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MEMORANDUM



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2010 AUG -6 P 2: 55

FROM: Utilities Division

AUG 6 2010

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: August 6, 2010

DOCKETED BY *ROSC*

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE - APPLICATION FOR APPROVAL OF NET METERING TARIFF REVISIONS. (DOCKET NO. E-01575A-10-0298)

Background

On July 20, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") filed an application for approval of revisions to its Net Metering Tariff. SSVEC's Net Metering Tariff was approved by the Commission under Decision No. 71463, effective January 26, 2010.

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 Revisions

SSVEC's Net Metering Tariff applies to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and works in conjunction with the rate schedule from which the customer currently takes service. The tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

SSVEC is requesting several modifications to its Net Metering Tariff, including a new Annual Average Avoided Cost ("AAAC"), a change in the definition of the AAAC calculation period, and a revision to the method used to determine a customer's 125% capacity from load data. The details of these proposed revisions are discussed below.

Proposed Avoided Cost

R14-2-2306(F) includes the statement "The payment for any remaining credits shall be at the Electric Utility's 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."

Under SSVEC's current approved Net Metering Tariff, the customer's excess generation energy is credited at the rate of \$0.04910 per kWh. SSVEC has filed a proposed revised credit

3/10/10

rate of \$0.03770 per kWh based on SSVEC's cost of energy purchases over the past 12 months. This new tariff rate equates to a 1.14¢ decrease in SSVEC's avoided cost rate.

SSVEC does not own any generating assets and purchases all of its energy on a wholesale basis. In calculating its avoided cost, SSVEC uses its cost of purchased power, minus costs associated with demand charges and transmission costs. SSVEC has also eliminated its ACC revenue assessment fee from the calculation.

2010

Staff's review of SSVEC's actual costs of purchase power over the past 12 months confirms an average cost of \$0.03770 per kWh. Therefore, Staff recommends that the Commission approve SSVEC's proposed Annual Average Avoided Cost for its Net Metering Tariff of 3.770¢ per kWh, effective September 1, 2010.

Proposed Definition Revisions

Under SSVEC's current Net Metering Tariff, SSVEC calculates its AAAC for the past 12 months with the receipt of its July wholesale power purchase bills. The new AAAC is then applied in the September or March "true-up" periods (customers may select either month for their "true-up" period). However, SSVEC has determined that the period between the time the July wholesale bills are received and the beginning of the "true-up" period in September does not allow enough time for SSVEC to calculate its new AAAC and obtain Commission approval. Therefore, SSVEC requests that the definition of the AAAC period be revised to end with the receipt of its May wholesale power purchase bills. SSVEC also proposes to submit updated AAAC calculations to the Commission prior to September 1st, rather than on September 1st as stated in SSVEC's current Net Metering Tariff.

Staff believes that SSVEC's request to change the end of its AAAC calculation period to the receipt of its May wholesale power purchase bills is reasonable and should provide adequate time for Commission review and approval prior to the September "true-up", assuming that SSVEC submits its proposed AAAC to the Commission in a timely manner. Therefore, Staff recommends that the Commission approve SSVEC's period for calculation of its AAAC to end with the receipt of its May wholesale power purchase bills. Staff further recommends that the SSVEC submit updated AAAC calculations to the Commission no later than July 1st each year.

Determination of Customer Capacity

Under SSVEC's current Net Metering Tariff, SSVEC calculates the 125% load capacity of customers with a load history by taking 125% of the customer's highest demand in the most current 12-month period. SSVEC is proposing that this calculation be modified by taking 125% of the customer's average demand in the most current 12 month period. SSVEC is requesting this modification in the belief that it will allow customers a more accurate means to calculate the optimum solar power system size to produce a "net zero" electric consumption pattern. SSVEC states that it currently has one residential customer who has sized their home-sited solar photovoltaic system based on their highest annual demand. SSVEC believes that this particular

customer dramatically over-sized their system, and SSVEC is concerned that the customer will be disappointed with the system's longer payback period.

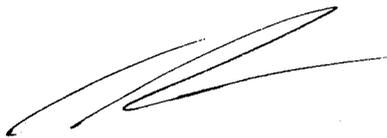
Staff recommends that the Commission not approve SSVEC's proposed maximum system size definition so as to allow customers flexibility in sizing their systems to take advantage of the Net Metering Tariff benefits.

Summary of Recommendations

Staff recommends that Sulphur Springs Valley Electric Cooperative, Inc.'s Net Metering Tariff revisions be approved by the Commission as discussed herein.

Staff further recommends that Sulphur Springs Valley Electric Cooperative's proposed revision to the maximum system size definition not be approved.

Staff also recommends that Sulphur Springs Valley Electric Cooperative, Inc. 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:red\WVC

ORIGINATOR: Rick Lloyd

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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 SULPHUR SPRINGS
VALLEY ELECTRIC COOPERATIVE'S
APPLICATION FOR APPROVAL OF NET
METERING TARIFF REVISIONS

DOCKET NO. E-01575A-10-0298
DECISION NO. _____
ORDER

Open Meeting
August 24 and 25, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative ("SSVEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On July 20, 2010, SSVEC filed an application for approval of revisions to its Net Metering Tariff. SSVEC's Net Metering Tariff was approved by the Commission under Decision No. 71463, effective January 26, 2010.

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 Revisions

4. SSVEC's Net Metering Tariff applies to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and works in conjunction with the

1 rate schedule from which the customer currently takes service. The tariff follows the Net Metering
2 Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

3 5. SSVEC is requesting several modifications to its Net Metering Tariff, including a
4 new Annual Average Avoided Cost ("AAAC"), a change in the definition of the AAAC
5 calculation period, and a revision to the method used to determine a customer's 125% capacity
6 from load data. The details of these proposed revisions are discussed below.

