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**OPEN MEETING**

**RECEIVED**

**MEMORANDUM**

2013 JAN 11 P 1:01

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 11, 2013

RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF ITS 2013 RENEWABLE ENERGY STANDARD TARIFF AND IMPLEMENTATION PLAN. (DOCKET NO. E-01575A-12-0264)

**Introduction**

On June 20, 2012, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") filed an application with the Arizona Corporation Commission ("Commission") seeking approval of its 2013 Renewable Energy Standard and Tariff ("REST") and Implementation Plan ("Application"). SSVEC subsequently filed amendments to the Application on July 11, 2012, August 8, 2012, October 29, 2012, and December 17, 2012.

**The SSVEC REST Plan**

The SSVEC 2013 REST Plan targets a renewable energy goal of 2 percent of retail sales. Based on 2011 retail sales of 840,860,567 kWh, this equates to 16,817,211 kWh of renewable energy.

The implementation portion of the Application consists of several programs, collectively called "Sun Watts". Details of the programs are discussed below.

**The Sun Watts Green Contribution Program**

This program allows customers to elect to contribute additional dollars on their bills to be used to fund various renewable energy programs. SSVEC does not propose changes to this program in the 2013 Plan.

Arizona Corporation Commission

**DOCKETED**

JAN 11 2013

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The Sun Watts Residential Incentive Program

Currently, this program pays a One Time Incentive (“OTT”) of \$2.00 per installed Watt, up to 40 percent of the total cost of a photovoltaic or wind system with a system size maximum of 10 kW. SSVEC now proposes to pay \$0.50 per installed Watt of a photovoltaic system, up to 35 percent of the installed cost. A summary of SSVEC’s proposed and approved OTIs is presented in Table I. For systems greater than 10 kW, SSVEC will pay the Performance Based Incentive only, at the rates presented in Table II.

Table I  
Proposed and Approved One-Time Incentives

<b>Program</b>	<b>Proposed 2013 One-Time Incentives</b>	<b>Approved 2011 One-Time Incentives</b>
<b>Sun Watts Residential Incentive</b>	\$0.50 per Watt, up to 35 % of installed cost	\$2.00 per Watt, up to 40% of installed cost
<b>Sun Watts Commercial Incentive</b>	\$1.00 per Watt, up to 40% of system cost for grid-connected systems less than 10 kW; \$1.00 per Watt. Up to 35% of system cost for off-grid systems.	\$1.25 per Watt, up to 40% of installed cost for grid-connected systems less than 10 kW; \$1.00 per Watt, up to 40% of system cost for off-grid systems.
<b>Solar Water Heater Program</b>	\$0.65 per kWh of estimated energy saved during 1st year of system operation, up to 25% of system cost.	\$0.75 per kWh of estimated energy saved during 1 <sup>st</sup> year of system operation, up to 25% of system cost.

**Table II**  
**Proposed and Approved Performance Based Incentives**

Performance Based Incentive	10-Year REC & Payment Agreement (\$/kWh)		15-Year REC & Payment Agreement (\$/kWh)		20-Year REC & Payment Agreement (\$/kWh)	
	2013	2011	2013	2011	2013	2011
Grid-Connected	0.084	0.182	0.082	0.168	0.08	0.162
Off-Grid	0.06	0.109	0.05	0.101	0.04	0.065

For off-grid direct current ("DC") systems (for water pumping only) under 1,500 Watts, SSVEC will pay the PBI only and system production will be calculated rather than metered. The calculation will assume 6 hours of production per day for fixed arrays and 8 hours per day for tracking arrays. For off-grid DC systems larger than 1,500 Watts, the customer must provide its own DC Watt-hour meter and the customer will be paid at the grid-connected PBI rate. The off-grid PBI will be paid twice per year in January and July. The total PBI paid shall not exceed the amount of the One Time Incentive.

Wind System Incentives

Wind systems will be paid the Production Based Incentive only. The PBI rates are listed in Table II above. The maximum PBI payment is 40% of the installed cost, or \$1.00 per Watt, whichever is less. To qualify for the wind system PBI, the system must have a final output voltage of at least 120v AC and DC systems are not eligible for incentives.

Sun Watts Commercial One-Time and Performance Based Incentives

The Sun Watts Commercial One-Time and Performance Based Incentives program offers options of either an upfront (One-Time) or Performance Based Incentive, for the installation of qualifying photovoltaic (PV), solar water heating (SWH), and small wind installations. To qualify for an Incentive, the system must be no more than 125 percent of the customer's connected load measured in kWh.

To the Commission

Page 4

January 11, 2013

For grid-connected systems equal to or less than 10 kW, the customer may choose either an OTI of \$1.00 per DC Watt up to 40 percent of system cost, or a PBI. The PBI will be paid at the rates listed in Table II.

