

ORIGINAL

OPEN MEETING



0000105604

MEMORANDUM
RECEIVED

Arizona Corporation Commission
DOCKETED

DEC - 2 2009

2009 DEC -2 P 3:41

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 2, 2009

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. -
APPLICATION FOR APPROVAL OF ITS PROPOSED 2010 REST PLAN
(DOCKET NO. E-01575A-09-0429)

DOCKETED BY

Background

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") is certificated to provide electric service as a public service corporation in the State of Arizona. On September 4, 2009, SSVEC filed an Application with the Arizona Corporation Commission ("Commission") seeking approval of its 2010 Renewable Energy Standard and Tariff ("REST") Implementation Plan and the Net Metering tariff ("Application").

The application includes three proposed REST tariffs, each titled Schedule REST. They are differentiated as Exhibit B, Exhibit C, and Exhibit D. The current Schedule REST is included as Exhibit A as a reference document.

The application also includes Schedule NM which is a Net Metering Tariff. Staff will address the Net Metering Tariff in a separate proceeding within this docket at a later date. The Net Metering Tariff is separate and distinct from the REST Implementation plan.

SSVEC is proposing only limited changes to the characteristics of SSVEC's REST programs. SSVEC has provided six different Schedule REST options and corresponding budgets. Three options were included with the Application and three other options were provided to Staff after the filing. Staff asked that SSVEC calculate an option (Option 5) that demonstrates the estimated budget needed should the Commission select a budget option designed with the goal of compliance with the 2010 REST goal of 2.5 percent renewables of retail kWh as contained in Arizona Administrative Code ("A.A.C.") R14-2-1804.

Staff notes that in SSVEC's recent rate case the surcharge mechanism used to collect funding for the REST program was changed to an adjustor mechanism. This was done in Commission Decision No. 71274 of September 2009. While the Application makes reference to a REST surcharge, the surcharge that has been in place in the past is now more accurately described as an adjustor. While this distinction has an important significance from a ratemaking perspective, use of the word surcharge in place of the word adjustor is not problematic in the context of the REST Implementation Plan.

Details of the SSVEC REST Plan

The Sun Watts Green Contribution Program

This program allows customers to elect to contribute additional dollars on their bills to be used to fund various renewable energy programs. SSVEC does not propose changes to this program in the 2010 plan.

Sun Watts Commercial Rebate and Performance Based Incentives

This program was formerly a component of the Sun Watts Residential and Commercial Rebate Program. SSVEC proposes that the Sun Watts Residential and Commercial Rebate Program be divided into two separate programs – Sun Watts Residential Rebate Program and Sun Watts Commercial Rebate and Performance Based Incentives.

Staff notes that the Sun Watts Residential Rebate Program also includes Performance Based Incentives despite the title of the program, as contained in the Application, not making reference to Performance Based Incentives. Staff has added the phrase “and Performance Based Incentives” to the title of the Sun Watts Residential Rebate Program in the title of the following section to clarify that the program does include Performance Based Incentives.

The Sun Watts Commercial Rebate and Performance Based Incentives program now offers an option of either an upfront or performance based incentive. Upfront incentives are \$2.50 per DC Watt (for grid-connected) up to 50 percent of the system cost with a maximum of \$75,000. Performance based rates are as follows:

Table I

Performance Based Incentive*	10-Year REC and Payment Agreement (\$/kWh)	15-Year REC and Payment Agreement (\$/kWh)	20-Year REC and Payment Agreement (\$/kWh)
Grid Connected	0.202	0.187	0.180
Off-Grid	0.121	0.112	0.108

*with maximum total PBI payments of 60% of system cost

Customers with systems over 10kW or with a cost higher than \$75,000 will be paid by the performance based incentive only, with a maximum total incentive payment of 60 percent of the system cost.

Off-grid systems will be paid an upfront incentive of \$2.00 per Watt, up to half the system cost, or the performance based incentive as shown in Table I.

Should a customer install a system larger than would be eligible under net metering, excess energy will be purchased by SSVEC under a negotiated purchased power agreement approved by the Commission.

The Sun Watts Residential Rebate and Performance Based Incentives Program

Previously this program paid \$4 per installed Watt, up to 50 percent of the total cost of a photovoltaic or wind system. SSVEC now proposes to pay \$3 per installed Watt of a photovoltaic or wind system, up to 50 percent of the installed cost of the system. The plan states that residential customers may elect as an alternative a Performance Based Incentive as listed in the Commercial and Industrial ("C&I") rebate section of the plan and receive up to 60 percent of the installed cost. SSVEC has communicated to Staff that the 'C&I rebate section' makes reference to part 3 of the REST plan titled 'The Sun Watts Commercial Rebate and Performance based Incentives.'

Staff recommends that the Sun Watts Residential Rebate and Performance Based Incentives Program pay \$2.50 per installed Watt rather than \$3.00 per Watt, up to 50 percent of the total cost of a photovoltaic system, in order to make SSVEC's REST Implementation Plan more uniform; as a \$2.50 per installed Watt payment is used in the Sun Watts Commercial Rebate and Performance Based Incentives program and as a result of the large demand for residential rebates.

The current plan specifies that small wind systems must be under 10kW combined total capacity. The proposed plan offers a large wind system rebate for residential systems in excess of 10kW combined total capacity. SSVEC has communicated to Staff that its intention for this program is that a customer with a system of precisely 10kW would be served under the large wind system category.

Customers with large wind systems would be paid based on the performance based rates contained in the C&I program.

SSVEC has also communicated to Staff that it has received a resource planning study that shows that there is no reliable wind in the SSVEC service area. SSVEC does not want to remove the wind option entirely, but would prefer to amend the 2010 plan to state that **all** wind systems rebates would be paid on an incentive basis as contained in Table I. This will cause incentive payments to be made in connection with production of energy and prevent the funding of a system that may not produce a significant amount of energy. Staff recommends this change to the tariff, specifying performance based rates for wind systems, in order to prevent the funding of wind systems that may not be significantly productive.

The proposed program states that if the systems installed exceed 125 percent of customer's connected load that the incentive will be paid using the Performance Based Incentives of the Commercial and Industrial program. Rather than using '125 percent of customer's connected load' as a threshold for determination of use of Performance Based Incentives, there is benefit in using a 10 kW system size threshold for payment using Performance Based Incentives. This measure is easily identifiable, not ambiguous, and is also proposed for use in the Sun Watts Commercial Rebate and Performance Based Incentives program. Staff recommends, in the Sun Watts Residential Rebate and Performance Based

Incentives Program, that customers with systems of 10kW or greater or with a cost higher than \$75,000 be paid by the Performance Based Incentive in order to reduce the potential for confusion about the threshold for Performance Based Incentives payment and to make SSVEC's REST Implementation Plan more uniform. The same measure is used in the Sun Watts Commercial Rebate and Performance Based Incentives program.

The proposed program now stipulates that customers are eligible to participate in net metering.

The Clean Renewable Energy Bonds ("CREB") for Schools Program

SSVEC proposes no changes for this program. SSVEC reports that systems in operation as a result of this program have a total capacity of 984 kW.

