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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission  
**DOCKETED**  
JAN 26 2010  
DOCKETED BY ne

IN THE MATTER OF AJO IMPROVEMENT )  
COMPANY'S APPLICATION FOR )  
APPROVAL OF THE 2010 RENEWABLE )  
ENERGY STANDARD )  
IMPLEMENTATION PLAN )

DOCKET NO. E-01025A-09-0339  
DECISION NO. 71470  
ORDER

Open Meeting  
January 12 and 13, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Ajo Improvement Company ("Ajo") is certified to provide electricity as public service corporations in the state of Arizona.

Background

2. On January 20, 2009, the Commission, in Decision No. 70700, granted approval of Ajo's 2009 Renewable Energy Standard Implementation Plan. On July 1, 2009, Ajo Improvement Company ("Ajo") filed its 2010 Renewable Energy Standard Implementation ("REST") Plan ("2010 Plan") in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1801 through R14-2-1816. Ajo's Plan includes a Plan to Procure Eligible Renewable Energy Resources and a Plan for Distributed Renewable Energy Resources.

3. Ajo has indicated that in 2009, to date, it has procured a total of 102,000 renewable kWh. Ajo states that it is currently in negotiations with renewable generation owners to supply Ajo with its 2009 REST requirements. In addition, Ajo stated that it has issued a Request for Proposal ("RFP") to assist in complying with the REST Rules for two potential locations. Ajo

1 stated that it is seeking proposals for renewable energy generation behind the meter at its  
2 69kV/2.4kV substation (the delivery point for purchased power on the wholesale market) or the  
3 Phelps Dodge Ajo-Well B-44kV/2.4kV substation, located north of Ajo's service territory.  
4 However, based on the responses received Ajo stated that the costs would be significantly higher  
5 than the current renewable energy premium Ajo anticipates in 2009 for grid-tied renewable  
6 resources. Because Ajo is unable to obtain up-front financing to fund the projects included in the  
7 responses to its RFP, Ajo is deferring consideration of the responses to the RFP until 2010.

8 4. According to Ajo, it has not undertaken any renewable projects in its service  
9 territory. Ajo has indicated that there has been no customer participation (residential or non-  
10 residential) in its incentive program despite the increased incentive levels approved in Decision  
11 No. 70700 and it has not made any incentive payments to customers for installing renewable  
12 energy systems. Therefore, Ajo will not meet its 2009 REST distributed renewable energy  
13 requirements pursuant to A.A.C. R14-2-1805. However, Ajo indicated that it does anticipate  
14 meeting the grid-tied renewable energy purchase requirement for 2009.

#### 15 **The 2010 REST Plan**

16 5. Ajo indicated in its 2010 Plan that it currently owns no generation and procures all  
17 of its power from the wholesale market to meet load. According to Ajo, it serves approximately  
18 1,046 customers (876 residential, 170 non-residential, and one resale). Ajo stated that many of its  
19 residential customers are retired or on fixed incomes. In addition, Ajo indicated that it does not  
20 anticipate much customer growth between now and 2025. Therefore, the funds collected to meet  
21 the REST rules will be limited primarily to existing customers.

22 6. The 2010 Plan also states that Ajo is currently uncertain of its ability to consistently  
23 procure renewable energy as required by the REST Rules. Ajo anticipates that its Annual  
24 Renewable Energy Requirement, pursuant to A.A.C. R14-2-1804, will be approximately 312,500  
25 kWh for 2010. Ajo further anticipates that its Distributed Renewable Energy Requirement,  
26 pursuant to R14-2-1805, will be approximately 62,500 kWh in 2010.

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1           7.       Ajo has indicated that it does not currently plan to undertake any Research and  
2 Development (“R&D”) as part of its 2010 REST Plan. However, Ajo does state that it will  
3 continue to monitor the costs of installation of PV solar technology.

#### 4           **Distributed Renewable Energy Resources**

5           8.       Ajo would continue to offer incentive payments to customers to install Distributed  
6 Renewable Energy Resources, pursuant to A.A.C. R14-2-1809. Eligible projects listed in Ajo’s  
7 proposed 2010 Plan include: photovoltaic systems, solar space cooling, non-residential solar water  
8 heating and space cooling, small domestic solar water heating, small domestic solar space heating,  
9 biomass/biogas cooling, non-residential solar daylight, and small wind generation. Ajo indicated  
10 in its 2010 Plan that incentive payments will be up-front, one-time payments based on a twenty-  
11 year REC agreement and will be determined based on system capacity and/or estimated annual  
12 kWh production. The incentive amounts specified conform to the amounts approved in Decision  
13 No. 70700 which increased the incentive payment levels for residential solar water heating and  
14 residential and non-residential photovoltaic systems.

