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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

Arizona Corporation Commission

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IN THE MATTER OF NAVOPACHE)
ELECTRIC COOPERATIVE, INC.'S)
APPLICATION FOR APPROVAL OF)
RENEWABLE ENERGY STANDARD)
PLAN AND TARIFFS)

DOCKET NO. E-01787A-09-0469
DECISION NO. 71408
ORDER

Open Meeting
November 19 and 20, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navopache Electric Cooperative ("NEC" or "Navopache") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On September 30, 2009, NEC filed an application for approval of its 2010 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules. NEC is a full-requirements wholesale customer of Public Service Company of New Mexico. In 2008, NEC had 434 gigawatt-hours in retail sales to its membership.

NEC's Renewable Infrastructure

3. Navopache indicates that it intends to achieve compliance with the REST requirement of 2.5 percent of retail electric sales for 2010 using existing infrastructure and renewable energy credits which are shown below on Table 1 and discussed herein.

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1 **Photovoltaic Renewable Resources**

2 4. Since 2003, NEC has installed four photovoltaic systems totaling 270 kW and
3 interconnected to the distribution system. Two of the systems total 200 kW, connected at the
4 primary distribution level, and the other two systems total 70 kW connected at the secondary
5 distribution level.

6 **NEC Member Installations**

7 5. Fourteen NEC Members have installed PV, wind, and solar water heating systems
8 and have received incentive payments according to NEC's renewable Energy Incentive Plan
9 ("REIP"). NEC's REIP specifies payments of \$3.00 per watt up to 50 percent of system cost, up
10 to a maximum of \$25,000.

11 **Purchase Agreements**

12 6. NEC has entered into agreements to purchase Renewable Energy Credits ("RECs")
13 from Abengoa Solar, Inc. (formerly Industrial Solar Technology Corporation); PDM Solar, Inc.;
14 SOLID, USA; and Solar Utilities Network. These agreements are included in NEC's filing.

15 **Potential Geothermal**

16 7. NEC, in partnership with Mohave Electric Cooperative, retained Black and Veatch
17 to conduct a feasibility study with respect to geothermal resources in their service territories. This
18 study indicates that there is a potential for five megawatts of geothermal generation in NEC's
19 service territory. Navopache has initiated a grant application to the Department of Energy to fund
20 exploratory drilling. Navopache would partner with Mohave Electric Cooperative in the
21 commercial development.

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Table 1
Navopache Electric Co-op
Renewable Energy Resources -- 2010

| Resource | Type | kW Capacity | kWh Energy |
|-------------------------|---------------------|----------------|------------------|
| Blue Ridge H.S. | PV / DG | 50 | 144,376 |
| Mountain Meadow | PV / DG | 20 | 43,800 |
| NEC Members | PV, Wind / DG | 129 | 282,510 |
| NEC Members | Solar Water Heating | | 5,217 |
| NEC St. John | PV | 94 | 220,711 |
| NEC Springerville | PV | 114 | 249,715 |
| Solar Utilities Network | PV | 2,000 | 4,380,000 |
| SOLID USA | Solar Thermal | 700 | 1,533,000 |
| Abengoa Solar | Solar Thermal | 700 | 1,533,000 |
| PDM Solar | Solar Cooling | 500 | 1,500,000 |
| Total Renewables | | 4,307 | 9,892,329 |

Funding and Expenditures

8. On November 16, 2009, NEC provided Staff with a revised budget for 2010 and beyond. Navopache expects surcharge revenue as shown on Table 2 plus a remainder from past year balances. This will provide funding rolling over from year-to-year in order to cover the expenditures shown.

Table 2
Navopache Electric Cooperative, Inc.
5-Year Renewable Energy Resource Funding and Budget

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>Funding</u> | | | | | |
| Expected Surcharge Revenue | \$875,680 | \$901,950 | \$929,009 | \$956,879 | \$985,585 |
| Previous Year Carry-Over | \$1,134,326 | \$918,799 | \$634,542 | \$379,324 | \$169,976 |
| Funding Available | \$2,010,006 | \$1,820,749 | \$1,563,551 | \$1,336,203 | \$1,155,561 |
| <u>Expenditures</u> | | | | | |
| Distributed Renewable Energy | \$150,000 | \$175,000 | \$200,000 | \$225,000 | \$225,000 |
| REC Purchase Agreements | \$840,960 | \$910,960 | \$818,980 | \$818,980 | \$818,980 |

| | | | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Geothermal Project | \$10,000 | \$10,000 | \$75,000 | \$32,000 | \$32,000 |
| 2 | RUS Loan Repayment | \$90,247 | \$90,247 | \$90,247 | \$90,247 | \$90,247 |
| 3 | Annual Expenditure | \$1,091,207 | \$1,186,207 | \$1,184,227 | \$1,166,227 | \$1,166,227 |
| 4 | Carry-Over | \$918,799 | \$634,542 | \$379,324 | \$169,976 | --- |

6 Funding and Surcharge

7 9. Staff has reviewed NEC's proposed Renewable Energy Standard Tariff which sets
 8 forth the surcharge rates and monthly maximums to be collected to fund its 2010 annual budget.
 9 The proposed tariff charges are unchanged from those previously approved by Commission
 10 Decision No. 70699, and are shown here on Table 3, with expected 2010 revenue on Table 4.

