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ARIZONA CORPORATION COMMISSION
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ORIGINAL

March 31, 2010

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *2009 Annual Compliance Report by the Arizona Electric Power Cooperative on Behalf of Its Arizona Participating Member Distribution Cooperatives—Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; Mohave Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. (collectively, the "Cooperatives"); Docket No. E-01773A-05-0723*

Dear Sir or Madam:

Pursuant to the requirements of A.A.C. R14-2-1812.A, the Cooperatives submit their Annual Compliance Report for the calendar year 2009. An electronic copy of this report is also being transmitted to the Director of the Utilities Division.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/plp
10421-51/2415766
Enclosure

cc (w/enclosure): Steve Olea, Utilities Director (emailed)
Ray Williamson, Utilities Division (emailed)
Brian Bozzo, Utilities Division (emailed)
Chris Baggett

Arizona Corporation Commission

DOCKETED

MAR 31 2010

Original and 13 copies filed with Docket Control this 31st day of March, 2010.

DOCKETED BY

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.
AND ITS PARTICIPATING MEMBER COOPERATIVES**

**RENEWABLE ENERGY STANDARD
AND TARIFF COMPLIANCE REPORT FOR 2009**

INTRODUCTION

Pursuant to A.A.C. R14-2-1812, the Arizona Electric Power Cooperative, Inc. ("AEPCO"), on behalf of its four Arizona member distribution cooperatives which are participating in the Commission-approved REST Plan—Duncan Valley Electric Cooperative, Inc. ("DVEC"); Graham County Electric Cooperative, Inc. ("GCEC"); Mohave Electric Cooperative, Inc. ("Mohave"); and Trico Electric Cooperative, Inc. ("Trico") (collectively, the "Participating Cooperatives"), submits this compliance report for calendar year 2009. This report relates to AEPCO's EPS/REST Plan for 2009 which was approved by the Commission in Decision No. 70655 dated December 18, 2008 (the "REST Plan").

EXECUTIVE SUMMARY

The REST Plan uses surcharge dollars from Participating Cooperatives' Commission-approved retail tariffs to support programs for developing renewable facilities, purchasing renewable energy and participation in large-scale renewable generation projects. Funds are also used for administration, advertising and educational activities.

The REST Plan for 2009 was approved by Decision No. 70655 dated December 18, 2008 pursuant to R14-2-1814. R14-2-1814 provides that, upon approval of the Participating Cooperatives' REST Plan, its provisions substitute for the Annual Renewable Energy and Distributed Renewable Energy requirements of Rules 1804 and 1805, respectively. The Participating Cooperatives' current retail tariffs as required under the REST Rules were approved by the Commission at its Open Meeting on February 12, 2008. Thus, these REST tariffs were in effect for all of calendar year 2009.

2009 INSTALLATIONS AND ENERGY GENERATED

In 2009, 182 new PV locations were installed in the Participating Cooperatives' service areas. Of these new sites, four were located off-grid and 178 were located on-grid for a total installed capacity of 947 kW. Of these new units, all 182 are distributed generation (173 residential and nine commercial).

In 2009, 26 solar water heating systems were installed in the Participating Cooperatives' service areas. These water heater installations are expected to save approximately 73 kW per year.

In 2009, 18 small wind systems were installed in the Participating Cooperatives' service areas for a total installed capacity of 61 kW.

These additions bring the number of installations supported by the Cooperatives to 441. PV installs total 358 (36 off-grid, 322 on-grid), with a total installed capacity of 1,621 kW, plus one 25 kW utility-owned PV system. Wind installs total 33 for an installed capacity of 89 kW. Solar water heating installs total 49 for an energy savings of 140 kW.

R14-2-1812 INFORMATION

Pursuant to R14-2-1812.B, AEPCO and the Participating Cooperatives supply the following information:

1. The estimated annualized kWh of energy obtained from Eligible Renewable Energy Resources in 2009 was 3,930,912 kWh. The Cooperatives do not track the actual metered output of their residential distributed generation ("DG") resources. They do, however, have a utility-owned commercial DG installation where output is monitored. The 3,930,912 kWh was calculated by adding the actual metered output of the utility-owned metered system to the estimated annualized output of the remaining installed capacity.
2. The kWh of energy obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production is 3,930,912 kWh.
3. The kW of generation capacity, disaggregated by technology type is 1,646 kW for all PV installations, 89 kW for all small wind installations, and 140 kW for all solar water heater installations.
4. Cost information in cents per kWh for the actual energy obtained from Eligible Renewable Energy Resources is \$.074 per kWh for all actual energy generated from PV, \$.073 for all actual energy generated from wind, and \$.025 per kWh for all actual energy saved from solar water heaters. Cost information in cents per kW of generation capacity disaggregated by technology type is \$4,037 for each kW of installed PV, \$4,000 for each kW of installed wind and \$500 for each kW of installed solar water heating.

5. The Renewable Energy Credits used to satisfy the Annual Renewable Energy Requirement are 3,930,912 kWh. The Renewable Energy Credits used to satisfy the Distributed Renewable Energy Requirement are 3,930,912 kWh.

6. Concerning resource acquisition procedures, most Arizona cooperatives, including AEPCO and the Participating Cooperatives, are Rural Utilities Services ("RUS") borrowers and are subject to RUS procedures on resource acquisition as specified in the Code of Federal Regulations (generally, 7 CFR § 1710, *et seq.*). Among other requirements, requests for proposals must be issued to potential providers and solicitations are published in at least three national publications in addition to direct contacts. In 2009, AEPCO completed the analysis of the RFP issued in 2008 with no contracts being awarded. No additional RFPs were issued in 2009.