



0000135931

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

APR - 5 2012

DOCKETED BY [Signature]

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

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

IN THE MATTER OF THE APPLICATION
OF TRICO ELECTRIC COOPERATIVE,
INC. FOR APPROVAL OF ITS 2012
RENEWABLE ENERGY STANDARD AND
TARIFF IMPLEMENTATION PLAN

DOCKET NO. E-01461A-11-0266
DECISION NO. 73087
ORDER

Open Meeting
March 27 and 28, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico") is certificated to provide electricity as a public service corporation in the State of Arizona.

Background

2. On July 1, 2011, Trico filed its 2012 Renewable Energy Standard Tariff ("REST") Implementation Plan ("2012 REST Plan") in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1801 through R14-2-1816. On October 18, 2011, in Decision No. 72639, the Commission approved a reduction in Trico's Up-Front Incentive ("UFI") amount for photovoltaic ("PV") systems from \$1.50 per watt to \$0.75 per watt. The reduction in Trico's UFI level was granted due to an unexpected increase in the number of rebate applications which further increased the existing backlog for residential PV systems.

3. On November 4, 2011, Trico filed its first supplement ("Supplement I") to its proposed 2012 REST Plan. Supplement I revised the UFI amount for PV systems to \$0.75 per

1 watt in accordance with Decision No. 72639. In addition, Supplement I included additional
2 information regarding its proposed PV Leasing Program (discussed in further detail below).
3 Further, Supplement I included a proposed amended budget for the 2012 REST Plan which
4 accounted for a miscalculation of REST funds to be collected and reallocated funds to incorporate
5 funding for the proposed PV Leasing Program and rebate waiting list (which Trico anticipated to
6 be between \$850,000 to \$1,000,000).

7 4. On November 14, 2011, SolarCity Corporation filed a request to intervene in this
8 docket which was granted by Procedural Order dated December 1, 2011. Finally, on December
9 16, 2011, Trico filed its second supplement ("Supplement II") to its proposed 2012 REST Plan.
10 Supplement II clarifies that a customer that installs a PV or wind system of 10 kW or larger may
11 qualify for the UFI incentive maximum that corresponds to the incentive level for systems up to 10
12 kW.

13 **The 2012 REST Plan**

14 **The SunWatts Green Energy Purchase Program**

15 5. According to Trico, it will continue to offer this voluntary program in which retail
16 customers can choose to support renewable energy by purchasing blocks of "green energy." The
17 retail customers can purchase 50 kilowatt-hour ("kWh") blocks of green energy at a cost of \$2.00
18 per block.

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

20 6. The SunWatts rebate program, offered in compliance with R14-2-1809, would
21 continue to provide incentives to customers for installation of qualifying renewable systems. Trico
22 would continue to pay Up-Front Incentives ("UFIs") of \$0.75 per watt, up to 30 percent of the total
23 system cost, for PV systems up to 10 kW in size (as approved in Decision No. 72639). In addition,
24 Trico is proposing to reduce the UFI for small wind systems from \$1.50 per watt to \$0.75 per watt,
25 up to 30 percent of the total system cost, for systems up to 10 kW in size. Trico is proposing to
26 eliminate the Production Based Incentive ("PBI") for PV and small wind systems up to 10 kW in
27 size because to date, there have been no system applications requesting PBIs. In Supplement I,
28 Trico states that should the budgeted amount of funds for UFIs be exhausted, Trico would

1 discontinue accepting applications under the 2012 REST Plan and any applications would need to
2 be submitted under the REST Plan for 2013.

3 7. Trico's application and Supplement I provide information regarding its proposed
4 PV Leasing Program. In Supplement I, Trico is proposing to offer the PV Leasing Program for PV
5 systems up to 10 kW in size. In addition, Trico is proposing to offer an incentive level of \$0.50
6 per watt up to 30 percent of the total system cost. Trico is also proposing to amend the proposed
7 budget for the PV UFI Rebate and divide the budget into two buckets; one for the UFI rebates and
8 the other for the proposed PV Leasing rebates (further detail regarding Trico's proposed budget is
9 provided below).

