight REST Implementation Plans and revised tariffs on July
23 1st of each year will have the effect of creating a backlog of work for 4-6 months to evaluate and
24 respond to each plan and tariff. In particular, the plans of the largest utilities such as Arizona
25 Public Service Company, Tucson Electric Power Company, and UNS Electric will require
26 extensive review and analysis by Staff, intervenors and other interested parties.

27 59. Staff recommends that the Commission waive the July 1st filing date for SSVEC's
28 REST Implementation plan and replace that date with an October 1st filing date each year.

1 Advertising, Promotion, R&D, and Education

2 60. Staff has reviewed SSVEC's plans for advertising, promotion, R&D, and education,
3 and finds the allocations of funding and planned activities to be reasonable. SSVEC has
4 committed a portion of its current advertising budget (from operating funds, not REST funds) to
5 build awareness of the SunWatts Program.

6 61. Staff agrees with SSVEC that writing applications for grants to promote the use of
7 renewable energy technologies may be worthwhile, particularly in the next few years. Staff
8 believes that the annual cost of grant writing, ranging from \$7,500 to \$10,000 per year is
9 reasonable.

10

11 Habitat for Humanity

12 62. Staff supports SSVEC's continued funding of programs to sponsor the use of
13 renewables in low-income family houses. Staff believes that the \$15,000 per year limit on this
14 program is reasonable.

15

16 Budget

17 63. Staff has reviewed the Proposed Cooperative Budget and has a few comments.
18 First, Staff believes that SSVEC's proposed budget is a reasonable first step in meeting the
19 renewable objectives of the REST Rules requirements. The allocations of funding among the
20 various programs contribute to a diversity of efforts to broaden the use of renewables in SSVEC's
21 service territory.

22 64. Staff recommends that, in SSVEC's preparation of its 2009 REST Plan, careful
23 consideration should be given to a specific allocation of funding for the SunWatts Large-Scale
24 Generating Program, which is designed to "install and operate or build/operate utility-sized
25 renewable generating units."

26 65. Staff recommends that SSVEC be given substantial flexibility in utilizing its budget
27 to provide renewable energy resources in its service territory. In this respect, Staff recommends

28 . . .

1 that SSVEC be allowed to shift budget allocations mid-year and later if the various programs are
2 not working as originally anticipated.

3 66. If, for instance, one program is an unexpected “winner”, while another program is
4 not working, Staff believes that SSVEC should be allowed to reallocate funding from the “losing”
5 program to the “winning” program. SSVEC would accomplish this, without prior Commission
6 approval, by filing a letter in this docket explaining the need for the change and how the change
7 will be accomplished.

8
9 Tariffs

10 67. Staff has reviewed SSVEC’s proposed REST Tariff A and REST Tariff B. Both
11 are identical in terms of tariff rate and monthly customer maximums. Both would collect exactly
12 the same amount of money.

13 68. Both proposed tariffs include a surcharge of \$0.005 per kWh, a 571.42% increase
14 from the existing EPS surcharge of \$0.000875, subject to monthly maximums that vary by
15 customer category. The proposed monthly maximums (“caps”), for both tariffs (compared to the
16 existing EPS maximums) are:

Customer Category	Proposed REST Caps	Existing EPS Caps	Difference (\$)	Increase (%)
Residential Customers	\$ 1.30	\$ 0.35	\$ 0.95	371.43%
Commercial & Industrial	\$ 42.00	\$13.00	\$ 29.00	323.08%
Industrial (Demand over 3 MWs)	\$150.00	\$39.00	\$111.00	384.61%

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20
21 69. REST Tariff A would include an adjustor mechanism. SSVEC claims that the
22 purpose would be to adjust for an “over collection within a calendar year.”

23 70. Staff’s review indicates that rather than adjusting for an “over collection,” this
24 adjustor would adjust for SSVEC’s under-spending or failure to find enough renewable projects to
25 utilize all the funding that was available.

26 71. If the Tariff was supposed to collect \$1,587,385 as SSVEC claims, but it actually
27 collected \$2,000,000, that would be an example of “over collection.”

28 ...

1 72. If SSVEC collected \$1,587,385 in 2008 and a similar amount in 2009, but SSVEC
2 failed to spend \$2,000,000 or more of that money, the REST Tariff A adjustor would kick in and
3 reduce the monthly maximums for all customers. This would, in effect, reward SSVEC's failure to
4 provide renewable energy resources.

