

ORIGINAL
OPEN MEETING



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MEMORANDUM RECEIVED

Arizona Corporation Commission

DOCKETED 2010 NOV -3 P 2: 10

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 3, 2010

NOV - 3 2010

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY 

RE: TRICO ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF NEW DISTRIBUTED GENERATION INCENTIVES WITHIN ITS SERVICE TERRITORY (DOCKET NO. E-01461A-10-0335)

On July 1, 2010, Trico Electric Cooperative, Inc. ("Trico") filed an application to amend Commission Decision No. 71451 pursuant to Arizona Revised Statutes ("A.R.S.") § 40-252. Decision No. 71451 (January 6, 2010) approved the Arizona Electric Power Cooperative, Inc.'s ("AEP CO") 2010 Renewable Energy Standard and Tariff Plan ("2010 REST Plan") filed on behalf of three of its Arizona member distribution cooperatives¹. Decision No. 71451, among other things, approved the SunWatts Residential and Commercial Rebate Program ("Rebate Program") which includes an Up-Front Incentive ("UFI") for qualified photovoltaic ("PV") systems of \$3.00 per installed watt, up to 40 percent of the total cost of the system, for systems up to 10 kW in size. Trico has chosen to file its own REST Plan for 2011 in Docket No. E-01461A-10-0263.

On August 9, 2010, Trico re-filed its request as a new application. In its application, Trico is requesting a reduction in its current UFI for PV systems to \$1.50 per installed watt, up to 30 percent of the total cost of the system, for systems up to 10 kW in size. In addition, Trico is requesting that its proposed rebate reduction take effect beginning July 15, 2010. Staff notes that the July 15, 2010 date corresponds to the original filing date of July 1, 2010. Trico states that since September 2009, Trico has been placing all customers with a confirmed application on a reservation waiting list. According to Trico, it has continued to place customers on the reservation waiting list in 2010, using the surcharge funds collected in 2010 to pay those customers on the reservation waiting list. Trico estimates that this backlog of rebate applications will total approximately \$1.5 million to \$2 million by the end of 2010.

According to information provided by Trico, there are 16 systems (13 PV systems and 3 solar water heaters) that were installed in 2009 that are currently on the reservation waiting list awaiting incentive payments. In addition, between July 1, 2010 and July 15, 2010, there were 17 applications for PV rebates. These applications were advertised for the current incentive payment level of \$3.00/watt up to 40 percent of the system cost. Since July 15, Trico has received nine applications for PV rebates (eight residential and one commercial), as of October 1, 2010.

¹ The three distribution cooperatives were Trico, Duncan Valley Electric Cooperative, Inc., and Graham County Electric Cooperative, Inc.

In Decision No. 71453, Trico was approved a total budget of \$1,233,442 for its 2010 RES Tariff, in association with the AEPSCO 2010 REST Plan, which included a budget of \$1,016,199 for its Rebate Program in 2010. According to Trico, as of July 31, 2010, Trico has collected a total of \$719,681 in REST funds and has spent \$613,293 for its Rebate Program. In addition, Trico has a remaining budget amount of \$402,906 for its Rebate Program for 2010, which will be used to pay rebates to customers on the reservations waiting list. Trico does not anticipate any funds being carried over from 2010 to 2011 from any program budget approved in the AEPSCO 2010 REST. Trico has also indicated that it has received \$179,060 in funds through the American Recovery and Reinvestment Act State Energy Programs ("ARRA Stimulus Funds") to use to pay rebates to customers on the reservation waiting list. Further, Trico has indicated that it will receive an additional \$200,000 ARRA Stimulus Funds that will also be used to pay rebates on the reservation waiting list. Although Trico has received funds in order to reduce the current backlog, there continues to be a substantial number of customers on the reservation waiting list and a number of customers that continue to be placed on the reservation waiting list.

On September 17, 2010, SolarCity Corporation ("SolarCity") filed a letter in this docket expressing several concerns it has with Trico's proposal to reduce its UFI levels. According to SolarCity, Trico's proposal to reduce its current incentive levels is too substantial and premature. SolarCity states that current installation prices are not yet capable of supporting the proposed \$1.50 per installed watt rebate. In addition, SolarCity requests that the Commission or Trico amend the proposal to include a rebate of no less than \$1.65 per installed watt for 2011. Further, SolarCity stated that the proposed 30 percent maximum of the total system cost would discourage customers from installing PV systems by changing a homeowner's system cost. Finally, SolarCity is opposed to the retroactive implementation of Trico's proposed rebate reduction. SolarCity states that retroactive implementation of Trico's proposal would cause confusion and discourage customers from installing PV systems.