10 8. For PV and small wind systems up to 10 kW in size, Trico will own all the
11 Renewable Energy Credits ("RECs") from a system's actual or estimated kWh generation over a
12 20-year period. Trico would provide PBIs for PV and wind systems greater than 10 kW but
13 smaller than 1 megawatt ("MW") in size, not to exceed \$0.08 per kWh, on a first-come, first-
14 served basis. PV and wind systems greater than 10 kW, but smaller than 1 MW, in size would be
15 subject to a competitive selection process. If a project is not selected, it can be resubmitted in a
16 subsequent quarter. In Supplement I, Trico clarifies that due to industry requests, Trico would
17 allow systems of 10 kW or larger to participate in the UFI program with the customer's incentive
18 level being capped at the maximum amount corresponding to the UFI incentive level for a 10 kW
19 (or smaller) system.

20 9. For solar water heating systems, Trico would continue to provide a UFI of \$0.40
21 per kWh of energy saved during the system's first year of operation, based on the OG-300 ratings
22 of the Solar Rating and Certification Corporation. After accounting for and applying all federal
23 and state incentives, the customer contribution to the solar water heating project cost would not be
24 less than 15 percent of the total project cost. Incentives paid for solar water heaters would be
25 distributed on a first-come, first-served basis until funds are no longer available. System
26 installations would be required to be performed by licensed renewable energy contractors,
27 electricians, or plumbers (in the case of solar water heaters). Trico may permit self-installations
28 only if the installation has been inspected and verified by a licensed contractor.

10. The table below illustrates the incentive levels provided for PV, small wind, and solar water heating proposed in Trico's 2012 REST Plan and Supplement I.

Technology	UFI	PBI
Solar Electric	\$0.75/watt for systems up to 10 kW (up to 30% of system cost)	\$0.08/kWh for systems >10 kW up to 1MW
	\$0.50/watt for leased systems up to 10 kW (up to 30% of system cost)	
Small Wind	\$0.75/watt for systems up to 10 kW (up to 30% of system cost)	\$0.08/kWh for systems >10 kW up to 1MW
Solar Water Heating	\$0.40 per kWh for first year savings	N/A

The SunWatts Large-Scale Commercial Renewable Program

11. Trico would continue to participate in the development of large-scale renewable resources which may include large commercial distributed generation renewable projects of 1 MW or more.

SunWatts Utility Scale (Non-Distributed) Generation Program

12. In its application, Trico proposed development of large-scale renewable resources which could include the purchase of renewable credits or power and/or the participation or purchase of utility scale generation renewable projects. Trico originally proposed a budget of \$255,000 for the investigation of such projects. However, in Supplement I, Trico proposes to suspend this program and use the allocated funds toward reducing the residential backlog which continues to accumulate.

SunWatts Educational Grant Program

13. Trico would continue to offer teachers in its service territory an education grant for the development of renewable curricula for the classroom.

SunWatts Habitat for Humanity Program

14. Trico would continue its partnership with Habitat for Humanity to offer renewable energy options to low-income housing in its service area. Trico would provide grants to the Habitat organization to purchase PV and other renewable energy equipment to be installed on

1 Habitat homes. In addition, Trico would assist in finding local renewable energy equipment
2 dealers who would be willing to donate products and services.

3 **PV for Schools Program**

4 15. Trico suspended the PV for Schools Program in 2011. However, Trico is proposing
5 to reinstate this program for 2012. Trico would allocate \$30,000 of the 2012 REST budget toward
6 the installation of up to two PV systems, no larger than 5 kW, on schools in Trico's territory.
7 Schools that submit an application would be subject to a competitive bid process.

8 **Other**

9 16. Net Metering-Trico indicates that all customers with a renewable resource that
10 qualifies and meets the requirements under the A.A.C. R14-2-2301 through A.A.C. R14-2-2308
11 ("Net Metering Rules") are eligible to participate in Trico's Net Metering Tariff approved in
12 Decision No. 71462.

13 17. Arizona Goes Solar Website-Trico continues to support the Arizona Goes Solar
14 website as required by Decision No. 71453.

15 18. SunWatts Sun Farm-The SunWatts Sun Farm is designed to make solar energy
16 accessible for renters and homeowners who cannot site a solar system or who do not have the
17 capital to fund or otherwise finance their own unit. The SunWatts Sun Farm currently consists of
18 840 ground mount fixed tilt panels that total to 227 kW. A Trico customer can purchase the output
19 of the panels in one quarter, one half, or in full panel increments up to but not to exceed their
20 average monthly usage or 10 kW, whichever is less. Customers who participate receive a credit on
21 their bill equal to the energy generated by their partial panel or panel(s). As panel increments are
22 purchased, the funds are used for future expansion and maintenance of the SunWatts Sun Farm.
23 Trico does not pass any costs associated with the SunWatts Sun Farm or any potential future
24 expansion of the SunWatts Sun Farm through the REST surcharge.

