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BEFORE THE ARIZONA CORPORATION

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Arizona Corporation Commission

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AZ CORP COMMISSION  
DOCKET CONTROL

MAY 19 2011

DOCKETED BY

IN THE MATTER OF SULPHUR  
SPRINGS VALLEY ELECTRIC  
COOPERATIVE, INC.'S APPLICATION  
FOR APPROVAL OF ITS 2011 REST  
PLAN AND TARIFF.

Docket No. E-01575A-10-0308

**SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.'S  
EXCEPTIONS TO DRAFT  
RECOMMENDED OPINION AND  
ORDER**

**I. INTRODUCTION**

On July 23, 2010, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") filed with the Arizona Corporation Commission ("Commission") pursuant to A.A.C. R14-2-1801 *et seq.*, an application for approval of its 2011 REST Plan and Tariff. This filing was submitted more than two months early at the request of the then Chairman Mayes due to the backlog of unpaid REST Plan incentives.<sup>1</sup> On March 15, 2011, the Commission's Utilities Division ("Staff") issued its Staff Report and Draft Recommended Opinion and Order ("Draft ROO") for consideration by the Administrative Law Judge ("ALJ"). The Staff Report requested that all interested parties file their respective comments on or before March 31, 2011. On March 31, 2011, SSVEC filed its comments and requested that the Draft ROO be submitted for consideration by the Commission at its next Open Meeting. On April 18, 2011, the ALJ issued a Procedural Order that scheduled a Procedural Conference for May 2, 2011, to determine whether a

<sup>1</sup> SSVEC is required to file its annual REST Plan and Tariff by October 1 of each year pursuant to Commission Decision No. 70096.

1 hearing was necessary at this time. At the Procedural Conference, the ALJ determined  
2 that a hearing was not necessary at this time and that the Draft ROO should be submitted  
3 to the Commission for its consideration.

4 Consistent with the comments that SSVEC filed on March 31, 2011, SSVEC,  
5 through counsel undersigned, hereby submits these Exceptions to the Draft ROO for  
6 consideration by the Commission. Additionally, for the convenience of the  
7 Commissioners, SSVEC has included with these Exceptions, a Proposed Amendment that  
8 reflect the Cooperative's requested changes to the Draft ROO.

9 SSVEC's Exceptions are as follows: (i) Opposition to Staff's proposed increase to  
10 the REST Tariff CAPs; (ii) Other Comments relating to the Staff Report; (iii) Request for  
11 an evidentiary hearing if SSVEC's proposed REST Tariff CAPs are not going to be  
12 adopted by the Commission; (iv) Request that the 2011 Rest Plan and Tariff be approved  
13 for 2012; and (v) Response to Intervenor comments.<sup>2</sup>

## 14 **II. STAFF'S RECOMMENDATION TO INCREASE THE REST TARIFF** 15 **CAPS SHOULD NOT BE ADOPTED**

### 16 **A. Background**

17 SSVEC is committed to renewable energy and is proud that at the end of 2010,  
18 68.3 percent of all funds collected were returned to customers in the form of an incentive.  
19 An additional 23.6 percent was used to fund the debt service for its Clean Renewable  
20 Energy Bonds ("CREBs") for the Cooperative's highly successful Solar for Schools  
21 project from 2008, which was approved and supported by the Commission. The  
22 Cooperative's combined administrative/R&D/advertising cost to operate its REST  
23 Program was only 6.2 percent of funds collected (considerably less than the 15 percent  
24 allowed under the REST Rules). SSVEC was the first utility in Arizona to have a loan  
25 fund for renewables, and those loans are adding funds to its other collections each and  
26 every month. In 2010, the Solar Electric Power Association (SEPA) recognized SSVEC  
27 as having more solar per customer than any other utility in the United States. At the end

28 <sup>2</sup> With the exception of the issues raised herein, SSVEC supports all other recommendations set forth in  
the Staff Report and Draft ROO.

1 of 2010, the Cooperative reached 95 percent of the goal established in its REST Plan for  
 2 renewables as a percentage of sales. SSVEC estimates that with the completion of the  
 3 planned large-scale (1MW) solar project and the level of reservations for systems, the  
 4 Cooperative will reach 98-103 percent of the goal established in its 2011 REST Plan.

5 The moderate climate of SSVEC’s service area, as well as the Cooperative’s long-  
 6 term Demand Side Management efforts, has impacted kWh sales. Recent statistics from  
 7 the National Rural Electric Cooperative Association (“NRECA”) regarding the  
 8 Cooperative’s residential customer sales reflect the following:

9	SSVEC Average Monthly kWh	721	(\$87.74 cost)
10	US Average Monthly kWh	1173	(\$142.75 cost)
	Average AZ Monthly kWh	764	(\$92.98 cost)

11 SSVEC ranks 759 out of 816 cooperatives in the United States for monthly kWh  
 12 sales per residential member. Among Arizona cooperatives, SSVEC ranks 4 out of 6 for  
 13 monthly kWh sales. Suffice it to say, SSVEC’s residential members use significantly less  
 14 power than almost all other cooperatives (and probably investor-owned utilities as well).  
 15 Thus, any increase in surcharges affects SSVEC’s residential bills on a percentage basis to  
 16 a greater degree than on bills for residential customers of other utilities.

17 SSVEC has continued to make progress on its “waiting list.” Every member  
 18 currently on the waiting list was made aware at the time they reserved their incentive that  
 19 they could: (i) wait for the “One-Time Incentive” which would be approximately 18 to 36  
 20 months away, or (ii) choose to use the “Performance-Based Incentive” to receive a  
 21 monthly incentive. Those that chose to wait to reach the top of the reservation list before  
 22 installing a system, are finding that they are getting more system for their investment and  
 23 that, with today’s cost, the 50 percent cap is less than the \$4.00 per watt incentive they  
 24 reserved. Ironically, the delay has actually worked to the benefit of the customer.