Commission Decision No. 70097 of December 2007 authorized SSVEC to incur debt for the purpose of funding this program. Commission Decision No. 70096 of December 2007 authorized a REST plan for SSVEC that included for the first time the CREBs for Schools Program. The plan included a program cost of \$11,480,000 and an expected kW installation at 975 kW resulting from the program. These figures yield an expected per kW cost of \$11.77 per kW. This rate is more costly than typical REST measures on a per kW basis. The higher cost of this program results from atypical circumstances. The roofs of the schools that were the subject of this program were not suited for mounting of solar panels. Shade structures were built at the schools to support the panels. These structures serve both as a platform for the mounting of the panels and as shade structures for picnic and play areas. Construction of the structures results in added costs when compared to systems mounted on an existing building's roof. Additional costs result from the use of contracts that provide for the warranty or maintenance of the panels to reduce the possibility of added costs to the schools for maintenance or repair of the panels. Costs associated with this program are now limited to servicing debt already incurred for existing installations. No new installations are planned to occur under this program.

The Sun Watts Large-Scale Generating Program

This program deals with acquiring large scale facilities or PPAs. SSVEC proposes no changes for this program. SSVEC reports that it has applied for Clean Renewable Energy Bonds to fund a 750kW system and is using remaining available funds for purchase power agreements.

The Sun Watts Residential and Small Business Loan Program

SSVEC will continue to offer its 3 percent revolving loan program for residential and small business with a \$2.00 per Watt loan limit. The loan caps will remain at \$8,000 for residential and \$20,000 for small businesses and can be no more than 25 percent of the cost of the project. Loan amounts up to \$10,000 are repayable over five years and loans in the amount of \$10,001 or more are repayable over 10 years. These are secured loans, and liens are placed against the customer's property.

The Sun Watts Loan Program for Large (Over 20kW) Systems

SSVEC offers a revolving loan program for large (over 20 kW) systems for both commercial and industrial customers. Under the proposed plan, these customers will be able to borrow \$1.00 a Watt up to \$75,000 or 25 percent of the cost of the project whichever is less. The interest rate on these loans is 3 percent. Payments would be monthly and payable over a 60, 90, or 120 month period. These are secured loans, and liens are placed against the property.

In the current plan, customers can borrow up to \$2.00 a Watt, up to maximum of 50 percent of the cost. Payments are made monthly and payable over a 60 month period.

Minor changes to this program are proposed. Payments and interest from the Sun Watts Loan Program would be remitted back to the REST fund. The current plan specifies remittance back into the revolving loan fund. SSVEC proposes this change as a result of limited participation in this program and extensive demand for residential and commercial rebates.

Solar Water Heater Program

SSVEC pays a rebate equal to \$0.75 per kWh of estimated energy saved during the system's first year of operation. In addition, the solar water heating system is eligible for the Sun Watts loan program up to a maximum of 25 percent of the system cost. Residential and commercial water heater systems are eligible. Solar swimming pool heating systems are not eligible.

SSVEC proposes no changes for this program.

UCPP Approved Technologies

SSVEC states that it will use the incentive, specifications, and criteria developed by the Uniform Credit Purchase Program ("UCPP") Working Group as the basis for Performance Based Incentives.

As it is unclear to Staff what the precise meaning of this statement is, Staff believes that any incentive rates, specifications, and criteria used within the REST Implementation plan must be approved by the Commission. Should the UCPP Working Group develop prescriptions for incentives, specifications, or other criteria that SSVEC would like to adopt within its REST Implementation working plan, SSVEC should include proposals for such changes in the next REST Implementation plan application.

SSVEC has included a table on page 9 of the application listing incentives for solar day lighting, geothermal, biogas/biomass, and solar space cooling. Incentive amounts included in the table were approved in the last Implementation Plan with the exception of two new components. The table includes a geothermal electric incentive of \$0.24 per kWh over 10 years and the

geothermal thermal incentive of \$0.48 per kWh over 10 years. These incentives are new. The table is as follows:

Table II

Technology	UFI	PBI
Solar Day Lighting	\$0.20 per kWh for anticipated first year savings	
Geothermal Electric Thermal		\$0.024 per kWh over 10 years \$0.048 per kWh over 10 years
Biogas/Biomass Electric Thermal Cooling CHP-Electric CHP-Thermal		\$0.060 per kWh over 10 years \$0.015 per kWh over 10 years \$0.032 per kWh over 10 years \$0.035 per kWh over 10 years \$0.018 per kWh over 10 years
Solar Space Cooling		\$0.129 per kWh over 10 years

Additional Program Incentives and Grants

SSVEC proposes to continue the Habitat for Humanity Program. SSVEC contributes dollars to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes. Up to two of these projects will be undertaken each year at a cost not to exceed the costs identified in the annual REST budget. SSVEC will continue to provide a \$1,500 builder advertising incentive for builders who install renewable technologies on their model homes.

SSVEC proposes to continue to fund a grant program for teachers in its service territory for the development of renewable curricula for the classroom. SSVEC's budget allows up to ten teachers to each receive a \$500 grant per year.

Annual Reporting and Plan Development

Pursuant to Commission Decision No. 70096 of December 2007, SSVEC is required to file an Annual Compliance Report no later than February 15th of each year. SSVEC proposes that the date be moved to March 1st of each year in order to provide sufficient time to close out its financial reports in accordance with its normal schedule.

Staff does not object to the February 15th date for filing of the Annual Compliance Reports being moved to March 1st.

Administration

SSVEC states in the Application that it will not use more than 10 percent of total surcharge funds collected for administration, research and development, and advertising expenses. Staff notes that when considering the three budget option proposals included in the Application, the line item titled Program Costs exceeds 10 percent of the total budget in each of the three options. Staff performed calculations using the line item titled "Program Costs (Admin, Ads, etc)" and divided the values in this line by the values in the line titled "Total Budget" for each of the three budget option proposals. The following table displays the results of the calculations:

Table III

	Option 1	Option 2	Option 3
Program Costs (Admin, Ads, etc)	\$ 211,000	\$ 300,000	\$ 350,000
Total Budget	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635
Program Costs / Total Budget	15 %	13 %	12 %

In response to a data request from Staff, SSVEC clarifies the Application's statement in regard to limiting surcharge funds collected for administration, research and development, and advertising expenses to 10 percent of total surcharge funds by explaining that "This was a typo on our part, and the reference to the 10% was when the Admin did not include the R&D and Advertising (we combined them into a single line item)."

SSVEC also provided to Staff revised budget options that included a fourth, fifth, and sixth budget option. The new set of budget options is seen in entirety as Table VIII. SSVEC explains that the Program Costs figures in its proposed budget options are calculated at 15 percent of funds collected (less the funds for CREBs repayments) with a \$200,000 maximum budget.

In a letter to the Commission that is included in the docket, dated October 28, 2009, an assertion is made that when considering the ratio of administrative costs as a portion of the total budget CREB payments should be removed from the budget total as there should be only nominal costs associated with making CREB payments.

The following table portrays the proportion of Administrative Costs to Total Budget having removed the CREB payment for Schools amount from the Total Budget amount. The table is based on the budget options provided by SSVEC to Staff and included as Table VIII.

Table IV

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Administrative Costs	\$ 16,200	\$ 56,700	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
CREBs Payment for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Total Budget	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635	\$ 4,284,561	\$ 14,283,233	\$ 4,046,088
Program Costs / Total Budget - CREBs	4.5 %	4.5 %	3.0 %	1.9 %	0.5 %	2.0 %

The line titled Administrative Costs is derived from information provided by SSVEC to Staff that breaks out the Program Costs line item of the budget options (seen in Table VIII) into components. The components that comprise the Program Costs are seen in Table V.

