

ORIGINAL

OPEN MEETING



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MEMORANDUM

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Arizona Corporation Commission

DOCKETED

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 25, 2008

DOCKETED BY	nr
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RE: IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF RENEWABLE ENERGY STANDARD TARIFFS (DOCKET NO. E-01749A-07-0581)

**Background**

On July 30, 2007, the Arizona Corporation Commission ("Commission") issued Decision No. 69728 which approved the Arizona Electric Power Cooperative, Inc. ("AEPSCO") Amended and Restated EPS/REST Plan ("Restated Plan"), filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives are Graham County Electric Cooperative, Inc. ("Graham County"), Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico Electric Cooperative, Inc. ("Trico"). On October 5, 2007, Graham County filed its tariffs pursuant to Decision No. 69728 and the Renewable Energy Standard and Tariff ("REST") Rules.

Graham County is submitting its tariffs associated with the Restated Plan. Graham County is also submitting its proposed budget of \$165,471 for its portion of the Restated Plan approved in Decision No. 69728. Duncan Valley, Mohave, and Trico have also submitted separate tariffs pursuant to Decision No. 69728 which include each Cooperative's individual budget for its portion of the Restated Plan.

**Tariffs**

Staff has reviewed Graham County's proposed RES Tariff which Graham County filed in compliance with Decision No. 69728, issued July 30, 2007. Graham County's proposed RES Tariff sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2008. The proposed tariff includes a surcharge of \$0.000875 per kWh for governmental and agricultural members/customers. The proposed monthly maximums for governmental and agricultural member/customers are \$13.00 per service and \$39.00 per service for governmental and agricultural members/customers whose demand is 3,000 kW or more for three consecutive months. For the residential and non-residential members/customers, Graham County is proposing a surcharge of \$0.004988 per kWh, a 570.06 percent increase from the existing Environmental Portfolio Standard ("EPS") surcharge of \$0.000875. The proposed monthly maximum per service for residential members/customers is \$1.05. Graham County is proposing a \$39.00 per service monthly maximum for non-residential members/customers. For

THE COMMISSION

January 25, 2008

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non-residential members/customers whose demand is 3,000 kW or more for three consecutive months, the proposed monthly maximum is \$117.00 per service. The proposed monthly maximums ("caps") for Graham County's proposed tariff, compared to the existing EPS maximums, are:

Customer Class/Category	Existing EPS Maximums/Caps	Proposed REST Maximums/Caps	Difference(\$)	Increase (%)
Residential	\$ 0.35	\$ 1.05	\$ 0.70	300%
Governmental & Agricultural	\$ 13.00	\$ 13.00	-	-
Governmental & Agricultural >3MW	\$ 39.00	\$ 39.00	-	-
Commercial & Industrial	\$ 13.00	\$ 39.00	\$ 26.00	300%
Commercial & Industrial >3MW	\$ 39.00	\$ 117.00	\$ 78.00	300%

The following table provides examples of sample Graham County customers and the impact customers can expect to see.

Monthly Bill Impact

Sample Customers	Average kWh	Current EPS	Proposed REST	Difference
School	44,064	\$13.00	\$13.00	-
Convenience Store	30,186	\$13.00	\$39.00	\$26.00
Furniture Store	4,057	\$3.55	\$20.33	\$16.78
Fast Food Restaurant	23,020	\$13.00	\$39.00	\$26.00
Church	8,407	\$7.36	\$39.00	\$31.64
Auto Dealer	7,620	\$6.67	\$38.01	\$31.34
Farm Equipment Dealer	7,653	\$6.70	\$38.17	\$31.47
Service Station	8,623	\$7.54	\$39.00	\$31.46
Dollar Store	13,143	\$11.50	\$39.00	\$27.50

Graham County has calculated that its RES Tariff will collect the following funds, by customer category:

RES Tariff Funding from Proposed Surcharge

	Total \$	Average \$ per Bill	% Reaching Cap
Residential	\$74,439	\$0.92	81.6%
Small Commercial	\$66,564	\$7.73	9.7%
Large Commercial & Gins	\$5,537	\$36.92	79.6%
Irrigation	\$3,754	\$0.52	1.2%
Governmental and Agricultural (Various Rates)	\$15,177	\$10.19	56.1%
Total	\$165,471		

Graham County believes that the surcharge rates and the monthly maximums proposed in Graham County's RES Tariff will be sufficient to fund its annual budget for 2008.

## THE COMMISSION

January 25, 2008

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In addition to the RES Tariff, Graham County has also filed its Voluntary RES Contribution Program Tariff which it has filed in compliance with Decision No. 69728. The proposed program allows members/customers to purchase 50 kWh blocks of green energy for an additional \$2.00 per block. The proposed Voluntary RES Contribution Program Tariff will replace Graham County's existing Voluntary EPS Contribution Program Tariff approved in Decision No. 67411.

