

GALLAGHER & KENNEDY

P.A.

ATTORNEYS AT LAW

MICHAEL M. GRANT
DIRECT DIAL: (602) 530-8291
E-MAIL: MMG@GKNET.COM



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2575 EAST CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
PHONE: (602) 530-8000
FAX: (602) 530-8500
WWW.GKNET.COM

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March 31, 2011

Arizona Corporation Commission
DOCKETED

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Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

DOCKETED BY

Re: *2010 Annual Compliance Report by the Arizona Electric Power Cooperative on Behalf of Its Arizona Participating Member Distribution Cooperatives—Duncan Valley Electric Cooperative, Inc.; Graham County Electric Cooperative, Inc.; and Trico Electric Cooperative, Inc. (collectively, the "Cooperatives"); Docket No. E-01773A-05-0723*

Dear Sir or Madam:

Pursuant to the requirements of A.A.C. R14-2-1812.A, the Cooperatives submit their Annual Compliance Report for the calendar year 2010. An electronic copy of this report is also being transmitted to the Director of the Utilities Division.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/plp
10421-51/2708488
Enclosure

cc (w/enclosure): Steve Olea, Utilities Director (emailed)
Ray Williamson, Utilities Division (emailed)
Brian Bozzo, Utilities Division (emailed)
Jacquelyn Cook (emailed)

Original and 13 copies filed with Docket Control this 31st day of March, 2011.

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.
AND IT'S PARTICIPATING MEMBER COOPERATIVES**

**RENEWABLE ENERGY STANDARD
AND TARIFF COMPLIANCE REPORT FOR 2010**

INTRODUCTION

Pursuant to A.A.C. R14-2-1812, the Arizona Electric Power Cooperative, Inc. ("AEPSCO"), on behalf of its three Arizona member distribution cooperatives which participated in the Commission-approved 2010 REST Plan—Duncan Valley Electric Cooperative, Inc. ("DVEC"); Graham County Electric Cooperative, Inc. ("GCEC"); and Trico Electric Cooperative, Inc. ("Trico") (collectively, the "Participating Cooperatives"), submits this compliance report for calendar year 2010. This report relates to the Participating Cooperatives' EPS/REST Plan for 2010 which was approved by the Commission in Decision No. 71451 dated January 6, 2010 (the "REST Plan").

EXECUTIVE SUMMARY

The REST Plan uses surcharge dollars from Participating Cooperatives' Commission-approved retail tariffs to support programs for developing renewable facilities, purchasing renewable energy and participation in large-scale renewable generation projects. Funds are also used for administration, advertising and educational activities.

The REST Plan for 2010 was approved by Decision No. 71451 dated January 6, 2010 pursuant to R14-2-1814. R14-2-1814 provides that, upon approval of the Participating Cooperatives' REST Plan, its provisions substitute for the Annual Renewable Energy and Distributed Renewable Energy requirements of Rules 1804 and 1805, respectively.

2010 INSTALLATIONS AND ENERGY GENERATED

In 2010, 129 new PV locations were installed in the Participating Cooperatives' service areas. Of these new sites, one was located off-grid and 128 were located on-grid for a total installed capacity of 1121.55 kW. Of these new units, all 129 are distributed generation (123 residential and six commercial).

In 2010, 31 solar water heating systems were installed in the Participating Cooperatives' service areas. These water heater installations are expected to save approximately 88,232 kWh per year.

In 2010, no small wind systems were installed in the Participating Cooperatives' service areas.

These additions bring the number of installations supported by the Participating Cooperatives to 461. PV installs total 374 (37 off-grid, 337 on-grid) with a total installed capacity of 2,293.55 kW, plus one 25 kW utility-owned PV system. The Participating Cooperatives receive credit for 7.88 kW of this unit. Wind installs total six for an installed capacity of 34 kW. Solar water heating installs total 80. Historically, the savings for solar water heating units were expressed in capacity and totaled 140 kW. In 2010, energy savings of solar water heating units were provided by the Participating Cooperatives in kWh savings. The savings for 2010 equaled 88,232 kWh.

R14-2-1812 INFORMATION

Pursuant to R14-2-1812.B, AEPCO and the Participating Cooperatives supply the following information:

1. The estimated annualized kWh of energy obtained from Eligible Renewable Energy Resources in 2010 was 5,202,813 kWh. The Participating Cooperatives do not track the actual metered output of their residential distributed generation ("DG") resources. The utility-owned commercial DG installation output is also estimated. The 5,202,813 kWh was calculated by adding the estimated metered output of the utility-owned metered system to the estimated annualized output of the remaining installed capacity.
2. The kWh of energy obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production is 5,202,813 kWh.
3. The kW of generation capacity, disaggregated by technology type is 2,293.55 kW for all PV installations, 34 kW for all small wind installations, 140 kW for all solar water heater installations and a 7.88 kW interest in the 25 kW AEPCO solar generating unit. Solar water heaters were historically reported by the Participating Cooperatives in kW. Beginning in 2010, AEPCO was instead provided this information in kWh. Installations for 2010 totaled 88,232 kWh for solar water heaters.
4. Cost information in cents per kWh for the actual energy obtained from Eligible Renewable Energy Resources is \$.073 per kWh for energy generated from PV; \$.073 for energy generated from wind; and \$.73 per kWh for energy saved from solar water heaters. Cost information in cents per kW of generation capacity

disaggregated by technology type is \$1,956 for each kW of installed PV and \$4,000 for each kW of installed wind.¹

5. The Renewable Energy Credits in relation to the Annual Renewable Energy Requirement are 5,202,813 kWh.² The Renewable Energy Credits used to satisfy the Distributed Renewable Energy Requirement are 5,202,813 kWh.

6. Concerning resource acquisition procedures, most Arizona cooperatives, including AEPCO and the Participating Cooperatives, are Rural Utilities Services (“RUS”) borrowers and are subject to RUS procedures on resource acquisition as specified in the Code of Federal Regulations (generally, 7 CFR § 1710, *et seq.*). Among other requirements, requests for proposals must be issued to potential providers and solicitations are published in at least three national publications in addition to direct contacts. No RFPs for renewable resources were issued by AEPCO in 2010.

¹ The cost information included in this report for the renewable installations is based upon eligible rebates to customers. Rebates are paid as funds become available.

² As stated previously, R14-2-1814 provides that, upon approval of the Participating Cooperatives’ REST Plan, its provisions substitute for the energy requirements of Rules 1804 and 1805.