Table V

Program Costs	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Admin (overhead and inspections)	\$ 16,200	\$ 56,700	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Advertising	\$ 16,200	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
R & D (Engineering review & Grant Writing)	\$ 21,600	\$ 107,300	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
Budget Amount	\$ 54,000	\$ 189,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

Funding and Surcharge Schedule

Staff has reviewed SSVEC's proposed Renewable Energy Standard Surcharge Schedules. SSVEC's proposed Schedules set forth the surcharge rates and monthly maximums to be collected to fund its annual REST budget for 2010. The proposed monthly maximums ("caps") for the proposed Schedule REST are:

Table VI
Surcharge Levels and Caps

Customer Class/Category	Option 1 Caps (current)	Option 2 Caps (1/2 way to meeting SSVEC goal)	Option 3 Caps (meet SSVEC goal)	Option 4 Caps (Meet SSVEC goal and deal with rebate backlog)	Option 5 Caps (full compliance with REST)	Option 6 Caps (meet SSVEC goal, deal with rebate backlog, have residential cap)
Surcharge Level per KWh	\$ 0.005	\$ 0.007937	\$ 0.007937	\$ 0.008	\$ 0.03	\$ 0.009
Residential	\$ 1.30	\$ 1.95	\$ 3.49	No Cap	\$ 30.10	\$ 6.00
General Service	\$ 42.00	\$ 75.00	\$ 85.00	\$ 100.00	\$ 301.04	\$ 135.00
Irrigation	\$ 42.00	\$ 50.00	\$ 50.00	\$ 75.00	\$ 301.04	\$ 95.00
Commercial and Industrial	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Industrial > 3MW	\$ 150.00	\$ 200.00	\$ 300.00	\$ 300.00	\$ 602.08	\$ 500.00

The following information was provided to Staff by SSVEC and displays examples of sample SSVEC customers and the monthly impact customers can expect to see from the various Funding Options:

Table VII

Sample Customers	Average kWh	Existing 2009 Monthly Bill Impact	2010 Option #1 Monthly Bill Impact	2010 Option #2 Monthly Bill Impact	2010 Option #3 Monthly Bill Impact	2010 Option #4 Monthly Bill Impact	2010 Option #5 Monthly Bill Impact	2010 Option #6 Monthly Bill Impact
Average Residential Customer	800	\$ 1.30	\$ 1.30	\$ 1.95	\$ 3.49	\$ 5.67	\$ 24.00	\$ 6.00
Barber Shop	3,541	\$ 17.71	\$ 17.71	\$ 28.10	\$ 28.10	\$ 28.33	\$106.23	\$ 31.87
Department Store	161,760	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Mall (Less Tenants)	61,872	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Retail Video Store	12,843	\$ 42.00	\$ 42.00	\$ 75.00	\$ 85.00	\$ 100.00	\$ 301.04	\$ 115.59

THE COMMISSION

December 2, 2009

Page 10

Large Hotel	30,700	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Large Building Supply and Hardware	157,707	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Motel	30,227	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 100.00	\$ 301.04	\$ 135.00
Large Office Building	78,120	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Hospital	360,075	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Supermarket	117,860	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Convenience Store	18,403	\$ 42.00	\$ 42.00	\$ 120.00	\$ 146.06	\$ 145.00	\$ 451.56	\$ 165.63
School	67,967	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Irrigation Customer	51,745	\$ 42.00	\$ 42.00	\$ 50.00	\$ 50.00	\$ 75.00	\$ 301.04	\$ 95.00

The following table contains SSVEC estimates of Renewable Energy Standard Surcharge collection and also the budgets associated with each budget option:

Table VIII

Proposed 2010 REST Budget	Option #1	Option #2	Option #3	Option #4	Option #5	Option #6
Estimated 2010 Collections	\$ 1,395,495	\$ 2,297,234	\$ 3,009,635	\$ 4,274,561	\$ 14,273,233	\$ 4,036,088
Estimated 2009 carry over	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Total Revenues	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635	\$ 4,284,561	\$ 14,283,233	\$ 4,046,088
Loan Program	\$ 98,000	\$ 162,000	\$ 200,000	\$ 150,000	\$ 150,000	\$ 100,000
Program Costs (Admin, Ads, etc)	\$ 54,000	\$ 189,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Habitat Project	\$ 15,000	\$ 17,000	\$ 34,000	\$ 17,000	\$ 17,000	\$ 17,000

CREB Bonds for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Large Scale Renewables (CREBs) or PPA	\$ 20,000	\$ 200,000	\$ 800,000	\$ 700,000	\$ 900,000	\$ 700,000
SunWatts Residential Rebates	\$ 104,097	\$ 416,540	\$ 444,381	\$ 1,629,421	\$ 9,000,927	\$ 1,587,270
SunWatts Commercial Rebates	\$ 69,398	\$ 277,694	\$ 296,254	\$ 543,140	\$ 2,970,306	\$ 396,818
Total Budget	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635	\$ 4,284,561	\$ 14,283,233	\$ 4,645,242

The Application states that SSVEC requests that it retain the flexibility to shift budget allocations. In Decision No. 70096 of December 2007 the Commission adopted Staff's recommendation that SSVEC have the flexibility to shift budget allocations mid-year and later if the various programs are not working as originally anticipated. In its recommendation, Staff described that SSVEC could accomplish this by filing a letter in the docket explaining the need for the change and how the change would be accomplished. The Commission's order adopted this recommendation. Staff recommends that SSVEC have the flexibility to shift budget allocations provided that it describe the need for the change and how the change would be accomplished in a letter to the docket when applicable. Staff has made this recommendation in order to provide SSVEC the flexibility to best manage its REST Implementation program as the program evolves.

Staff Review of the SSVEC REST Plan

Implementation Plan Goals

Commission Decision No. 70701 ordered SSVEC to establish stated renewable energy goals. SSVEC has done so and the information is contained on page 18 of the Application in a table titled Renewable Energy Goals. The following table shows the renewable energy goals contained in the Application and compares them to the percentages contained in A.A.C. R14-2-1804 (Annual Renewable Energy Requirement):

Table IX

Year	A.A.C. R14-2-1804	SSVEC Proposed Goal
2006	1.25 %	
2007	1.50 %	0.50 %
2008	1.75 %	0.50 %
2009	2.00 %	1.00 %
2010	2.50 %	1.30 %
2011	3.00 %	1.50 %
2012	3.50 %	1.80 %

2013	4.00 %	2.00 %
2014	4.50 %	2.30 %
2015	5.00 %	2.50 %
2016	6.00 %	3.00 %
2017	7.00 %	3.50 %
2018	8.00 %	4.00 %
2019	9.00 %	4.50 %
2020	10.00 %	5.00 %
2021	11.00 %	5.50 %
2022	12.00 %	6.00 %
2023	13.00 %	6.50 %
2024	14.00 %	7.00 %
2025 and After	15.00 %	7.50 %

In the Application, SSVEC states that A.A.C. R14-2-1814 allows the Cooperatives to submit a plan as a substitute for the Annual Renewable Energy Requirements set forth in A.A.C. R14-2-1804 and A.A.C. R14-3-1805. SSVEC additionally states that by increasing the funding level and its efforts, SSVEC is voluntarily attempting to achieve higher goals to eventually meet the goals listed in A.A.C. R14-2-1804 and A.A.C. R14-2-1805. Staff notes that A.A.C. R14-2-1814 states "Upon Commission approval of this plan, its provisions shall substitute for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative proposing the plan." (emphasis added) Staff notes that REST Implementation plans and the renewable energy goals that are a component of the plans must be approved by the Commission. Staff further notes that there has been a heightened interest in distributed renewable energy generation in the recent past.