15           9.       Staff recognizes that because Ajo has had no customer participation in the  
16 Incentives Program since the approval of its 2008 REST Plan, Ajo has been unable to meet the  
17 requirements of R14-2-1805. Staff believes that Ajo should offer increased incentive rates for  
18 photovoltaic systems to make them more economically feasible for Ajo’s customers. Staff  
19 believes that the following incentives could encourage customer participation in Ajo’s Incentive  
20 Program: \$5.00/watt for residential photovoltaic systems and \$5.00/watt for non-residential  
21 photovoltaic systems. These incentives would replace the current \$4.00/watt incentive for  
22 residential photovoltaic systems and \$3.50/watt incentive for non-residential photovoltaic systems.

23           10.       In addition, the following technologies: biomass/biogas (electric, thermal, cooling),  
24 biomass/biogas combined heat and power (“CHP”) (electric, thermal), non-residential pool  
25 heating, solar space cooling, and non-residential solar water heating/space heating do not have up-  
26 front incentives specified by the Uniform Credit Purchase Program (“UCPP”) Working Group.  
27 Ajo stated that incentive payments for these technologies will be determined on a case-by-case  
28 basis and will include consideration of capital costs, capacity (kW), and estimated annual

1 production (kWh). Ajo's 2010 Plan also specifies the requirements for eligibility and installation  
2 of all the eligible projects.

3 11. Staff recommends that, if the Commission approves a Uniform Credit Purchase  
4 Program ("UCPP"), Ajo should be required to develop a mechanism to incorporate UCPP  
5 procedures and incentive levels for all eligible technologies in its proposed REST Plans for later  
6 years. To the extent that Ajo believes that different incentive levels, other than those specified by  
7 UCPP, are justified, particularly in remote, rural areas, Ajo could develop such proposals.

8 12. The 2010 Plan also specifies that funds for any customer project will not exceed 60  
9 percent of the total cost of the project with a maximum of \$11,000 being provided for any project.  
10 Incentive payments will continue to be distributed on a first-come, first-served basis and Ajo  
11 intends to continue dividing incentive payments evenly between residential and non-residential  
12 applicants. Eligibility requirements for participation and installation specifications are defined in  
13 Ajo's 2010 Plan.

14 13. Ajo states that it will continue to consider establishing its own distributed  
15 renewable energy system(s) at its own operations facilities to assist in meeting its Distributed  
16 Renewable Energy Requirement. If Ajo should decide to its own Distributed Renewable Energy  
17 System(s) at its own operation facilities to assist in meeting its Distributed Renewable Energy  
18 Requirement, Staff believes that this would be inconsistent with A.A.C. R14-2-1805.D. Staff  
19 believes that Ajo would need to file a request for a waiver of the rules for Commission approval.  
20 Ajo's 2010 Plan contains a section that describes Distributed Renewable Energy System Program  
21 Monitoring. This section specifies that Ajo will continue to report the progress and productivity  
22 for all distributed renewable energy systems annually by reporting on the total installed capacity  
23 and projected productivity. Ajo also included in this section a statement that indicated if a  
24 renewable system is removed or left in disrepair, Ajo will continue to reflect, in the annual  
25 compliance reports, the annual historic energy production for the system until the agreement term  
26 for the system has been completed. Staff notes that Ajo should report lost kW capacity and  
27 forgone kWh that result from removed or inoperable renewable generation systems.

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**Budget**

14. Ajo states that it can collect a maximum of \$88,891 from the REST surcharge. However, Ajo does not anticipate that all of its customers will use the required amount of kWh to charge the maximum surcharge. Therefore, Ajo anticipates that it will most likely collect \$22,000 from the REST surcharge in 2010, based on the amount Ajo collected from customers in 2008.

15. The following table shows the estimated REST funds that would be collected in 2010 from each Customer Class if Ajo were to collect the maximum of \$88,891.20 from the REST surcharge:

Customer Class	Total \$
Residential	\$19,556
Non-Residential	\$69,335
Non-Residential (>3MW)	\$0.00
<b>Total</b>	<b>\$88,891</b>

16. The following table shows the estimated REST funds that would be collected in 2010 from each Customer Class based on the \$22,000 that Ajo anticipates it will most likely collect from the REST surcharge:

Customer Class	Total \$
Residential	\$4,480
Non-Residential	\$17,160
Non-Residential (>3MW)	\$0
<b>Totals</b>	<b>\$22,000</b>