Staff understands the concerns of SolarCity stated in its September 17, 2010 letter. However, due to Trico's unique circumstances specified herein, Staff believes that reducing the current UFI from \$3.00 per installed watt, up to 40 percent of the total cost of the system, for systems up to 10 kW in size to \$1.50 per installed watt, up to 30 percent of the total cost of the system, for systems up to 10 kW in size is appropriate at this time. Staff believes that the rebate reduction will not only help reduce the current backlog but possibly eliminate the backlog in 2011 and prevent another substantial backlog in 2012 and future years. In addition, Staff believes that the retroactive implementation date of July 15, 2010 is appropriate. Staff believes that any confirmed application received by Trico prior to or on July 15, 2010 should receive the current rebate amount of \$3.00 per installed watt, up to 40 percent of the total system cost.

Staff makes the following recommendations:

1. Trico's proposed reduction in its Up-Front Incentives to \$1.50 per installed watt, up to 30 percent of the total system cost, should be approved;

THE COMMISSION

November 3, 2010

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2. Any funds collected and not used at the end of 2010 should be used toward reducing the backlog of Trico's Rebate Program; and
3. Any confirmed application received by Trico prior to or on July 15, 2010 should receive the current incentive level of \$3.00 per installed watt, up to 40 percent of the total system cost.



Steven M. Olea
Director
Utilities Division

SMO:CLA:lhms\SH

ORIGINATOR: Candrea Allen

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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 THE APPLICATION)
OF TRICO ELECTRIC COOPERATIVE,)
INC. FOR APPROVAL OF NEW)
DISTRIBUTED GENERATION)
INCENTIVES WITHIN ITS SERVICE)
TERRITORY)
_____)

DOCKET NO. E-01461A-10-0335
DECISION NO. _____
ORDER

Open Meeting
November 22 and 23, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico" or "Company") is certificated to provide electricity as a public service corporation in the State of Arizona.
2. On July 1, 2010, Trico filed an application to amend Commission Decision No. 71451 pursuant to Arizona Revised Statutes ("A.R.S.") § 40-252. Decision No. 71451 (January 6, 2010) approved the Arizona Electric Power Cooperative, Inc.'s ("AEPSCO") 2010 Renewable Energy Standard and Tariff Plan ("2010 REST Plan") filed on behalf of three of its Arizona member distribution cooperatives¹. Decision No. 71451, among other things, approved the SunWatts Residential and Commercial Rebate Program ("Rebate Program") which includes an Up-Front Incentive ("UFI") for qualified photovoltaic ("PV") systems of \$3.00 per installed watt,
...

¹ The three distribution cooperatives were Trico, Duncan Valley Electric Cooperative, Inc., and Graham County Electric Cooperative, Inc.

1 up to 40 percent of the total cost of the system, for systems up to 10 kW in size. Trico has chosen
2 to file its own REST Plan for 2011 in Docket No. E-01461A-10-0263.

3 3. On August 9, 2010, Trico re-filed its request as a new application. In its
4 application, Trico is requesting a reduction in its current UFI for PV systems to \$1.50 per installed
5 watt, up to 30 percent of the total cost of the system, for systems up to 10 kW in size. In addition,
6 Trico is requesting that its proposed rebate reduction take effect beginning July 15, 2010. Staff
7 notes that the July 15, 2010 date corresponds to the original filing date of July 1, 2010.

8 4. Trico states that since September 2009, Trico has been placing all customers with a
9 confirmed application on a reservation waiting list. According to Trico, it has continued to place
10 customers on the reservation waiting list in 2010, using the surcharge funds collected in 2010 to
11 pay those customers on the reservation waiting list. Trico estimates that this backlog of rebate
12 applications will total approximately \$1.5 million to \$2 million by the end of 2010.

13 5. According to information provided by Trico, there are 16 systems (13 PV systems
14 and 3 solar water heaters) that were installed in 2009 that are currently on the reservation waiting
15 list awaiting incentive payments. In addition, between July 1, 2010 and July 15, 2010, there were
16 17 applications for PV rebates. These applications were advertised for the current incentive
17 payment level of \$3.00/watt up to 40 percent of the system cost. Since July 15, Trico has received
18 nine applications for PV rebates (eight residential and one commercial), as of October 1, 2010.

