

**ORIGINAL
OPEN MEETING**



0000125080

MEMORANDUM

Arizona Corporation Commission

DOCKETED

MAY 6 2011

RECEIVED

2011 MAY -6 P 2:48

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 6, 2011



RE: DIXIE ESCALANTE RURAL ELECTRIC ASSOCIATION, INC. - APPLICATION FOR APPROVAL OF A NET METERING TARIFF (DOCKET NO. E-02044A-10-0505)

Background

On December 17, 2010, Dixie Escalante Rural Electric Association, Inc. ("Dixie" or "Cooperative") filed its proposed Net Metering Service Tariff ("Schedule No. NM") to provide net metering service in that portion of Dixie's service territory located in Arizona.

Dixie has an approved Net Metering Tariff for its Utah jurisdiction, which is different from the proposed Arizona tariff because Utah Net Metering requirements are different.

Proposed Tariff

Net Metering ("NM") 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).

Dixie's proposed NM tariff would apply to customers with any type of on-site generation using resources allowed by the Arizona Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed NM tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

Schedule No. NM would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the on-site generation is out of service for maintenance or a forced outage. Charges under the NM tariff would be priced pursuant to the customer's standard rate schedule otherwise applicable under full requirements service. This would avoid additional charges such as standby or back-up charges.

In addition, as the Net Metering Rules require, if the customer's generation facility's energy production exceeds the energy supplied by the Cooperative during a billing period, the customer's bills for subsequent billing periods would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWh (not kW or kVA

demand, or customer/facilities charges) billed by Dixie during subsequent billing periods. Customers taking service under a time-of-use rate would receive such credit in the subsequent billing periods for the on-peak, shoulder, or off-peak periods in which the kWh were generated by the customer.

Each calendar year, in January for the previous year, the Cooperative would credit the customer for any balance of excess kWh remaining. The payment for the purchase of these excess kWh would be at the Cooperative's applicable avoided cost. The Proposed Tariff NM shows the avoided cost currently to be 1.62¢ per kWh. This amount is based on the energy charge that Dixie pays to its supplier, Deseret Generation & Transmission Cooperative, increased for energy losses.

Metering Charges

Customers served under the new NM rate schedule would require a bi-directional meter to register and accumulate the electrical use and generation of the customer. The Cooperative will install such a meter at the customer's Net Metering Facility if proper metering is not already present. A bi-directional meter may not be required if the generating capacity of the Net Metering Facility is less than 10 percent of the customer's lowest billing demand over the previous 12 months, or as otherwise determined by the Cooperative through available information, and if the customer does not intend to net back any excess generation on monthly bills.

Dixie proposes a one-time connect fee of \$745 for new metering and account set up. This amount covers purchase and installation of a bi-directional meter (including credit for the standard meter), and an engineering inspection of the net metering site to assure compliance with codes and standards. Dixie also proposes a customer charge of \$34.74 each month to cover the incremental cost of manually extracting meter readings, calculating the bill, and then typing and delivering it.

Dixie has included cost support for these charges in its application. Staff's review of this support finds that the net cost of a meter is \$265 and this is reasonable. Other costs that make up the proposed one-time fee of \$745 and the \$34.75 monthly charge are based upon current, average embedded employee costs and are not necessarily incremental to net metering.

Staff recommends that the cost of the meter be recovered from Net Metering customers as a monthly charge amortized over several years. Staff recommends that the \$265 net expenditure be amortized at 7% over 15 years as a monthly charge of \$2.38. This would be in addition to the standard \$8 customer charge.

Fair Value Considerations for Charges to be Contained in Schedule No. NM

Staff recommends that Dixie should recover from each net metering customer the costs of certain equipment related to providing net metering service.

Staff has considered the proposed equipment charge in terms of fair value implications. In Decision No. 56655, issued on October 6, 1989, the Commission determined the fair value of Dixie's property to be \$427,841. According to more recent information provided by Dixie, as of December 31, 2009, the estimated value of Dixie's plant is \$2,360,116. Although Staff considered this information, the proposed equipment charges on Schedule No. NM would have no significant impact on the Cooperative's revenue, fair value rate base, or rate of return, because this charge is cost-based and relatively limited in scope.

