

ORIGINAL
OPEN MEETING



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MEMORANDUM

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Arizona Corporation Commission

DOCKETED

2011 MAY -5 P 2:22

MAY 5 2011

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 5, 2011

DOCKETED BY

RE: NAVOPACHE ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF RENEWABLE ENERGY STANDARD PLAN AND TARIFFS (DOCKET NO. E-01787A-11-0018)

On January 14, 2011, Navopache Electric Cooperative, Inc. ("NEC") filed an application for approval of its 2011 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules. NEC is a full-requirements wholesale customer of Public Service Company of New Mexico. In 2009, NEC had 419 gigawatt-hours in retail sales to its membership.

NEC's Renewable Infrastructure

NEC's REST Plan for 2011 consists of using its existing infrastructure and purchased renewable energy credits which are shown below in Table 1 and discussed here.

Photovoltaic Renewable Resources

Since 2003, NEC has installed and interconnected, to the distribution system, four photovoltaic ("PV") systems totaling 270 kW. Two systems totaling 200 kW are connected at the primary distribution level, and the other two systems totaling 70 kW are connected at the secondary distribution level.

NEC Member Installations

Thirty-two NEC Members have installed PV, wind, and solar water heating systems and have received incentive payments according to NEC's Renewable Energy Incentive Plan ("REIP"). NEC's REIP specifies payments of \$3.00 per watt up to 50 percent of the system cost, up to a maximum of \$25,000.

Purchase Agreements

NEC has executed four agreements (included in NEC's filing) to purchase Renewable Energy Credits ("RECs").

- 1) Abengoa Solar, Inc. owns and operates a solar thermal system at the Federal

Correctional Facility north of Phoenix;

- 2) PDM Solar, Inc. proposes to install a solar space cooling system at a Phoenix manufacturing facility;
- 3) SOLID, USA proposes to build a solar thermal system at the Arizona Correctional Facility in Apache; and
- 4) Solar Utilities Network, LLC proposes to build a 1 MW PV array in Apache County.

Geothermal Project

In 2009, on NEC's behalf, Black and Veatch completed a feasibility study with respect to geothermal resources. This study indicates that five megawatts of geothermal generation are feasible in NEC's service territory. Navopache intends to develop this resource. This resource could be a competitively priced, high capacity factor renewable resource. It could produce 40 million kWhs of renewable energy annually.

Table 1
Navopache Electric Cooperative
Renewable Energy Resources -- 2011

Resource	Type	kW Capacity	kWh Energy
Blue Ridge H.S.	PV / DG	50	144,376
Mountain Meadow	PV / DG	20	43,800
NEC Members	PV, Wind / DG	158	346,020
NEC Members	Solar Water Heating		34,617
NEC St. John	PV	94	220,711
NEC Springerville	PV	114	249,715
Solar Utilities Network	PV	1,000	2,190,000
SOLID USA	Solar Thermal	700	1,533,000
Abengoa Solar	Solar Thermal	700	1,533,000
PDM Solar	Solar Cooling	500	1,500,000
Total Renewables		3,336	7,795,239

Funding and Expenditures

NEC's budget for 2011 is shown in Table 2. NEC's expected surcharge revenue and carry-over amount from past years are also shown in Table 2. The difference between the available funding and the annual expenditures would roll over to 2012.

Table 2

**Navopache Electric Cooperative, Inc.
Renewable Energy Resource Budget**

	2011
Expenditures	
Distributed Renewable Energy	\$500,000
Purchased Power Agreements	\$453,210
Annual Expenditures	\$953,210
Funding	
Expected Surcharge Revenue	\$737,114
Carry-Over from Prior Year	\$1,375,120
Funding Available	\$2,112,234
Carry-Over to Next Year	\$1,159,024

Funding and Surcharge

Staff has reviewed NEC's proposed Renewable Energy Standard Tariff. It sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2011. The proposed tariff charges are unchanged from those previously approved by Commission Decision No. 71408, and are shown here on Table 3, with expected annual revenue shown on Table 4.

**Table 3
Navopache Electric Cooperative
Present RES Tariff Charges**

Customer Class/Category	Energy Charge (per kWh)	Monthly Cap
Residential	\$0.0049880	\$1.05
Commercial & Industrial	\$0.0049880	\$39.00
Commercial & Industrial \geq 3MW ¹	\$0.0049880	\$117.00
Governmental & Agricultural	\$0.0008750	\$13.00
Gov & Agricultural \geq 3MW ¹	\$0.0008750	\$39.00

¹ 3 MW demand or more for three consecutive months.

Table 4
REST Funding from Surcharge

Customer Class	Anticipated Annual Revenue	2010 Annual kWh	Percent Reaching Cap	Average \$ Per Bill
Residential	\$352,510	239,338,335	65.3%	\$1.05
Non-Residential	\$377,011	140,817,701	8.18%	\$39.00
Irrigation	\$6,189	5,983,684	39.1%	\$13.00
Non-Residential > 3MW	\$1,404	20,883,160	100%	\$117.00
Total	\$737,114	407,022,880		

Table 5 below shows the impacts of the REST tariff on different types of NEC customers. At average usage, most customers would have charges at the monthly cap.