5 73. The proposed establishment of a new adjustor mechanism is best addressed in a rate
6 case. Staff believes that SSVEC's proposals regarding the adjustor mechanism in Tariff A need to
7 be addressed in the context of a general rate case. In addition, pursuant to R14-2-1813.B.4.,
8 SSVEC can file revisions to its tariff with its Annual Implementation Plan, if necessary.

9 74. For these reasons, Staff recommends denial of REST Tariff A. Staff recommends
10 approval of REST Tariff B.

11
12 Fair Value Determination of REST Tariff B

13 75. Staff has analyzed SSVEC's application in terms of whether there are fair value
14 implications. In Decision No. 58358, issued on July 23, 1993, the Commission determined the fair
15 value of SSVEC's property to be \$57,277,245. According to SSVEC, as of June 30, 2007, the
16 value of SSVEC's plant is \$151,859,317. Staff considered both of these values for purposes of
17 this analysis. The proposed REST Tariff B would have no impact on the Company's revenue, fair
18 value rate base, or rate of return. Because plant developed pursuant to the REST programs is not
19 added to the rate base, there will be no corresponding effect on SSVEC's ultimate revenue or rate
20 of return.

21
22 Requests for Clarification

23 76. Staff agrees with SSVEC that a number of issues need to be clarified as we move
24 from the old Environmental Portfolio Standard Rules to the newly-adopted REST Rules.

25 77. Staff recommends ordering paragraphs that say:

- 26 • For Sulphur Springs Valley Electric Cooperative, Inc., the Renewable Energy
27 Standard Rules (A.A.C. R14-2-1801 through -1806) supersede the
28 Environmental Portfolio Standard Rules (A.A.C. R14-2-1618) and any other
reporting requirements related to renewable energy resources.

- 1 • For Sulphur Springs Valley Electric Cooperative, Inc., the REST Tariff B,
2 herein approved, supersedes the EPS Surcharge and upon Commission
3 approval of REST Tariff B, SSVEC shall no longer be required to charge
4 customers the current EPS Surcharge.
- 5 • All monies collected by SSVEC under the EPS Surcharge for the current EPS
6 program shall be transferred to the REST Program.

7 78. In regard to SSVEC's request for an equivalent surcharge, if the REST Rules or
8 REST Tariff are rescinded, Staff has the following comments:

- 9 • Staff's pro forma debt service coverage ratios ("DSC") calculated in Docket
10 No. E-017575A-07-0501, which reflect SSVEC's projected operating income
11 as well as depreciation and amortization for the years 2007 through 2009,
12 show DSC results at or above 1.06. These results suggest that projected
13 operating results are sufficient to meet all obligations, including the repayment
14 of the CREB loans.
- 15 • Therefore, Staff believes that an equivalent surcharge guarantee is unneeded.
16 In the remote chance that such a change were to occur in the future, SSVEC
17 would have ample opportunity to apply for such a tariff.

18 **Summary of Staff's Recommendations**

19 79. Staff recommends Commission approval of the SunWatts Green Contribution
20 Program, as described in the plan, without changes.

21 80. Staff recommends approval of the SunWatts Residential and Commercial Rebate
22 Program, with one change. Staff recommends that no system size caps be established in this
23 program and that SSVEC be allowed to control the size of systems by how it allocates its funding.

24 81. Staff recommends that, if the Commission approves a Uniform Credit Purchase
25 Program, that SSVEC should be required to develop a mechanism to incorporate UCPP procedures
26 and incentive levels for all eligible technologies into its proposed REST Plan for 2009 and later
27 years. To the extent that SSVEC determines that different incentive levels than those of the UCPP
28 Program are justified, SSVEC may develop such proposals.

 82. Staff recommends approval of the Clean Renewable Energy Bonds for Schools
Program.

...

1 83. Staff recommends approval of the SunWatts Large-Scale Generating Program as
2 proposed.

3 84. Staff recommends approval of the SunWatts Residential and Small Business Loan
4 Program with two changes. Staff recommends that the caps on loan amounts be increased to 4 kW
5 for residential systems and 10 kW for small businesses. Staff recommends that SSVEC offer the
6 following loans: a) loans in amounts up to \$10,000 will be repayable over five years; and b) loans
7 in amounts of \$10,001 or more will be repayable over ten years.

8 85. Staff recommends approval of the SunWatts Loan Program for Large (over 20 kW)
9 Systems as proposed.

10 86. Staff recommends that the Commission waive the April 1st Compliance Report
11 filing date, required in R14-2-1812.A., for SSVEC and replace that date with a filing date of
12 February 15th each year.

