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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission
DOCKETED
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IN THE MATTER OF THE APPLICATION
OF DUNCAN VALLEY ELECTRIC
COOPERATIVE, INC. FOR APPROVAL OF
RENEWABLE ENERGY STANDARD
TARIFFS

DOCKET NO. E-01703A-07-0579
DECISION NO. 70165
ORDER

Open Meeting
February 12 and 13, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Duncan Valley Electric Cooperative, Inc. ("Duncan Valley" 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. ("AEPCCO") Amended and Restated EPS/REST Plan ("Restated Plan"), filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives are Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Graham County Electric Cooperative, Inc. ("Graham County"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico Electric Cooperative, Inc. ("Trico"). On October 5, 2007, Duncan Valley filed its tariffs pursuant to Decision No. 69728 and the Renewable Energy Standard and Tariff ("REST") Rules.
3. Duncan Valley is submitting its tariffs associated with the Restated Plan. Duncan Valley is also submitting its proposed budget of \$39,353 for its portion of the Restated Plan

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

4 Tariffs

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

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

27 5. The following table provides examples of sample Duncan Valley customers and the
 28 impact customers can expect to see.

Monthly Bill Impact

Sample Customers	Average kWh	Current EPS	Proposed REST	Difference
Gas & Convenience Store	6,365	\$5.57	\$31.75	\$26.18
Radio Station	21,400	\$13.00	\$39.00	\$26.00
Residential (Avg all Residential)	705	\$0.35	\$1.05	\$0.70
Residential Stick Built Home	1,360	\$0.35	\$1.05	\$0.70
Residential Apartment (low income)	245	\$0.21	\$1.05	\$0.84

6. Duncan Valley 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
Single Phase (Residential)	\$18,026.55	\$0.93	80.9%
Single Phase (Commercial)	\$8,785.94	\$7.98	1.0%
Single Phase (Government, Agricultural)	\$379.27	\$0.95	9.3%
Single Phase Demand (Commercial)	\$6,100.88	\$33.34	43.2%
Single Phase Demand (Government, Agricultural)	\$153.12	\$2.94	0.0%
Three Phase (Commercial)	\$1,006.39	\$5.32	0.0%
Three Phase (Government, Agricultural)	\$376.47	\$1.24	0.0%
Three Phase Demand (Commercial)	\$2,988.00	\$22.30	23.9%
Three Phase Demand (Government, Agricultural)	\$1,449.12	\$5.82	15.3%
Public Street Lighting (Government)	\$87.90	\$7.33	0.0%
Total	\$39,353.64		

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

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

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

6 **Budget**

7 10. According to Duncan Valley, the RES funding from the RES surcharge is estimated
8 to be a total of \$39,353. The AEPCO Amended and Restated EPS/REST Plan approved in
9 Decision No. 69728 had a total surcharge budget of \$2,636,436. Duncan Valley’s \$39,353 fund
10 plus the remaining three cooperatives’ funds (Graham County, Mohave, and Trico) come to a total
11 of \$1,657,953. There is a difference of \$978,483 between the proposed total AEPCO fund amount
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 Duncan Valley’s application in terms of whether there are fair
18 value implications. In Decision No. 67433, issued on December 3, 2004, the Commission
19 determined the fair value of Duncan Valley’s property to be \$2,972,556. According to Duncan
20 Valley, as of December 31, 2006, per audited financial information, the value of Duncan Valley’s
21 plant is \$6,994,917. Staff considered both of these values for purposes of this analysis. The
22 proposed tariff would have no impact on the company’s revenue, fair value rate base, or rate of
23 return. Because plant developed pursuant to the REST programs is not added to the rate base,
24 there will be no corresponding effect on Duncan Valley’s ultimate revenue or rate of return.

25 **Recommendations**

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

- 1 a. Approval of Duncan Valley's RES Tariff;
- 2 b. Approval of Duncan Valley's Voluntary RES Contribution Program Tariff;
- 3 c. Approval of Duncan Valley'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, Duncan Valley shall no longer be required
- 9 to 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 Duncan Valley 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.

13 CONCLUSIONS OF LAW

- 14 1. Duncan Valley Electric Cooperative, Inc. is an Arizona public service corporation
- 15 within the meaning of Article XV, Section 2, of the Arizona Constitution.
- 16 2. The Commission has jurisdiction over Duncan Valley Electric Cooperative, Inc.
- 17 and over 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 Duncan Valley RES
- 20 Tariff, Voluntary RES Contribution Program Tariff, and the Customer Self-Directed Tariff as
- 21 specified in this order.

22 ORDER

23 IT IS THEREFORE ORDERED that the Duncan Valley Electric Cooperative, Inc. RES

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

25 hereby 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, Duncan Valley shall no longer be required to charge
3 customers 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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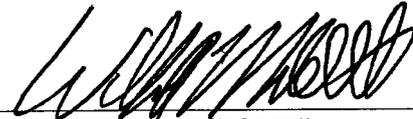
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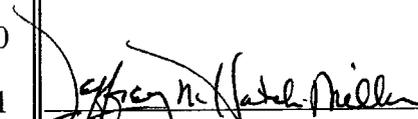
1 IT IS FURTHER ORDERED that Duncan Valley shall file with Docket Control, as a
2 compliance matter in this case, tariff pages consistent with the terms of the Commission's
3 Decision within 15 days from the effective date of the Decision.

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

6 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

8 
CHAIRMAN


COMMISSIONER

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COMMISSIONER


COMMISSIONER


COMMISSIONER

13 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of
16 this Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 27th day of February, 2008.

18 
19 DEAN S. MILLER
Interim Executive Director

21 DISSENT: _____

23 DISSENT: _____

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1 SERVICE LIST FOR: Duncan Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01703A-07-0579

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