

ORIGINAL
OPEN MEETING



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MEMORANDUM

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2008 JAN 25 3:55

Arizona Corporation Commission

DOCKETED

JAN 25 2008

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 TRICO ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF RENEWABLE ENERGY STANDARD TARIFFS (DOCKET NO. E-01461A-07-0578)

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

Trico is submitting its tariffs associated with the Restated Plan. Trico is also submitting its proposed budget of \$564,513 for its portion of the Restated Plan approved in Decision No. 69728. Duncan Valley, Graham County, and Mohave 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 Trico's proposed RES Tariff which Trico filed in compliance with Decision No. 69728, issued July 30, 2007. Trico'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, Trico 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. Trico is proposing a \$39.00 per service monthly maximum for non-residential members/customers. For non-residential members/

THE COMMISSION

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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 Trico’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 Trico 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

Trico 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	\$393,285	\$0.94	84.7%
Small Commercial (Rate GS-1 and GS-2)	\$52,553	\$5.14	1.8%
Large Commercial (Rate GS-3 and IS-2)	\$78,011	\$26.12	47.6%
Government and Agricultural (Various Rates)	\$39,260	\$6.97	37.5%
Industrial (GS-4)	\$1,404	\$117.00	100%
Total	\$564,513		

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

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

In addition, Trico is proposing its Customer Self-Directed Tariff in compliance with Arizona Administrative Code (“A.A.C.”) R14-2-1809(A). Trico’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 Trico, the RES funding from the RES surcharge is estimated to be a total of \$564,513. The AEPCO Amended and Restated EPS/REST Plan approved in Decision No. 69728 had a total surcharge budget of \$2,636,436. Trico's \$564,513 fund plus the remaining three cooperatives' funds (Duncan Valley, Graham County, and Mohave) 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 Trico's application in terms of whether there are fair value implications. In Decision No. 68073, issued on August 17, 2005, the Commission determined the fair value of Trico's property to be \$97,890,329. According to Trico, as of December 31, 2006, per audited financial information, the value of Trico's plant is \$156,708,264. 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 Trico's ultimate revenue or rate of return.

Recommendations

Staff has reviewed Trico'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:

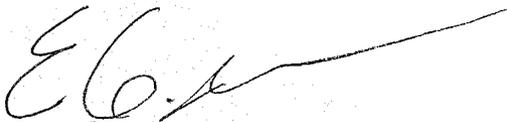
1. Approval of Trico's RES Tariff;
2. Approval of Trico's Voluntary RES Contribution Program Tariff;
3. Approval of Trico's Voluntary Customer Self-Directed Tariff;
4. A Commission Order that the REST Rules, A.A.C. R14-2-1801 through R14-2-1815, supersede the EPS Rules and any other reporting requirements related to renewable energy resources;

THE COMMISSION

January 29, 2008

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5. A Commission Order that the RES Tariff supersedes the EPS surcharge and upon Commission approval of the RES Tariff, Trico 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 Trico 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 TRICO ELECTRIC COOPERATIVE,
INC. FOR APPROVAL OF RENEWABLE
ENERGY STANDARD TARIFFS

DOCKET NO. E-01461A-07-0578
DECISION NO. _____
ORDER

Open Meeting
February 12 and 13, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico" 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 Trico Electric Cooperative, Inc. ("Trico"), Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Graham County Electric Cooperative, Inc. ("Graham County"), and Mohave Electric Cooperative, Inc. ("Mohave"). On October 5, 2007, Trico filed its tariffs pursuant to Decision No. 69728 and the Renewable Energy Standard and Tariff ("REST") Rules.
3. Trico is submitting its tariffs associated with the Restated Plan. Trico is also submitting its proposed budget of \$564,513 for its portion of the Restated Plan approved in Decision No. 69728. Duncan Valley, Graham County, and Mohave have also submitted separate

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

3 **Tariffs**

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

Customer Class/Category	Existing EPS Maximums/Caps	Proposed REST Maximums/Caps	Difference(\$)	Increase (%)
Residential	\$ 0.35	\$ 1.05	\$ 0.70	300%
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24 5. The following table provides examples of sample Trico customers and the impact
25 customers can expect to see.