13 87. Staff recommends that the Commission waive the July 1st filing date for SSVEC's
14 REST Implementation Plan and replace that date with an October 1st filing date each year.

15 88. Staff recommends approval of the Advertising, Promotion, R&D, education, and
16 Habitat for Humanity programs, as proposed.

17 89. Staff recommends approval of SSVEC's annual budget for 2008. Staff
18 recommends that SSVEC be given substantial flexibility in utilizing its budget to provide
19 renewable energy resources in its service territory. Staff recommends that SSVEC be allowed to
20 shift budget allocations mid-year and later, up to 25 percent (25%) of the total budget, if the
21 various programs are not working as originally anticipated. SSVEC would accomplish this,
22 without prior Commission pre-approval, by filing a letter in this docket explaining the need for the
23 change and how the change will be accomplished.

24 90. Staff recommends rejection of REST Tariff A and approval of REST Tariff B.

25 91. Staff recommends ordering paragraphs that say:

- 26 • For Sulphur Springs Valley Electric Cooperative, Inc., the Renewable Energy
27 Standard Rules (A.A.C. R14-2-1801 through -1806) supersede the
28 Environmental Portfolio Standard Rules (A.A.C. R14-2-1618) and any other
reporting requirements related to renewable energy resources.

- 1 • For Sulphur Springs Valley Electric Cooperative, Inc., the REST Tariff B,
2 herein approved, supersedes the EPS Surcharge and upon Commission
3 approval of REST Tariff B, SSVEC shall no longer be required to charge
4 customers the current EPS Surcharge.
- 5 • All monies collected by SSVEC under the EPS Surcharge for the current EPS
6 program shall be transferred to the REST Program.

CONCLUSIONS OF LAW

7 1. Sulphur Springs Valley Electric Cooperative, Inc. is an Arizona public service
8 corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over Sulphur Springs Valley Electric Cooperative,
10 Inc. and over the subject matter of the application.

11 3. The Commission, having reviewed the application and Staff's Memorandum dated
12 December 4, 2007, concludes that is in the public interest to approve the SSVEC REST Plan, as
13 modified by Staff's recommendations in this order, and approve REST Tariff B.

ORDER

14 IT IS THEREFORE ORDERED that the Sulphur Springs Valley Electric Cooperative,
15 Inc.'s REST Plan as modified by Staff's recommendations hereby is approved as discussed herein.

16 IT IS FURTHER ORDERED that the Sulphur Springs Valley Electric Cooperative, Inc.
17 REST Plan shall remain in effect until such time as it is replaced with a subsequent Commission-
18 approved REST Plan.

19 IT IS FURTHER ORDERED that, if the Commission approves a Uniform Credit Purchase
20 Program ("UCPP"), that Sulphur Springs Valley Electric Cooperative, Inc. shall be required to
21 develop a mechanism to incorporate UCPP procedures and incentive levels for all eligible
22 technologies into its proposed REST plan for 2009 and later years.

23 IT IS FURTHER ORDERED that the request for approval of REST Tariff A is denied.

24 IT IS FURTHER ORDERED that the request for approval of REST Tariff B is approved.

25 IT IS FURTHER ORDERED that for Sulphur Springs Valley Electric Cooperative, Inc. the
26 Renewable Energy Standard Rules (A.A.C. R14-2-1801 through -1806) supersede the
27 ...

28 ...

1 Environmental Portfolio Standard Rules (A.A.C. R14-2-1618) and any other reporting
2 requirements related to renewable energy resources.

3 IT IS FURTHER ORDERED that for Sulphur Springs Valley Electric Cooperative, Inc.,
4 the REST Tariff B, herein approved, supersedes the EPS Surcharge and SSVEC shall no longer be
5 required to charge customers the current EPS Surcharge.

6 IT IS FURTHER ORDERED that all monies collected by SSVEC under the EPS
7 Surcharge for the current EPS program shall be transferred to the REST Program.

8 IT IS FURTHER ORDERED that this Order shall become effective immediately.

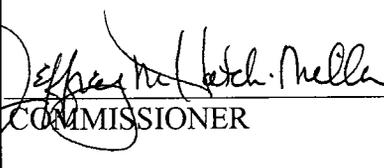
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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN

COMMISSIONER



COMMISSIONER

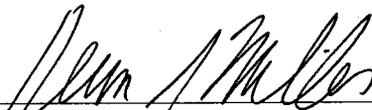


COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21st day of December, 2007.



DEAN S. MILLER
Interim Executive Director

DISSENT: Fawell & Heaman

DISSENT: _____

EGJ:RTW:CLA:lhm\JFW

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