25 **III. THE COMMISSION SHOULD ADOPT SSVEC’S FUNDING OPTION**

26 The Staff Report and Draft ROO recommend adoption of Staff’s funding option  
 27 which would increase the REST residential CAP from its current \$3.49 to \$5.66. This  
 28 represents a 62 percent increase to SSVEC’s REST CAPs, a 30 percent increase in total

1 funds collected under the REST Tariff, and an additional \$1,000,000 collected from  
2 SSVEC's member-ratepayers. Staff asserts that the increase proposed by SSVEC "would  
3 not yield adequate collections to significantly pay down the existing backlog of rebate  
4 reservations during 2011."<sup>3</sup>

5 In the analysis provided in Table IV on page 10 of the Staff Report and Finding of  
6 Fact No. 46 of the Draft ROO, Staff's proposed funding level shortens the estimated  
7 backlog pay down date by a mere 4 months through an increase in the REST CAPs.  
8 However, this requires an additional 2.4 percent in overall rates to the member-ratepayer  
9 over SSVEC's proposed funding level. This will put a severe burden on the member-  
10 ratepayers of SSVEC. When compared to the other cooperatives in Arizona (except for  
11 the over 3 MW customer class), SSVEC's proposed rates are already the highest among  
12 the cooperatives in REST surcharges and REST CAPs, ranging from 16 percent to 62  
13 percent higher than the average cooperative rate. The level of increase proposed by Staff  
14 will result in increasing SSVEC's rate CAPs from 51 percent to 163 percent, higher than  
15 the average cooperative in the State of Arizona. Staff is recommending that the  
16 Commission approve a REST CAP that treats SSVEC's member-ratepayers very  
17 differently than other cooperatives. The table below illustrates this point:

CAPs Compared	proposed 2011 SSVEC	proposed 2011 ACC Staff	Duncan Valley EC	Graham County EC	Mohave EC	Navopache EC	Trico EC <sup>4</sup>
Residential	\$ 3.49	\$ 5.66	\$ 2.00	\$ 2.00	\$ 3.10	\$ 1.05	\$ 3.00
Small Business	\$ 85.00	\$ 137.85	\$ 74.10	\$ 74.10	\$ 49.00	\$ 39.00	\$ 130.00
Commercial & Industrial	\$ 200.00	\$ 324.36	\$ 222.30	\$ 222.30	\$ 49.00	\$ 39.00	\$ 130.00
Government and/or AG	\$ 50.00	\$ 81.09	\$ 24.70	\$ 24.70	\$ 49.00	\$ 13.00	\$ 43.00
3MW+	\$ 300.00	\$ 486.53			\$ 147.99	\$ 117.00	\$ 3,500.00
REST Surcharge	\$ 0.009880	\$ 0.009880	\$0.009477	\$ 0.009477	\$ 0.009501	\$ 0.004988	\$0.008065
Government and AG REST Surcharge	n/a	n/a	\$0.001663	\$ 0.001663	\$ 0.000942	\$ 0.000875	\$0.001411

Highest

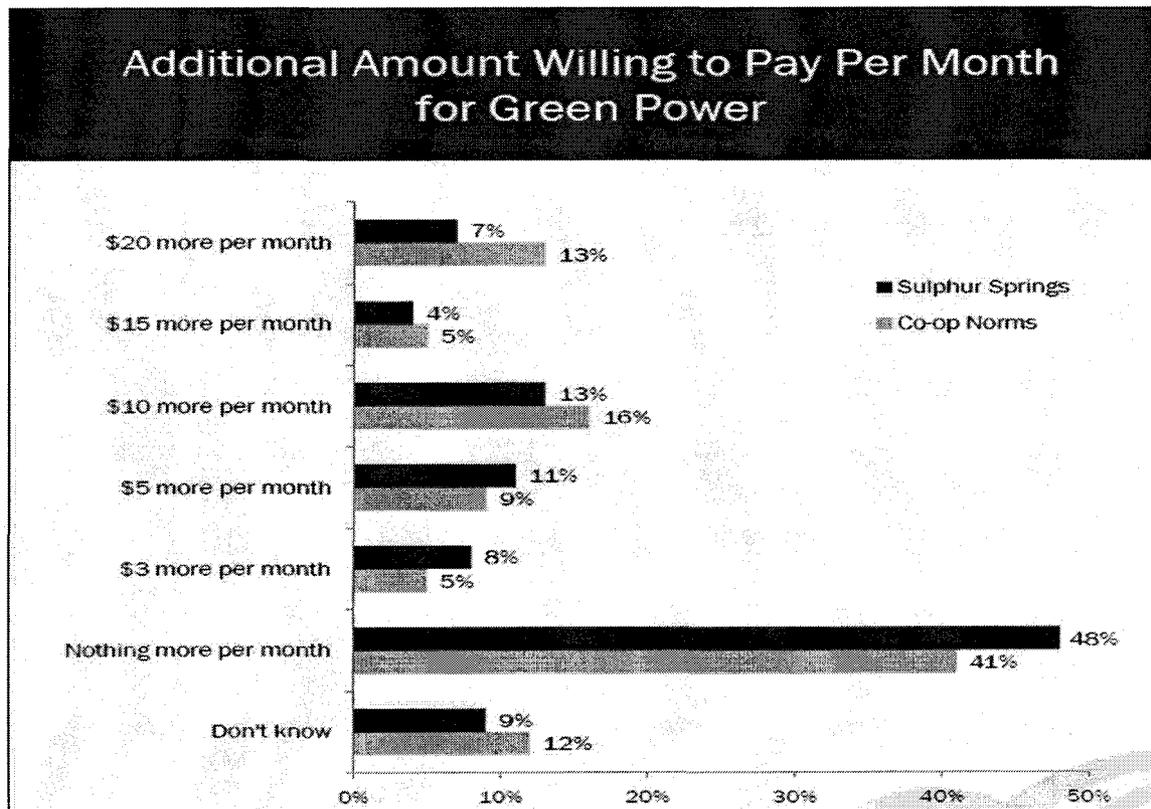
Lowest

24 When the NRECA Market Research Services and Severson and Associates  
25 conducted a phone survey for SSVEC in 2009, they found that 48 percent of the  
26 Cooperative's member-ratepayers did not want to contribute any additional funds for

<sup>3</sup> Staff Report at page 9; Draft ROO at Finding of Fact No. 46.

<sup>4</sup> It should be noted that Trico only has 2 customers over 3MW+ and they are on the government tariff and do not reach the maximum cap. SSVEC has 1 customer above the 3MW+ year round and two customers at that level for part of the year.

1 "Green Power". This is a higher percentage than what is considered normal for  
2 cooperatives. The graph below is the result of a portion of the survey.



16  
17  
18 Taking all of this information into consideration, SSVEC's democratically  
19 member-elected Board of Directors balanced the wants, needs, and impacts relating to  
20 increasing the REST Tariff on the Cooperative's member-ratepayers, and unanimously  
21 voted to approve the tariff levels submitted in the 2011 REST Plan.

22 In these tough economic times, Staff's recommended funding levels will have a  
23 severe impact on SSVEC's member-ratepayers that have multiple meters such as schools,  
24 cities, multi-location businesses, and farmers. This is illustrated in the following table:

25 ...  
26 ...  
27 ...  
28 ...

