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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

FEB 27 2008

DOCKETED BY
NR

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. 70166
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
 6 filed in compliance with Decision No. 69728, issued July 30, 2007. Graham County'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, Graham County
 13 is 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. Graham County 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 Graham County'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	-	-
Governmental & Agricultural >3MW	\$ 39.00	\$ 39.00	-	-
24 Commercial & Industrial	\$ 13.00	\$ 39.00	\$ 26.00	300%
Commercial & Industrial >3MW	\$ 39.00	\$ 117.00	\$ 78.00	300%

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

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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

6. 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		

7. 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.

8. 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.

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
2 from the Cooperative to install Distributed Renewable Energy Resources.

3 **Budget**

4 10. According to Graham County, the RES funding from the RES surcharge is
5 estimated to be a total of \$165,471. The AEPCO Amended and Restated EPS/REST Plan
6 approved in Decision No. 69728 had a total surcharge budget of \$2,636,436. Graham County's
7 \$165,471 fund plus the remaining three cooperatives' funds (Duncan Valley, Mohave, and Trico)
8 come to a total of \$1,657,953. There is a difference of \$978,483 between the proposed total
9 AEPCO fund amount and the AEPCO surcharge fund amount that was approved in Decision No.
10 69728. According to AEPCO, the current carry-over EPS surcharge fund balance is estimated to
11 be \$1,900,000. The current EPS surcharge fund balance of \$1,900,000 will assist the Cooperatives
12 in meeting the AEPCO approved surcharge budget of \$2,636,436.

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
16 determined the fair value of Graham County's property to be \$14,247,107. According to Graham
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.

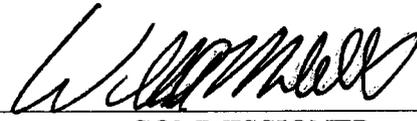
1 IT IS FURTHER ORDERED that all monies collected under the EPS Surcharge for the
2 current EPS program be transferred to the REST Program.

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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11 CHAIRMAN


12 COMMISSIONER

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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 27th day of February, 2008.

20 
21 DEAN S. MILLER
22 Interim Executive Director

23 DISSENT: _____

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 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
16 Phoenix, Arizona 85007

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