19 6. In Decision No. 71453, Trico was approved a total budget of \$1,233,442 for its
20 2010 RES Tariff, in association with the AEPCO 2010 REST Plan, which included a budget of
21 \$1,016,199 for its Rebate Program in 2010. According to Trico, as of July 31, 2010, Trico has
22 collected a total of \$719,681 in REST funds and has spent \$613,293 for its Rebate Program. In
23 addition, Trico has a remaining budget amount of \$402,906 for its Rebate Program for 2010,
24 which will be used to pay rebates to customers on the reservations waiting list.

25 7. Trico does not anticipate any funds being carried over from 2010 to 2011 from any
26 program budget approved in the AEPCO 2010 REST. Trico has also indicated that it has received
27 \$179,060 in funds through the American Recovery and Reinvestment Act State Energy Programs
28 (“ARRA Stimulus Funds”) to use to pay rebates to customers on the reservation waiting list.

1 8. Further, Trico has indicated that it will receive an additional \$200,000 ARRA
2 Stimulus Funds that will also be used to pay rebates on the reservation waiting list. Although
3 Trico has received funds in order to reduce the current backlog, there continues to be a substantial
4 number of customers on the reservation waiting list and a number of customers that continue to be
5 placed on the reservation waiting list.

6 9. On September 17, 2010, SolarCity Corporation ("SolarCity") filed a letter in this
7 docket expressing several concerns it has with Trico's proposal to reduce its UFI levels.
8 According to SolarCity, Trico's proposal to reduce its current incentive levels is too substantial
9 and premature. SolarCity states that current installation prices are not yet capable of supporting
10 the proposed \$1.50 per installed watt rebate.

11 10. In addition, SolarCity requests that the Commission or Trico amend the proposal to
12 include a rebate of no less than \$1.65 per installed watt for 2011. Further, SolarCity stated that the
13 proposed 30 percent maximum of the total system cost would discourage customers from installing
14 PV systems by changing a homeowner's system cost. Finally, SolarCity is opposed to the
15 retroactive implementation of Trico's proposed rebate reduction. SolarCity states that retroactive
16 implementation of Trico's proposal would cause confusion and discourage customers from
17 installing PV systems.

18 11. Staff understands the concerns of SolarCity stated in its September 17, 2010 letter.
19 However, due to Trico's unique circumstances specified herein, Staff believes that reducing the
20 current UFI from \$3.00 per installed watt, up to 40 percent of the total cost of the system, for
21 systems up to 10 kW in size to \$1.50 per installed watt, up to 30 percent of the total cost of the
22 system, for systems up to 10 kW in size is appropriate at this time. Staff believes that the rebate
23 reduction will not only help reduce the current backlog but possibly eliminate the backlog in 2011
24 and prevent another substantial backlog in 2012 and future years.

25 12. In addition, Staff believes that the retroactive implementation date of July 15, 2010
26 is appropriate. Staff believes that any confirmed application received by Trico prior to or on
27 July 15, 2010 should receive the current rebate amount of \$3.00 per installed watt, up to 40 percent
28 of the total system cost.

- 1 13. Staff has made the following recommendations:
- 2 A. Trico’s proposed reduction in its Up-Front Incentives to \$1.50 per installed
- 3 watt, up to 30 percent of the total system cost, should be approved;
- 4 B. Any funds collected and not used at the end of 2010 should be used toward
- 5 reducing the backlog of Trico’s Rebate Program; and
- 6 C. Any confirmed application received by Trico prior to or on July 15, 2010
- 7 should receive the current incentive level of \$3.00 per installed watt, up to
- 8 40 percent of the total system cost.

CONCLUSIONS OF LAW

9 1. Trico Electric Cooperative, Inc. is an Arizona public service corporation within the
10 meaning of Article XV, Section 2, of the Arizona Constitution.

11 2. The Commission has jurisdiction over Trico Electric Cooperative, Inc. and over the
12 subject matter of the Application.

13 3. The Commission, having reviewed the application and Staff’s Memorandum dated
14 November 3, 2010, concludes that it is in the public interest to modify Trico’s up-front incentives,
15 as specified in this order.

ORDER

16 IT IS THEREFORE ORDERED that Trico Electric Cooperative, Inc.’s distributed
17 generation up-front incentives levels shall be reduced to \$1.50 per installed watt, up to 30 percent
18 of the total system cost, for any application received by Trico Electric Cooperative, Inc. after
19 July 15, 2010.

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IT IS FURTHER ORDERED that any confirmed application received by Trico Electric Cooperative, Inc. prior to or on July 15, 2010, shall receive an incentive of \$3.00 per installed watt, up to 40 percent of the total system cost.

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:CLA:lhms\SH

1 SERVICE LIST FOR: Trico Electric Cooperative, Inc.
2 DOCKET NO. E-01461A-10-0335

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