25 **Tariffs**

26 19. Trico is not proposing any changes to its current RES Tariff approved in Decision
27 No. 72086 (January 20, 2011). Below is a table with the current per kWh surcharges and monthly
28 caps.

Customer Class/Category	Current	
	Surcharge	Cap
Governmental & Agricultural	\$0.001411	\$43.00
Non-Residential	\$0.008065	\$130.00
Non-Residential >3MW	\$0.008065	\$3,500.00
Residential	\$0.008065	\$3.00

20. The following table provides examples of sample Trico customers and the impact customers can expect to see.

Sample Customers	Average kWh	Current REST
Residential Customer	2,094	\$3.00
Convenience Store	17,340	\$130.00
Elementary School	52,768	\$130.00
Grocery Store	241,773	\$130.00
Farm	13,273	\$130.00
Town of Sahuarita	52,210	\$43.00

21. Trico has estimated the amount of funds the current RES Tariff would collect by customer class in 2012. The table below compares the total proposed budget from its original application and the revised total budget from Supplement I.

Customer Class	Original Application	Supplement I
Governmental & Agricultural	\$5,982	\$32,346
Non-Residential	\$874,343	\$457,425
Non-Residential >3MW	\$0	\$0
Residential	\$1,162,401	\$1,274,269
Total	\$2,042,725	\$1,764,040

Budget

22. In its original application, Trico estimated the 2012 REST budget to be \$2,042,725. However, in its Supplement I, Trico estimates that the 2012 REST budget would be \$1,764,040. During 2011, Trico stated that there was a miscalculation in the amount of dollars that the REST surcharge would provide. The result is a \$280,000 reduction in the proposed 2012 REST budget. Therefore, Trico has proposed to modify its 2012 REST budget. The modified budget reduces the amount of funding available for PV and Wind systems up to 10 kW and systems 10 kW and larger; suspends the Utility Scale Generation Program; allocates funding to help reduce/eliminate the ...

1 current backlog; and reduces the amount of funds allocated to administration and R&D expenses.
 2 Trico has indicated that no R&D is scheduled for 2012.

3 23. The table below indicates Trico's proposed original 2012 REST budget compared
 4 to the proposed revised 2012 REST budget from Supplement I:

Category	Original Total Budget	Revised Total Budget
Residential PV UFI Rebates	\$663,788	\$201,278
Residential PV Lease Rebates	n/a	\$131,330
Residential SWH Rebates	\$56,580	\$56,580
Residential Wind Rebates	\$6,055	\$6,055
Non-Res PV UFI Rebates	\$18,750	\$11,250
Non-Res PV PBI Rebates	\$703,644	\$275,794
Large-Scale Rebates	\$255,000	n/a
Educational Grant Program	\$2,500	\$2,500
Habitat for Humanity Program	\$5,000	\$5,000
PV for Schools	\$30,000	\$30,000
Rebate Backlog	n/a	\$779,647
Admin, Advertising, and R&D	\$301,408	\$264,606
Total	\$ 2,042,725	\$ 1,764,040

13
 14 24. The Trico 2012 REST Plan indicated that any allocated funds not used in a
 15 particular year would be carried over to the following year and may be used in subsequent years to
 16 support any REST program. Staff believes that Trico should be able to transfer any allocated
 17 funds not used by a particular program to any other program in subsequent years.

18 **Staff's Review of the Trico 2012 REST Plan**

19 25. Staff has reviewed Trico's proposed 2012 REST Plan as supplemented. Staff
 20 believes the proposed 2012 REST Plan, including the revisions specified in Supplement I and
 21 Supplement II should be approved, subject to the following conditions. Staff does not believe that
 22 the proposed Residential and Commercial Rebate Program should offer a different UFI for leased
 23 systems versus non-leased systems. According to Trico, leased and non-leased systems would
 24 have the same eligibility requirements and would be funded out of the budget for the Residential
 25 and Commercial Rebate Program. In addition, Staff believes that there is not a way to distinguish
 26 the kWh output between a leased system and a non-leased system. Therefore, Staff believes that
 27 the incentive level for leased PV systems and non-leased PV systems up to 10 kW should be \$0.75
 28 per watt up to 30 percent of the system.

