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**BEFORE THE ARIZONA CORPORATION COMMISSION**

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

IN THE MATTER OF MOHAVE ELECTRIC)  
COOPERATIVE, INC.'S APPLICATION  
FOR APPROVAL OF NET METERING  
TARIFF REVISIONS

DOCKET NO. E-01750A-10-0365  
DECISION NO. 72087  
ORDER

Arizona Corporation Commission  
**DOCKETED**

JAN 20 2011

Open Meeting  
January 11 and 12, 2011  
Phoenix, Arizona

DOCKETED BY

BY THE COMMISSION:

FINDINGS OF FACT

1. Mohave Electric Cooperative, Inc. ("Mohave" or "Cooperative") is certificated to provide electric service as a public service corporation in the State of Arizona.

BACKGROUND

2. On September 1, 2010, Mohave filed an application for approval of revisions to its Net Metering Tariff ("Schedule NMS"). Mohave's Schedule NMS was approved by the Arizona Corporation Commission ("ACC" or "Commission") in Decision No. 71461, 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 REVISION

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

5           5.       In this application, Mohave is requesting a new Annual Average Avoided Cost  
6 ("AAAC").

7           6.       As stated in R14-2-2306(F), "The payment for any remaining credits shall be at the  
8 Electric Utility's Avoided Cost." R14-2-2302(1) defines "Avoided Costs" as "the incremental cost  
9 to an Electric Utility for electric energy or capacity or both which, but for the purchase from the  
10 Net Metering facility, such utility would generate itself or purchase from another source."  
11 Mohave's current Schedule NMS defines "Annual Average Avoided Cost" as "the average annual  
12 wholesale fuel and energy costs per [kilowatt-hour ("kWh")] charged by the Cooperative's  
13 wholesale power supplier(s) during the calendar year."

14           7.       Under Mohave's current approved Schedule NMS, the customer's excess  
15 generation energy is credited at the rate of \$0.0418 per kWh. Mohave has filed a proposed revised  
16 credit rate of \$0.0423 per kWh based on the Cooperative's cost of energy purchases for 2009.

17           8.       Mohave does not own any generating assets and purchases all of its energy on a  
18 wholesale basis. In calculating its avoided cost, Mohave uses its cost of purchased power, minus  
19 costs associated with demand and service charges and transmission costs. The Cooperative has  
20 also included its ACC gross operating revenue assessment fee in its calculation.

21           9.       Staff's review of Mohave's actual costs of purchased power over the past 12  
22 months results in an average cost of \$0.0425 per kWh. As revised by Staff, the new tariff rate  
23 equates to a \$0.0007 increase in Mohave's avoided cost rate. Staff generally agrees with  
24 Mohave's calculation method with three exceptions which account for the difference in the final  
25 AAAC value.

26           10.       First, Staff excluded the ACC gross operating revenue assessment fee. This fee is  
27 not a wholesale fuel or energy cost charged by the Cooperative's wholesale power supplier(s)  
28 during the calendar year, and, as such, it may not be included within the AAAC.

1           11.     Second, Staff used the total cost of purchased power in 2009 from the Western Area  
2 Power Administration (“WAPA”) as provided by Mohave in compliance filings with the  
3 Commission. The purchased power value provided by Mohave in its application did not reflect  
4 credits or prepayments that Mohave had made to WAPA and, as such, were incorrectly included in  
5 the total cost of purchased power from WAPA in 2009.

6           12.     Lastly, Mohave inadvertently included kWh, but not power costs, associated with  
7 an Open Access Transmission Tariff Pay Back in the total kWh value for 2009. WAPA had failed  
8 to charge Mohave for transmission losses on a certain amount of kWhs from May through  
9 December 2008 and Mohave paid WAPA for those losses through a one-time charge in January  
10 2009. Staff did not include these kWhs or associated charges in the AAAC for 2009 because the  
11 losses occurred, and should have been paid for, in 2008.

#### 12 **CUSTOMER BILLING CREDIT**

13           13.     According to Mohave’s Schedule NMS, the Cooperative is required to issue a  
14 billing credit to customers for any remaining Excess Generation balance for the last billing period  
15 of each Calendar Year<sup>1</sup> or at the time the customer discontinues taking service under Schedule  
16 NMS. The credit is determined at the Cooperative’s AAAC, which is updated annually.

17           14.     The AAAC is determined every July based upon the Cooperative’s most recent  
18 audited financial statement and is to be applied to Excess Generation in that Calendar Year. For  
19 example, the AAAC determined in July 2010 should be used to credit customers for their Excess  
20 Generation in the last billing cycle of 2010.

21           15.     Mohave did not receive Commission approval for the AAAC determined in July  
22 2010 before the last billing period of 2010. As such, Mohave had to credit its customers at the  
23 most recent Commission-approved AAAC of \$0.0418, as approved in Decision No. 71461  
24 (January 26, 2010), which was based on purchased power costs from 2008. In order to provide  
25 customers with the rate they should have received under Mohave’s Schedule NMS, Staff  
26 recommends that Mohave credit its customers for the incremental difference between the most  
27

28 <sup>1</sup> A Calendar Year is defined by Schedule NMS as January 1 through December 31.

1 recent Commission-approved AAAC of \$0.0418 and Staff's proposed AAAC of \$0.0425 upon  
2 Commission approval of Staff's proposed AAAC. Net metering customers would receive an  
3 additional \$0.0007 per kWh of Excess Generation as determined during a customer's last billing  
4 cycle of 2010. This incremental credit should occur in a customer's first-available billing cycle  
5 subsequent to Commission approval of the proposed AAAC.