**Sample of Incremental Impact from Actual Customers**

	Number of Accounts by Rate Class			Estimated Monthly Impact				Estimated*** Annual Impact
	GS	P	IR	GS*	P**	IR	Total	
A large School District	21	17	2	\$ 332.96	\$ 2,114.12	\$ 62.18	\$ 2,509.26	\$ 30,111.06
Large City	125	24	8	\$ 1,981.88	\$ 2,984.64	\$ 248.72	\$ 5,215.24	\$ 62,582.82
Medium City	42	2	13	\$ 665.91	\$ 248.72	\$ 404.17	\$ 1,318.80	\$ 15,825.60
Small City	47	1	6	\$ 745.19	\$ 124.36	\$ 186.54	\$ 1,506.09	\$ 12,673.02
Community College	2	11	0	\$ 31.71	\$ 1,367.96	\$ -	\$ 1,399.67	\$ 16,796.04
County Government	39	9	0	\$ 618.35	\$ 1,119.24	\$ -	\$ 1,737.59	\$ 20,851.02
Large Business	4	10	0	\$ 63.42	\$ 1,243.60	\$ -	\$ 1,307.02	\$ 15,684.24
Convenience Store Chain	0	11	0	\$ -	\$ 1,367.96	\$ -	\$ 1,367.96	\$ 16,415.52
Water Company	11	0	17	\$ 174.41	\$ -	\$ 528.53	\$ 702.94	\$ 8,435.22
Farmer 1	18		23	\$ 285.39		\$ 715.07	\$ 1,000.46	\$ 9,004.14
Grower	17		14	\$ 269.54		\$ 435.26	\$ 704.80	\$ 6,343.16
Farmer 2	9		14	\$ 142.70		\$ 435.26	\$ 577.96	\$ 5,201.60

\*assumes 30% reaching CAPs  
 \*\*assumes 100% reaching CAPs  
 \*\*\*assumes 9 month irrigation season

Schools and local governments are already facing shortfalls in revenue. To add Staff's proposed level of additional REST collections to SSVEC's proposed funding level just to shorten the backlog by a mere four months, will not be supported by the Cooperative's member-ratepayers.

For the average residential customer reaching the CAP, SSVEC's proposed REST surcharge and CAP will represent approximately 3.97 percent of the energy portion of the electric bill. If Staff's proposed REST CAP is adopted, 6.45 percent of the average residential bill would represent just the REST Tariff. As illustrated in the graphs attached as Attachment A, in less than three years since the REST Tariff was implemented in 2008, the residential CAP will have gone from \$1.30 to its current \$3.49 under the Cooperative's proposal, or \$1.30 to \$5.66 under Staff's proposal. This represents a 435 percent increase in three years. The impacts on small business, large business, irrigation, and industrial customers are even more dramatic as reflected in Attachment A. These are relatively large increases in a short period of time.<sup>5</sup>

SSVEC is concerned that the higher REST Tariff CAP proposed by Staff and reflected in the Draft ROO could result in a backlash against continued proliferation of renewable resources. The funding level submitted by SSVEC in its filing reflects the maximum amount of increase that the Cooperative believes its member-ratepayers should

<sup>5</sup> This is in addition to the rate increase in base rates that the Cooperative was granted in 2009.

1 bear at this time.<sup>6</sup> Moreover, in response to the recommendation in the Staff Report,  
2 SSVEC's democratically member-elected Board of Directors unanimously adopted a  
3 Resolution directing Cooperative management to "vigorously oppose" the increase  
4 proposed by Staff.<sup>7</sup> A copy of the SSVEC Board Resolution is attached hereto as  
5 Attachment B.

6 Other than the desire to accelerate the elimination of the backlog, the Staff Report  
7 does not provide any additional analysis or support to justify its recommendation to  
8 increase the CAP. For the reasons stated above, SSVEC believes that the Commission  
9 should adopt the Cooperative's proposed funding level and leave the CAPs at their current  
10 levels.

11 If the Commission had approved SSVEC's 2011 REST Plan and Tariff to be  
12 effective on December 1, 2010 (which was SSVEC's expectation given the request by the  
13 then Chairman Mayes for the Cooperative to file two months early to address the  
14 incentive backlog), the difference in the amount of incentives reserved (at \$3.00 per watt  
15 as compared to the proposed \$2.00 per watt that was proposed by SSVEC and agreed to  
16 by Staff in the Staff Report and the Draft ROO) have increased program costs by over  
17 \$821,000 at the end of the first quarter of 2011. If the 2011 monthly participation level  
18 stays proportional to that of 2010 (*i.e.*, based on watts reserved for incentive), the  
19 additional cost to the Cooperative and its member-ratepayers in lower REST collections  
20 could average over \$109,000<sup>8</sup> for each additional month of delay until the 2011 REST  
21 Plan is approved by the Commission. Therefore, to the extent there is additional delay in  
22 Commission approval of the SSVEC 2011 REST Plan, the very problems that the 2011  
23 REST Plan are intended to mitigate will continue to be exacerbated.

24 <sup>6</sup> It should be noted that A.A.C. R14-2-1814 allows the Cooperative to submit a REST Plan as a substitute  
25 for the Annual Renewable Energy Requirements set forth in A.A.C. R14-2-1804 and A.A.C. R14-3-1805.  
26 Cooperatives are inherently different than investor-owned utilities. This was expressly recognized by the  
27 Commission when it adopted A.A.C. R14-2-1814 relating to cooperatives.

28 <sup>7</sup> SSVEC informed Staff on several occasions during the pendency of the application that it would have no  
choice but to oppose and request a hearing relating to any proposed increase in the REST surcharge  
beyond the level proposed by the Cooperative.

<sup>8</sup> Based on a three-month average of comparing reservations in 2010 to 2011 and lower REST Tariff  
revenue.

1 **IV. REQUEST FOR HEARING IF SSVEC'S PROPOSED REST TARIFF IS**  
2 **NOT ADOPTED**

3 For the reasons discussed hereinabove, SSVEC hereby requests a hearing on its  
4 2011 REST Plan only if the Commission is going to adopt Staff's proposed REST CAPs  
5 as set forth in the Draft ROO or impose a REST Tariff that is higher than the REST Tariff  
6 proposed by the Cooperative in its filing. SSVEC requests that such hearing be held as  
7 expeditiously as possible and limited in scope to issues of disagreement between the  
8 Cooperative and Staff. SSVEC believes that at such hearing many of SSVEC's member-  
9 ratepayers (including schools, cities, multi-location businesses, and farmers), will want to  
10 provide public comment or intervene in the proceeding to express their opposition to  
11 paying the increase in the REST Tariff proposed by Staff.<sup>9</sup> SSVEC is also prepared to  
12 present evidence demonstrating that Staff's proposed REST Tariff CAP is not appropriate.

