OPEN MEETING

000011446

ORIGINAL

MEMORANDUM

RECEIVED

Arizona Corporation Commission
DOCKETED
JUL 14 2010
DOCKETED BY

2010 JUL 14 P 4: 19

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: July 14, 2010

RE: AJO IMPROVEMENT COMPANY - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01025A-09-0445)

Background

On September 17, 2009, Ajo Improvement Company ("AIC") filed an application for approval of a Net Metering Tariff. AIC's proposed Net Metering Tariff is meant to comply with the Net Metering 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

AIC's proposed tariff 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 tariff 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 facility.

AIC's Net Metering Tariff 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 generating. Charges under the tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service and thus avoid standby or back-up charges.

As the Net Metering Rules require, if the customer's energy production exceeds the energy supplied by AIC 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 kWh (not kW or kVA demand, or customer/facilities charges) billed by AIC during subsequent billing periods.

Proposed Metering Charge

AIC would install a bi-directional meter at the point of delivery to the customer. In its September 17, 2009 filing, AIC states that the initial incremental metering costs for bi-directional metering and the facility meter will be incurred by AIC and will not be passed through to customers. Therefore, no metering charge is proposed in AIC's net metering tariff filing.

Proposed Avoided Cost

Under AIC's proposed tariff, each December (or for a customer's final bill upon discontinuance of service), AIC would credit the customer for the balance of excess kWh remaining. The payment for the purchase of these excess kWh would be at AIC's authorized base cost of purchase power, plus AIC's current authorized Purchase Power and Fuel Adjuster Clause ("PPFAC"). AIC's authorized base cost of purchase power is $0.034699 per kWh per Decision No. 62764. AIC's current authorized PPFAC is $0.05 per kWh per Decision No. 63828. AIC has therefore proposed an avoided cost rate of $0.084699 per kWh. AIC has proposed this relatively high billing credit rate as an added incentive.

However, R14-2-1306(F) includes the statement "The payment for any remaining credits shall be at the Electric Utilities Avoided Cost." R14-2-2302(1) defines "Avoided Costs" as "the incremental cost to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source." Staff's review of AIC's actual cost of purchase power over the past 12 months indicates an average cost of $0.062695 per kWh.

Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that AIC specify this avoided cost rate of 6.2695¢ per kWh in its tariff.

Staff further recommends that the once per year "true-up" occur in September to reflect the typical seasonal peak power consumption of the summer months.

Summary of Recommendations

Staff recommends that Ajo Improvement Company's Net Metering Tariff be approved by the Commission as discussed herein.

Staff also recommends that Ajo Improvement Company be ordered to file a revised Net Metering Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.

Steven M. Olea
Director
Utilities Division

SMO:RBL:lhm\CH

ORIGINATOR: Richard B. Lloyd

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 AJO IMPROVEMENT COMPANY'S APPLICATION FOR APPROVAL OF A NET METERING TARIFF	DOCKET NO. E-01025A-09-0445 DECISION NO. ____________ ORDER

Open Meeting
July 27 and 28, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Ajo Improvement Company ("AIC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On September 17, 2009, AIC filed an application for approval of a Net Metering Tariff. AIC's proposed Net Metering Tariff is meant to comply with the Net Metering 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).

Proposed Tariff

4. AIC's proposed tariff 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 tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer 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 facility.

6. AIC's Net Metering Tariff 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 generating. Charges under the tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service and thus avoid standby or back-up charges.

7. As the Net Metering Rules require, if the customer's energy production exceeds the energy supplied by AIC 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 kWh (not kW or kVA demand, or customer/facilities charges) billed by AIC during subsequent billing periods.

Proposed Metering Charge

8. AIC would install a bi-directional meter at the point of delivery to the customer. In its September 17, 2009 filing, AIC states that the initial incremental metering costs for bi-directional metering and the facility meter will be incurred by AIC and will not be passed through to customers. Therefore, no metering charge is proposed in AIC's net metering tariff filing.

Proposed Avoided Cost

9. Under AIC's proposed tariff, each December (or for a customer's final bill upon discontinuance of service), AIC would credit the customer for the balance of excess kWh remaining. The payment for the purchase of these excess kWh would be at AIC's authorized base

cost of purchase power, plus AIC's current authorized Purchase Power and Fuel Adjustor Clause ("PPFAC"). AIC's authorized base cost of purchase power is $0.034699 per kWh per Decision No. 62764. AIC's current authorized PPFAC is $0.05 per kWh per Decision No. 63828. AIC has therefore proposed an avoided cost rate of $0.084699 per kWh. AIC has proposed this relatively high billing credit rate as an added incentive.

10. However, R14-2-1306(F) includes the statement "The payment for any remaining credits shall be at the Electric Utilities Avoided Cost." R14-2-2302(1) defines "Avoided Costs" as "the incremental cost to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source." Staff's review of AIC's actual cost of purchase power over the past 12 months indicates an average cost of $0.062695 per kWh.

11. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that AIC specify this avoided cost rate of 6.2695¢ per kWh in its tariff.

12. Staff has recommended that the once per year "true-up" occur in September to reflect the typical seasonal peak power consumption of the summer months.

Summary of Recommendations

13. Staff has recommended that AIC's Net Metering Tariff be approved by the Commission as discussed herein.

14. Staff has also recommended that AIC be ordered to file a revised Net Metering Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Ajo Improvement Company and over the subject matter of the application.

3. Approval of the Net Metering Tariff 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 July 14, 2010, concludes that the Net Metering Tariff should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Ajo Improvement Company's Net Metering Tariff be approved by the Commission as discussed herein.

IT IS FURTHER ORDERED that Ajo Improvement Company specify the avoided cost rate of 6.295¢ per kWh in its tariff.

IT IS FURTHER ORDERED that the once per year "true-up" occur in September to reflect the typical seasonal peak power consumption of the summer months.

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

. . .

IT IS FURTHER ORDERED that Ajo Improvement Company shall file a revised Net Metering Tariff 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:RBL:lhm\CH

SERVICE LIST FOR AJO IMPROVEMENT COMPANY.:
DOCKET NO. E-01025A-09-0445

Mr. Jason D. Gellman, Esq.
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren, Suite 800
Phoenix, Arizona 85004

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

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