While this index of goals is half of those contained in A.A.C. R14-2-1804, they would serve as an incremental step in a transition from having no quantified goal to having a quantified goal equal to that of the index contained in A.A.C. R14-2-1804. Staff recommends that these goals be approved for the 2010 REST Implementation plan and that SSVEC provide an option raising the goals to the level contained in A.A.C. R14-2-1804 for the 2011 plan in order to facilitate an incremental transition from having no quantitative goals to the levels contained in A.A.C. R14-2-1804.

Implementation Plan Experience

SSVEC provided Staff with unaudited information to describe the 2009 Implementation Plan experience. SSVEC reports that during the 2009 period, 149 incentive rebates were paid. The following table provides information about the projects. Note that this list does not include an additional 63 projects that are completed and awaiting rebates.

Table X

	Projects	Watts Installed
Solar	114	1,284,243
Wind	18	56,690
Water	16	48,511
Other	1	732,000

SSVEC estimates that annual kWh production from capacity installed in 2009 at 3,198,601 kWh. In SSVEC's table titled Renewable Energy Goals in the Application, SSVEC indicates that to meet a 1.0 % renewable energy goal in 2009 8,868,000 kWh of renewable energy would be needed. All renewable energy generated as a result of the program has been through member-sited equipment. SSVEC has not purchased any Utility scale renewable kWh.

SSVEC reports that at present there are 118 projects with rebate reservations. These projects total \$3 million in rebates. SSVEC reports distributing \$1,257,431.53 in rebates. SSVEC also reports distributing \$36,230.50 in loans.

2010 REST Implementation Plan Proposal

Staff recommends that SSVEC's proposed 2010 budget Option #3 and the corresponding Schedule REST be approved. SSVEC estimates that it would need 5.2 megawatts ("MW") of renewable capacity in 2010 to meet its proposed renewable goal of 1.3 percent of renewable energy. SSVEC also estimates that Option #3 would yield 6.2 MW of capacity. Staff recommends budget Option #3 as it provides a budget that is designed to meet SSVEC's proposed REST goal without eliminating a surcharge cap. Having no surcharge cap for the residential class, as proposed in Option #4, could result in burdensome costs to ratepayers. It could also result in a residential customer making a larger monthly REST surcharge payment than a general service customer who has used even more kWh in the same month. While Option #6 is also estimated to achieve SSVEC's proposed renewable goal, the bill impact is more burdensome than that of Option #3. Option #6 would result in an average residential REST adjustor charge of \$6.00, an increase of \$4.70 from the current \$1.30, or 362 percent. Comparatively, Option #3 would result in an average residential REST adjustor charge of \$3.49, an increase of \$2.19 from the current \$1.30, or 168 percent.

Staff notes that the total budget for Option #3 is \$3,019,635. As mentioned previously, SSVEC reports that at present there are 118 projects with rebate reservations that total approximately \$3 million. Selection of Option #3 may leave some customers with rebate reservations waiting for funding should they not choose a production based incentive as an alternative. While Staff recommends budget Option #3 as a result of bill impact considerations,

Staff notes that should the Commission choose to select an option that more quickly provides funding to address the backlog for rebates, Option #6 would be a more preferable budget option. Budget Option #6 would help in facilitating the provision of rebate funding sooner. Budget Option #6 has a \$4,645,242 total and would make additional funding available for rebates. Budget Option #6 has an advantage over budget Option #4 in that budget Option #4 places no cap on monthly collection from residential customers. Budget Option #6 has an advantage over budget Option #5 in that budget Option #5 has a significant bill impact, raising the average residential charge to \$24.00 monthly from \$1.30 monthly.

Other Staff Recommendations

Staff notes that the work of the UCPP Working Group, which commenced in 2006, is pending completion and will recommend uniform incentives for each renewable generation technology.

Staff recommends that, if the Commission approves a UCPP, SSVEC should be required to develop a mechanism to incorporate UCPP procedures and incentive levels for all eligible technologies in its proposed REST plan for 2011 and later years. To the extent that SSVEC feels that different incentive levels than those of the UCPP program are justified, particularly in remote, rural areas, SSVEC could develop such proposals.

In order to implement the changes prescribed by this order, Staff recommends that SSVEC file a 2010 Renewable Energy Standard Implementation Plan and Schedule REST as modified by this decision within 15 days of the date of this decision.

Staff recommends that the proposed 2010 Renewable Energy Standard Implementation Plan and Schedule REST tariff remain in effect until further order of the Commission.

Summary of Staff Recommendations

Staff recommends that the proposed 2010 Renewable Energy Standard Implementation Plan and Schedule REST Option #3 be approved as discussed herein.

Staff recommends that SSVEC's proposed renewable goals be approved for the 2010 REST Implementation plan and that SSVEC provide an option raising the goals to the level contained in A.A.C. R14-2-1804 for the 2011 plan.

Staff recommends that the Sun Watts Residential Rebate and Performance Based Incentives Program pay \$2.50 per installed Watt rather than \$3.00 per Watt, up to 50 percent of the total cost of a photovoltaic system.

Staff recommends that the change specifying performance based rates for all wind systems be made in the filed tariff.

Staff recommends that in the Sun Watts Residential Rebate and Performance Based Incentives Program customers with systems of 10kW or greater or with a cost higher than \$75,000 be paid by the Performance Based Incentive.

Staff recommends that, if the Commission approves a Uniform Credit Purchase Program, that SSVEC develop a mechanism to incorporate Uniform Credit Purchase Program procedures and incentive levels for all eligible technologies in its proposed REST plan for 2011 and later years.

Staff recommends that the February 15th date for filing of the Annual Compliance Reports be moved to March 1st.

Staff recommends that SSVEC have the flexibility to shift budget allocations provided that it describe the need for the change and how the change would be accomplished in a letter to the docket when applicable.

Staff recommends that SSVEC file a 2010 Renewable Energy Standard Implementation Plan and Schedule REST having made conforming changes within 15 days of the date of this decision.

Staff recommends that the proposed 2010 Renewable Energy Standard Implementation Plan and Schedule REST remain in effect until further order of the Commission.



Steven M. Olea
Director
Utilities Division

SMO:SPI:lhmlWVC

ORIGINATOR: Steve Irvine

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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 SULPHUR SPRINGS)
VALLEY ELECTRIC COOPERATIVE, INC.)
APPLICATION FOR APPROVAL OF ITS)
PROPOSED 2010 REST PLAN)

DOCKET NO. E-01575A-09-0429
DECISION NO. _____
ORDER

Open Meeting
December 15 and 16, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On September 4, 2009, SSVEC filed an Application with the Arizona Corporation Commission ("Commission") seeking approval of its 2010 Renewable Energy Standard and Tariff ("REST") Implementation Plan and the Net Metering tariff ("Application").
3. The Application includes three proposed REST tariffs, each titled Schedule REST. They are differentiated as Exhibit B, Exhibit C, and Exhibit D. The current Schedule REST is included as Exhibit A as a reference document.
4. The Application also includes Schedule NM which is a Net Metering Tariff. Staff will address the Net Metering Tariff in a separate proceeding within this docket at a later date. The Net Metering Tariff is separate and distinct from the REST Implementation plan.
- ...