6 **ANNUAL AVERAGE AVOIDED COST DEFINITION**

7 16. The current definition of Annual Average Avoided Cost in Mohave's Schedule  
8 NMS states, in part, that "[t]he annual avoided kWh cost will be determined every July based  
9 upon the Cooperative's most recent audited financial statement and applied to Excess Generation  
10 during that Calendar Year." Staff believes that this definition is problematic because it implies  
11 that the AAAC determined in July should apply retroactively to all customers who were owed  
12 Excess Generation payments during the preceding months of the Calendar Year, regardless of  
13 when the AAAC was available or approved by the Commission.

14 17. To remedy this problem, Staff recommends clarifying the definition of Annual  
15 Average Avoided Cost in Mohave's Schedule NMS:

16 "Annual Average Avoided Cost means the average annual wholesale fuel and energy costs  
17 per kWh charged by the Cooperative's wholesale power supplier(s) during the previous 12  
18 months. The Cooperative will submit an updated Net Metering Service Tariff to the ACC  
19 no later than July 1 each year for approval of the Annual Average Avoided Cost. The  
20 current avoided kWh cost, once approved by the ACC, will be available at every  
21 Cooperative office and will continue in effect until the next AAAC is approved by the  
22 ACC."

23 18. This definition clarifies that all customers will get credited for their Excess  
24 Generation at the Commission-approved AAAC, which is based on the most recent 12 months of  
25 wholesale fuel and energy costs. This definition provides that the AAAC is applicable from the  
26 date of Commission approval and will remain in effect until the Commission approves the next  
27 AAAC.

28 19. This clarified definition also provides a more certain time-frame for customers and  
the Cooperative by requiring the Cooperative to submit its updated Schedule NMS by July 1 of  
each year. Staff anticipates that this filing date will allow the Cooperative's updated Schedule

1 NMS to come before the Commission for approval prior to the last billing period of the Calendar  
2 Year such that the updated AAAC would be available for the annual "true up."

3 **RECOMMENDATIONS**

4 20. Staff has recommended that the Commission approve a revised Annual Average  
5 Avoided Cost for Mohave's Net Metering Tariff of \$0.0425 per kWh.

6 21. Staff has recommended that Mohave be ordered to file a revised Net Metering  
7 Service Tariff in compliance with the Decision in this case within 15 days of the effective date of  
8 the Decision, with the Annual Average Avoided Cost specified in the Tariff as required by A.A.C.  
9 R14-2-2306(F).

10 22. Staff has recommended that Mohave be ordered to credit its net metering customers  
11 an additional \$0.0007 per kWh of Excess Generation as determined during a customer's last  
12 billing cycle of 2010. This incremental credit should occur in a customer's first-available billing  
13 cycle subsequent to Commission approval of Staff's proposed Annual Average Avoided Cost.

14 23. Staff has recommended that the definition of Annual Average Avoided Cost in  
15 Mohave's Schedule NMS be clarified to read:

16 "Annual Average Avoided Cost means the average annual wholesale fuel and energy costs  
17 per kWh charged by the Cooperative's wholesale power supplier(s) during the previous 12  
18 months. The Cooperative will submit an updated Net Metering Service Tariff to the ACC  
19 no later than July 1 each year for approval of the Annual Average Avoided Cost. The  
20 current avoided kWh cost, once approved by the ACC, will be available at every  
21 Cooperative office and will continue in effect until the next AAAC is approved by the  
22 ACC."

23 24. After consideration of the Exceptions to Staff's Proposed Order filed by Mohave on  
24 January 7, 2011, Staff has recommended that the definition of Annual Average Avoided Cost in  
25 Mohave's Schedule NMS be clarified to read:

26 "Annual Average Avoided Cost means the average annual wholesale fuel and energy costs  
27 per kWh charged by the Cooperative's wholesale power supplier(s) during the Calendar  
28 Year, determined based upon the Cooperative's audited financial statement for the  
applicable Calendar Year. The Cooperative will submit an updated Net Metering Service  
Tariff to the ACC no later than July 15 each year for approval of the Annual Average  
Avoided Cost. The current avoided kWh cost, once approved by the ACC, will be  
available at every Cooperative office and will continue in effect until the next AAAC is  
approved by the ACC."



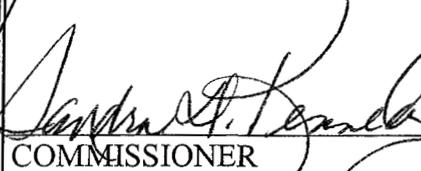
1 IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc. shall file a revised  
2 Net Metering Tariff in compliance with this Decision within 15 days of the effective date of the  
3 Decision.

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

6 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

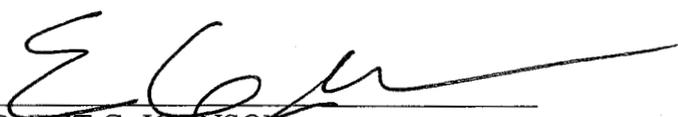
  
COMMISSIONER

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COMMISSIONER

  
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13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of  
16 this Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this 19th day of JANUARY, 2011.

  
18 ERNEST G. JOHNSON  
19 EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

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22 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR MOHAVE ELECTRIC COOPERATIVE, INC.:  
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