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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. – APPLICATION)
FOR APPROVAL OF ITS 2011)
RENEWABLE ENERGY STANDARD AND)
TARIFF PLAN AND TARIFF)

DOCKET NO. E-01750A-10-0264
DECISION NO. 72092
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. On July 1, 2010, Mohave Electric Cooperative, Inc. (“MEC”, or “Mohave”) filed an application for approval of its 2011 Implementation Plan pursuant to the Renewable Energy Standard and Tariff (“REST”) Rules. On November 3, 2010, MEC filed an amendment to the proposed plan.

MEC’s Implementation Plan

2. Commission Decision No. 71407, dated December 8, 2009, approved MEC’s Plan for 2010. The 2011 REST Plan maintains the significant features of its 2010 REST Plan and would also:

- a) Add participation in a geothermal project near Willcox, Arizona;
- b) Add more flexibility to the Habitat for Humanity program;
- c) Increase the maximum dollar rebate for commercial systems from \$30,000 to \$50,000;

1 d) Provide internal bridge financing for the Solar for Schools program; and

2 e) Integrate the statewide solar website program with MEC's existing website.

3 3. With this Application, MEC seeks no changes to the REST surcharge.

4 4. Willcox Geothermal. MEC has entered into an agreement with Sulphur Springs
5 Valley Electric Cooperative and Arizona Electric Power Cooperative ("AEPCO") to implement a
6 geothermal project in the Wilcox area. The project became operational in November 2009 and is
7 expected to provide approximately 47 kW to MEC.

8 5. Habitat for Humanity. MEC has partnered with Habitat for Humanity to offer
9 alternative energy options to low income housing in MEC's service area. MEC's REST Plan
10 budget allows for one project per year not to exceed \$25,000. In years where Habitat for
11 Humanity does not designate an eligible low income housing project under this program by July 1
12 of the year, MEC would select another community-based non-profit organization to receive the
13 \$25,000 renewable energy project.

14 6. MEC partnered with the Bullhead City Habitat for Humanity and installed a 3.5 kW
15 photovoltaic ("PV") array on the area's first Habitat for Humanity house completed in late 2009.
16 Habitat for Humanity decided not to construct a home in MEC's service area in 2010, so MEC
17 partnered with the Boys and Girls Club to install a \$25,000 renewable energy system.

18 7. Maximum Rebates. The Sun Watts Incentive Program pays incentives to
19 residential and commercial customers to install solar or wind facilities. With its amendment to the
20 original application, MEC proposes to pay \$2.00 per installed watt up to 40 percent of the system
21 total cost for systems up to 5 kW for residential and 10 kW for commercial. For larger systems, up
22 to 50 kW, MEC would pay \$1.50 (reduced from the current \$2.00) per watt up to 40 percent of the
23 system total cost. The 40 percent cap is reduced from the 45 percent as approved in Commission
24 Decision No. 71955 (November 1, 2010).

25 8. Other restrictions. Mohave includes a dollar cap for residential PV and small wind
26 systems installed at a single residence of \$30,000 and proposes to increase the cap from \$30,000 to
27 \$50,000 for commercial PV and wind turbine systems installed at a commercial location. Also, the
28 combined generation capacity at the location is limited to a maximum of 125 percent of the total

1 connected load at the location and one installation per service entrance for residential and
2 commercial PV and small wind turbine systems. These restrictions are unchanged from MEC's
3 2010 Implementation Plan as approved by the Commission.

4 9. Solar Water Heating Systems. For systems replacing a traditional electric water
5 heater, MEC will pay \$0.75 per kWh of energy saved during the first year. This is unchanged
6 from the previously approved MEC REST plan.

7 10. Sun Watts Large Scale Program. MEC can partner with AEPCO to secure
8 renewable resources via purchased power contracts or through construction of utility-sized
9 facilities. AEPCO has issued an RFP to secure third-party providers of renewable resources.
10 MEC will participate with AEPCO installing resources using previously collected environmental
11 surcharge funds deposited with AEPCO.

12 11. Geothermal Resources. MEC, in partnership with Navopache Electric Cooperative
13 ("Navopache"), retained Black & Veatch to conduct a feasibility study with respect to geothermal
14 resources in their service territories. This study indicates that within the immediate vicinity of the
15 Mohave service territory, there is a conventional hydrothermal resource with modest potential for
16 geothermal power development. There is also hydrothermal potential within the Navopache
17 service territory to initially develop something on the order of 5 MW of power. Navopache has
18 initiated a grant application to the Department of Energy to fund exploratory drilling. Mohave
19 would partner with Navopache in the commercial development.