Recommendations

Staff recommends that Dixie's proposed Net Metering Service Tariff (Schedule No. NM) be approved as discussed herein.

Staff recommends that the proposed charges of \$745 and \$34.74 be replaced with a charge of \$2.38 per month.

Staff recommends that if Dixie's avoided costs should change, Dixie should file an application with the Commission to update its avoided costs at least 90 days prior to its January billing in which Dixie would credit customers for remaining excess kWh.

Staff recommends that Dixie's Net Metering Service Tariff become effective on the effective date of the Decision approving the tariff.

Staff also recommends that Dixie be ordered to file a revised Net Metering Service Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.

for 

Steven M. Olea
Director
Utilities Division

SMO:JPP:lhms\SH

ORIGINATOR: Jeffrey Pasquinelli

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF DIXIE ESCALANTE)
RURAL ELECTRIC ASSOCIATION,)
INC.'S APPLICATION FOR APPROVAL)
OF A NET METERING TARIFF)
)
)
)
)

DOCKET NO. E- 02044A-10-0505
DECISION NO. _____
ORDER

Open Meeting
May 24 and 25, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Background

2. On December 17, 2010, Dixie filed its proposed Net Metering Service Tariff ("Schedule No. NM") to provide net metering service in that portion of Dixie's service territory located in Arizona.

3. Dixie has an approved Net Metering Tariff for its Utah jurisdiction, which is different from the proposed Arizona tariff because Utah Net Metering requirements are different.

Proposed Tariff

4. 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).

1 5. Dixie's proposed NM tariff would apply to customers with any type of on-site
2 generation using resources allowed by the Arizona Net Metering Rules, and would work in
3 conjunction with the rate schedule from which the customer currently takes service. The proposed
4 NM tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and
5 disposition of excess customer generation.

6 6. Schedule No. NM would provide for power sales beyond what the customer's on-
7 site facilities supply, as well as replacement power if the on-site generation is out of service for
8 maintenance or a forced outage. Charges under the NM tariff would be priced pursuant to the
9 customer's standard rate schedule otherwise applicable under full requirements service. This
10 would avoid additional charges such as standby or back-up charges.

11 7. In addition, as the Net Metering Rules require, if the customer's generation
12 facility's energy production exceeds the energy supplied by the Cooperative during a billing
13 period, the customer's bills for subsequent billing periods would be credited for the excess
14 generation. That is, the excess kWh during the billing period would be used to reduce the kWh
15 (not kW or kVA demand, or customer/facilities charges) billed by Dixie during subsequent billing
16 periods. Customers taking service under a time-of-use rate would receive such credit in the
17 subsequent billing periods for the on-peak, shoulder, or off-peak periods in which the kWh were
18 generated by the customer.

19 8. Each calendar year, in January for the previous year, the Cooperative would credit
20 the customer for any balance of excess kWh remaining. The payment for the purchase of these
21 excess kWh would be at the Cooperative's applicable avoided cost. The Proposed Tariff NM
22 shows the avoided cost currently to be 1.62¢ per kWh. This amount is based on the energy charge
23 that Dixie pays to its supplier, Deseret Generation & Transmission Cooperative, increased for
24 energy losses.

25 Metering Charges

26 9. Customers served under the new NM rate schedule would require a bi-directional
27 meter to register and accumulate the electrical use and generation of the customer. The
28 Cooperative will install such a meter at the customer's Net Metering Facility if proper metering is

1 not already present. A bi-directional meter may not be required if the generating capacity of the
2 Net Metering Facility is less than 10 percent of the customer's lowest billing demand over the
3 previous 12 months, or as otherwise determined by the Cooperative through available information,
4 and if the customer does not intend to net back any excess generation on monthly bills.

5 10. Dixie Escalante proposes a one-time connect fee of \$745 for new metering and
6 account set up. This amount covers purchase and installation of a bi-directional meter (including
7 credit for the standard meter), and an engineering inspection of the net metering site to assure
8 compliance with codes and standards. Dixie also proposes a customer charge of \$34.74 each
9 month to cover the incremental cost of manually extracting meter readings, calculating the bill, and
10 then typing and delivering it.