In addition, Graham County is proposing its Customer Self-Directed Tariff in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1809(A). Graham County's proposed Customer Self-Directed Tariff allows eligible non-residential members/customers with multiple meters that pay more than \$25,000 annually in RES Surcharge funds to receive funds from the Cooperative to install Distributed Renewable Energy Resources.

### **Budget**

According to Graham County, the RES funding from the RES surcharge is estimated to be a total of \$165,471. The AEPCO Amended and Restated EPS/REST Plan approved in Decision No. 69728 had a total surcharge budget of \$2,636,436. Graham County's \$165,471 fund plus the remaining three cooperatives' funds (Duncan Valley, Mohave, and Trico) come to a total of \$1,657,953. There is a difference of \$978,483 between the proposed total AEPCO fund amount and the AEPCO surcharge fund amount that was approved in Decision No. 69728. According to AEPCO, the current carry-over EPS surcharge fund balance is estimated to be \$1,900,000. The current EPS surcharge fund balance of \$1,900,000 will assist the Cooperatives in meeting the AEPCO approved surcharge budget of \$2,636,436.

### **Fair Value Determination**

Staff has analyzed Graham County's application in terms of whether there are fair value implications. In Decision No. 66382, issued on October 6, 2003, the Commission determined the fair value of Graham County's property to be \$14,247,107. According to Graham County, as of December 31, 2006, per audited financial information, the value of Graham County's plant is \$28,431,641. Staff considered both of these values for purposes of this analysis. The proposed tariff would have no impact on the company's revenue, fair value rate base, or rate of return. Because plant developed pursuant to the REST programs is not added to the rate base, there will be no corresponding effect on Graham County's ultimate revenue or rate of return.

### **Recommendations**

Staff has reviewed Graham County's proposed tariffs and finds that they are consistent with A.A.C. R14-2-1808, R14-2-1809(A), and Appendix A: Sample Tariff of the Renewable Energy Standard and Tariff Rules. Staff recommends the following:

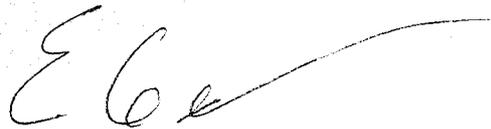
1. Approval of Graham County's RES Tariff;

THE COMMISSION

January 25, 2008

Page 4

2. Approval of Graham County's Voluntary RES Contribution Program Tariff;
3. Approval of Graham County's Customer Self-Directed Tariff;
4. A Commission Order that the REST Rules, A.A.C. R14-2-1801 through R14-2-1815, supersede the EPS Rules and any other reporting requirements related to renewable energy resources;
5. A Commission Order that the RES Tariff supersedes the EPS surcharge and upon Commission approval of the RES Tariff, Graham County shall no longer be required to charge customers the current EPS surcharge and;
6. A Commission Order that all monies collected under the EPS Surcharge for the current EPS program be transferred to the REST Program.
7. A Commission Order that requires Graham County to file with Docket Control, as a compliance matter in this case, tariff pages consistent with the terms of the Commission's Decision within 15 days from the effective date of the Decision.



Ernest G. Johnson  
Director  
Utilities Division

EGJ:CLA:lhv\CH

ORIGINATOR: Candrea Allen

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

MIKE GLEASON  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF GRAHAM COUNTY ELECTRIC )  
COOPERATIVE, INC. FOR APPROVAL OF )  
RENEWABLE ENERGY STANDARD )  
TARIFFS )

DOCKET NO. E-01749A-07-0581  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
February 12 and 13, 2008  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Graham County Electric Cooperative, Inc. ("Graham County" or "Company") is certificated to provide electricity as a public service corporation in the State of Arizona.

2. On July 30, 2007, the Arizona Corporation Commission ("Commission") issued Decision No. 69728 which approved the Arizona Electric Power Cooperative, Inc. ("AEPSCO") Amended and Restated EPS/REST Plan ("Restated Plan"), filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives are Graham County Electric Cooperative, Inc. ("Graham County"), Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico Electric Cooperative, Inc. ("Trico"). On October 5, 2007, Graham County filed its tariffs pursuant to Decision No. 69728 and the Renewable Energy Standard and Tariff ("REST") Rules.

3. Graham County is submitting its tariffs associated with the Restated Plan. Graham County is also submitting its proposed budget of \$165,471 for its portion of the Restated Plan

1 approved in Decision No. 69728. Duncan Valley, Mohave, and Trico have also submitted separate  
 2 tariffs pursuant to Decision No. 69728 which include each Cooperative's individual budget for its  
 3 portion of the Restated Plan.