13 **V. OTHER COMMENTS RELATING TO THE STAFF REPORT**

14 **A. Leased Systems**

15 Staff recommended approval of SSVEC's proposed One-Time Incentives (OTIs)  
16 and Performance-Based Incentives (PBIs). However, Staff further recommended that  
17 "SSVEC should not be allowed to differentiate between leased and owned systems as the  
18 basis of determining eligibility incentives."<sup>10</sup> SSVEC believes that One-Time Incentives  
19 are not appropriate for equipment that the customer does not have title or ownership. An  
20 example of what concerns SSVEC is as follows:

21 A customer leases an 8kW system which has a 20-year lease. The system  
22 is installed and activated, and SSVEC pays the customer its \$16,000 One-  
23 Time Incentive. Two months (or two years) later, the customer breaks the  
24 lease and leaves town with SSVEC and its member-ratepayers "holding  
25 the bag" having already paid the customer its One-Time Incentive. In this  
26 case, there is no benefit to SSVEC and its member-ratepayers, and the  
27 only one that has benefited is the customer who left with \$16,000 of  
28 member-ratepayer money.

<sup>9</sup> It should be noted that there have been numerous public comments filed in the docket by Cooperative members (including residential and commercial customers, the Cochise County Board of Supervisors, and an irrigation district) opposing Staff's proposed REST Tariff Caps and supporting SSVEC's proposed REST Tariff.

<sup>10</sup> Staff Report at page 12; Draft ROO at Finding of Fact No. 50.

1 SSVEC proposed in its 2011 REST Plan that leased systems not be eligible for  
2 One-Time Incentives. SSVEC accepts Staff's position that leased systems would still be  
3 eligible for Performance-Based Incentives on the "on-grid" rate. Performance-Based  
4 Incentives are paid monthly, which is more appropriate to the structure of leases which are  
5 also usually paid monthly. Those that own a system are asked to make an upfront  
6 payment for its system. Therefore, One-Time Incentives (along with the option of  
7 Performance-Based Incentives) are more appropriate for a customer that owns the system.

8 On April 20, 2011, SolarCity filed in this docket a comment letter that disagrees  
9 with the Cooperative's above-stated position that only Performance-Based Incentives  
10 should be available for leased systems. SolarCity takes the position that there should be  
11 no distinction between owned versus leased systems because the purpose of both forms of  
12 incentives is to lower upfront costs for the customers and that a homeowner who  
13 purchases a system is under no obligation to keep it on their roof for any specified period  
14 of time. There is, however, a significant distinction. In the case of a homeowner that  
15 purchases a system, they are entitled to the larger One-Time Incentive because the  
16 homeowner is going out of pocket for a large up-front investment to own the system  
17 outright. A homeowner that leases a system has elected to pay for its use of the system  
18 over time through smaller lease payments. This is why the smaller periodic Performance-  
19 Based Incentives are more appropriate for leased systems. Why should the Cooperative's  
20 member-ratepayers be required to pay a large upfront incentive when the customer  
21 subscribing to the lease has not made a large upfront investment and could at any time  
22 during the term of the lease walk away? In its comment letter, SolarCity states that if a  
23 homeowner breaks or defaults on their lease:

24 . . . we will make every effort we can to redeploy the system, at no  
25 extra cost to the utility, within the utility's service area.

26 There is, however, no guarantee that SolarCity will be able to successfully redeploy the  
27 system despite its best efforts. Moreover, although SolarCity is willing to do this, there is  
28 no assurance that other solar providers will be as diligent as SolarCity, and the policy that

1 is adopted by the Commission for SSVEC must be applied to all solar providers within its  
2 service territory indiscriminately. Finally, although this issue does involve both the solar  
3 provider and the solar customer, what should not be forgotten is that there is a third party  
4 to this transaction as well. That is the member-ratepayers of SSVEC who are providing  
5 the money to fund the incentives. Their interests must be protected. Accordingly,  
6 SSVEC's proposal to limit One-Time Incentives to customers that own their systems is  
7 reasonable and appropriate.

8 **B. Size Limitations for Incentives**

9 SSVEC and Staff are in agreement that the Cooperative use the same 125 percent  
10 methodology that the Commission approved for the Cooperative's Net Metering Tariff to  
11 determine eligibility for incentives.<sup>11</sup> In order to ensure that SSVEC and its member-  
12 ratepayers are not required to pay incentives to customers who are planning to over-size  
13 their systems, SSVEC requests that the Order issued in this matter specify that the 125  
14 percent limitation be applied to all systems that have not yet been installed, regardless of  
15 the REST program under which they reserved their incentive. Since such customers have  
16 not as yet installed their system and are simply waiting to receive their incentive before  
17 doing so, this would provide the customer the opportunity to appropriately size their  
18 system in order to qualify for the incentive, thereby protecting SSVEC's member-  
19 ratepayers from over-paying for over-sized systems.

20 **VI. REQUEST THAT THE 2011 REST PLAN AND TARIFF BE APPROVED**  
21 **FOR 2012**

22 SSVEC requests that the Order the Commission issues in this matter also approve  
23 the Cooperative's 2011 REST Plan and Tariff as its 2012 REST Plan and Tariff. Pursuant  
24 to Commission Decision No 70096, SSVEC is required to file its annual REST  
25 Implementation Plan and Tariff for the following year by October 1 of each year. Even if  
26 the Commission considers and approves SSVEC's 2011 REST Plan and Tariff at its May  
27 2011 Open Meeting, given the approximately 30 days it will take for SSVEC to make the  
28 changes to implement the new rates, the 2011 REST Tariff would not go into effect until

<sup>11</sup> Staff Report at page 7; Draft ROO at Finding of Fact No. 51.

1 July 1, 2011. If the Commission is not inclined to adopt SSVEC's proposed funding  
2 mechanism (as discussed above), SSVEC is requesting an evidentiary hearing. Given the  
3 resulting approximately three-to-five months' delay if there is a hearing, the earliest  
4 SSVEC's 2011 REST Plan and Tariff would go into effect would be October or  
5 November 2011.

6 Given the amount of time, effort, and expense devoted to the 2011 REST Plan and  
7 Tariff by SSVEC and Staff, SSVEC believes it makes little sense for the Cooperative to  
8 put the 2011 REST Plan and new tariffed rates into operation in the middle to the end of  
9 2011, only to return with a 2012 REST Plan on October 1, 2011. Moreover, at this late  
10 juncture, SSVEC has no plans to submit any changes to its 2011 REST Plan or its REST  
11 Tariff under a 2012 REST Plan. Member-ratepayers should not have to endure a change  
12 in the REST Plan or the rates they will be required to pay in the second half of 2011 only  
13 to have it potentially change once again in such a short period of time at the beginning of  
14 2012. Nor should SSVEC be required to expend additional time, resources, and money to  
15 develop and file a new REST Plan and Tariff (possibly even before the Commission  
16 approves the Cooperative's 2011 REST Plan and Tariff). If the Commission approves this  
17 request, the 2011 REST Plan and Tariff adopted in this proceeding would negate the  
18 requirement for SSVEC to file its 2012 REST Plan and Tariff by October 1, 2011.  
19 Annual reporting requirements would remain in place for both Plan years, and SSVEC  
20 would file its 2013 REST Plan and Tariff for approval by October 1, 2012.