11 11. Dixie has included cost support for these charges in its application. Staff's review
12 of this support finds that the net cost of a meter is \$265 and this is reasonable. Other costs that
13 make up the proposed one-time fee of \$745 and the \$34.75 monthly charge are based upon current,
14 average embedded employee costs and are not necessarily incremental to net metering.

15 12. Staff recommends that the cost of the meter be recovered from Net Metering
16 customers as a monthly charge amortized over several years. Staff recommends that the \$265 net
17 expenditure be amortized at 7% over 15 years as a monthly charge of \$2.38. This would be in
18 addition to the standard \$8 customer charge.

19 **Fair Value Considerations for Charges to be Contained in Schedule No. NM**

20 13. Staff has recommended that Dixie should recover from each net metering customer
21 the costs of certain equipment related to providing net metering service.

22 14. Staff has considered the proposed equipment charge in terms of fair value
23 implications. In Decision No. 56655, issued on October 6, 1989, the Commission determined the
24 fair value of Dixie's property to be \$427,841. According to more recent information provided by
25 Dixie, as of December 31, 2009, the estimated value of Dixie's plant is \$2,360,116. Although
26 Staff considered this information, the proposed equipment charge on Schedule No. NM would
27 have no significant impact on the Cooperative's revenue, fair value rate base, or rate of return,
28 because this charge is cost-based and relatively limited in scope.

Recommendations

15. Staff has recommended that Dixie's proposed Net Metering Service Tariff (Schedule No. NM) be approved as discussed herein.

16. Staff has recommended that the proposed charges of \$745 and \$34.74 be replaced with a charge of \$2.38 per month.

17. Staff has recommended that if Dixie's avoided costs should change, Dixie should file an application with the Commission to update its avoided costs at least 90 days prior to its January billing in which Dixie would credit customers for remaining excess kWh.

18. Staff has recommended that Dixie's Net Metering Service Tariff become effective on the effective date of the Decision approving the tariff.

19. Staff has also recommended that Dixie be ordered to file a revised Net Metering Service Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.

Conclusions of Law

1. Dixie-Escalante is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

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

3. The Commission, having reviewed the application and Staff's Memorandum dated May 6, 2011 concludes that it is in the public interest to approve Dixie's proposed Net Metering Service Tariff as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Dixie Escalante Rural Electric Association, Inc.'s Net Metering Service Tariff (Schedule No. NM) be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that the proposed charges of \$745 and \$34.74 are replaced with a charge of \$2.38 per month.

IT IS FURTHER ORDERED that if Dixie Escalante Rural Electric Association, Inc.'s avoided costs should change, Dixie Escalante Rural Electric Association, Inc. shall file an

1 application with the Commission to update its avoided costs at least 90 days prior to its January
2 billing in which Dixie Escalante Rural Electric Association, Inc. would credit customers for
3 remaining excess kWh.

4 IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc.'s Net
5 Metering Service Tariff shall become effective on the effective date of the Decision approving the
6 tariff.

7 IT IS FURTHER ORDERED that Dixie Escalante Rural Electric Association, Inc. shall file
8 a revised Net Metering Service Tariff in compliance with the Decision in this case within 15 days
9 of the effective date of the Decision.

10 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

11 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

12
13 _____
CHAIRMAN

COMMISSIONER

14
15
16 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

17
18 IN WITNESS WHEREOF, I, Steven M. Olea, Executive
19 Director of the Arizona Corporation Commission, have
20 hereunto, set my hand and caused the official seal of this
21 Commission to be affixed at the Capitol, in the City of
22 Phoenix, this _____ day of _____, 2011.

23 _____
ERNEST G. JOHNSON
24 EXECUTIVE DIRECTOR

25 DISSENT: _____

26 DISSENT: _____

27 SMO:JJP:lhms\SH
28

1 SERVICE LIST FOR: Dixie Escalante Rural Electric Association, Inc.
2 DOCKET NO E-02044A-10-0505

3 Mr. Colin W. Jack, PE
4 Chief Operating Officer
5 Dixie-Escalante Rural Electric Association, Inc.
6 71 East Highway 56
7 Beryl, Utah 84714-5197

8 Mr. Michael M. Grant
9 Gallagher & Kennedy, P.A.
10 2575 East Camelback Road
11 Phoenix, Arizona 85016-9225

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

22
23
24
25
26
27
28