20 12. 5 MW Solar. The facility located within the MEC load pocket is being developed
21 for Mohave as a lease/buy arrangement. The project will be connected to the distribution system
22 for the benefit of the members/owners. The present Commission REST rules define DG and
23 Distributed Renewable Energy Resources ("DE") as being located on a customer's premises. The
24 5 MW Solar facility is not sited on customer premises. Mohave states that the benefits of DG are
25 achieved with its solar facility, and in a more cost-effective manner than many smaller systems
26 totaling 5,000 kW. Mohave views DG in the traditional utility engineering sense of being
27 generation facilities connected directly to the distribution system rather than at a remote power
28 plant connected with transmission lines. Mohave requested in its 2010 REST Plan that the

1 Commission consider that its 5 MW system meets the intent of the rules and counts towards the
2 DE requirements specified in R14-2-1805. Mohave would consider the Solar facility as meeting
3 the residential/non-residential DE requirement by classifying the project output as residential and
4 non-residential according to its customer class residential/non-residential breakdown.

5 13. Staff had previously recommended that the 5 MW Solar facility count toward
6 meeting the REST Rule Renewable Energy Resources requirement but not count toward meeting
7 the Distributed Renewable Energy Resources requirement. Decision No. 71407 ordered that the 5
8 MW Solar system would count toward meeting the REST Rule Renewable Energy Resources
9 requirement but that no determination would be made at that time regarding it meeting the
10 Distributed Renewable Energy Resources requirement. MEC requests similar treatment at this
11 time, with a final determination to be based on the actual contractual documents and project details
12 that MEC will submit to the Commission when available. Staff has recommended that the
13 Commission continue to defer the determination.

14 14. Another proposal related to the 5 MW project proposed in the Amendment is to
15 expand the authorized use of REST funds allocated for the 5 MW solar project for use on any
16 qualified renewable project of 2 MW or larger.

17 15. Schools Program. This will award a PV system to one school each year at no cost
18 to the school and not to exceed \$50,000. Based on present PV costs, a 5 to 8 kW system could be
19 installed. In addition, one school per year would be offered up to \$5,000 in educational grants to
20 develop renewable energy curricula.

21 16. Bridge Financing. MEC had expected to install PV systems on ten schools in 2010,
22 and ten schools in 2011 at a total cost of \$1,000,000. MEC has been unable to secure state or
23 federal funding such as Clean Renewable Energy Bonds ("CREB") for these PV systems, and
24 desires to proceed with the schools' PV facilities. MEC therefore seeks authorization to use
25 \$1,000,000 of internal funding as a bridge loan to be repaid with REST funds over ten years at the
26 CREB rate.

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17. Advertising, Promotion, and Administration. MEC uses bill inserts, monthly newsletters, television, radio, and community events to advertise and promote its REST programs. Unused funds are carried over to the next year.

18. Progress. MEC has 118 residential and small commercial PV arrays installed within its service territory. These facilities range in size from 2 to 20 kW with a total of 449 kW and an annual energy production of 984,171 kWh. MEC also has 29 small wind generators installed within its service territory. The wind generators are all rated at 2 kW and have an annual production of 101,389 kWh. All of these member-owned wind and PV systems were installed prior to January 2010 when MEC participated in the AEPSCO REST plan.

Budget

19. MEC has proposed the budget shown below in Table 1. The proposal for 2011 is a decrease of about 11 percent over the present REST budget (from \$1.7 million to \$1.5 million).

Table 1
Mohave Electric Cooperative
Renewable Energy Resources Budget
Five-Year Forecast

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Resources	Expenditures				
Res & Comm Incentive	\$531,645	\$554,369	\$505,236	\$520,750	\$536,419
5 MW Solar DG	\$548,884	\$548,884	\$548,884	\$548,884	\$548,884
Solar Water Heating	\$9,000	\$18,000	\$18,000	\$18,000	\$18,000
Schools PV Loan Pmt	\$64,493	\$64,493	\$128,986	\$128,986	\$128,986
Solar Website	\$3,488	\$1,744	\$1,744	\$1,744	\$1,744
Willcox Geothermal	\$44,316	\$29,544	\$29,544	\$29,544	\$29,544
Admin, Advertise	\$244,000	\$244,000	\$244,000	\$244,000	\$244,000
Other Programs	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Total	\$1,520,826	\$1,536,034	\$1,551,394	\$1,566,908	\$1,582,577

Funding and Surcharge

20. Staff has reviewed MEC's proposed Renewable Energy Standard Tariff which sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for

2011. Proposed rates are unchanged from 2010 and are shown in Table 2. Expected revenue from customer classes is shown in Table 3.