17. The following table indicates the estimated REST budget needed in order to meet the REST requirements for 2010:

Category	\$ Amount of Total Budget
<b>Renewable Energy Resources</b>	<b>\$18,250</b>
Total Energy-Prospective Procurement	\$9,200
Utility-Owned Systems	\$0
Administration, Implementation, Commercialization & Integration	\$9,050
<b>Distributed Renewable Energy Resources</b>	<b>\$162,941</b>
Incentives	\$143,171
Customer Self-directed Renewable Energy Option	\$0
Administration, Implementation, Marketing & Outreach, Commercialization & Integration	\$19,770
<b>Total</b>	<b>\$181,191</b>

1           18.     The total funds Ajo anticipates it would most likely collect from its customers are  
2 \$22,000. There is a difference of approximately \$159,191 between the 2010 Ajo Budget of  
3 \$181,191 and what Ajo anticipates it would most likely collect from its customers. Ajo states that  
4 since the approval of its 2009 Implementation Plan on January 20, 2009, it has collected  
5 approximately \$19,425, as of November 30, 2009. Ajo anticipates collecting a total of \$1,800 in  
6 December 2009. Ajo has indicated that it expects approximately \$51,266 to be carried-over to  
7 2010.

8           19.     Ajo has stated that it does not anticipate any additional source of funds to  
9 compensate for the difference between the 2010 REST budget and the amount it most likely  
10 anticipates collecting from customers. Ajo believes that the REST surcharge may provide  
11 sufficient funding to meet the annual requirement for 2010 pursuant to A.A.C R14-2-1804.  
12 However, Ajo does not anticipate that the REST surcharge will be sufficient enough to meet the  
13 annual distributed requirement, pursuant to A.A.C. R14-2-1805, for 2010.

#### 14 **Tariffs**

15           20.     Ajo has indicated that the Applications for Distributed Renewable Energy  
16 Resources Schedule tariff, Customer Self-Directed Renewable Energy Option tariff, and  
17 Renewable Energy Standard Surcharge Schedule tariff on file with the Commission in  
18 combination with funds carried over from previous years would be adequate to fund the 2009 Plan.  
19 Therefore, Ajo would not be filing new tariffs in conjunction with the Ajo 2009 REST Plan.

#### 20 **Staff Recommendations**

21           21.     Staff has recommended that Ajo's proposed 2010 Renewable Energy Standard  
22 Implementation Plan be approved, as specified herein.

23           22.     Staff has recommended that Ajo offer increased incentive rates, as specified herein,  
24 for eligible distributed renewable energy resource projects installed on customer premises.

25           23.     Staff has recommended that Ajo's Renewable Energy Standard Surcharge Schedule  
26 tariff, currently on file with the Commission, remain in effect until further Order of the  
27 Commission.

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1 the amount of the incentive offered; the size and nature of the systems (whether commercial or  
2 residential); the sep in the reservation process each system is in at the time it is posted; total cost of  
3 the system; nameplate rating of the system; current incentive application status; and the name of  
4 the installer of the system.

5 IT IS FURTHER ORDERED that Utilities Division Staff shall annually file each  
6 November 1<sup>st</sup> beginning in 2010, a memorandum stating whether the Go Solar Arizona website is  
7 in compliance with this Decision, and if the website is not in compliance, Staff shall list the  
8 reasons why.

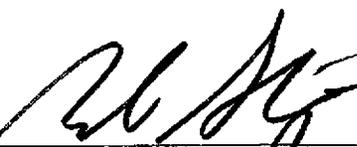
9 IT IS FURTHER ORDERED that this Order shall become effective immediately.

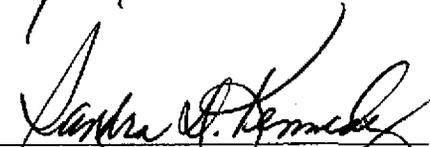
10  
11 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

12   
13 CHAIRMAN

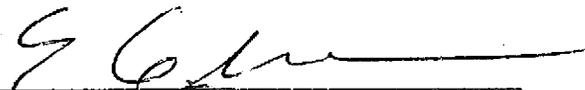
  
14 COMMISSIONER

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16 COMMISSIONER

  
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18 COMMISSIONER

19 IN WITNESS WHEREOF, I ERNEST G. JOHNSON,  
20 Executive Director of the Arizona Corporation Commission,  
21 have hereunto, set my hand and caused the official seal of  
22 this Commission to be affixed at the Capitol, in the City of  
23 Phoenix, this 26<sup>th</sup> day of JANUARY, 2010.

24   
25 ERNEST G. JOHNSON  
26 EXECUTIVE DIRECTOR

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

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

SMO:CLA:tdp\WVC

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