

ORIGINAL

OPEN MEETING



0000106527

MEMORANDUM

2010 JAN -6 A 8: 54

Arizona Corporation Commission
DOCKETED

JAN - 6 2010

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 05, 2010

RE: MOHAVE ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01750A-09-0441)

DOCKETED BY	<i>MM</i>
-------------	-----------

Background

On September 17, 2009, Mohave Electric Cooperative, Inc ("Mohave" or "Co-op") filed an application for approval of a Net Metering Tariff, Schedule NMS. As stated in R14-2-2307 of the Net Metering Rules ("Rules"), "Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of these rules" and "The Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities." Mohave's proposed Schedule NMS is meant to comply with the Rules which became effective May 23, 2009.

Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

Proposed Tariff

Mohave's proposed Schedule NMS would apply to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed Schedule NMS follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

Partial requirements service is necessary for customers such as Net Metering customers who provide either all or a portion of their own generation. If the self-generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed as back-up during maintenance or other outage circumstances of the customer's generation.

The Schedule NMS would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the customer's facilities are not operating. Charges under the NMS tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service. The monthly Customer Charge however,

would be the approved Customer Charge for time-of-use service. For residential net metering customers, the monthly charge would be \$15.00 as opposed to the standard charge of \$9.50. This allows for the non-standard metering, billing, and pricing Net Metering customers require.

In addition, as the Rules require, if the customer's generation facility's energy production exceeds the energy supplied by the Co-op during a billing period, the customer's bills for subsequent billing periods would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWh (not kW or kVA demand, or customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers taking service under a time-of-use rate would receive such credit in the subsequent billing periods for the on-peak, shoulder, or off-peak periods in which the kWh were generated by the customer.

Mohave would install a bi-directional meter at the point of delivery to the customer. Incremental metering costs would be incurred by Mohave.

For the last billing period of each calendar year, i.e., the year ending December 31, or for a customer's final bill upon discontinuance of service, Mohave would credit the customer for the balance of excess kWh remaining. The payment for the purchase of these excess kWh would be at the Co-op's annual average avoided cost. Mohave's proposed tariff defines Annual Average Avoided Cost as the annual average wholesale fuel and energy costs per kWh charged by Mohave's wholesale power suppliers during the calendar year. The annual avoided cost will be determined every July based upon the Co-op's most recent audited financial statement, and applied to Excess Generation during that Calendar Year. The current avoided kWh cost would be available for inspection at every Mohave office. The current avoided cost is 4.18¢/kWh. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that Mohave specify this avoided cost rate of 4.18¢/kWh in its tariff.

Fair Value Considerations for Charges to be contained in Schedule NMS

Staff recommends that the Co-op should recover from each net metering customer the costs of certain equipment related to providing net metering service.

Staff has considered the proposed equipment charge in terms of fair value implications. In Decision No. 57172, issued on November 29, 1990, the Commission determined the fair value of Mohave's property to be \$26,742,431. According to more recent information provided by Mohave, as of December 2008, the estimated value of Mohave's plant is \$56,442,984. Although Staff considered this information, the proposed equipment charge on Schedule NMS would have no significant impact on the Co-op's revenue, fair value rate base, or rate of return, because this charge is cost-based and relatively limited in scope.

Staff Recommendations

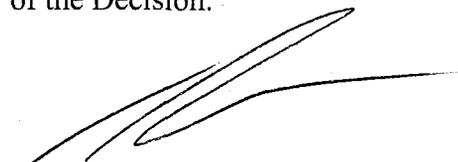
Staff recommends that Mohave's Net Metering Tariff Schedule NMS be approved by the Commission as discussed herein.

THE COMMISSION

January 05, 2010

Page 3

Staff also recommends that Mohave be ordered to docket a revised Net Metering Tariff Schedule NMS in compliance with the Decision in this case within 15 days of the effective date of the Decision.



Steve Olea
Director
Utilities Division

SMO:JPP:kdh\WVC

ORIGINATOR: Jeffrey Pasquinelli

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 MOHAVE ELECTRIC)
 COOPERATIVE, INC.'S APPLICATION)
 FOR APPROVAL OF A NET METERING)
 TARIFF.)

DOCKET NO. E-01750A-09-0441
 DECISION NO. _____
ORDER

Open Meeting
 January 12 and 13, 2010
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Mohave Electric Cooperative, Inc. ("Mohave" or "Co-op") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On September 17, 2009, Mohave filed an application for approval of a Net Metering Tariff, Schedule NMS. As stated in R14-2-2307 of the Net Metering Rules ("Rules"), "Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of these rules" and "The Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities." Mohave's proposed Schedule NMS is meant to comply with the Rules which became effective May 23, 2009.

3. Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

1 **Proposed Tariff**

2 4. Mohave's proposed Schedule NMS would apply to customers with any type of on-
3 site generation using resources allowed by the Net Metering Rules, and would work in conjunction
4 with the rate schedule from which the customer currently takes service. The proposed Schedule
5 NMS follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition
6 of excess customer generation.

7 5. Partial requirements service is necessary for customers such as Net Metering
8 customers who provide either all or a portion of their own generation. If the self-generation
9 supplies less than 100 percent of the customer's load, utility generation must be purchased for the
10 remainder. Even if the customer's generation is sufficient to serve the full load, utility service is
11 needed as back-up during maintenance or other outage circumstances of the customer's generation.

12 6. The Schedule NMS would provide for power sales beyond what the customer's on-
13 site facilities supply, as well as replacement power if the customer's facilities are not generating.
14 Charges under the NMS tariff would be priced pursuant to the customer's standard rate schedule
15 otherwise applicable under full requirements service. The monthly Customer Charge however,
16 would be the approved Customer Charge for time-of-use service. For residential net metering
17 customers, the monthly charge would be \$15.00 as opposed to the standard charge of \$9.50. This
18 allows for the non-standard metering, billing, and pricing Net Metering customers require.

19 7. In addition, as the Rules require, if the customer's generation facility's energy
20 production exceeds the energy supplied by the Co-op during a billing period, the customer's bills
21 for subsequent billing periods would be credited for the excess generation. That is, the excess
22 kWh during the billing period would be used to reduce the kWh (not kW or kVA demand, or
23 customer/facilities charges) billed by the Co-op during subsequent billing periods. Customers
24 taking service under a time-of-use rate would receive such credit in the subsequent billing periods
25 for the on-peak, shoulder, or off-peak periods in which the kWh were generated by the customer.

26 8. Mohave would install a bi-directional meter at the point of delivery to the customer.
27 Incremental metering costs would be incurred by Mohave.

28 ...

1 9. For the last billing period of each calendar year, i.e., the year ending December 31,
2 or for a customer's final bill upon discontinuance of service, Mohave would credit the customer
3 for the balance of excess kWh remaining. The payment for the purchase of these excess kWh
4 would be at the Co-op's annual average avoided cost. Mohave's proposed tariff defines Annual
5 Average Avoided Cost as the annual average wholesale fuel and energy costs per kWh charged by
6 Mohave's wholesale power suppliers during the calendar year. The annual avoided cost will be
7 determined every July based upon the Co-op's most recent audited financial statement, and applied
8 to Excess Generation during that Calendar Year. The current avoided kWh cost would be
9 available for inspection at every Mohave office. The current avoided cost is 4.18¢/kWh. Since
10 R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff has
11 recommended that Mohave specify this avoided cost rate of 4.18¢/kWh in its tariff.

12 **Fair Value Considerations for Charges to be contained in Schedule NMS**

13 10. Staff has recommended that the Co-op should recover from each net metering
14 customer the costs of certain equipment related to providing net metering service.

15 11. Staff has considered the proposed equipment charge in terms of fair value
16 implications. In Decision No. 57172, issued on November 29, 1990, the Commission determined
17 the fair value of Mohave's property to be \$26,742,431. According to more recent information
18 provided by Mohave, as of December 2008, the estimated value of Mohave's plant is \$56,442,984.
19 Although Staff considered this information, the proposed equipment charge on Schedule NMS
20 would have no significant impact on the Co-op's revenue, fair value rate base, or rate of return,
21 because this charge is cost-based and relatively limited in scope.

22 **Staff Recommendations**

23 12. Staff has recommended that Mohave's Net Metering Tariff Schedule NMS be
24 approved by the Commission as discussed herein.

25 13. Staff has also recommended that Mohave be ordered to file a revised Net Metering
26 Tariff Schedule NMS in compliance with the Decision in this case within 15 days of the effective
27 date of the Decision.

28 ...

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

ORDER

IT IS THEREFORE ORDERED that Mohave Electric Cooperative's Net Metering Tariff Schedule NMS be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that Mohave Electric Cooperative shall file a revised Net Metering Tariff Schedule NMS in compliance with this Decision within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Order 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 _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:kdh/WVC

1 SERVICE LIST FOR MOHAVE ELECTRIC COOPERATIVE, INC.:
2 DOCKET NO. E-01750A-09-0441

3 Mr. William P. Sullivan
4 Mr. Michael A. Curtis
5 Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.
6 Attorneys for Mohave Electric Cooperative, Inc.
7 501 East Thomas Road
8 Phoenix, Arizona 85012-3205

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

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

19
20
21
22
23
24
25
26
27
28