1 5. SSVEC is proposing only limited changes to the characteristics of SSVEC's REST
2 programs. SSVEC has provided six different Schedule REST options and corresponding budgets.
3 Three options were included with the Application and three other options were provided to Staff
4 after the filing. Staff asked that SSVEC calculate an option (Option 5) that demonstrates the
5 estimated budget needed should the Commission select a budget option designed with the goal of
6 compliance with the 2010 REST goal of 2.5 percent renewables of retail kWh as contained in
7 Arizona Administrative Code ("A.A.C.") R14-2-1804.

8 6. Staff notes that in SSVEC's recent rate case the surcharge mechanism used to collect
9 funding for the REST program was changed to an adjustor mechanism. This was done in
10 Commission Decision No. 71274 of September 2009. While the Application makes reference to a
11 REST surcharge, the surcharge that has been in place in the past is now more accurately described
12 as an adjustor. While this distinction has an important significance from a ratemaking perspective,
13 use of the word surcharge in place of the word adjustor is not problematic in the context of the
14 REST Implementation Plan.

15 **Details of the SSVEC REST Plan**

16 The Sun Watts Green Contribution Program

17 7. This program allows customers to elect to contribute additional dollars on their bills
18 to be used to fund various renewable energy programs. SSVEC does not propose changes to this
19 program in the 2010 plan.

20 Sun Watts Commercial Rebate and Performance Based Incentives

21 8. This program was formerly a component of the Sun Watts Residential and
22 Commercial Rebate Program. SSVEC proposes that the Sun Watts Residential and Commercial
23 Rebate Program be divided into two separate programs – Sun Watts Residential Rebate Program
24 and Sun Watts Commercial Rebate and Performance Based Incentives.

25 9. Staff notes that the Sun Watts Residential Rebate Program also includes Performance
26 Based Incentives despite the title of the program, as contained in the Application, not making
27 reference to Performance Based Incentives. Staff has added the phrase "and Performance Based
28 ...

1 Incentives” to the title of the Sun Watts Residential Rebate Program in the title of the following
2 section to clarify that the program does include Performance Based Incentives.

3 10. The Sun Watts Commercial Rebate and Performance Based Incentives program now
4 offers an option of either an upfront or performance based incentive. Upfront incentives are \$2.50
5 per DC Watt (for grid-connection) up to 50 percent of the system cost with a maximum of
6 \$75,000. Performance based rates are as follows:

Table I

Performance Based Incentive*	10-Year REC and Payment Agreement (\$/kWh)	15-Year REC and Payment Agreement (\$/kWh)	20-Year REC and Payment Agreement (\$/kWh)
Grid Connected	0.202	0.187	0.180
Off-Grid	0.121	0.112	0.108

7
8
9
10
11
12 *with maximum total PBI payments of 60% of system cost

13
14 11. Customers with systems over 10kW or with a cost higher than \$75,000 will be paid
15 by the performance based incentive only, with a maximum total incentive payment of 60 percent
16 of the system cost.

17 12. Off-grid systems will be paid an upfront incentive of \$2.00 per Watt, up to half the
18 system cost, or the performance based incentive as shown in Table I.

19 13. Should a customer install a system larger than would be eligible under net metering,
20 excess energy will be purchased by SSVEC under a negotiated purchased power agreement
21 approved by the Commission.

22 The Sun Watts Residential Rebate and Performance Based Incentives Program

23 14. Previously this program paid \$4 per installed Watt, up to 50 percent of the total cost
24 of a photovoltaic or wind system.

25 15. SSVEC now proposes to pay \$3 per installed Watt of a photovoltaic or wind system
26 up to 50 percent of the installed cost of the system. The plan states that residential customers may
27 elect as an alternative a Performance Based Incentive as listed in the Commercial and Industrial
28 (“C&I”) rebate section of the plan and receive up to 60 percent of the installed cost. SSVEC has

1 communicated to Staff that the 'C&I rebate section' makes reference to part 3 of the REST plan
2 titled 'The Sun Watts Commercial Rebate and Performance based Incentives.'

3 16. Staff has recommended that the Sun Watts Residential Rebate and Performance
4 Based Incentives Program pay \$2.50 per installed Watt rather than \$3.00 per Watt, up to 50
5 percent of the total cost of a photovoltaic system in order to make SSVEC's REST Implementation
6 Plan more uniform; as a \$2.50 per installed Watt payment is used in the Sun Watts Commercial
7 Rebate and Performance Based Incentives program and as a result of the large demand for
8 residential rebates.

9 17. The current plan specifies that small wind systems must be under 10kW combined
10 total capacity.

11 18. The proposed plan offers a large wind system rebate for residential systems in excess
12 of 10kW combined total capacity. SSVEC has communicated to Staff that its intention for this
13 program is that a customer with a system of precisely 10kW would be served under the large wind
14 system category.

15 19. Customers with large wind systems would be paid based on the performance based
16 rates contained in the C&I program.

17 20. SSVEC has also communicated to Staff that it has received a resource planning study
18 that shows that there is no reliable wind in the SSVEC service area. SSVEC does not want to
19 remove the wind option entirely, but would prefer to amend the 2010 plan to state that **all** wind
20 systems rebates would be paid on an incentive basis as contained in Table I. This will cause
21 incentive payments to be made in connection with production of energy and prevent the funding of
22 a system that may not produce a significant amount of energy.

23 21. Staff has recommended of this change to the tariff, specifying performance based
24 rates for wind systems in order to prevent the funding of wind systems that may not be
25 significantly productive.

26 22. The proposed program states that if the systems installed exceed 125 percent of
27 customer's connected load that the incentive will be paid using the Performance Based Incentives
28 of the Commercial and Industrial program.

1 23. Rather than using '125 percent of customer's connected load' as a threshold for
2 determination of use of Performance Based Incentives, there is benefit in using a 10 kW system
3 size threshold for payment using Performance Based Incentives. This measure is easily
4 identifiable, not ambiguous, and is also proposed for use in the Sun Watts Commercial Rebate and
5 Performance Based Incentives program. Staff has recommended, in the Sun Watts Residential
6 Rebate and Performance Based Incentives Program, that customers with systems of 10kW or
7 greater or with a cost higher than \$75,000 be paid by the Performance Based Incentive in order to
8 reduce the potential for confusion about the threshold for Performance Based Incentives payment
9 and to make SSVEC's REST Implementation Plan more uniform. The same measure is used in
10 the Sun Watts Commercial Rebate and Performance Based Incentives program.

11 24. The proposed program now stipulates that customers are eligible to participate in net
12 metering.

13 The Clean Renewable Energy Bonds ("CREB") for Schools Program

14 25. SSVEC proposes no changes for this program. SSVEC reports that systems in
15 operation as a result of this program have a total capacity of 984 kW.