7 Proposed Avoided Cost

8 6. R14-2-2306(F) includes the statement "The payment for any remaining credits shall
9 be at the Electric Utility's Avoided Cost." R14-2-2302(1) defines "Avoided Costs" as "the
10 incremental cost to an Electric Utility for electric energy or capacity or both which, but for the
11 purchase from the Net Metering facility, such utility would generate itself or purchase from
12 another source."

13 7. Under SSVEC's current approved Net Metering Tariff, the customer's excess
14 generation energy is credited at the rate of \$0.04910 per kWh. SSVEC has filed a proposed
15 revised credit rate of \$0.03770 per kWh based on SSVEC's cost of energy purchases over the past
16 12 months. This new tariff rate equates to a 1.14¢ decrease in SSVEC's avoided cost rate.

17 8. SSVEC does not own any generating assets and purchases all of its energy on a
18 wholesale basis. In calculating its avoided cost, SSVEC uses its cost of purchased power, minus
19 costs associated with demand charges and transmission costs. SSVEC has also eliminated its ACC
20 revenue assessment fee from the calculation.

21 9. Staff's review of SSVEC's actual costs of purchase power over the past 12 months
22 confirmed an average cost of \$0.03770 per kWh. Therefore, Staff has recommended that the
23 Commission approve SSVEC's proposed Annual Average Avoided Cost for its Net Metering
24 Tariff of 3.770¢ per kWh, effective September 1, 2010.

25 Proposed Definition Revisions

26 10. Under SSVEC's current Net Metering Tariff, SSVEC calculates its AAAC for the
27 past 12 months with the receipt of its July wholesale power purchase bills. The new AAAC is then
28 applied in the September or March "true-up" periods (customers may select either month for their

1 “true-up” period). However, SSVEC has determined that the period between the time the July
2 wholesale bills are received and the beginning of the “true-up” period in September does not allow
3 enough time for SSVEC to calculate its new AAAC and obtain Commission approval. Therefore,
4 SSVEC requests that the definition of the AAAC period be revised to end with the receipt of its
5 May wholesale power purchase bills. SSVEC also proposes to submit updated AAAC calculations
6 to the Commission prior to September 1st, rather than on September 1st as stated in SSVEC’s
7 current Net Metering Tariff.

8 11. Staff believes that SSVEC’s request to change the end of its AAAC calculation
9 period to the receipt of its May wholesale power purchase bills is reasonable and should provide
10 adequate time for Commission review and approval prior to the September “true-up”, assuming
11 that SSVEC submits its proposed AAAC to the Commission in a timely manner. Therefore, Staff
12 has recommended that the Commission approve SSVEC’s period for calculation of its AAAC to
13 end with the receipt of its May wholesale power purchase bills. Staff has further recommended
14 that SSVEC submit updated AAAC calculations to the Commission no later than July 1st each
15 year.

16 Determination of Customer Capacity

17 12. Under SSVEC’s current Net Metering Tariff, SSVEC calculates the 125% load
18 capacity of customers with a load history by taking 125% of the customer’s highest demand in the
19 most current 12-month period. SSVEC is proposing that this calculation be modified by taking
20 125% of the customer’s average demand in the most current 12 month period. SSVEC is
21 requesting this modification in the belief that it will allow customers a more accurate means to
22 calculate the optimum solar power system size to produce a “net zero” electric consumption
23 pattern. SSVEC states that it currently has one residential customer who has sized their home-
24 sited solar photovoltaic system based on their highest annual demand. SSVEC believes that this
25 particular customer dramatically over-sized their system, and SSVEC is concerned that the
26 customer will be disappointed with the system’s longer payback period.

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1 13. Staff has recommended that the Commission not approve SSVEC's proposed
2 maximum system size definition so as to allow customers flexibility in sizing their systems to take
3 advantage of the Net Metering Tariff benefits.

4 **Summary of Recommendations**

5 14. Staff has recommended that Sulphur Springs Valley Electric Cooperative, Inc.'s
6 Net Metering Tariff revisions be approved by the Commission as discussed herein.

7 15. Staff has further recommended that Sulphur Springs Valley Electric Cooperative's
8 proposed revision to the maximum system size definition not be approved.

9 16. Staff has also recommended that Sulphur Springs Valley Electric Cooperative, Inc.
10 be ordered to file a revised Net Metering Tariff in compliance with the Decision in this case within
11 15 days of the effective date of the Decision.

12 CONCLUSIONS OF LAW

13 1. SSVEC is an Arizona Public service corporation within the meaning of Article XV,
14 Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over SSVEC and over the subject matter of the
16 application.

17 3. Approval of SSVEC's Net Metering Tariff Revisions does not constitute a rate
18 increase as contemplated by A.R.S. Section 40-250.

19 4. The Commission, having reviewed the application and Staff's Memorandum dated
20 August 6, 2010, concludes that SSVEC's Net Metering Tariff Revisions should be approved as
21 discussed herein.

22 ORDER

23 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative's Net
24 Metering Tariff be and hereby is approved as discussed herein.

25 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative's Annual
26 Average Avoided Cost be approved at 3.770¢ per kWh, effective September 1, 2010.

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IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative submit updated Annual Average Avoided Cost calculations to the Commission no later than July 1st each year.

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative's Annual Average Avoided Cost calculation period end with the receipt of its May wholesale power purchase bills

IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative 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:red:WVC

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SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative's Net Metering Tariff Revisions

DOCKET NO. E-01575A-10-0298

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