21 **VII. RESPONSE TO INTERVENOR COMMENTS**

22 On May 16, 2011, Intervenor Gail Getzwiller filed comments in the docket  
23 regarding the Cooperative's REST Plan and Tariff. SSVEC hereby responds to some of  
24 those comments.

25 Schools for Solar Program. Ms. Getzwiller asks the Commission to reduce  
26 SSVEC's repayment of its CREBs for its Solar for Schools Program ("Schools Program")  
27 from its REST budget to \$4.00 per watt to help reduce the backlog without raising the  
28 CAPs, and implicitly criticizes the Cooperative for constructing the Schools Program at a

1 cost higher than “the going rate for installed PV.” The Schools Program has been highly  
2 successful. The Program itself, as well as the CREB financing to pay for the Program and  
3 construction costs, was expressly approved by the Commission on December 21, 2007, in  
4 Decision Nos. 70096 and 70097, respectively. Prior to adopting Staff’s recommendation  
5 for approval of the Schools Program, the Commission noted:

6 *Staff notes that the School CREB Bond application by SSVEC*  
7 *resulted from focus groups and input from SSVEC members. The*  
8 *SSVEC members wanted the REST funding to be spent on projects in*  
9 *the SSVEC service territory that are for the “greater good of all*  
*SSVEC members.”*

10 *Staff believes that the Clean Renewable Energy Bonds for Schools*  
11 *Program is an excellent way to allocate REST Surcharge funding,*  
12 *while building a series of distributed generation systems throughout*  
13 *the SSVEC service territory. In a cooperative, where the members*  
14 *are the customers, the benefits from the program will accrue to all*  
*customer/taxpayers in lower school energy bills.*

15 *The federal no-interest CREB Bonds are an excellent way to finance*  
16 *major renewable system costs, while allowing SSVEC to repay the*  
17 *bonds gradually through the use of REST surcharge funds collected*  
18 *each month.*<sup>12</sup>

19 Despite the Commission finding that the Schools Program and its costs were  
20 prudent at the time, Ms. Getzwiller requests that Schools Program costs be repaid from  
21 other sources. SSVEC borrowed the CREB money for the Schools Program with the  
22 express understanding that such money would be paid back from the REST Tariff. As the  
23 Cooperative is obligated to repay this money, Ms. Getzwiller is suggesting that SSVEC  
24 repay this loan from other unnamed sources. As a Cooperative, those other sources would  
25 have to come directly from the member-ratepayers. Accordingly, SSVEC would need to  
26 increase its rates in order to cover the additional cost of this financing.

27 It is inaccurate to imply that SSVEC over-paid for the Schools Program.  
28 Following a bid process, the Cooperative constructed the solar shade structures for the  
schools at the least cost available at the time. It is not fair to compare the per watt cost of

<sup>12</sup> Decision No. 70096 at Finding of Fact Nos. 44, 45 and 46.

1 PV in 2011 to what the cost was in 2007/2008. Moreover, the Commission reviewed the  
2 cost of the Schools Program, as well as the method of repayment of the CREBs financing,  
3 and found both to be reasonable and prudent. The repayment of the CREBs loan has been  
4 in the Cooperative's REST budget for the last two years and approved by the Commission  
5 each time. It is not appropriate to use Commission-approved Schools Program expenses  
6 to reduce the backlog.

7 Sonoita Solar Power Facility – SSVEC has received a CREB allocation to  
8 construct a 750 kW - 1 MW photovoltaic solar power plant at the Sonoita substation. The  
9 Commission approved the financing associated with the CREB loan on March 21, 2011,  
10 in Decision No. 72237. Ms. Getzwiller suggests that SSVEC not be permitted to use  
11 REST funds to repay the CREB loan, but offers no alternative as to how the loan should  
12 be repaid. As discussed above, as a Cooperative, repayment for such projects must come  
13 from the member-ratepayers through increased rates.

14 There was enormous member support for the development of renewable projects in  
15 the Sonoita area. As a result, SSVEC decided to construct the solar facility in Sonoita and  
16 apply for the CREBs financing because the loan would be repaid under its Sun Watts  
17 Large-Scale Generating Program funded through the REST Tariff. Therefore, unless this  
18 project is funded through the REST Tariff, SSVEC would not be in a position to move  
19 forward with the project.

20 Finally, the financing costs associated with this solar facility have been in the  
21 Cooperative's REST budget and approved by the Commission for the last two years. It is  
22 not appropriate to now challenge the repayment method associated with this solar facility  
23 as a means to reduce the backlog.

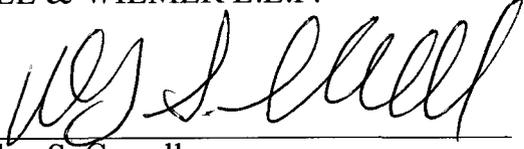
## 24 **VIII. CONCLUSION**

25 On the basis of the foregoing, SSVEC requests that: (i) the Commission adopt  
26 SSVEC's proposed funding level for its REST program; (ii) this matter be scheduled for a  
27 hearing only in the event the Commission is not inclined to adopt SSVEC's proposed  
28 funding level at this time; (iii) SSVEC's comments regarding leased systems and size

1 limitations be adopted; and (iv) the Commission consider and approve SSVEC's 2011  
2 REST Plan and Tariff as the Cooperative's 2012 REST Plan and Tariff as well. For the  
3 convenience of the Commission, attached as Attachment C is a Proposed Amendment that  
4 would amend the Draft ROO to incorporate SSVEC's requested changes.

5 RESPECTFULLY SUBMITTED this 19th day of May, 2011.

6 SNELL & WILMER L.L.P.

7  
8 By 

9 Bradley S. Carroll  
10 One Arizona Center  
11 400 East Van Buren  
12 Phoenix, Arizona 85004-2202  
13 Attorneys for Sulphur Springs Valley Electric  
14 Cooperative, Inc.