Table 2
Mohave Electric Cooperative
Proposed 2011 RES Tariff Rates

Customer Class	Energy Charge (per kWh)	Monthly Cap
Governmental	\$0.000942	\$15.00
Gov or Ag \geq 3MW	\$0.000942	\$49.00
Residential	\$0.0095006	\$3.10
Highway	\$0.0095006	\$3.10
Irrigation	\$0.0053714	\$49.00
Small Commercial	\$0.0053714	\$49.00
Large Power	\$0.0053714	\$49.00
Non-Res \geq 3MW	\$0.0053714	\$147.00

Table 3
Mohave Electric Cooperative
Proposed 2011 REST Revenue

Class	Revenue
Residential	\$1,058,905
Governmental	\$20,340
Small Commercial	\$391,013
Large Power	\$48,733
Large Power \geq 3MW	\$1,764
Highway	\$70
Total	\$1,520,825

Fair Value Determination

21. Staff has analyzed Mohave's application in terms of fair value implications. The proposed tariff would have minimal or no impact on the MEC's revenue, fair value rate base, or rate of return. Because plant developed pursuant to the REST programs is not added to the rate base, there would be no corresponding effect on Mohave's ultimate revenue or rate of return.

1 Recommendations

2 22. Staff has recommended that Mohave's proposed 2011 REST implementation plan
3 be approved as discussed herein.

4 23. Staff has recommended that the 5 MW Solar system should count toward meeting
5 the REST Rule Renewable Energy Resources requirement but that no determination should be
6 made at this time regarding it meeting the Distributed Renewable Energy Resources requirement.

7 24. Staff has recommended that Mohave's Renewable Energy Standard Tariff remain
8 set at the current levels as shown in Table 2 herein.

9 25. Staff has recommended that MEC file in Docket Control a Renewable Energy
10 Standard Tariff consistent with the Decision in this case within 15 days of the effective date of the
11 Decision.

12 CONCLUSIONS OF LAW

13 1. MEC 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 MEC and over the subject matter of the
16 application.

17 3. The Commission, having reviewed the application and Staff's Memorandum dated
18 December 23, 2010, concludes that it is in the public interest to approve the Mohave's 2011 REST
19 Implementation Plan as discussed herein.

20 4. The internal bridge financing of up to \$1,000,000 for a total of 20 PV solar systems
21 on schools in 2010 and 2011 is for lawful purposes, which are within the corporate powers of
22 MEC, are compatible with the public interest, with sound financial practices, and with the proper
23 performance by MEC of service as a public service corporation and will not impair its ability to
24 perform that service and is reasonably necessary or appropriate for the purposes specified and such
25 purposes are not, wholly or in part, reasonable chargeable to operative expenses or to income.

26 ORDER

27 IT IS THEREFORE ORDERED that Mohave Electric Cooperative, Inc.'s proposed 2011
28 REST implementation plan be approved as discussed herein.

1 IT IS FURTHER ORDERED that the 5 MW Solar system shall count toward meeting the
2 REST Rule Renewable Energy Resources requirement but that no determination is made at this
3 time regarding it meeting the Distributed Renewable Energy Resources requirement.

4 IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc.'s Renewable Energy
5 Standard Tariff remain set at the current levels as shown in Table 2 herein.

6 IT IS FURTHER ORDERED authorizing Mohave Electric Cooperative, Inc. to provide up
7 to \$1,000,000 of internal bridge financing for PV solar systems on 20 schools between 2010 and
8 2011 to be repaid with REST funds over ten years following funding at the Clean Renewable
9 Energy Bonds rate in effect at the time when the funds are expended.

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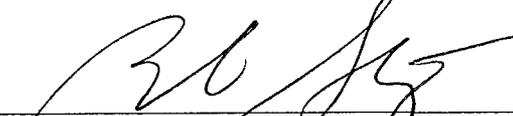
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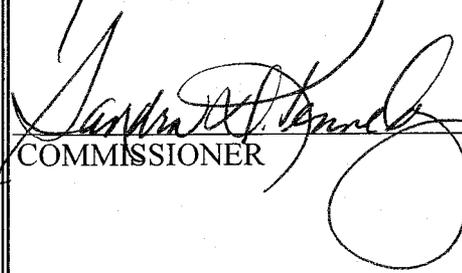
IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc. file in Docket Control a Renewable Energy Standard Tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Decision become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

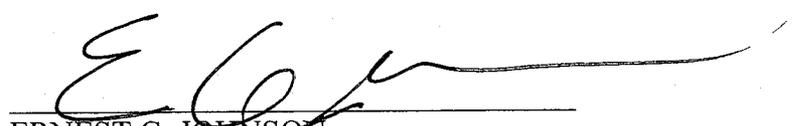

COMMISSIONER


COMMISSIONER


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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 19th day of JANUARY, 2011.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:lhmvRM

1 SERVICE LIST FOR: Mohave Electric Cooperative, Inc.
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