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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

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF GRAHAM COUNTY
ELECTRIC COOPERATIVE, INC.
APPLICATION FOR APPROVAL OF THE
2012 RENEWABLE ENERGY STANDARD
AND TARIFF PLAN

DOCKET NO. E-01749A-11-0258

DECISION NO. 72798

ORDER

Open Meeting
January 26, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Graham County Electric Cooperative, Inc. ("Graham County" or "Cooperative") is certificated to provide electricity as public service corporations in the state of Arizona.

Background

2. On June 29, 2011, Graham County filed its 2012 Renewable Energy Standard and Tariff ("REST") Implementation Plan in compliance with A.A.C. R14-2-1801 through R14-2-1816. Graham County's current REST Plan was approved by the Commission in Decision No. 72181, on February 11, 2011.

The 2012 REST Plan

The SunWatts Renewable Energy Purchase Program

3. According to Graham County, it would continue to offer this voluntary program in which retail customers can choose to support renewable energy by purchasing blocks of "green energy." The retail customers can purchase 50 kWh blocks of green energy at a cost of \$2.00 per block.

1 **The SunWatts Residential and Commercial Rebate Program**

2 4. The SunWatts rebate program, offered in compliance with A.A.C. R14-2-1809,
3 provides incentives to customers for installation of qualifying photovoltaic (“PV”), solar water
4 heating, small wind systems, and other renewable technologies. For PV systems up to 10 kW in
5 size, customers would continue to receive an Up-Front Incentive (“UFI”) of \$3.00 per installed
6 watt. Small wind systems up to 10 kW in size would receive a UFI of \$3.00 per installed watt.
7 UFIs for PV and small wind systems would not exceed 40 percent of the total system cost.

8 5. In addition, Graham County would offer UFIs for solar water heating and solar
9 daylighting as outlined in the table below. Graham County would own all the Renewable Energy
10 Credits (“RECs”) from a project receiving UFIs for its operational life. Projects would be rebated
11 on a first-come, first-serve basis until funding is no longer available. Systems which have been
12 approved and not yet rebated due to lack of funding would be placed on a reservation list until
13 additional funding becomes available. Once funding becomes available, rebates would be paid
14 following a final inspection of the system.

15 6. For PV and small wind systems that are larger than 10 kW in size, customers would
16 receive Production Based Incentives (“PBIs”), up to 40 percent of the total system cost. PBIs
17 would be available for a term of up to 20 years but may be limited to the expected operational life
18 of the specific technology. In addition, Graham County would own all the RECs from the project
19 receiving PBIs for the term of the REC agreement. Graham County would offer PBIs for
20 additional technologies at levels shown in the table below.

21 7. Further, systems eligible for PBIs would be subject to a competitive selection
22 process, resulting in the most cost-effective projects being rebated. Projects eligible for PBIs
23 would be competitively selected on a quarterly to semiannual basis. If a project is not selected, the
24 applicant is then informed of the project’s status and given an opportunity to resubmit the project
25 for consideration during the next selection process. Further, Graham County would reserve the
26 right to negotiate the PBI agreement based on current market conditions to obtain the most
27 competitively priced RECs. Projects that are one megawatt (“MW”) or greater would not be

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1 eligible for the incentives outlined in the table below, but instead would be negotiated on a per-
2 project basis relative to market conditions.

3 8. Installations are required to be performed by licensed renewable energy contractors,
4 electricians, or plumbers (in the case of solar water heaters). Graham County may permit self-
5 installations only if the installation has been inspected and verified by a licensed contractor. In
6 addition, customers would continue to be able to assign incentive payments to the contractor
7 installing the system.

8 9. Graham County generally follows the program process guidelines of the Uniform
9 Credit Purchase Program ("UCPP") working group recommendations. Staff recommends that, if
10 the Commission approves a UCPP, that Graham County should be required to develop a
11 mechanism to incorporate UCPP procedures and incentive levels for all eligible technologies in its
12 proposed REST Plans for later years. To the extent that Graham County believes that different
13 incentive levels than those of the UCPP are justified, particularly in remote, rural areas, Graham
14 County could develop such proposals.