15 ORIGINAL and 13 copies filed this  
16 19th day of May, 2011, with:

17 Docket Control  
18 ARIZONA CORPORATION COMMISSION  
19 1200 West Washington  
20 Phoenix, Arizona 85007

21 COPY of the foregoing hand-delivered  
22 this 19th day of May, 2011, to:

23 Gary Pierce, Chairman  
24 ARIZONA CORPORATION COMMISSION  
25 1200 West Washington Street  
26 Phoenix, Arizona 85007

27 Bob Stump, Commissioner  
28 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Paul Newman, Commissioner  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

Sandra D. Kennedy, Commissioner  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

1 Brenda Burns, Commissioner  
ARIZONA CORPORATION COMMISSION  
2 1200 West Washington Street  
Phoenix, Arizona 85007

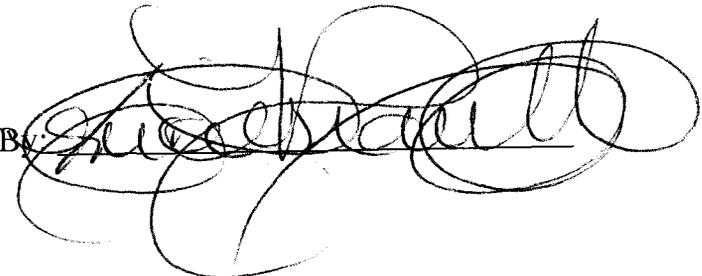
3  
4 Steve Olea, Director  
Utilities Division  
ARIZONA CORPORATION COMMISSION  
5 1200 West Washington Street  
Phoenix, Arizona 85007

6  
7 Wesley C Van Cleve, Attorney  
Legal Division  
ARIZONA CORPORATION COMMISSION  
8 1200 West Washington Street  
Phoenix, Arizona 85007

9  
10 COPY of the foregoing mailed  
this 19th day of May, 2011, to:

11 Jane L. Rodda, Administrative Law Judge  
Hearing Division  
12 ARIZONA CORPORATION COMMISSION  
400 West Congress  
13 Tucson, Arizona 85701-1347

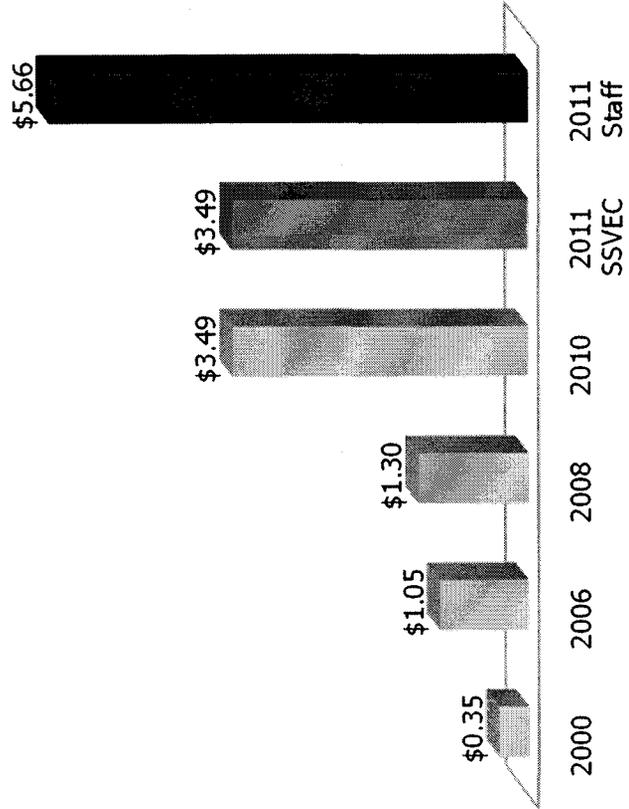
14 Gail Getzwiller  
15 P.O. Box 815  
Sonoita, Arizona 85637

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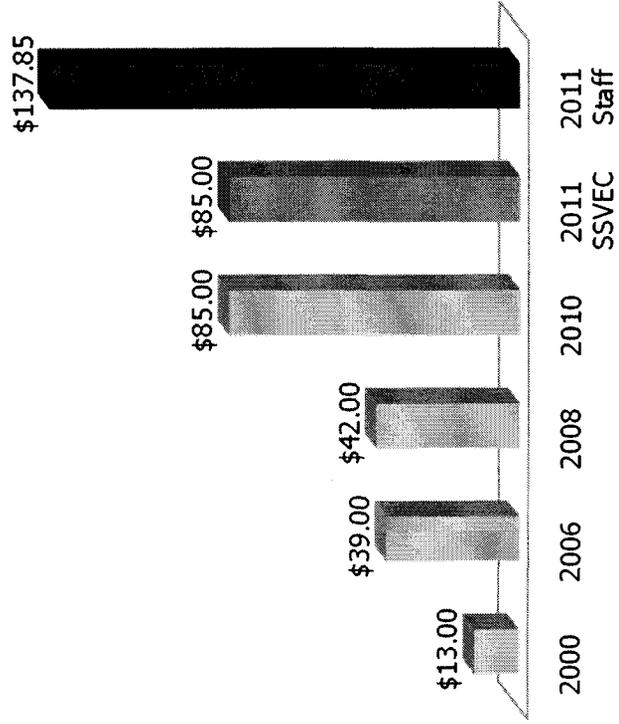
# Attachment A

