

**ORIGINAL**

**OPEN MEETING**



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**MEMORANDUM RECEIVED**

Arizona Corporation Commission

2010 AUG 10 P 3:17

TO: THE COMMISSION **DOCKETED**

FROM: Utilities Division **AUG 10 2010**

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: August 10, 2010

DOCKETED BY	<i>[Signature]</i>
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RE: MORENCI WATER & ELECTRIC COMPANY - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-01049A-09-0444)

**Background**

On September 17, 2009, Morenci Water & Electric Company ("MWEC") filed an application for approval of a Net Metering Tariff. MWEC'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**

MWEC'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 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 a customer's generation.

MWEC'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 Rules require, if the customer's energy production exceeds the energy supplied by MWEC 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 MWEC during subsequent billing periods.

#### Proposed Metering Charge

MWEC would install a bi-directional meter at the point of delivery to the customer. In its September 17, 2009 filing, MWEC states that the incremental metering costs for bi-directional metering and the facility meter will be incurred by MWEC. Therefore, no metering charge is proposed in MWEC's net metering filing.

MWEC's filing notes that a bi-directional meter may not be required if the generating capacity of the Net Metering Facility is less than 10 percent of the customer's lowest billing demand over the previous 12 months, or as otherwise determined by the Company through available information – and if the customer agrees that they do not intend to net any Excess Generation on their monthly bill.

#### Proposed Avoided Cost

Under MWEC's proposed tariff, each December (or for a customer's final bill upon discontinuance of service), MWEC would credit the customer for the balance of excess kWh remaining. MWEC notes that they are neither a summer or winter peaking utility as approximately 98 percent of their load profile is the Morenci and Safford mines. MWEC proposes that the payment for the purchase of these excess kWh would be at the MWEC's authorized base cost of purchase power. MWEC's authorized base cost of purchase power is \$0.075220 per kWh per Decision No. 54712.

However, 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." Staff's review of MWEC's actual cost of purchase power over the past 12 months indicates an average cost of \$0.04390 per kWh.

Since R14-2-2306(F) requires the avoided cost to be specified on the net metering tariff, Staff recommends that MWEC specify this avoided cost rate of 4.390¢ per kWh in its tariff.

Based on a review of average kWh usage data, it is not clear whether December (or which other month) is the best month for crediting the customer for the balance of excess kWh. Sincere there are currently no customers with net metering facilities in MWEC's area, Staff recommends that the issue be revisited after some net metering facilities are in place.

THE COMMISSION

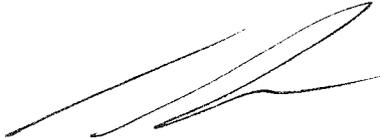
August 10, 2010

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**Staff Recommendations**

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

Staff also recommends that MWEC 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:lm\CH

ORIGINATOR: Richard B. 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 MORENCI WATER &  
ELECTRIC COMPANY'S APPLICATION  
FOR APPROVAL OF A NET METERING  
TARIFF

DOCKET NO. E-01049A-09-0444  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
August 24 and 25, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Morenci Water & Electric Company ("MWEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On September 17, 2009, MWEC filed an application for approval of a Net Metering Tariff. MWEC'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. MWEC'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

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

3         5.       Partial requirements service is necessary for Net Metering customers who provide  
4 either all or a portion of their own generation. If the self-generation supplies less than 100 percent  
5 of the customer's load, utility generation must be purchased for the remainder. Even if the  
6 customer's generation is sufficient to serve the full load, utility service is needed as back-up during  
7 maintenance or other outage circumstances of the customer's generation.

8         6.       MWEC's Net Metering Tariff would provide for power sales beyond what the  
9 customer's on-site facilities supply, as well as replacement power if the customer's facilities are  
10 not generating. Charges under the tariff would be priced pursuant to the customer's standard rate  
11 schedule otherwise applicable under full requirements service and thus avoid standby or back-up  
12 charges.