15 10. The table below illustrates the incentive levels provided for each technology
16 proposed in Graham County's 2012 REST Plan.

Technology	UFIs	PBIs
Solar Electric	\$3.00 per watt up to 10 kW <i>Not to exceed 40% of the system cost</i>	\$0.14 (max) per kWh (over 10 kW) <i>Not to exceed 40% of the system cost</i>
Small Wind	\$3.00 per watt up to 10 kW <i>Not to exceed 40% of the system cost</i>	\$0.097 (max) per kWh (over 10 kW) <i>Not to exceed 50% of the system cost</i>
Solar Water Heating	\$0.75 per kWh for first year savings	
Solar Daylighting	\$0.18 per kWh for first year savings	
Geothermal -Electric -Thermal		\$0.020 per kWh over 20 yrs \$0.040 per kWh over 20 yrs
Biogas/Biomass -Electric -Thermal -Cooling -CHP-Electric -CHP-Thermal		\$0.050 per kWh over 20 yrs \$0.013 per kWh over 20 yrs \$0.027 per kWh over 20 yrs \$0.029 per kWh over 20 yrs \$0.015 per kWh over 20 yrs
Solar space Cooling		\$0.108 per kWh over 20 yrs

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11. Graham County would continue to purchase Renewable Energy Credits ("RECs") from the commercial distributed generation geothermal project in Willcox, Arizona. Graham County has agreed to pay Willcox Greenhouse, LLC ("WGH") an incentive equal to the lesser of \$0.045 for each REC generated or a yearly incentive cap. Graham County's share of the yearly incentive cap is \$17,009.94 in years one through five and \$11,339.96 in years six through ten.

The SunWatts Large-Scale Purchase Power Contract & Generating Program

12. The Large-Scale Generating Program would have Graham County, on its own or in partnership with others, install and assist in the development of large-scale renewable resources either through purchase power agreements or by the construction of utility owned resources. Graham County has indicated that there are no plans for a large-scale project in 2012.

SunWatts PV for Government, Schools and Nonprofits Program

13. Graham County would offer PBIs to third-party developers or those with access to Stimulus funding that would be interested in installing renewable systems on government, school, and nonprofit buildings.

SunWatts Educational Grant Program

14. Graham County would not continue this program due to the lack of interest and participation. However, Graham County would continue its support of the Arizona Utilities for Renewable Energy Education ("AZURE") initiative.

Tariffs

15. Graham County is not proposing to change the current RES surcharge or monthly maximums for 2012. The kWh surcharges and monthly maximums for Graham County's current RES tariff are:

Customer Class	Existing Surcharges (per kWh)	Existing Maximums (per month)
Residential	\$0.009477	\$2.00
Governmental & Agricultural	\$0.001663	\$24.70
Governmental & Agricultural >3MW	\$0.001663	\$74.10
Non-Residential	\$0.009477	\$74.10
Non-Residential >3MW	\$0.009477	\$222.30

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16. Graham County believes that the current surcharge rates and the monthly maximums contained in Graham County's current RES Tariff will be sufficient to fund its annual budget for 2012. Graham County has not filed a revised Renewable Energy Standard Tariff, Voluntary RES Contribution Program Tariff, or Customer Self-Directed Tariff.

