

ORIGINAL
OPEN MEETING



0000081186

MEMORANDUM

410

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 25, 2008

RE: IN THE MATTER OF THE APPLICATION OF MOHAVE ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF RENEWABLE ENERGY STANDARD TARIFFS (DOCKET NO. E-01750A-07-0580)

2008 JAN 25 P 3: 56

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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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 Mohave Electric Cooperative, Inc. ("Mohave"), Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Graham County Electric Cooperative, Inc. ("Graham County"), and Trico Electric Cooperative, Inc. ("Trico"). On October 5, 2007, Mohave filed its tariffs pursuant to Decision No. 69728 and the Renewable Energy Standard and Tariff ("REST") Rules.

Mohave is submitting its tariffs associated with the Restated Plan. Mohave is also submitting its proposed budget of \$888,608 for its portion of the Restated Plan approved in Decision No. 69728. Duncan Valley, Graham County, 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 Mohave's proposed RES Tariff which Mohave filed in compliance with Decision No. 69728, issued July 30, 2007. Mohave'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, Mohave 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. Mohave is proposing a \$39.00 per service monthly maximum for non-residential members/customers. For non-residential

THE COMMISSION

January 25, 2008

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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 Mohave'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 Mohave customers and the impact customers can expect to see.

Monthly Bill Impact

Sample Customers	Average kWh	Current EPS	Proposed REST	Difference
Barber Shop	1,371	\$1.07	\$6.84	\$5.77
Department Store	596,610	\$13.00	\$39.00	\$26.00
Government Complex	83,270	\$13.00	\$13.00	-
Retail Video Store	15,907	\$13.00	\$39.00	\$26.00
Large Hotel	61,227	\$13.00	\$39.00	\$26.00
Large Building Supply and Hardware	219,500	\$13.00	\$39.00	\$26.00
Motel	13,580	\$11.88	\$39.00	\$27.12
Large Office Building	70,733	\$13.00	\$39.00	\$26.00
Hospital	360,075	\$13.00	\$39.00	\$26.00
Supermarket	242,440	\$13.00	\$39.00	\$26.00
Convenience Store	30,347	\$13.00	\$39.00	\$26.00
School	96,883	\$13.00	\$13.00	-
Irrigation Customer	19,473	\$13.00	\$13.00	-

Mohave 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 (Rates RD)	\$399,847	\$0.96	84.2%
Small Commercial (Rates SCS-E; SCS-D)	\$423,066	\$9.83	8.5%
Large Commercial (Rates L; LTOU)	\$52,155	\$37.55	98.5%
Agricultural (Rates IP)	\$2,451	\$9.57	52.0%
Government Rates (Rates RD; SCS; L; LS)	\$10,299	\$2.67	8.8%
Lighting (Rates LS)	\$790	\$5.98	0%
Total	\$888,608		

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

In addition to the RES Tariff, Mohave 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 Mohave's existing Voluntary EPS Contribution Program Tariff approved in Decision No. 67411.

In addition, Mohave is proposing its Customer Self-Directed Tariff in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1809(A). Mohave'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 Mohave, the RES funding from the RES surcharge is estimated to be a total of \$888,608. The AEPCO Amended and Restated EPS/REST Plan approved in Decision No. 69728 had a total surcharge budget of \$2,636,436. Mohave's \$888,608 fund plus the remaining three cooperatives' funds (Duncan Valley, Graham County, 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 Mohave's application in terms of whether there are fair value implications. In Decision No. 57172, issued on November 9, 1990, the Commission determined the fair value of Mohave's property to be \$26,742,431. According to Mohave, as of December 31, 2006, per audited financial information, the value of Mohave's plant is \$74,660,448. 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 Mohave's ultimate revenue or rate of return.

Recommendations

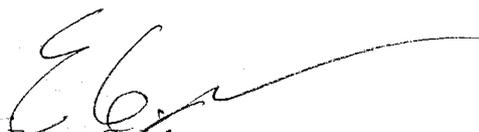
Staff has reviewed Mohave's proposed tariffs and finds that they are consistent with A.A.C. R14-2-1808, R14-2-1809(A), and Appendix A: Sample Tariff of the Renewable Energy Standard and Tariff Rules. Staff recommends the following:

THE COMMISSION

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1. Approval of Mohave's RES Tariff;
2. Approval of Mohave's Voluntary RES Contribution Program Tariff;
3. Approval of Mohave'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, Mohave 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 Mohave 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:lhм\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 MOHAVE ELECTRIC COOPERATIVE,)
INC. FOR APPROVAL OF RENEWABLE)
ENERGY STANDARD TARIFFS)

DOCKET NO. E-01750A-07-0580
DECISION NO. _____
ORDER

Open Meeting
February 12 and 13, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Mohave Electric Cooperative, Inc. ("Mohave" 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. ("AEPCO") Amended and Restated EPS/REST Plan ("Restated Plan"), filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives are Mohave Electric Cooperative, Inc. ("Mohave"), Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Graham County Electric Cooperative, Inc. ("Graham County"), and Trico Electric Cooperative, Inc. ("Trico"). On October 5, 2007, Mohave filed its tariffs pursuant to Decision No. 69728 and the Renewable Energy Standard and Tariff ("REST") Rules.
3. Mohave is submitting its tariffs associated with the Restated Plan. Mohave is also submitting its proposed budget of \$888,608 for its portion of the Restated Plan approved in Decision No. 69728. Duncan Valley, Graham County, and Trico have also submitted separate

1 tariffs pursuant to Decision No. 69728 which include each Cooperative's individual budget for its
2 portion of the Restated Plan.