# History of CAPS

## Residential Cap

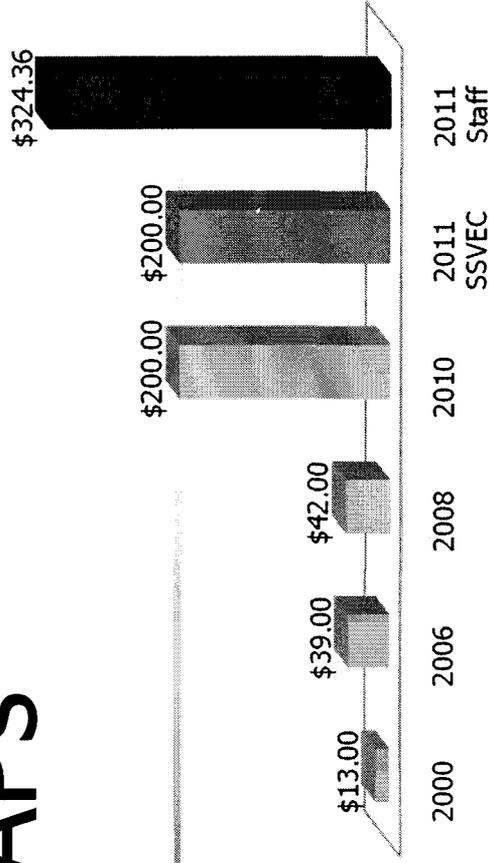


## Small Business

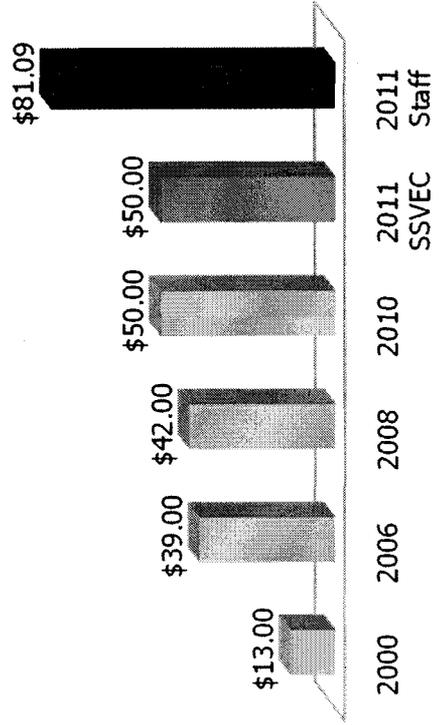


# History of CAPS

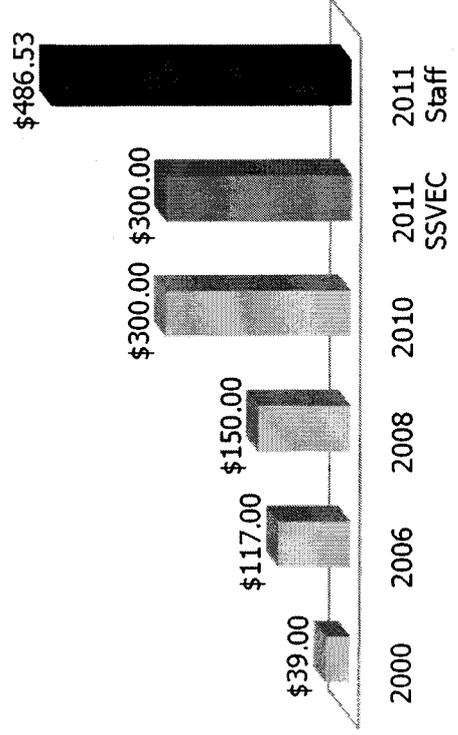
## Large Business



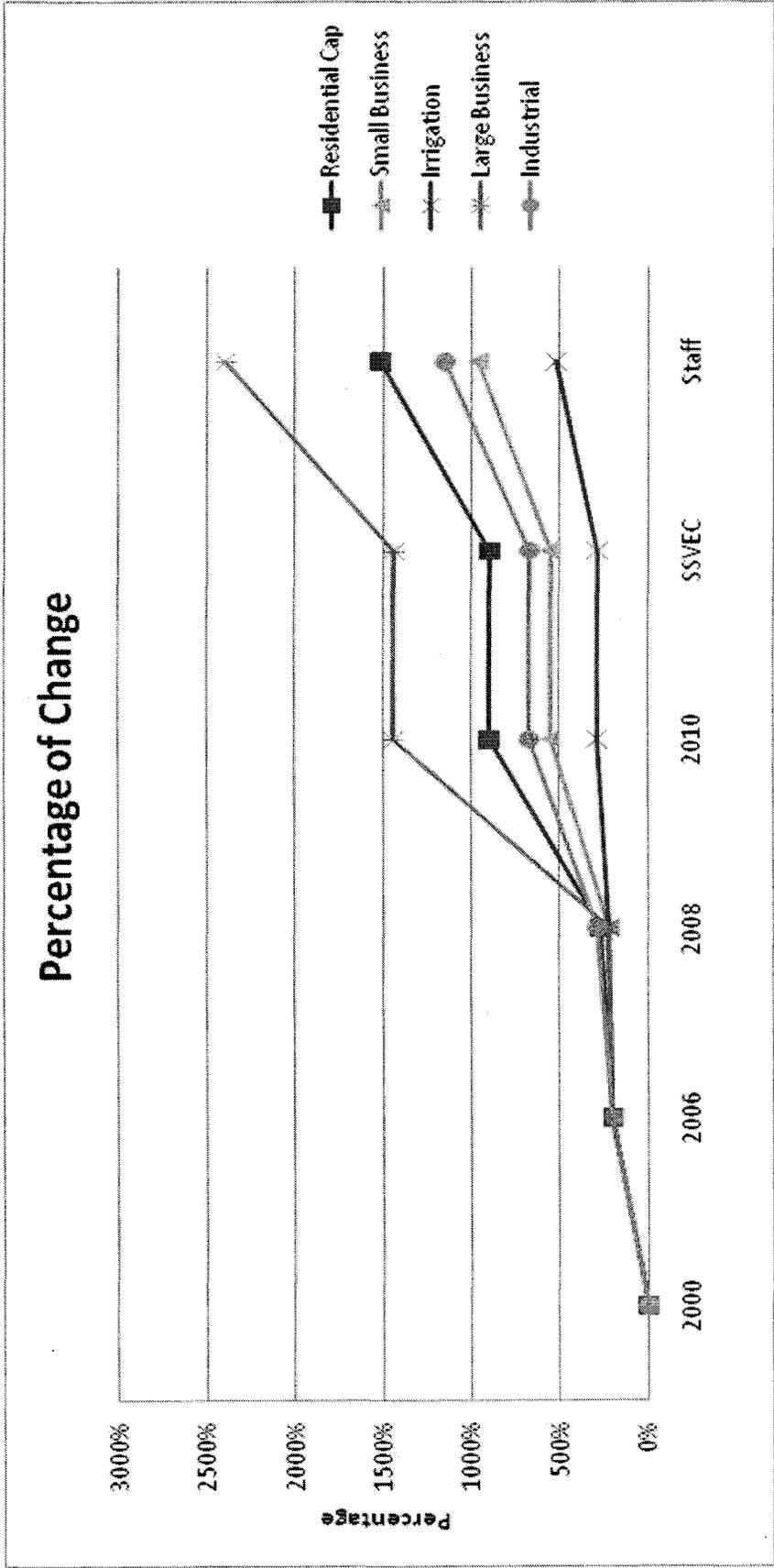
## Irrigation



## Industrial



# History of CAPS



# Attachment B

**RESOLUTION**

**2011-03**

**WHEREAS**, the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) Board of Directors has actively supported the Arizona Corporation Commission (ACC) Renewable Energy Standard Tariff (REST) program and has been recognized as a leader in advancing alternative energy sources; and,

**WHEREAS**, SSVEC recognized that there was a significant backlog in the rebate payout; and,

**WHEREAS**, SSVEC's Board of Directors carefully reviewed all of the facts regarding financial impacts on its member as it recognized that this money for the REST program is coming from its members to pay to other members, considered various ways to reduce the backlog and decided the fairest way to balance this dilemma was to increase the kWh charge and leave the current Caps in place. It thus proposed in its REST plan to increase the funding by approximately \$300,000 a year or a 10% increase and understands that this increase in the rate will result in the backlog being paid off approximately 27 months from the approval of the tariff; and,

**WHEREAS**, ACC staff is recommending doing away with SSVEC's Board's limitation of the overall increase and is recommending that the CAP be increased an average of 62%; and,

**WHEREAS**, this increase in the CAP results in an additional one million-dollar (\$1,000,000) payout by our members at a time when many are having a hard time financially; and,

**WHEREAS**, this increase in the CAP will only result in a shortening of the pay off back log by a period of only four (4) months; and,

**WHEREAS**, asking the City of Sierra Vista to pay \$62,000 more, the Sierra Vista schools to pay \$30,000 more, the City of Benson \$15,000 more, the City of Willcox \$13,000 more, Cochise County \$20,000 more, Cochise College \$16,000 more, and asking individual businesses to pay from \$8,000 to \$12,000 more per year is patently unfair when they are being squeezed from all sides; and,

**WHEREAS**, SSVEC listened closely to the positions and desires of its members and believes that its proposed REST plan is beneficial to all of its members.

