

ORIGINAL

OPEN MEETING



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MEMORANDUM  
RECEIVED

Arizona Corporation Commission

DOCKETED

DEC - 2 2009

2009 DEC -2 P 12: 05

AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 2, 2009

RE: GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.-APPLICATION FOR APPROVAL OF RENEWABLE ENERGY STANDARD TARIFFS (DOCKET NO. E-01749A-09-0452)

DOCKETED BY	
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Background

On February 27, 2008, the Arizona Corporation Commission ("Commission") issued Decision No. 70166 which approved Graham County Electric Cooperative, Inc.'s ("Graham County", "Cooperative" or "Company") application for approval of its Renewable Energy Standard ("RES") Tariff. Graham County's RES Tariff was associated with Arizona Electric Power Cooperative, Inc.'s ("AEPSCO") Amended and Restated REST Plan ("Restated Plan"). AEPSCO's Restated Plan was approved on July 30, 2007, in Decision No. 69728. AEPSCO's Restated Plan was filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives were Graham County, Duncan Valley Electric Cooperative, Inc. ("Duncan Valley"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico Electric Cooperative, Inc. ("Trico").

On September 18, 2009, Graham County filed its application for approval of its RES Tariff associated with AEPSCO's 2010 REST Plan filed on June 30, 2009 (AEPSCO filed its Amended and Restated 21010 REST Plan on November 6, 2009) and pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1808. On November 4, 2009, Graham County filed an amended application. In addition, Graham County is also submitting its proposed budget of \$317,214 for its portion of the Restated Plan. Duncan Valley and Trico have also submitted separate tariffs which include each Cooperative's individual budget for its portion of the Restated Plan. Graham County's current RES Tariff was approved by the Commission on February 27, 2008, in Decision No. 70166.

Tariffs

Staff has reviewed Graham County's proposed RES Tariff which was filed in association with the AEPSCO 2010 Restated Plan. Graham County's proposed RES Tariff sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2010. The proposed tariff includes a surcharge of \$0.001663 per kWh for governmental and agricultural members/customers, which is an increase from the current REST surcharge of \$0.000875. The proposed monthly maximums for governmental and agricultural member/customers are \$24.70

per service and \$74.10 per service for governmental and agricultural members/customers whose demand is 3,000 kW or more for three consecutive months. For residential and non-residential members/customers, Graham County is proposing a surcharge of \$0.009477 per kWh, which is an increase from the current REST surcharge of \$0.004988. The proposed monthly maximum per service for residential members/customers is \$2.00. Graham County is proposing a \$74.10 per service monthly maximum for non-residential members/customers. For non-residential members/customers whose demand is 3,000 kW or more for three consecutive months, the proposed monthly maximum is \$222.30 per service. The proposed kWh surcharges and monthly maximums (“caps”) for Graham County’s proposed tariff, compared to the current REST maximums, are:

Customer Class/Category	Current		Proposed	
	Existing Surcharges	Existing Maximums/Caps	Proposed Surcharges	Proposed Maximums/Caps
Residential	\$0.004988	\$ 1.05	\$0.009477	\$2.00
Governmental & Agricultural	\$0.000875	\$ 13.00	\$0.001663	\$24.70
Governmental & Agricultural >3MW	\$0.000875	\$ 39.00	\$0.001663	\$74.10
Non-Residential	\$0.004988	\$ 39.00	\$0.009477	\$74.10
Non-Residential >3MW	\$0.004988	\$ 117.00	\$0.009477	\$222.30

Graham County is also proposing to introduce a \$50.00 Inspection Fee. According to Graham County’s proposed tariff, the charge would be associated with the second inspection and subsequent inspections. The Inspection Fee would cover the increased costs associated with repeated inspections due to improper installations that do not meet the Cooperative’s requirements. In addition, Graham County has indicated that the costs of the additional inspections would be paid out of REST funds and allocated as administrative expenses. However, Graham County did not provide information as to whether the costs for the proposed Inspection Fee would include labor costs for employees that are already being paid out of base rates. Staff does not believe that costs for the Inspection Fee should be included in the REST budget.