For grid-connected systems over 10 kW but less than or equal to 50 kW, SSVEC will pay the PBI only, with a maximum total incentive payment of 45 percent of the system cost, or \$1.00 per Watt, whichever is less. Production Based Incentives will be paid monthly as a bill credit, and credit balances over \$100 will be paid by check monthly.

For off-grid systems, SSVEC will pay an OTI of \$1.00 per Watt up to 35 percent of the system cost, or the PBI at the rates listed in Table II.

Systems over 50 kW, regardless of technology, are not eligible for any incentive or payment under SSVEC's REST Plan. SSVEC notes that they have had no requests for systems larger than 50 kW.

#### Debt Service for the 2008 Schools Project

The repayment budget for the CREB bonds utilized in the 2008 Schools Project is \$750,000 per year.

#### The Sun Watts Large-Scale Generating Program

SSVEC installed two cooperative-owned, utility-scale solar photovoltaic systems in 2012, with a total capacity of 1.5 MW. These solar power plants were funded through Commission-approved CREB funds. SSVEC's proposed 2013 REST Plan budget includes a line item for debt service of these CREB bonds. SSVEC proposes to reimburse the REST fund for all kWh produced by these solar power plants at the Avoided Cost Rate as set in SSVEC's Net Metering Tariff which is updated annually.

#### Independent Power Production Projects

SSVEC includes a statement in its Application that states that any developer that wishes to install a renewable generation facility (i.e. a facility without any existing load being served by SSVEC) must contact SSVEC to coordinate efforts. Any and all system improvements required to wheel power from the facility to a buyer other than SSVEC will be at the developer's sole cost.

#### The Sun Watts Residential and Small Business Revolving Loan Program

SSVEC will continue to offer its 3 percent (interest rate) revolving loan program for residential and small business with a \$2.00 per Watt loan limit. The loan caps will remain at \$8,000 for residential and \$20,000 for small businesses and can be no more than 25 percent of the cost of the project. Loan amounts up to \$10,000 are repayable over five years, and loans in

the amount of \$10,001 or more are repayable over 10 years. These are secured loans, and liens are placed against the customer's property.

#### The Sun Watts Loan Program for Large (Over 20 kW) Systems

SSVEC will continue to offer a revolving loan program for large (over 20 kW) systems for both commercial and industrial customers. Under the program, these customers will be able to borrow \$1.00 per Watt up to \$75,000 or 25 percent of the cost of the project whichever is less. The interest rate on these loans is 3 percent. Payments would be monthly and payable over a 60, 90, or 120 month period. These are secured loans, and liens are placed against the property. Payments and interest from this loan program are remitted back to the REST fund.

#### Solar Water Heater Program

SSVEC proposes to pay a rebate equal to \$0.65 per kWh of estimated energy saved during the system's first year of operation. This proposed rate is \$0.10 per kWh less than the approved 2011 rate. Solar water heating systems are eligible for the Sun Watts loan program up to a maximum of 25 percent of the system cost. Both residential and commercial water heater systems are eligible. Solar swimming pool heating systems are not eligible. Only systems with an OG-300 rating from the Solar Rating and Certificate Corporation are eligible for either the rebate or loan programs.

#### UCPP Approved Technologies

SSVEC states that it will use the incentive, specifications, and criteria developed by the Uniform Credit Purchase Program ("UCPP") Working Group as the basis for Performance Based Incentives. SSVEC is proposing revised incentives for solar day lighting, geothermal, biogas/biomass, and solar space cooling. Incentive amounts have been reduced slightly from the values approved in SSVEC's 2011 REST Implementation Plan. The 2013 proposed incentive levels, with 2011 values for comparison, are as follows in Table III:

**Table III  
Proposed and Approved Incentives for UCPP Approved Technologies**

<b>Technology</b>	<b>Proposed 2013 OTI</b>	<b>Proposed 2013 PBI</b>	<b>Approved 2011 Incentives</b>
Solar Day Lighting	\$0.12 per kWh for first year savings		\$0.18 per kWh for measured and verified first year savings
Geothermal			
Electric		\$0.02 per kWh over 10 years	\$0.022 per kWh over 10 years
Thermal		\$0.035 per kWh over 10 years	\$0.044 per kWh over 10 years
Biogas/Biomass			
Electric		\$0.034 per kWh over 10 years	\$0.054 per kWh over 10 years
Thermal		\$0.010 per kWh over 10 years	\$0.014 per kWh over 10 years
Cooling		\$0.025 per kWh over 10 years	\$0.029 per kWh over 10 years
CHP-Electric		\$0.025 per kWh over 10 years	\$0.032 per kWh over 10 years
CHP-Thermal		\$0.013 per kWh over 10 years	\$0.016 per kWh over 10 years
Solar Space Cooling		\$0.077 per kWh over 10 years	\$0.116 per kWh over 10 years

In the application, SSVEC notes that incentives for Solar Day Lighting will continue to be paid at the end of a 12-month measurement and verification period. Performance Based Incentives are now capped at 35 percent of total project cost.