26. Further, due to the consistent backlog experienced by Trico, Staff believes that a trigger mechanism, similar to the mechanism approved in Tucson Electric Power Company's 2012 REST Plan (Decision No. 72736). A trigger mechanism would help prevent any future backlog from occurring. Therefore, Staff has recommended that the UFI for Residential PV systems, Non-Residential PV systems, and Residential solar water heaters remain at \$0.75 per watt. However, should the UFI budget for each program be exhausted before the end of 2012, Trico should discontinue accepting applications under the 2012 REST Plan and begin accepting applications for 2013 at a UFI level of \$0.60 per watt.

27. In addition, Staff has reviewed Trico's proposed 2012 REST budget as revised. Staff commends Trico in its efforts to eliminate its continued residential backlog. However, Staff believes that because Trico has continued to experience such a substantial residential backlog, additional revisions need to be made to the proposed revised 2012 REST budget. According to Trico, as of February 29, 2012, the residential backlog for UFI rebates was approximately \$441,173 (51 PV systems and 46 solar water heaters). Although the residential backlog was lower than initially anticipated by Trico, Staff believes that because of the consistent residential backlog that Trico has experienced in recent years, Trico should suspend for 2012, programs that have had little or no participation in 2011 to ensure adequate funding to eliminate the current residential backlog. Therefore, Staff proposes the following revisions to Trico's 2012 REST budget:

Category	Original Total Budget	Revised Total Budget	Staff Total Budget
Residential PV UFI Rebates	\$663,788	\$201,278	\$332,608
Residential PV Lease Rebates	n/a	\$131,330	n/a
Residential SWH Rebates	\$56,580	\$56,580	\$56,580
Residential Wind Rebates	\$6,055	\$6,055	n/a
Non-Res PV UFI Rebates	\$18,750	\$11,250	\$11,250
Non-Res PV PBI Rebates	\$703,644	\$275,794	\$275,794
Large-Scale Rebates	\$255,000	n/a	n/a
Educational Grant Program	\$2,500	\$2,500	n/a
Habitat for Humanity Program	\$5,000	\$5,000	n/a
PV for Schools	\$30,000	\$30,000	n/a
Rebate Backlog	n/a	\$779,647	\$823,202
Admin, Advertising, and R&D	\$301,408	\$264,606	\$264,606
Total	\$ 2,042,725	\$ 1,764,040	\$ 1,764,040

1 28. Should Trico eliminate its current residential backlog with the additional funding,
2 Staff believes that the remaining funds should be distributed into the Residential and Non-
3 Residential UFI Rebate budget in an effort to prevent another residential backlog. Any programs
4 suspended in 2012 may be reinstated in Trico's 2013 REST Implementation Plan. Staff believes
5 that Trico's revised budget of \$1,764,040 as modified by Staff is appropriate and will assist in
6 reducing if not eliminating the current backlog while providing adequate funding for other
7 programs.

8 Recommendations

9 29. Staff has recommended the following:

- 10 • Approval of the Trico 2012 REST Plan as discussed herein.
- 11 • That Trico be required to offer the same UFI for leased PV systems and non-
12 leased PV systems, up to 30 percent of the total system cost.
- 13 • That the UFI for Residential PV systems, Non-Residential PV systems, and
14 Residential solar water heaters remain at \$0.75 per watt. However, should the
15 UFI budget for each program be exhausted before the end of 2012, Trico
16 should discontinue accepting applications under the 2012 REST Plan and begin
17 accepting applications for 2013 at a UFI level of \$0.60 per watt.
- 18 • Trico's Renewable Energy Standard Tariff, Voluntary Renewable Energy
19 Standard Program Tariff, Renewable Energy Customer Self-Directed Tariff,
20 and SunWatts Sun Farm Tariff currently on file with the Commission, remain
21 in effect until further Order of the Commission.
- 22 • Approval of the budget for Trico's 2012 REST Plan, as modified by Staff in the
23 previous section.

21 Trico's Exceptions

22 30. On March 23, 2012, Trico filed exceptions to Staff's Proposed Order. In those
23 exceptions, Trico requested that: (i) the UFI for residential and non-residential PV systems be set
24 at \$0.60/watt; (ii) upon exhaustion of the 2012 REST budget for UFI programs, Trico discontinue
25 accepting applications under the 2012 REST Plan and begin accepting applications for 2013 at a
26 UFI to be determined by the Commission in connection with the 2013 REST Plan; and (iii) shift
27 \$90,000 from the Rebate Backlog budget to the Non-Residential PV PBI Rebate budget. Trico
28

1 also requested that the Proposed Order be clarified to state that the UFI for solar hot water heaters
2 be set at \$0.40 per kWh of energy saved during a system's first year of operation.