**THEREFORE, BE IT RESOLVED,**

The SSVEC Board of Directors directs its staff and management to vigorously Oppose the increase in the CAP proposed by ACC staff and present their position to the ACC.

I, Joseph Furno, certify that I am Secretary of the Sulphur Springs Valley Electric Cooperative, Inc. Board of Directors and that the foregoing is a true and correct copy of a resolution adopted by the SSVEC Board of Directors at a regular meeting held on March 23, 2011.

(seal)

  
Secretary

# Attachment C

## PROPOSED AMENDMENT

Page 13, line 10: **Insert** “Staff” before “Recommendations”.

Page 13, line 23: **Insert** the following additional Finding of Fact:

### **SSVEC Recommendations**

54. SSVEC filed Comments and Exceptions (collectively “Comments”) to the Staff Memorandum on March 31, 2011, and May 19, 2011, respectively. Although SSVEC agreed with most of Staff’s recommendations, the Cooperative disagreed with two of Staff’s recommendations and made two additional requests. Those Comments, and the Commission’s determinations with respect thereto, are as follows:

REST Tariff CAPs – SSVEC disagreed with Staff’s recommendation to increase the REST Tariff Caps as reflected in Staff’s Recommended Option set forth in Table IV above and requested that the Commission adopt SSVEC’s Submitted Option which would leave the CAPs at their current level. SSVEC argued that Staff’s funding option would increase the REST residential CAP by 62 percent, representing a 435 percent increase in the REST Tariff in three years. SSVEC attached to its Comments and filed in the Docket, a Resolution of its Board of Directors urging the Commission to adopt SSVEC’s Submitted Option. Although Staff recommended the higher CAPS to help pay down the existing backlog of rebate reservations earlier, the higher CAP will only shorten the backlog by four months. Accordingly, we will not increase the REST CAPs and adopt SSVEC’s Submitted Option.

Leased Systems – Staff recommended that SSVEC should not be allowed to differentiate between leased and owned systems as the basis of determining eligibility incentives. SSVEC asserted that One Time Incentives are not appropriate for equipment that the customer does not have title or ownership and that leased systems should only be eligible for Performance Based Incentives. SSVEC pointed out that customers that own a system are asked to make a large upfront payment for the system where Performance Based Incentives are paid monthly, which is more appropriate for a lease which is also usually paid monthly. SSVEC was concerned that if a customer that leased a system did not fulfill his lease obligations, SSVEC’s ratepayers would be harmed if they already paid a large One Time Incentive upfront. The Commission believes that SSVEC makes a valid point. Further, because SSVEC is a Cooperative, it should be able to structure its REST program to protect its members. Accordingly, we find that leased systems should be eligible only for Performance Based Incentives.

Size Limitations for Incentives – SSVEC and Staff are in agreement that the Cooperative use the same 125 percent methodology that the Commission approved for the Cooperative’s Net Metering Tariff to determine eligibility for incentives. SSVEC’s Comments pointed out that in order to ensure that SSVEC and its member-ratepayers are not required to pay incentives to customers who are planning to over-size their systems,

SSVEC requested that the Commission specify that the 125 percent limitation be applied to all systems that have not yet been installed regardless of the REST program under which they reserved their incentive. The Commission agrees with the Cooperative that since such customers have not as yet installed their system and are simply waiting to receive their incentive before doing so, this would provide the customer the opportunity to appropriately size their system in order to qualify for the incentive, thereby protecting SSVEC's member-ratepayers from over-paying for over-sized systems. Accordingly, the 125 percent limitation should be applied to all systems that have not yet been installed.

2012 REST Plan and Tariff - SSVEC requested that the Order the Commission issues in this matter also approve the Cooperative's 2011 REST Plan and Tariff as its 2012 REST Plan and Tariff. Pursuant to Commission Decision No 70096, SSVEC is required to file its annual REST Implementation Plan and Tariff for the following year by October 1 of each year. SSVEC argued that the 2011 REST Tariff would not go into effect until July 1, 2011, and given the amount of time, effort, and expense devoted to the 2011 REST Plan and Tariff by SSVEC and Staff, SSVEC believes it makes little sense for the Cooperative to put the 2011 REST Plan and new tariffed rates into operation in the middle of 2011, only to return with a 2012 Plan on October 1, 2011. SSVEC further asserts that the Cooperative has no plans to submit any changes to its 2011 REST Plan or its REST Tariff under a 2012 REST Plan. The Commission believes that the Cooperative's member-ratepayers should not have to endure a change in the REST Plan or the rates they will be required to pay in the second half of 2011 only to have it potentially change once again in such a short period of time at the beginning of 2012. Nor should SSVEC be required to expend additional time, resources, and money to develop and file a new REST Plan and Tariff at this juncture. Accordingly, SSVEC shall not be required to file a REST Plan and Tariff by October 1, 2011, and the Cooperative's 2011 REST Plan and Tariff shall be considered its 2011 and 2012 REST Plan and Tariff. However, annual reporting requirements shall remain in place for both the 2011 and 2012 Plan years, and SSVEC shall file its 2013 REST Plan and Tariff for approval by October 1, 2012.

Page 14, line 2: **Insert** after "2011," the following: "and the Comments filed by Sulphur Springs Valley Electric Cooperative, Inc.,".

Page 14, line 6: **Delete** "Staff's Recommended Option" and **replace** with "Sulphur Springs Valley Electric Cooperative, Inc.'s Submitted Option".

Page 14, line 8: **Delete** "except that Sulphur Springs Valley Electric Cooperative, Inc. shall not differentiate between leased and owned systems as the basis of determining eligible incentives".

Page 14, line 13: **Insert** after "eligibility" the following: "and that the 125 percent limitation be applied to all systems that have not yet been installed, regardless of when the customer reserved their incentive."

Page 14, line 16: **Insert** the following new Ordering Paragraph:

“IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.’s 2011 REST Plan and Tariff shall also be considered as its 2012 REST Plan and Tariff and that Sulphur Springs Valley Electric Cooperative, Inc. shall not be required to file a 2012 REST Plan and Tariff by October 1, 2011. The annual reporting requirements shall remain in place for both the 2011 and 2012 Plan years, and Sulphur Springs Valley Electric Cooperative, Inc. shall file its 2013 REST Plan and Tariff for approval by October 1, 2012.”