Additional Programs and Incentives

SSVEC proposes to continue the Habitat for Humanity Program (“Habitat”). SSVEC contributes up to \$15,000 to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes. If Habitat does not have a suitable project, these funds will be used to pay residential and commercial incentives. SSVEC notes that it will also assist in finding local renewable energy equipment dealers who are willing to donate products and services to the Habitat cause.

SSVEC will provide a \$1,200 builder advertising incentive for builders who install renewable technologies on their model homes, with a limit of 2 homes per builder per year.

SSVEC proposes to continue to fund a grant program for teachers in its service territory for the development of renewable energy curricula for the classroom. SSVEC's 2013 budget allows up to ten grants of \$500 each.

REST Plan Funding and Expenditures

SSVEC is not proposing any changes to its REST kWh surcharge or the REST surcharge caps. One REST Tariff change proposed by SSVEC is to modify how re-inspection charges will be levied. Currently, SSVEC charges the customer \$75 for the first re-inspection and \$150 for each subsequent re-inspection. SSVEC proposes to levy the re-inspection charge against the contractor of the renewable energy system. The other tariff change is to add a daily REST cap of \$0.115 for pre-pay customers.

The SSVEC REST Surcharge is \$0.00988 per kWh and the collection caps are shown in the following Table IV:

**Table IV  
REST Plan Collections**

Rate Class	Monthly Collection Caps	Monthly Average per Bill	Percentage Reaching Cap	Collection by Rate Class
Rate R	\$3.49	\$ 3.11	74.4%	\$ 121,205
Rate G	\$85.00	\$ 10.86	1.8%	\$ 80,144
Rates I	\$50.00	\$ 36.50	61.8%	\$ 19,802
Rates P	\$200.00	\$ 139.15	45.0%	\$ 53,397
Rate C	\$300.00	\$ 300.00	100.0%	\$ 600

SSVEC has provided the 2013 REST Plan budget as shown in the following Table V:

**Table V  
Proposed 2013 REST Plan Budget**

<b>Collections</b>	
Estimated 2013 REST Surcharge	\$3,344,909
SSVEC-owned Solar Power Plant production	\$111,596
Estimated 2012 carryover	\$5,082
Total	\$3,461,587
<b>Expenditures</b>	
Loan Program	\$125,000
Program Costs (Administration, Advertising, etc.)	\$200,000
Habitat Program	\$15,000

Advertising	\$1,000
CREB Bonds for Schools Debt Service	\$750,000
CREB Bonds for Solar Power Plant Debt Service	\$350,000
SunWatts Residential Incentives	\$1,110,873
SunWatts Commercial Incentives	\$707,555
PBI Residential	\$101,079
PBI Commercial	\$101,079
Total	\$3,461,586

REST Plan and Report Formats

Under Decision No. 72737 dated January 18, 2012, the Commission ordered the formation of a REST Format Working Group (“Working Group”) to prepare format guidelines for future REST Implementation Plans and REST Compliance Reports. The Working Group docketed a report with its recommendations on August 31, 2012, and is pending Staff approval. The effective date for usage of the templates is April 1, 2013, for the 2012 Compliance Reports and July 1, 2013, for the 2014 REST Implementation Plans. Staff recommends that SSVEC’s future REST Plan applications and compliance reports conform to the Working Group guidelines, as approved by Staff.

Staff Recommendations

Staff recommends approval of SSVEC’s 2013 REST Implementation Plan, as filed.

Staff further recommends that SSVEC’s future REST Plans and compliance reports conform to the Working Group guidelines, as approved by Staff.

Staff further recommends that SSVEC be ordered to file a tariff in compliance with the Decision in this case within 15 days of the effective date of that Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:RBL:sms/WVC

ORIGINATOR: Rick Lloyd

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

IN THE MATTER OF SULPHUR SPRINGS  
VALLEY ELECTRIC COOPERATIVE,  
INC.'S APPLICATION FOR APPROVAL OF  
ITS 2013 RENEWABLE ENERGY  
STANDARD TARIFF AND  
IMPLEMENTATION PLAN.

DOCKET NO. E-01575A-12-0264  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
January 23, 2013  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Sulphur Springs Valley Electric Cooperative ("SSVEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On June 20, 2012, SSVEC filed an application with the Arizona Corporation Commission ("Commission") seeking approval of its 2013 Renewable Energy Standard and Tariff ("REST") and Implementation Plan ("Application"). SSVEC subsequently filed amendments to the Application on July 11, 2012, August 8, 2012, October 29, 2012, and December 17, 2012.