16 26. Commission Decision No. 70097 of December 2007 authorized SSVEC to incur debt
17 for the purpose of funding this program. Commission Decision No. 70096 of December 2007
18 authorized a REST plan for SSVEC that included for the first time the CREBs for Schools
19 Program. The plan included a program cost of \$11,480,000 and an expected kW installation at
20 975 kW resulting from the program. These figures yield an expected per kW cost of \$11.77 per
21 kW. This rate is more costly than typical REST measures on a per kW basis. The higher cost of
22 this program results from atypical circumstances. The roofs of the schools that were the subject of
23 this program were not suited for mounting of solar panels. Shade structures were built at the
24 schools to support the panels. These structures serve both as a platform for the mounting of the
25 panels and as shade structures for picnic and play areas. Construction of the structures results in
26 added costs when compared to systems mounted on an existing building's roof. Additional costs
27 result from the use of contracts that provide for the warranty or maintenance of the panels to
28 reduce the possibility of added costs to the schools for maintenance or repair of the panels. Costs

1 associated with this program are now limited to servicing debt already incurred for existing
2 installations. No new installations are planned to occur under this program.

3 The Sun Watts Large-Scale Generating Program

4 27. This program deals with acquiring large scale facilities or PPAs. SSVEC proposes
5 no changes for this program. SSVEC reports that it has applied for Clean Renewable Energy
6 Bonds to fund a 750kW system and is using remaining available funds for purchase power
7 agreements.

8 The Sun Watts Residential and Small Business Loan Program

9 28. SSVEC will continue to offer its 3 percent revolving loan program for residential and
10 small business with a \$2.00 per Watt loan limit. The loan caps will remain at \$8,000 for
11 residential and \$20,000 for small businesses and can be no more than 25 percent of the cost of the
12 project. Loan amounts up to \$10,000 are repayable over five years and loans in the amount of
13 \$10,001 or more are repayable over 10 years. These are secured loans, and liens are placed against
14 the customer's property.

15 The Sun Watts Loan Program for Large (Over 20kW) Systems

16 29. SSVEC offers a revolving loan program for large (over 20 kW) systems for both
17 commercial and industrial customers. Under the proposed plan, these customers will be able to
18 borrow \$1.00 a Watt up to \$75,000 or 25 percent of the cost of the project whichever is less. The
19 interest rate on these loans is 3 percent. Payments would be monthly and payable over a 60, 90, or
20 120 month period. These are secured loans, and liens are placed against the property.

21 30. In the current plan, customers can borrow up to \$2.00 a Watt, up to a maximum of 50
22 percent of cost. Payments are made monthly and payable over a 60 month period.

23 31. Minor changes to this program are proposed. Payments and interest from the Sun
24 Watts Loan Program would be remitted back to the REST fund. The current plan specifies
25 remittance back into the revolving loan fund. SSVEC proposes this change as a result of limited
26 participation in this program and extensive demand for residential and commercial rebates.

27 ...

28 ...

1 Solar Water Heater Program

2 32. SSVEC pays a rebate equal to \$0.75 per kWh of estimated energy saved during the
3 system's first year of operation. In addition, the solar water heating system is eligible for the Sun
4 Watts loan program up to a maximum of 25 percent of the system cost. Residential and
5 commercial water heater systems are eligible. Solar swimming pool heating systems are not
6 eligible.

7 33. SSVEC proposes no changes for this program.

8 UCPP Approved Technologies

9 34. SSVEC states that it will use the incentive, specifications, and criteria developed by
10 the Uniform Credit Purchase Program ("UCPP") Working Group as the basis for Performance
11 Based Incentives.

12 35. As it is unclear to Staff what the precise meaning of this statement is, Staff believes
13 that any incentive rates, specifications, and criteria used within the REST Implementation plan
14 must be approved by the Commission. Should the UCPP Working Group develop prescriptions
15 for incentives, specifications, or other criteria that SSVEC would like to adopt within its REST
16 Implementation working plan, SSVEC should include proposals for such changes in the next
17 REST Implementation plan application.

18 36. SSVEC has included a table on page 9 of the Application listing incentives for solar
19 day lighting, geothermal, biogas/biomass, and solar space cooling. Incentive amounts included in
20 the table were approved in the last Implementation Plan with the exception of two new
21 components. The table includes a geothermal electric incentive of \$0.24 per kWh over 10 years
22 and the geothermal thermal incentive of \$0.48 per kWh over 10 years. These incentives are new.

23 The table is as follows:

24 ...
25 ...
26 ...
27 ...
28 ...

Table II

Technology	UFI	PBI
Solar Day Lighting	\$0.20 per kWh for anticipated first year savings	
Geothermal Electric Thermal		\$0.024 per kWh over 10 years \$0.048 per kWh over 10 years
Biogas/Biomass Electric Thermal Cooling CHP-Electric CHP-Thermal		\$0.060 per kWh over 10 years \$0.015 per kWh over 10 years \$0.032 per kWh over 10 years \$0.035 per kWh over 10 years \$0.018 per kWh over 10 years
Solar Space Cooling		\$0.129 per kWh over 10 years

Additional Program Incentives and Grants

37. SSVEC proposes to continue the Habitat for Humanity Program. SSVEC contributes dollars to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes. Up to two of these projects will be undertaken each year at a cost not to exceed the costs identified in the annual REST budget. SSVEC will continue to provide a \$1,500 builder advertising incentive for builders who install renewable technologies on their model homes.

38. SSVEC proposes to continue to fund a grant program for teachers in its service territory for the development of renewable curricula for the classroom. SSVEC's budget allows up to ten teachers to each receive a \$500 grant per year.

Annual Reporting and Plan Development

39. Pursuant to Commission Decision No. 70096 of December 2007, SSVEC is required to file an Annual Compliance Report no later than February 15th of each year. SSVEC proposes that the date be moved to March 1st of each year in order to provide sufficient time to close out its financial reports in accordance with its normal schedule.

40. Staff does not object to the February 15th date for filing of the Annual Compliance Reports being moved to March 1st.

...

1 Administration

2 41. SSVEC states in the Application that it will not use more than 10 percent of total
3 surcharge funds collected for administration, research and development, and advertising expenses.

4 42. Staff notes that when considering the three budget option proposals included in the
5 Application, the line item titled Program Costs exceeds 10 percent of the total budget in each of
6 the three options. Staff performed calculations using the line item titled "Program Costs (Admin,
7 Ads, etc)" and divided the values in this line by the values in the line titled "Total Budget" for each
8 of the three budget option proposals. The following table displays the results of the calculations:

9 Table III

	Option 1	Option 2	Option 3
10 Program Costs 11 (Admin, Ads, etc)	\$ 211,000	\$ 300,000	\$ 350,000
12 Total Budget	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635
13 Program Costs / 14 Total Budget	15 %	13 %	12 %

15 43. In response to a data request from Staff, SSVEC clarifies the Application's statement
16 in regard to limiting surcharge funds collected for administration, research and development, and
17 advertising expenses to 10 percent of total surcharge funds by explaining that "This was a typo on
18 our part, and the reference to the 10 percent was when the Admin did not include the R&D and
19 Advertising (we combined them into a single line item)."

20 44. SSVEC also provided to Staff revised budget options that included a fourth, fifth,
21 and sixth budget option. The new set of budget options is seen in entirety as Table VIII.

22 45. SSVEC explains that the Program Costs figures in its proposed budget options are
23 calculated at 15 percent of funds collected (less the funds for CREBs repayments) with a \$200,000
24 maximum budget.

25 46. In a letter to the Commission that is included in the docket, dated October 28, 2009,
26 an assertion is made that when considering the ratio of administrative costs as a portion of the total
27 budget CREB payments should be removed from the budget total as there should be only nominal
28 costs associated with making CREB payments.