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6. Trico has calculated that its RES Tariff will collect the following funds, by customer category:

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	Total \$	Average \$ per Bill	% Reaching Cap
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Industrial (GS-4)	\$1,404	\$117.00	100%
Total	\$564,513		

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

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

9. In addition, Trico is proposing its Customer Self-Directed Tariff in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1809(A). Trico'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

10. According to Trico, the RES funding from the RES surcharge is estimated to be a total of \$564,513. The AEPCO Amended and Restated EPS/REST Plan approved in Decision No.

1 69728 had a total surcharge budget of \$2,636,436. Trico's \$564,513 fund plus the remaining three
2 cooperatives' funds (Duncan Valley, Graham County, and Mohave) come to a total of \$1,657,953.
3 There is a difference of \$978,483 between the proposed total AEPCO fund amount and the
4 AEPCO surcharge fund amount that was approved in Decision No. 69728. According to AEPCO,
5 the current carry-over EPS surcharge fund balance is estimated to be \$1,900,000. The current EPS
6 surcharge fund balance of \$1,900,000 will assist the Cooperatives in meeting the AEPCO
7 approved surcharge budget of \$2,636,436.

8 **Fair Value Determination**

9 11. Staff has analyzed Trico's application in terms of whether there are fair value
10 implications. In Decision No. 68073, issued on August 17, 2005, the Commission determined the
11 fair value of Trico's property to be \$97,890,329. According to Trico, as of December 31, 2006,
12 per audited financial information, the value of Trico's plant is \$156,708,264. Staff considered
13 both of these values for purposes of this analysis. The proposed tariff would have no impact on the
14 company's revenue, fair value rate base, or rate of return. Because plant developed pursuant to the
15 REST programs is not added to the rate base, there will be no corresponding effect on Trico's
16 ultimate revenue or rate of return.

17 **Recommendations**

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

- 21 a. Approval of Trico's RES Tariff;
- 22 b. Approval of Trico's Voluntary RES Contribution Program Tariff;
- 23 c. Approval of Trico's Voluntary Customer Self-Directed Tariff;
- 24 d. A Commission Order that the REST Rules, A.A.C. R14-2-1801 through R14-2-
25 1815, supersede the EPS Rules and any other reporting requirements related to
26 renewable energy resources.
- 27 e. A Commission Order that the RES Tariff supersedes the EPS surcharge and upon
28 Commission approval of the RES Tariff, Trico shall no longer be required to charge
customers the current EPS surcharge and;

- 1 f. A Commission Order that all monies collected under the EPS Surcharge for the
- 2 current EPS program is transferred to the REST Program.
- 3 g. A Commission Order that requires Trico to file with Docket Control, as a compliance
- 4 matter in this case, tariff pages consistent with the terms of the Commission's Decision
- 5 within 15 days from the effective date of the Decision.

CONCLUSIONS OF LAW

6 1. Trico Electric Cooperative, Inc. is an Arizona public service corporation within the
7 meaning of Article XV, Section 2, of the Arizona Constitution.

8 2. The Commission has jurisdiction over Trico Electric Cooperative, Inc. and over the
9 subject matter of the Application.

10 3. The Commission, having reviewed the application and Staff's Memorandum dated
11 January 25, 2008, concludes that it is in the public interest to approve the Trico RES Tariff,
12 Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff as specified in
13 this order.

ORDER

14
15 IT IS THEREFORE ORDERED that the Trico Electric Cooperative, Inc. RES Tariff,
16 Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff are hereby
17 approved as discussed herein.

18 IT IS FURTHER ORDERED that the REST Rules, A.A.C. R14-2-1801 through R14-2-
19 1815, supersede the EPS Rules and any other reporting requirements related to renewable energy
20 resources.

21 IT IS FURTHER ORDERED that the RES Tariff supersedes the EPS surcharge and upon
22 Commission approval of the RES Tariff, Trico shall no longer be required to charge customers the
23 current EPS surcharge.

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

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

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

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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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.

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DEAN S. MILLER
Interim Executive Director

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DISSENT: _____

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DISSENT: _____

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EGJ:CLA:ihm\CH

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1 SERVICE LIST FOR: Trico Electric Cooperative, Inc.
2 DOCKET NO. E-01461A-07-0578

3 Mr. John Wallace
4 Grand Canyon State Electric Cooperative Association, Inc.
5 120 North 44th Street, Suite 100
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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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