13         7.       As the Rules require, if the customer's energy production exceeds the energy  
14 supplied by MWEC during a billing period, the customer's bill for subsequent billing periods  
15 would be credited for the excess generation. That is, the excess kWh during the billing period  
16 would be used to reduce the kWh (not kW or kVA demand, or customer/facilities charges) billed  
17 by MWEC during subsequent billing periods.

18 **Proposed Metering Charge**

19         8.       MWEC would install a bi-directional meter at the point of delivery to the customer.  
20 In its September 17, 2009 filing, MWEC states that the incremental metering costs for bi-  
21 directional metering and the facility meter will be incurred by MWEC. Therefore, no metering  
22 charge is proposed in MWEC's net metering filing.

23         9.       MWEC's filing notes that a bi-directional meter may not be required if the  
24 generating capacity of the Net Metering Facility is less than 10 percent of the customer's lowest  
25 billing demand over the previous 12 months, or as otherwise determined by the Company through  
26 available information – and if the customer agrees that they do not intend to net any Excess  
27 Generation on their monthly bill.

28 ...

1 **Proposed Avoided Cost**

2 10. Under MWEC's proposed tariff, each December (or for a customer's final bill upon  
3 discontinuance of service), MWEC would credit the customer for the balance of excess kWh  
4 remaining. MWEC notes that they are neither a summer or winter peaking utility as approximately  
5 98 percent of their load profile is the Morenci and Safford mines. MWEC proposes that the  
6 payment for the purchase of these excess kWh would be at the MWEC's authorized base cost of  
7 purchase power. MWEC's authorized base cost of purchase power is \$0.075220 per kWh per  
8 Decision No. 54712.

9 11. However, R14-2-2306(F) includes the statement "The payment for any remaining  
10 credits shall be at the Electric Utility's Avoided Cost." R14-2-2302(1) defines "Avoided Costs" as  
11 "the incremental cost to an Electric Utility for electric energy or capacity or both which, but for the  
12 purchase from the Net Metering facility, such utility would generate itself or purchase from  
13 another source." Staff's review of MWEC's actual cost of purchase power over the past 12  
14 months indicates an average cost of \$0.04390 per kWh.

15 12. Since R14-2-2306(F) requires the avoided cost to be specified on the net metering  
16 tariff, Staff has recommended that MWEC specify this avoided cost rate of 4.390¢ per kWh in its  
17 tariff.

18 13. Based on a review of average kWh usage data, it is not clear whether December (or  
19 which other month) is the best month for crediting the customer for the balance of excess kWh.  
20 Sincere there are currently no customers with net metering facilities in MWEC's area, Staff  
21 recommends that the issue be revisited after some net metering facilities are in place.

22 **Recommendations**

23 14. Staff has recommended that Morenci Water & Electric Company's Net Metering  
24 Tariff be approved by the Commission as discussed herein.

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

28 **CONCLUSIONS OF LAW**



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5 IT IS FURTHER ORDERED that Morenci Water & Electric Company shall docket a  
6 revised Net Metering Tariff in compliance with this Decision within 15 days of the effective date  
7 of the Decision.

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

9  
10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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12 \_\_\_\_\_  
CHAIRMAN

COMMISSIONER

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15 \_\_\_\_\_  
COMMISSIONER

COMMISSIONER

COMMISSIONER

16  
17 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
18 Executive Director of the Arizona Corporation Commission,  
19 have hereunto, set my hand and caused the official seal of  
20 this Commission to be affixed at the Capitol, in the City of  
21 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

22 \_\_\_\_\_  
ERNEST G. JOHNSON  
23 EXECUTIVE DIRECTOR

24 DISSENT: \_\_\_\_\_

25  
26 DISSENT: \_\_\_\_\_

27 SMO:RBL:ihm\CH

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1 SERVICE LIST FOR: Morenci Water & Electric Company  
2 DOCKET NO. E-01049A-09-0444

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