Table 5
Navopache Electric Cooperative
Customer Impact of 2011 Proposed RES Tariff Charges

Sample Customers	kWh/Month	Rate	Charges¹
Residence	1,000	\$0.004988	\$1.05
Hairstylist	1,283	\$0.004988	\$6.40
Department Store	170,000	\$0.004988	\$39.00
Retail Video Store	14,107	\$0.004988	\$39.00
Large Hotel	46,467	\$0.004988	\$39.00
Large Building Supply	183,217	\$0.004988	\$39.00
Hotel/Motel	14,080	\$0.004988	\$39.00
Large Office Bldg	1,476,100	\$0.004988	\$39.00
Supermarket	214,340	\$0.004988	\$39.00
Convenience Store	30,687	\$0.004988	\$39.00
Irrigation	17,585	\$0.004988	\$39.00
Hospital	207,810	\$0.004988	\$39.00
School	88,800	\$0.000875	\$13.00
Government Complex	66,050	\$0.000875	\$39.00

1. Capped when Cost > Tariff Cap

Recommendations

Staff recommends that NEC's proposed 2011 REST implementation plan be approved as discussed herein.

THE COMMISSION

May 5, 2011

Page 5

Staff recommends that NEC's Renewable Energy Standard Tariff continue to be set at the levels shown in Table 3 herein.

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized name.

Steven M. Olea
Director
Utilities Division

SMO:JJP:lhv\WVC

Originator: Jeffrey Pasquinelli

1
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 GARY PIERCE
4 Chairman
5 SANDRA D. KENNEDY
6 Commissioner
7 PAUL NEWMAN
8 Commissioner
9 BOB STUMP
10 Commissioner
11 BRENDA BURNS
12 Commissioner

13 IN THE MATTER OF NAVOPACHE) DOCKET NO. E-01787A-11-0018
14 ELECTRIC COOPERATIVE, INC.'S)
15 APPLICATION FOR APPROVAL OF) DECISION NO. _____
16 RENEWABLE ENERGY STANDARD) ORDER
17 PLAN AND TARIFFS)
18 _____)
19)
20)

21 Open Meeting
22 May 24 and 25, 2011
23 Phoenix, Arizona

24 BY THE COMMISSION:

25 FINDINGS OF FACT

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

28 2. On January 14, 2011, NEC filed an application for approval of its 2011
Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules.
NEC is a full-requirements wholesale customer of Public Service Company of New Mexico. In
2009, NEC had 419 gigawatt-hours in retail sales to its membership.

29 NEC's Renewable Infrastructure

30 3. NEC's REST Plan for 2011 consists of using existing infrastructure and purchased
31 renewable energy credits which are shown below on Table 1 and discussed here.

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34 photovoltaic ("PV") systems totaling 270 kW. Two systems totaling 200 kW are connected at the

1 primary distribution level, and the other two systems totaling 70 kW are connected at the
2 secondary distribution level.

3 **NEC Member Installations**

4 5. Thirty-two NEC Members have installed PV, wind, and solar water heating systems
5 and have received incentive payments according to NEC's renewable Energy Incentive Plan
6 ("REIP"). NEC's REIP specifies payments of \$3.00 per watt up to 50 percent of the system cost,
7 up to a maximum of \$25,000.

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12 Correctional Facility north of Phoenix;
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14 manufacturing facility;
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16 Facility in Apache; and
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18 County.

18 **Geothermal Project**

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20 respect to geothermal resources. This study indicates that five megawatts of geothermal
21 generation are feasible in NEC's service territory. Navopache intends to develop this resource.
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Government Complex	66,050	\$0.000875	\$39.00

1. Capped when Cost > Tariff Cap

Recommendations

11. Staff has recommended that NEC's proposed 2011 REST implementation plan be approved as discussed herein.

12. Staff has recommended that NEC's Renewable Energy Standard Tariff continue to be set at the levels shown in Table 3 herein.

CONCLUSIONS OF LAW

1. NEC is an Arizona public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over NEC and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 5, 2011 concludes that it is in the public interest to approve the Navopache 2011 REST Implementation Plan as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc.'s 2011 REST Implementation Plan be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s Renewable Energy Standard Tariff shall continue to be set at the levels shown in Table 3 herein.

IT IS FURTHER ORDERED that this Decision 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 _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:lhmlWVC

1 SERVICE LIST FOR NAVOPACHE ELECTRIC COOPERATIVE, INC.
2 DOCKET NO. E-01787A-11-0018

3 Mr. John Wallace
4 Grand Canyon State Electric
5 Cooperative Association, Inc.
6 120 North 44th Street, Suite 100
7 Phoenix Arizona 85034

8 Mr. Charles R. Moore
9 Navopache Electric Cooperative, Inc.
10 1878 West White Mountain Boulevard
11 Lakeside, Arizona 85929

12 Mr. Steven M. Olea
13 Director, Utilities Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Ms. Janice M. Alward
18 Chief Counsel, Legal Division
19 Arizona Corporation Commission
20 1200 West Washington Street
21 Phoenix, Arizona 85007

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