47. The following table portrays the proportion of Administrative Costs to Total Budget having removed the CREB payment for Schools amount from the Total Budget amount. The table is based on the budget options provided by SSVEC to Staff and included as Table VIII.

Table IV

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Administrative Costs	\$ 16,200	\$ 56,700	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
CREBs Payment for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
Total Budget	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635	\$ 4,284,561	\$ 14,283,233	\$ 4,046,088
Program Costs / Total Budget - CREBs	4.5 %	4.5 %	3.0 %	1.9 %	0.5 %	2.0 %

48. The line titled Administrative Costs is derived from information provided by SSVEC to Staff that breaks out the Program Costs line item of the budget options (seen in Table VIII) into components. The components that comprise the Program Costs are seen in Table V.

Table V

Program Costs	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Admin (overhead and inspections)	\$ 16,200	\$ 56,700	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Advertising	\$ 16,200	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
R & D (Engineering review & Grant Writing)	\$ 21,600	\$ 107,300	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
Budget Amount	\$ 54,000	\$ 189,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

Funding and Surcharge Schedule

49. Staff has reviewed SSVEC's proposed Renewable Energy Standard Surcharge Schedules. SSVEC's proposed Schedules set forth the surcharge rates and monthly maximums to be collected to fund its annual REST budget for 2010. The proposed monthly maximums ("caps") for the proposed Schedule REST are:

Table VI

Surcharge Levels and Caps

Customer Class/Category	Option 1 Caps (current)	Option 2 Caps (1/2 way to meeting SSVEC goal)	Option 3 Caps (meet SSVEC goal)	Option 4 Caps (Meet SSVEC goal and deal with rebate backlog)	Option 5 Caps (full compliance with REST)	Option 6 Caps (meet SSVEC goal, deal with rebate backlog, have residential cap)
Surcharge Level per KWh	\$ 0.005	\$ 0.007937	\$ 0.007937	\$ 0.008	\$ 0.03	\$ 0.009
Residential	\$ 1.30	\$ 1.95	\$ 3.49	No Cap	\$ 30.10	\$ 6.00
General Service	\$ 42.00	\$ 75.00	\$ 85.00	\$ 100.00	\$ 301.04	\$ 135.00
Irrigation	\$ 42.00	\$ 50.00	\$ 50.00	\$ 75.00	\$ 301.04	\$ 95.00
Commercial and Industrial	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Industrial > 3MW	\$ 150.00	\$ 200.00	\$ 300.00	\$ 300.00	\$ 602.08	\$ 500.00

50. The following information was provided to Staff by SSVEC and displays examples of sample SSVEC customers and the monthly impact customers can expect to see from the various Funding Options:

Table VII

Sample Customers	Average kWh	Existing 2009 Monthly Bill Impact	2010 Option #1 Monthly Bill Impact	2010 Option #2 Monthly Bill Impact	2010 Option #3 Monthly Bill Impact	2010 Option #4 Monthly Bill Impact	2010 Option #5 Monthly Bill Impact	2010 Option #6 Monthly Bill Impact
Average Residential Customer	800	\$ 1.30	\$ 1.30	\$ 1.95	\$ 3.49	\$ 5.67	\$ 24.00	\$ 6.00
Barber Shop	3,541	\$ 17.71	\$ 17.71	\$ 28.10	\$ 28.10	\$ 28.33	\$106.23	\$ 31.87
Department Store	161,760	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Mall (Less Tenants)	61,872	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Retail Video Store	12,843	\$ 42.00	\$ 42.00	\$ 75.00	\$ 85.00	\$ 100.00	\$ 301.04	\$ 115.59
Large Hotel	30,700	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
Large Building Supply and Hardware	157,707	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00

1	Motel	30,227	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 100.00	\$ 301.04	\$ 135.00
2	Large Office Building	78,120	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
3	Hospital	360,075	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
4	Supermarket	117,860	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
5	Convenience Store	18,403	\$ 42.00	\$ 42.00	\$ 120.00	\$ 146.06	\$ 145.00	\$ 451.56	\$ 165.63
6	School	67,967	\$ 42.00	\$ 42.00	\$ 120.00	\$ 200.00	\$ 145.00	\$ 451.56	\$ 200.00
7	Irrigation Customer	51,745	\$ 42.00	\$ 42.00	\$ 50.00	\$ 50.00	\$ 75.00	\$ 301.04	\$ 95.00

8
9
10 51. The following table contains SSVEC estimates of Renewable Energy Standard Surcharge collection and also the budgets associated with each budget option:

Table VIII

12	Proposed 2010 REST Budget	Option #1	Option #2	Option #3	Option #4	Option #5	Option #6
13	Estimated 2010 Collections	\$ 1,395,495	\$ 2,297,234	\$ 3,009,635	\$ 4,274,561	\$ 14,273,233	\$ 4,036,088
14	Estimated 2009 carry over	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
15	Total Revenues	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635	\$ 4,284,561	\$ 14,283,233	\$ 4,046,088
16	Loan Program	\$ 98,000	\$ 162,000	\$ 200,000	\$ 150,000	\$ 150,000	\$ 100,000
17	Program Costs (Admin, Ads, etc)	\$ 54,000	\$ 189,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
18	Habitat Project	\$ 15,000	\$ 17,000	\$ 34,000	\$ 17,000	\$ 17,000	\$ 17,000
19	CREB Bonds for Schools	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000	\$ 1,045,000
20	Large Scale Renewables (CREBs) or PPA	\$ 20,000	\$ 200,000	\$ 800,000	\$ 700,000	\$ 900,000	\$ 700,000
21	SunWatts Residential Rebates	\$ 104,097	\$ 416,540	\$ 444,381	\$ 1,629,421	\$ 9,000,927	\$ 1,587,270
22	SunWatts Commercial Rebates	\$ 69,398	\$ 277,694	\$ 296,254	\$ 543,140	\$ 2,970,306	\$ 396,818
23	Total Budget	\$ 1,405,495	\$ 2,307,234	\$ 3,019,635	\$ 4,284,561	\$ 14,283,233	\$ 4,645,242

24
25
26
27
28
Decision No. _____

2018	8.00 %	4.00 %
2019	9.00 %	4.50 %
2020	10.00 %	5.00 %
2021	11.00 %	5.50 %
2022	12.00 %	6.00 %
2023	13.00 %	6.50 %
2024	14.00 %	7.00 %
2025 and After	15.00 %	7.50 %

55. In the Application, SSVEC states that A.A.C. R14-2-1814 allows the Cooperatives to submit a plan as a substitute for the Annual Renewable Energy Requirements set forth in A.A.C. R14-2-1804 and A.A.C. R14-3-1805. SSVEC additionally states that by increasing the funding level and its efforts, SSVEC is voluntarily attempting to achieve higher goals to eventually meet the goals listed in A.A.C. R14-2-1804 and A.A.C. R14-2-1805. Staff notes that A.A.C. R14-2-1814 states "*Upon Commission approval of this plan, its provisions shall substitute for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative proposing the plan.*" (emphasis added) Staff notes that REST Implementation plans and the renewable energy goals that are a component of the plans must be approved by the Commission. Staff further notes that there has been a heightened interest in distributed renewable energy generation in the recent past.