Budget

17. According to Graham County, the funding from the RES surcharge is estimated to be a total of \$339,277. The table below indicates Graham County's estimated REST budget for 2012:

Category	\$ Amount of Total Budget
Rebate Program	\$303,349
---Residential Distributed Generation	\$276,349
---Commercial Distributed Generation	\$27,000
LS*Purchase Power & Generation Program	\$0
Educational Grant Program	\$0
Advertising	\$2,000
Administration	\$33,928
Total	\$339,277

*LS=Large Scale

18. The table below indicates the REST funds Graham County estimates that would be collected in 2012 by each customer class:

Customer Class	Amount	% Reaching Cap
Residential	\$175,674	84.8%
Non-Residential	\$135,106	10.9%
Government/Agricultural	\$28,497	4.6%
Total	\$339,277	

19. Graham County anticipates that approximately \$134,900 in REST funds collected in 2011 will be carried over to 2012. The Graham County 2012 REST Plan indicated that any allocated funds not used in a particular year would be carried over to the following year and may be used in subsequent years to support any REST program.

Staff's Review of the Graham County 2011 REST Plan

20. According to information provided by Graham County in response to Staff's data requests, there has been a decline in customer participation in the Rebate Program. Staff understands that Graham County continues to receive inquiries regarding its REST programs.

1 However, in an effort to lessen the burden of its customers without eliminating the funds necessary
 2 to provide incentives to potential participants and sustain the remaining budget categories, Staff
 3 believes that the following modifications to Graham County's proposed 2012 REST budget should
 4 be implemented. The table below compares the per kWh surcharges and monthly maximums
 5 currently in effect and Staff's proposal for 2012.

Customer Class	Current Surcharges (per kWh)	Current Maximums (per month)	Staff Proposed Surcharges	Staff Proposed Maximums
Residential	\$0.009477	\$2.00	\$0.0009	\$2.00
Governmental & Agricultural	\$0.001663	\$24.70	\$0.001663	\$24.70
Governmental & Agricultural >3MW	\$0.001663	\$74.10	\$0.001663	\$74.10
Non-Residential	\$0.009477	\$74.10	\$0.009477	\$74.10
Non-Residential >3MW	\$0.009477	\$222.30	\$0.009477	\$222.30

11 21. Staff is proposing a change only to the per kWh surcharge for residential customers.
 12 Staff is proposing to reduce the residential per kWh surcharge to \$0.0009 from \$0.009477. Staff is
 13 concerned with the percentage of residential customers that typically reach the monthly maximum
 14 of \$2.00. Reducing the residential per kWh surcharge eliminates the disparate percentage of
 15 customers from each customer class that would reach the respective monthly maximums. With the
 16 reduced residential per kWh surcharge proposed by Staff, only approximately four percent of
 17 Graham County's residential customer class will reach the monthly maximum compared to the
 18 current eighty-two percent of residential customers.

19 22. In addition, reducing the residential per kWh surcharge will also reduce the total
 20 estimated amount of REST funds collected by Graham County. The table below shows Graham
 21 County's proposed 2012 collection compared to Staff's proposal.

Customer Class	Current Amount	Current % Reaching Cap	Staff Proposed Amount	% Reaching Cap w/Staff Proposal
Residential	\$175,674	84.8%	\$64,592	4.3%
Non-Residential	\$135,106	10.9%	\$135,106	10.9%
Government/Agricultural	\$28,497	4.6%	\$28,497	4.6%
Total	\$339,277		\$228,195	

22 23. Staff is not proposing a change to the monthly maximums nor to the per kWh
 23 surcharges for the remaining customer classes at this time. Staff believes that its proposed
 24 modification would allow Graham County to continue to collect sufficient funds to implement the
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1 2012 REST Plan. The estimated \$134,900 carry-over in addition to the estimated \$228,195 to be
2 collected in 2012 as proposed by Staff ensures that Graham County retains sufficient funds to
3 accommodate potential renewable projects while lowering the impact of the REST surcharge on its
4 residential customers' bills. Therefore, for 2012, Graham County would have an estimated
5 \$363,095 in REST funds. However, Staff believes that if a decline in customer participation
6 continues in 2012, Graham County should consider suspending the surcharge for the 2013 REST
7 Plan or lowering the per kWh surcharges within the 2013 REST Plan for all customer classes
8 should there be a significant carry-over from 2012 to 2013.

