ORIGINAL

OPEN MEETING

0000107334

MEMORANDUM

RECEIVED

2010 FEB 17 A 10: 10

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

FEB 17 2010

DOCKETED BY

TO: THE COMMISSION

FROM: Utilities Division

DATE: February 17, 2010

RE: GRAHAM COUNTY ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01749A-09-0451)

Background

On September 18, 2009, Graham County Electric Cooperative, Inc. ("Graham" or "Co-op") filed an application for approval of a Net Metering Tariff, Schedule NM. As stated in Arizona Administrative Code 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." Graham's proposed Schedule NM 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

Graham's proposed Schedule NM 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 NM 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.

Graham's Schedule NM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the on-site generation is out of service for maintenance or due to a forced outage. Charges under Schedule NM would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service. This would avoid additional charges such as standby or back-up charges.

In addition to any charges billed under the standard rate schedule, Graham proposes an Administrative Charge of $10.00 per month to be charged for the additional meter reading, billing, and software upgrade costs associated with the provision of this service. Graham has provided average, embedded cost data in support of the additional charge. However, Graham has not demonstrated that these billing costs are new or incremental to Net Metering. Therefore, Staff does not recommend the approval of the additional $10 per month customer charge.

Also, 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 bill 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 kWhs (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 subsequent billing periods for the on-peak, shoulder, or off-peak periods in which the kWhs were generated by the customer.

The Co-op would install a bi-directional meter at the point of delivery to the customer. Graham proposes the incremental cost of the additional metering would be the responsibility of the customer as an up-front payment. Staff recommends that customers not be charged these up-front costs because the Co-op has not specified the amount of the metering charge nor supplied support as required by the Rules at R14-2-2305(A).

At the end of each twelve months ending December 31 (or for a customer's final bill upon discontinuance of service), Graham would credit the customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Co-op's average annual avoided cost. Graham proposes that its avoided cost for the billing credit be equal to the average annual wholesale fuel and energy costs per kWh charged by the Co-op's wholesale power supplier(s), which has been provided to Staff and currently equals 4.529¢ / kWh. Since R14-2-2306 (F) requires the avoided costs to be specified on the net metering tariff, Staff recommends that Graham specify this avoided cost rate of 4.529 ¢ / kWh in its tariff.

Staff Recommendations

Staff recommends that Graham's Net Metering Tariff, Schedule NM, be approved by the Commission as amended herein.

Staff also recommends that Graham be ordered to file a revised Net Metering Tariff, Schedule NM, consistent with this Decision in this case within 15 days of the effective date.

Steven M. Olea
Director
Utilities Division

SMO:JJP:lhm\RM

ORIGINATOR: Jeffrey Pasquinelli

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.'S APPLICATION FOR APPROVAL OF A NET METERING TARIFF	DOCKET NO. E-01749A-09-0451 DECISION NO. __________ ORDER

Open Meeting
March 2 and 3, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

2. On September 18, 2009, Graham filed an application for approval of its Net Metering Tariff, Schedule NM. Commission Decision No. 70567 (October 23, 2008), approved Proposed Rulemaking Regarding Net Metering ("Rules"). The Rules, after certification by the Arizona Attorney General, became effective on May 23, 2009, and require each Electric Utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.

Proposed Tariff

3. Graham's proposed Schedule NM 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

. . .

NM follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

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

5. 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.

6. Graham's Schedule NM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the on-site generation is out of service for maintenance or due to a forced outage. Charges under Schedule NM would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service. This would avoid additional charges such as standby or back-up charges.

7. In addition to any charges billed under the standard rate schedule, Graham proposes an Administrative Charge of $10.00 per month to be charged for the additional meter reading, billing, and software upgrade costs associated with the provision of this service. Graham has provided average, embedded cost data in support of the additional charge. However, Graham has not demonstrated that these billing costs are new or incremental to Net Metering. Therefore, Staff does not recommend the approval of the additional $10 per month customer charge.

8. 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 bill 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 kWhs (not kW or kVA demand, nor 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 subsequent billing periods for the on-peak, shoulder, or off-peak periods in which the kWhs were generated by the customer.

9. The Co-op would install a bi-directional meter at the point of delivery to the customer. Graham proposes the incremental cost of the additional metering would be the responsibility of the customer as an up-front payment. Staff recommends that customers not be charged these up-front costs because the Co-op has not specified the amount of the metering charge nor supplied support as required by the Rules at R14-2-2305(A).

10. At the end of each twelve months ending December 31 (or for a customer's final bill upon discontinuance of service), Graham would credit the customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Co-op's average annual avoided cost. Graham proposes that its avoided cost for the billing credit be equal to the average annual wholesale fuel and energy costs per kWh charged by the Co-op's wholesale power supplier(s), which has been provided to Staff and currently equals 4.529 ¢ / kWh. Since R14-2-2306 (F) requires the avoided costs to be specified on the net metering tariff, Staff recommends that Graham specify this avoided cost rate of 4.529 ¢ / kWh in its tariff.

Staff Recommendations

11. Staff has recommended that Graham's proposed Net Metering Tariff, Schedule NM, be approved as amended herein.

12. Staff also has recommended that Graham be ordered to file a revised Net Metering Tariff, Schedule NM, consistent with the Decision in this matter within 15 days of the effective date.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Graham and over the subject matter of the application.

3. Approval of Schedule NM does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated February 17, 2010, concludes that Schedule NM should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the Graham County Electric Cooperative, Inc. Net Metering Tariff be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. should file a revised tariff consistent with this Decision within 15 days of the effective date of this 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, Interim 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:lhm\RM

SERVICE LIST FOR: Graham County Electric Cooperative, Inc.
DOCKET NO. E-01749A-09-0451

Mr. John Wallace
Grand Canyon State Electric
Cooperative Association, Inc.
120 North 44th Street, Suite 100
Phoenix, Arizona 85034

Mr. Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007