11 **Table 3**
 12 **Navopache Electric Cooperative**
 13 **Proposed RES Tariff Charges**

| Customer Class/Category | Proposed Rates | |
|---|-------------------------|-------------|
| | Energy Charge (per kWh) | Monthly Cap |
| Residential | \$0.0049880 | \$1.05 |
| Commercial & Industrial | \$0.0049880 | \$39.00 |
| Commercial & Industrial \geq 3MW ¹ | \$0.0049880 | \$117.00 |
| Governmental & Agricultural | \$0.0008750 | \$13.00 |
| Govn'tal & Agricultural \geq 3MW ¹ | \$0.0008750 | \$39.00 |

19 **Table 4**
 20 **REST Funding from Surcharge**

| Customer Class/Category | Annual Revenue | |
|------------------------------------|----------------|-------------|
| | Present | Anticipated |
| Residential | 429,771 | 352,530 |
| Commercial | 399,693 | 515,988 |
| Irrigation | 4,979 | 5,758 |
| Non-Residential > 3MW ¹ | 1,404 | 1,404 |
| Total | 835,847 | 875,680 |

25 1. 3 MW demand or more for three consecutive months.

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 27 10. Table 5 below shows the impacts of the REST tariff on different types of
 28 Navopache customers. At average usage, most customers would have charges at the monthly cap.

Table 5
Navopache Electric Cooperative
Customer Impact of Proposed RES Tariff Charges

| <u>Customer Category</u> | <u>kWh /Month</u> | <u>Rate</u> | <u>Charges*</u> |
|--------------------------|-------------------|-------------|-----------------|
| Residence | 1,000 | \$0.0049880 | \$1.05 |
| Hairstylist | 1,283 | \$0.0049880 | \$6.40 |
| Department Store | 170,000 | \$0.0049880 | \$39.00 |
| Retail Video Store | 14,107 | \$0.0049880 | \$39.00 |
| Large Hotel | 46,467 | \$0.0049880 | \$39.00 |
| Large Building Supply | 183,217 | \$0.0049880 | \$39.00 |
| Hotel/Motel | 14,080 | \$0.0049880 | \$39.00 |
| Large Office Bldg | 1,476,100 | \$0.0049880 | \$39.00 |
| Supermarket | 214,340 | \$0.0049880 | \$39.00 |
| Convenience Store | 30,687 | \$0.0049880 | \$39.00 |
| Hospital | 207,810 | \$0.0049880 | \$39.00 |
| School | 88,800 | \$0.0008750 | \$13.00 |
| Irrigation | 17,585 | \$0.0049880 | \$39.00 |
| Government Complex | 66,050 | \$0.0008750 | \$39.00 |

1. Capped when Cost > Cap

Fair Value Determination

11. Staff has analyzed the fair value implications in Navopache's application. The proposed tariff would have minimal or 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 would be no corresponding effect on Navopache's ultimate revenue or rate of return.

Staff Recommendations

12. Staff has recommended that Navopache's proposed 2010 REST implementation plan be approved as discussed herein.

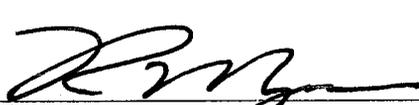
13. Staff has recommended that Navopache's Renewable Energy Standard Tariff be set at the proposed levels shown in Table 3 herein.

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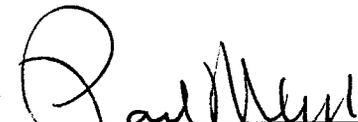
IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. file in Docket Control a revised Tariff including the updated REST rates in compliance with the Decision in this case within 15 days of the effective date of the Decision.

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

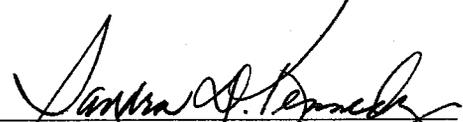
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


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 8th day of December, 2009.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:ihm/WVC

1 SERVICE LIST FOR: Navopache Electric Cooperative, Inc.
2 DOCKET NO. E-01787A-09-0469

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

9 Mr. Dennis W. Hughes
10 Chief Operating Officer
11 Navopache Electric Cooperative
12 1878 West White Mountain Boulevard
13 Lakeside, Arizona 85929

14 Mr. Steven M. Olea
15 Director, Utilities Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19 Ms. Janice M. Alward
20 Chief Counsel, Legal Division
21 Arizona Corporation Commission
22 1200 W. Washington Street
23 Phoenix, Arizona 85007

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25
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