9 24. Due to the decline in participation and excess REST funding, Staff believes that the
10 incentive levels proposed in Graham County's 2012 REST Plan are appropriate and follow the
11 general guidelines of the UCPP working group. In addition, Staff believes that with the proposed
12 incentive levels, Graham County would continue to be able to sustain its budget in 2012. Staff
13 believes that Graham County should also be able to transfer any allocated funds not used by a
14 particular program to any other program during subsequent years.

15 **Recommendations**

16 25. Staff has recommended approval of the Graham County 2012 REST Plan as
17 discussed and modified herein. In addition, Staff has recommended that the Commission approve
18 Staff's proposed per kWh surcharge of \$0.0009 for residential customers. Staff has further
19 recommended that the current per kWh surcharges for the remaining customer classes and current
20 the monthly maximums for all customer classes remain in effect until further Order of the
21 Commission. Staff has further recommended that Graham County file with Docket Control, as a
22 compliance item, a revised Renewable Energy Standard Tariff within 15 days of the effective date
23 of this Order. Staff has further recommended that Graham County's Customer Self-Directed Tariff
24 and the Voluntary Renewable Energy Standard Contribution Program Tariff, currently on file with
25 the Commission, remain in effect until further Order of the Commission.

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CONCLUSIONS OF LAW

1. Graham County Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Graham County Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated December 29, 2011, concludes that it is in the public interest to approve the Graham County Electric Cooperative, Inc. 2012 REST Plan as specified in this order.

ORDER

IT IS THEREFORE ORDERED that the Graham County Electric Cooperative, Inc. 2012 REST Plan is hereby approved as discussed and modified herein.

IT IS FURTHER ORDERED that the residential customer class surcharge shall be \$0.0009 per kWh until further Order of the Commission.

IT IS FURTHER ORDERED that the current per kWh surcharges approved in Decision No. 72181 for the remaining customer classes shall remain in effect until further Order of the Commission.

IT IS FURTHER ORDERED that the current monthly maximums approved in Decision No. 72181 shall remain in effect until further Order of the Commission.

IT IS FURTHER ORDERED that Graham County file with Docket Control, as a compliance item, a revised Renewable Energy Standard Tariff within 15 days of the effective date of this Order.

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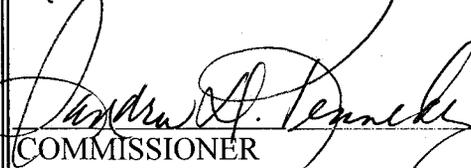
1 IT IS FURTHER ORDERED that Graham County's Customer Self-Directed Tariff and the
2 Voluntary Renewable Energy Standard Contribution Program Tariff, currently on file with the
3 Commission, remain in effect until further Order of the Commission.

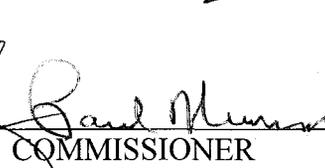
4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

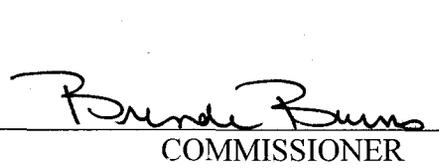
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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9 CHAIRMAN

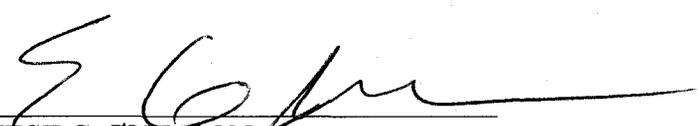

COMMISSIONER

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COMMISSIONER


COMMISSIONER

13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of Phoenix,
17 this 2nd day of FEBRUARY, 2012.

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20 ERNEST G. JOHNSON
21 EXECUTIVE DIRECTOR

22 DISSENT: _____

23 DISSENT: _____

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1 SERVICE LIST FOR: Graham County Electric Cooperative, Inc.
2 DOCKET NO. E-01749A-11-0258

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