3 **Tariffs**

4 4. Staff has reviewed Mohave's proposed RES Tariff which Mohave filed in
5 compliance with Decision No. 69728, issued July 30, 2007. Mohave's proposed RES Tariff sets
6 forth the surcharge rates and monthly maximums to be collected to fund its annual budget for
7 2008. The proposed tariff includes a surcharge of \$0.000875 per kWh for governmental and
8 agricultural members/customers. The proposed monthly maximums for governmental and
9 agricultural member/customers are \$13.00 per service and \$39.00 per service for governmental and
10 agricultural members/customers whose demand is 3,000 kW or more for three consecutive months.
11 For the residential and non-residential members/customers, Mohave is proposing a surcharge of
12 \$0.004988 per kWh, a 570.06 percent increase from the existing Environmental Portfolio Standard
13 ("EPS") surcharge of \$0.000875. The proposed monthly maximum per service for residential
14 members/customers is \$1.05. Mohave is proposing a \$39.00 per service monthly maximum for
15 non-residential members/customers. For non-residential members/customers whose demand is
16 3,000 kW or more for three consecutive months, the proposed monthly maximum is \$117.00 per
17 service. The proposed monthly maximums ("caps") for Mohave's proposed tariff, compared to the
18 existing EPS maximums, are:

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Total	\$888,608		

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8. In addition to the RES Tariff, Mohave 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 Mohave's existing Voluntary EPS Contribution Program Tariff approved in Decision No. 67411.

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

6 **Budget**

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8 a total of \$888,608. The AEPCO Amended and Restated EPS/REST Plan approved in Decision
9 No. 69728 had a total surcharge budget of \$2,636,436. Mohave’s \$888,608 fund plus the
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12 and the AEPCO surcharge fund amount that was approved in Decision No. 69728. According to
13 AEPCO, the current carry-over EPS surcharge fund balance is estimated to be \$1,900,000. The
14 current EPS surcharge fund balance of \$1,900,000 will assist the Cooperatives in meeting the
15 AEPCO approved surcharge budget of \$2,636,436.

16 **Fair Value Determination**

17 11. Staff has analyzed Mohave’s application in terms of whether there are fair value
18 implications. In Decision No. 57172, issued on November 9, 1990, the Commission determined
19 the fair value of Mohave’s property to be \$26,742,431. According to Mohave, as of December 31,
20 2006, per audited financial information, the value of Mohave’s plant is \$74,660,448. Staff
21 considered both of these values for purposes of this analysis. The proposed tariff would have no
22 impact on the company’s revenue, fair value rate base, or rate of return. Because plant developed
23 pursuant to the REST programs is not added to the rate base, there will be no corresponding effect
24 on Mohave’s ultimate revenue or rate of return.

25 **Recommendations**

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

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

CONCLUSIONS OF LAW

- 14 1. Mohave Electric Cooperative, Inc. is an Arizona public service corporation within
- 15 the meaning of Article XV, Section 2, of the Arizona Constitution.
- 16 2. The Commission has jurisdiction over Mohave Electric Cooperative, Inc. and over
- 17 the subject matter of the Application.
- 18 3. The Commission, having reviewed the application and Staff's Memorandum dated
- 19 January 25, 2008, concludes that it is in the public interest to approve the Mohave RES Tariff,
- 20 Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff as specified in
- 21 this order.

ORDER

23 IT IS THEREFORE ORDERED that the Mohave Electric Cooperative, Inc. RES Tariff,

24 Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff are hereby

25 approved as discussed herein.

26 IT IS FURTHER ORDERED that the REST Rules, A.A.C. R14-2-1801 through R14-2-

27 1815, supersede the EPS Rules and any other reporting requirements related to renewable energy

28 resources.

1 IT IS FURTHER ORDERED that the RES Tariff supersedes the EPS surcharge and upon
2 Commission approval of the RES Tariff, Mohave shall no longer be required to charge customers
3 the current EPS surcharge.

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

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IT IS FURTHER ORDERED that Mohave shall 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.

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

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 _____ day of _____, 2008.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:CLA:lhм\CH

1 SERVICE LIST FOR: Mohave Electric Cooperative, Inc.
2 DOCKET NO. E-01750A-07-0580

3 Mr. John Wallace
4 Grand Canyon State Electric Cooperative Assn, Inc.
5 120 North 44th 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
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