56. While this index of goals is half of those contained in A.A.C. R14-2-1804, they would serve as an incremental step in a transition from having no quantified goal to having a quantified goal equal to that of the index contained in A.A.C. R14-2-1804. Staff has recommended that these goals be approved for the 2010 REST Implementation plan and that SSVEC provide an option raising the goals to the level contained in A.A.C. R14-2-1804 for the 2011 plan in order to facilitate an incremental transition from having no quantitative goals to the levels contained in A.A.C. R14-2-1804.

Implementation Plan Experience

57. SSVEC provided Staff with unaudited information to describe the 2009 Implementation Plan experience.

58. SSVEC reports that during the 2009 period, 149 incentive rebates were paid.

59. The following table provides information about the projects. Note that this list does not include an additional 63 projects that are completed and awaiting rebates.

Table X

	Projects	Watts Installed
Solar	114	1,284,243
Wind	18	56,690
Water	16	48,511
Other	1	732,000

60. SSVEC estimates that annual kWh production from capacity installed in 2009 at 3,198,601 kWh. In SSVEC's table titled Renewable Energy Goals in the Application, SSVEC indicates that to meet a 1.0 % renewable energy goal in 2009 8,868,000 kWh of renewable energy would be needed. All renewable energy generated as a result of the program has been through member-sited equipment. SSVEC has not purchased any Utility scale renewable kWh.

61. SSVEC reports that at present there are 118 projects with rebate reservations. These projects total \$3 million in rebates. SSVEC reports distributing \$1,257,431.53 in rebates. SSVEC also reports distributing \$36,230.50 in loans.

2010 REST Implementation Plan Proposal

62. Staff has recommended that SSVEC's proposed 2010 budget Option #3 and the corresponding Schedule REST be approved. SSVEC estimates that it would need 5.2 megawatts ("MW") of renewable capacity in 2010 to meet its proposed renewable goal of 1.3 percent of renewable energy. SSVEC also estimates that Option #3 would yield 6.2 MW of capacity. Staff has recommended budget Option #3 as it provides a budget that is designed to meet SSVEC's proposed REST goal without eliminating a surcharge cap. Having no surcharge cap for the residential class, as proposed in Option #4, could result in burdensome costs to ratepayers. It could also result in a residential customer making a larger monthly REST surcharge payment than a general service customer who has used even more kWh in the same month. While Option #6 is also estimated to achieve SSVEC's proposed renewable goal, the bill impact is more burdensome

1 than that of Option #3. Option #6 would result in an average residential REST adjustor charge of
2 \$6.00, an increase of \$4.70 from the current \$1.30, or 362 percent. Comparatively, Option #3
3 would result in an average residential REST adjustor charge of \$3.49, an increase of \$2.19 from
4 the current \$1.30, or 168 percent.

5 63. Staff notes that the total budget for Option #3 is \$3,019,635. As mentioned
6 previously, SSVEC reports that at present there are 118 projects with rebate reservations that total
7 approximately \$3 million. Selection of Option #3 may leave some customers with rebate
8 reservations waiting for funding should they not choose a production based incentive as an
9 alternative. While Staff recommends budget Option #3 as a result of bill impact considerations,
10 Staff notes that should the Commission choose to select an option that more quickly provides
11 funding to address the backlog for rebates, Option #6 would be a more preferable budget option.
12 Budget Option #6 would help in facilitating the provision of rebate funding sooner. Budget Option
13 #6 has a \$4,645,242 total and would make additional funding available for rebates. Budget Option
14 #6 has an advantage over budget Option #4 in that budget Option #4 places no cap on monthly
15 collection from residential customers. Budget Option #6 has an advantage over budget Option #5
16 in that budget Option #5 has a significant bill impact, raising the average residential charge to
17 \$24.00 monthly from \$1.30 monthly.

18 Other Staff Recommendations

19 64. Staff notes that the work of the UCPP Working Group, which commenced in 2006, is
20 pending completion and will recommend uniform incentives for each renewable generation
21 technology.

22 65. Staff has recommended that, if the Commission approves a UCPP, SSVEC should be
23 required to develop a mechanism to incorporate UCPP procedures and incentive levels for all
24 eligible technologies in its proposed REST plan for 2011 and later years. To the extent that
25 SSVEC feels that different incentive levels than those of the UCPP program are justified,
26 particularly in remote, rural areas, SSVEC could develop such proposals.

27 ...

28 ...

1 66. In order to implement the changes prescribed by this order, Staff has recommended
2 that SSVEC file a 2010 Renewable Energy Standard Implementation Plan and Schedule REST as
3 modified by this decision within 15 days of the date of this decision.

4 67. Staff has further recommended that the proposed 2010 Renewable Energy Standard
5 Implementation Plan and Schedule REST tariff remain in effect until further order of the
6 Commission.

7 **Summary of Staff Recommendations**

8 68. Staff has recommended that the proposed 2010 Renewable Energy Standard
9 Implementation Plan and Schedule REST Option #3 be approved as discussed herein.

10 69. Staff has recommended that SSVEC's proposed renewable goals be approved for the
11 2010 REST Implementation plan and that SSVEC provide an option raising the goals to the level
12 contained in A.A.C. R14-2-1804 for the 2011 plan.

13 70. Staff has recommended that the Sun Watts Residential Rebate and Performance
14 Based Incentives Program pay \$2.50 per installed Watt rather than \$3.00 per Watt, up to 50
15 percent of the total cost of a photovoltaic system.

16 71. Staff has further recommended that the change specifying performance based rates
17 for all wind systems be made in the filed tariff.

18 72. Staff has recommended that in the Sun Watts Residential Rebate and Performance
19 Based Incentives Program customers with systems of 10kW or greater or with a cost higher than
20 \$75,000 be paid by the Performance Based Incentive.

21 73. Staff has further recommended that, if the Commission approves a Uniform Credit
22 Purchase Program, that SSVEC develop a mechanism to incorporate Uniform Credit Purchase
23 Program procedures and incentive levels for all eligible technologies in its proposed REST plan for
24 2011 and later years.

25 74. Staff has further recommended that the February 15th date for filing of the Annual
26 Compliance Reports be moved to March 1st.

27 ...

28 ...

1 incorporate Uniform Credit Purchase Program procedures and incentive levels for all eligible
2 technologies in its proposed REST Plan for 2010 or later years.

3 IT IS FURTHER ORDERED that Sulphur Spring Valley Electric Cooperative, Inc. file
4 with Docket Control, as a compliance matter in this docket, a 2010 Renewable Energy Standard
5 Implementation Plan and Schedule REST consistent with this Decision and having made
6 conforming changes within 15 days of the date of this Decision.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8

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

10

11

CHAIRMAN

COMMISSIONER

12

13

14

COMMISSIONER

COMMISSIONER

COMMISSIONER

15

16

17

18

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.

19

20

21

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

22

23

DISSENT: _____

24

25

DISSENT: _____

26

SMO:SPI:lhm\WVC

27

28

1 SERVICE LIST FOR: Sulphur Spring Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01575A-09-0429

3 Mr. Jack Blair
4 Chief Member Services Officer
5 Sulphur Springs Electric Cooperative, Inc.
6 311 East Wilcox
7 Sierra Vista, Arizona 85635

8 Mr. James F. Rowley III
9 HC 1 Box 259
10 Elgin, Arizona 85611-9715

11 Mr. Steven M. Olea
12 Director, Utilities Division
13 Arizona Corporation Commission
14 1200 West Washington Street
15 Phoenix, Arizona 85007

16 Ms. Janice M. Alward
17 Chief Counsel, Legal Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21
22
23
24
25
26
27
28