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 REST	Proposed REST	Difference
School	44,960	\$13.00	\$24.70	\$11.70
Convenience Store	30,000	\$39.00	\$74.10	\$35.10
Furniture Store	30,327	\$39.00	\$74.10	\$35.10
Fast Food Restaurant	20,903	\$39.00	\$74.10	\$35.10
Church	7,880	\$39.00	\$74.10	\$35.10
Auto Dealer	6,133	\$30.59	\$58.12	\$31.34
Farm Equipment Dealer	9,103	\$39.00	\$74.10	\$35.10
Service Station	11,407	\$39.00	\$74.10	\$35.10
Dollar Store	12,367	\$39.00	\$74.10	\$35.10
Retail Store	447,467	\$39.00	\$74.10	\$35.10
Average Residential Customer	798	\$1.05	\$2.00	\$0.95

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

**RES Tariff Funding from Proposed Surcharge**

	Total \$	% Reaching Cap
Residential	\$160,145	85%
Governmental & Agricultural	\$34,460	5.8%
Governmental & Agricultural >3MW	-	0%
Commercial & Industrial	\$122,609	10.2%
Commercial & Industrial >3MW	-	0%
<b>Total</b>	<b>\$317,214</b>	

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 2010.

Graham County is not filing a revised Voluntary RES Contribution Program Tariff. The program allows members/customers to purchase 50 kWh blocks of green energy for an additional \$2.00 per block. In addition, Graham County is not filing a revised Customer Self-Directed Tariff. Graham County's 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 \$317,214. The AEPCO Restated Plan includes a total surcharge budget of \$1,624,349. Graham County's \$317,214 fund plus the remaining two cooperatives' funds (Duncan Valley and Trico) come to a total of \$1,626,653, according to information provided by each Cooperative. There is a difference of \$2,304 between the proposed total AEPCO fund amount and the total estimated amount based on information provided by each Cooperative. Staff has provided further explanation regarding the difference between AEPCO's proposed budget and the estimated amount to be collected based on the information from the Cooperatives and can be found in the Staff Memorandum and Proposed Order filed in AEPCO's Docket No. E-01773A-09-0335. According to AEPCO, the Cooperatives do not anticipate any funds from 2009 will be carried over into 2010.

### **Fair Value Determination**

Staff has analyzed Graham County's application in terms of whether there are fair value implications. In Decision No. 70289, issued on April 24, 2008, the Commission determined the fair value rate base for Graham County's property to be \$19,076,282 and adopted a rate design based on a 4.77 percent rate of return. According to Graham County's financial statements, as of December 31, 2008, the value of Graham County's plant is \$31,590,274. Staff considered these values for purposes of this analysis. The proposed Renewable Energy Standard 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 Renewable Energy Standard Tariff;
2. Graham County remove the \$50.00 Inspection Fee from its Renewable Energy Standard Tariff;
3. Graham County's Voluntary Renewable Energy Standard Contribution Program Tariff, currently on file with the Commission, remain in effect until further Order of the Commission; and
4. Graham County's Customer Self-Directed Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.
5. Graham County file a revised RES Tariff consistent with the Decision in this matter within 15 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:CLA:lhmr\RM

ORIGINATOR: Candrea Allen

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

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

DOCKET NO. E-01749A-09-0452

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
December 15 and 16, 2009  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Background

2. On February 27, 2008, the Arizona Corporation Commission (“Commission”) issued Decision No. 70166 which approved Graham County’s application for approval of its Renewable Energy Standard (“RES”) Tariff. Graham County’s RES Tariff was associated with Arizona Electric Power Cooperative, Inc.’s (“AEPSCO”) Amended and Restated REST Plan (“Restated Plan”). AEPSCO’s Restated Plan was approved on July 30, 2007, in Decision No. 69728. AEPSCO’s Restated Plan was filed on behalf of four of its Arizona member distribution cooperatives. The four distribution cooperatives were Graham County, Duncan Valley Electric ...