The SSVEC REST Plan

3. The SSVEC 2013 REST Plan targets a renewable energy goal of 2 percent of retail sales. Based on 2011 retail sales of 840,860,567 kWh, this equates to 16,817,211 kWh of renewable energy.

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4. The implementation portion of the Application consists of several programs, collectively called "Sun Watts". Details of the programs are discussed below.

The Sun Watts Green Contribution Program

5. This program allows customers to elect to contribute additional dollars on their bills to be used to fund various renewable energy programs. SSVEC does not propose changes to this program in the 2013 Plan.

The Sun Watts Residential Incentive Program

6. Currently, this program pays a One Time Incentive ("OTI") of \$2.00 per installed Watt, up to 40 percent of the total cost of a photovoltaic or wind system with a system size maximum of 10 kW. SSVEC now proposes to pay \$0.50 per installed Watt of a photovoltaic system, up to 35 percent of the installed cost. A summary of SSVEC's proposed and approved One-Time Incentives is presented in Table I. For systems greater than 10 kW, SSVEC will pay the Performance Based Incentive only, at the rates presented in Table II.

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**Table II**  
**Proposed and Approved Performance Based Incentives**

Performance Based Incentive	10-Year REC & Payment Agreement (\$/kWh)		15-Year REC & Payment Agreement (\$/kWh)		20-Year REC & Payment Agreement (\$/kWh)	
	2013	2011	2013	2011	2013	2011
<b>Grid-Connected</b>	0.084	0.182	0.082	0.168	0.08	0.162
<b>Off-Grid</b>	0.06	0.109	0.05	0.101	0.04	0.065

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3 offers options of either an upfront (One-Time) or Performance Based Incentive, for the installation  
4 of qualifying photovoltaic (PV), solar water heating (SWH), and small wind installations. To  
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V:

**Table V**  
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Habitat Program		\$15,000
Advertising		\$1,000
CREB Bonds for Schools Debt Service		\$750,000
CREB Bonds for Solar Power Plant Debt Service		\$350,000
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PBI Residential		\$101,079
PBI Commercial		\$101,079
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REST Plan and Report Formats

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1 Recommendations

2 29. Staff has recommended approval of SSVEC’s 2013 REST Implementation Plan.

3 30. Staff has further recommended that SSVEC’s future REST Plan applications and  
4 compliance reports conform to the Working Group guidelines, as approved by Staff.

5 31. Staff has further recommended that SSVEC be ordered to file a tariff in compliance  
6 with the Decision in this case within 15 days of the effective date of that Decision.

7 CONCLUSIONS OF LAW

8 1. Sulphur Springs Valley Electric Cooperative, Inc. is an Arizona public service  
9 corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

10 2. The Commission has jurisdiction over Sulphur Springs Valley Electric Cooperative,  
11 Inc. and over the subject matter of the application.

12 3. The Commission, having reviewed the application and Staff’s Memorandum dated  
13 January 11, 2013, concludes that SSVEC’s 2013 REST Implementation Plan should be approved  
14 as filed.

15 ORDER

16 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative Inc.’s  
17 2013 REST Implementation Plan as filed is hereby approved.

18 ...  
19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

1 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative Inc.'s  
2 future REST Plans and compliance reports conform to the Working Group guidelines, as approved  
3 by Staff.

4 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. shall  
5 file a tariff in compliance with the Decision in this case within 15 days of the effective date of that  
6 Decision.

7 IT IS FURTHER ORDERED that this decision shall become effective immediately.

8

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

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, JODI JERICH, Executive  
Director of the Arizona Corporation Commission, have  
hereunto, set my hand and caused the official seal of this  
Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

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\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

22

23

DISSENT: \_\_\_\_\_

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DISSENT: \_\_\_\_\_

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SMO:RBL:sms/WVC

27

28

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative's 2013 REST Implementation  
Plan

2 DOCKET NO. E-01575A-12-0264

3 Mr. Jack Blair  
4 Sulphur Springs Valley Electric Cooperative  
311 E. Wilcox  
5 Sierra Vista, Arizona 85635

6 Mr. David Bane  
7 Sulphur Springs Valley Electric Cooperative  
311 E. Wilcox  
8 Sierra Vista, Arizona 85635

9 Mr. Steven M. Olea  
Director, Utilities Division  
10 Arizona Corporation Commission  
1200 West Washington Street  
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12 Ms. Janice M. Alward  
13 Chief Counsel, Legal Division  
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14 1200 West Washington Street  
15 Phoenix, Arizona 85007

16 Ms. Lyn Farmer  
Chief Administrative Law Judge  
17 Hearings Division  
Arizona Corporation Commission  
18 1200 West Washington Street  
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