3 31. Trico's exceptions are well-taken and we will modify Staff's recommendations as
4 follows:

- 5 a. The UFI for residential and non-residential PV systems will be set at \$0.60/watt
6 for the 2012 REST Plan.
- 7 b. The UFI for solar hot water heaters be set at \$0.40 per kWh of energy saved
8 during a system's first year of operation, based on the OG-300 ratings of the
9 Solar Rating and Certification Corporation.
- 10 c. From this point on, Trico's UFI levels for Residential and Non-Residential PV
11 systems shall equal those of Tucson Electric Power Company. Upon exhaustion
12 of the budget for a UFI program, Trico will accept applications for the 2013
13 REST Plan at a UFI to be determined by the Commission in connection with the
14 2013 REST Plan.

15 CONCLUSIONS OF LAW

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

18 2. The Commission has jurisdiction over Trico Electric Cooperative, Inc. and over the
19 subject matter of the Application.

20 3. The Commission, having reviewed the application and Staff's Memorandum dated
21 March 13, 2012, concludes that it is in the public interest to approve Trico Electric Cooperative,
22 Inc.'s 2012 REST Plan as specified in this order.

23 ORDER

24 IT IS THEREFORE ORDERED that the Trico Electric Cooperative, Inc. 2012 REST Plan
25 be and is hereby approved as discussed and modified herein.

26 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall offer the same UFI
27 for leased PV systems and non-leased PV systems, up to 30 percent of the total system cost.

28 IT IS FURTHER ORDERED that the UFI for Residential PV systems and Non-Residential
PV systems be set at \$0.60/watt beginning November 15, 2011, and that the UFI for solar hot
water heaters be set at \$0.40 per kWh of energy saved during a system's first year of operation,

1 based on the OG-300 ratings of the Solar Rating and Certification Corporation. In addition, from
2 this point on, Trico Electric Cooperative, Inc.'s UFI levels for Residential and Non-Residential PV
3 systems shall equal those of Tucson Electric Power Company.

4 IT IS FURTHER ORDERED that the Trico Electric Cooperative, Inc. Renewable Energy
5 Standard Tariff, Voluntary Renewable Energy Standard Program Tariff, Renewable Energy
6 Customer Self-Directed Tariff, and SunWatts Sun Farm Tariff currently on file with the
7 Commission, remain in effect until further Order of the Commission.

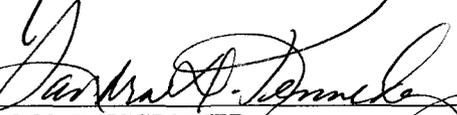
8 IT IS FURTHER ORDERED that this Order shall become effective immediately.

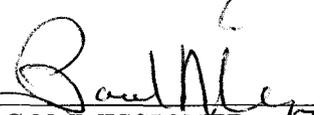
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

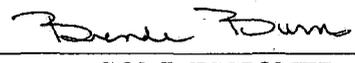
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

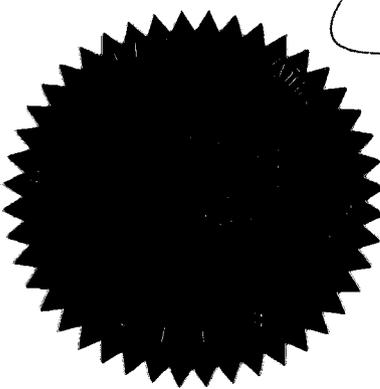

CHAIRMAN


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 4th day of April, 2012.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:CLA:lhms\SH

1 SERVICE LIST FOR: Trico Electric Cooperative, Inc.
2 DOCKET NO.: E-01461A-11-0266

3 Mr. Michael Patten
4 Roshka DeWulf & Patten, PLC
5 400 East Van Buren Street, Suite 800
6 Phoenix, Arizona 85004

7 Mr. Court S. Rich
8 Rose Law Group PC
9 6613 North Scottsdale Road, Suite 200
10 Scottsdale, Arizona 85250

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

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

21
22
23
24
25
26
27
28