1 Cooperative, Inc. ("Duncan Valley"), Mohave Electric Cooperative, Inc. ("Mohave"), and Trico  
2 Electric Cooperative, Inc. ("Trico").

3 3. On September 18, 2009, Graham County filed its application for approval of its  
4 RES Tariff associated with AEPCO's 2010 REST Plan filed on June 30, 2009 (AEPCO filed its  
5 Amended and Restated 21010 REST Plan on November 6, 2009) and pursuant to Arizona  
6 Administrative Code ("A.A.C.") R14-2-1808. On November 4, 2009, Graham County filed an  
7 amended application. In addition, Graham County is also submitting its proposed budget of  
8 \$317,214 for its portion of the Restated Plan. Duncan Valley and Trico have also submitted  
9 separate tariffs which include each Cooperatives' individual budget for its portion of the Restated  
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11 2008, in Decision No. 70166.

12 **Tariffs**

13 4. Staff has reviewed Graham County's proposed RES Tariff which was filed in  
14 association with the AEPCO 2010 Restated Plan. Graham County's proposed RES Tariff sets  
15 forth the surcharge rates and monthly maximums to be collected to fund its annual budget for  
16 2010. The proposed tariff includes a surcharge of \$0.001663 per kWh for governmental and  
17 agricultural members/customers, which is an increase from the current REST surcharge of  
18 \$0.000875.

19 5. The proposed monthly maximums for governmental and agricultural  
20 member/customers are \$24.70 per service and \$74.10 per service for governmental and agricultural  
21 members/customers whose demand is 3,000 kW or more for three consecutive months. For  
22 residential and non-residential members/customers, Graham County is proposing a surcharge of  
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28 ...

1 proposed kWh surcharges and monthly maximums ("caps") for Graham County's proposed tariff,  
2 compared to the current REST maximums, are:

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11 to Graham County's proposed tariff, the charge would be associated with the second inspection  
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<b>Total</b>	<b>\$317,214</b>	

10. 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 2010.

11. Graham County is not filing a revised Voluntary RES Contribution Program Tariff. The program allows members/customers to purchase 50 kWh blocks of green energy for an additional \$2.00 per block. In addition, Graham County is not filing a revised Customer Self-Directed Tariff. Graham County's current 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**

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**Fair Value Determination**

13. Staff has analyzed Graham County's application in terms of whether there are fair value implications. In Decision No. 70289, issued on April 24, 2008, the Commission determined the fair value rate base for Graham County's property to be \$19,076,282 and adopted a rate design based on a 4.77 percent rate of return. According to financial information provided by Graham County, as of December 31, 2008, the value of Graham County's plant is \$31,590,274. Staff considered these values for purposes of this analysis. The proposed Renewable Energy Standard 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**

14. Staff has reviewed Graham County's proposed tariff and finds that it is 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 has recommended the following:

- a. Approval of Graham County's Renewable Energy Standard Tariff;
- b. Graham County remove the \$50.00 Inspection Fee from its Renewable Energy Standard Tariff;
- c. Graham County's Voluntary Renewable Energy Standard Contribution Program Tariff, currently on file with the Commission, remain in effect until further Order of the Commission; and
- d. Graham County's Customer Self-Directed Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.
- e. Graham County file a revised RES Tariff consistent with the Decision in this matter within 15 days of the effective date of the Decision.
- f. Graham County should allow customers the option to assign the incentive payments to the installer, if they so choose.

**CONCLUSIONS OF LAW**

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



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

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

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I ERNEST G. JOHNSON,  
 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 \_\_\_\_\_, 2009.

\_\_\_\_\_  
 ERNEST G. JOHNSON  
 EXECUTIVE DIRECTOR

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

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

SMO:CLA:lh\RM

1 SERVICE LIST FOR: Graham County Electric Cooperative, Inc.  
2 DOCKET NO. E-01749A-09-0452

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

8 Mr. Steven M. Olea  
9 Director, Utilities Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Ms. Janice Alward  
14 Chief Counsel, Legal Division  
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