4 **Tariffs**

5 4. Staff has reviewed Graham County's proposed RES Tariff which Graham County  
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 7 RES Tariff sets forth the surcharge rates and monthly maximums to be collected to fund its annual  
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 10 governmental and agricultural member/customers are \$13.00 per service and \$39.00 per service for  
 11 governmental and agricultural members/customers whose demand is 3,000 kW or more for three  
 12 consecutive months. For the residential and non-residential members/customers, Graham County  
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Total	\$165,471		

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9. In addition, Graham County is proposing its Customer Self-Directed Tariff in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1809(A). Graham County's proposed Customer Self-Directed Tariff allows eligible non-residential members/customers with

1 multiple meters that pay more than \$25,000 annually in RES Surcharge funds to receive funds  
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13 **Fair Value Determination**

14 11. Staff has analyzed Graham County's application in terms of whether there are fair  
15 value implications. In Decision No. 66382, issued on October 6, 2003, the Commission  
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17 County, as of December 31, 2006, per audited financial information, the value of Graham  
18 County's plant is \$28,431,641. Staff considered both of these values for purposes of this analysis.  
19 The proposed tariff would have no impact on the company's revenue, fair value rate base, or rate  
20 of return. Because plant developed pursuant to the REST programs is not added to the rate base,  
21 there will be no corresponding effect on Graham County's ultimate revenue or rate of return.

22 **Recommendations**

23 12. Staff has reviewed Graham County's proposed tariffs and finds that they are  
24 consistent with A.A.C. R14-2-1808, R14-2-1809(A), and Appendix A: Sample Tariff of the  
25 Renewable Energy Standard and Tariff Rules. Staff recommends the following:

- 26 a. Approval of Graham County's RES Tariff;
- 27 b. Approval of Graham County's Voluntary RES Contribution Program Tariff;
- 28 c. Approval of Graham County's Customer Self-Directed Tariff;

- 1 d. A Commission Order that the REST Rules, A.A.C. R14-2-1801 through R14-2-  
2 1815, supersede the EPS Rules and any other reporting requirements related to  
3 renewable energy resources;
- 4 e. A Commission Order that the RES Tariff supersedes the EPS surcharge and upon  
5 Commission approval of the RES Tariff, Graham County shall no longer be  
6 required to charge customers the current EPS surcharge and;
- 7 f. A Commission Order that all monies collected under the EPS Surcharge for the  
8 current EPS program is transferred to the REST Program.
- 9 g. A Commission Order that requires Graham County to file with Docket Control, as a  
10 compliance matter in this case, tariff pages consistent with the terms of the  
11 Commission's Decision within 15 days from the effective date of the Decision.

#### 12 CONCLUSIONS OF LAW

13 1. Graham County Electric Cooperative, Inc. is an Arizona public service corporation  
14 within the meaning of Article XV, Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over Graham County Electric Cooperative, Inc.  
16 and over the subject matter of the Application.

17 3. The Commission, having reviewed the application and Staff's Memorandum dated  
18 January 25, 2008, concludes that it is in the public interest to approve the Graham County RES  
19 Tariff, Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff as  
20 specified in this order.

#### 21 ORDER

22 IT IS THEREFORE ORDERED that the Graham County Electric Cooperative, Inc. RES  
23 Tariff, Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff are  
24 hereby approved as discussed herein.

25 IT IS FURTHER ORDERED that the REST Rules, A.A.C. R14-2-1801 through R14-2-  
26 1815, supersede the EPS Rules and any other reporting requirements related to renewable energy  
27 resources.

28 IT IS FURTHER ORDERED that the RES Tariff supersedes the EPS surcharge and upon  
Commission approval of the RES Tariff, Graham County shall no longer be required to charge  
customers the current EPS surcharge.

1 IT IS FURTHER ORDERED that all monies collected under the EPS Surcharge for the  
2 current EPS program be transferred to the REST Program.

3 IT IS FURTHER ORDERED that Graham County shall file with Docket Control, as a  
4 compliance matter in this case, tariff pages consistent with the terms of the Commission's  
5 Decision within 15 days from the effective date of the Decision.

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

7  
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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10 \_\_\_\_\_  
11 CHAIRMAN

COMMISSIONER

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13 \_\_\_\_\_  
14 COMMISSIONER

COMMISSIONER

COMMISSIONER

15 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim  
16 Executive Director of the Arizona Corporation Commission,  
17 have hereunto, set my hand and caused the official seal of  
18 this Commission to be affixed at the Capitol, in the City of  
19 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

20 \_\_\_\_\_  
21 DEAN S. MILLER  
Interim Executive Director

22 DISSENT: \_\_\_\_\_

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24 DISSENT: \_\_\_\_\_

25 EGJ:CLA:lhm\CH  
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1 SERVICE LIST FOR: Graham County Electric Cooperative, Inc.  
2 DOCKET NO. E-01749A-07-0581

3 Mr. John Wallace  
4 Grand Canyon State Electric Cooperative Assn, Inc.  
5 120 North 44<sup>th</sup> Street, Suite 100  
6 Phoenix, Arizona 85034

7 Mr. Christopher C. Kempley  
8 Chief Counsel, Legal Division  
9 Arizona Corporation Commission  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 Mr. Ernest G. Johnson  
13 Director, Utilities Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

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