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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

Arizona Corporation Commission

DOCKETED

MAR 21 2013

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IN THE MATTER OF NAVOPACHE
ELECTRIC COOPERATIVE, INC. -
APPLICATION FOR APPROVAL OF
RENEWABLE ENERGY STANDARD
PLAN AND TARIFFS.

DOCKET NO. E-01787A-12-0447

DECISION NO. 73770

ORDER

Open Meeting
March 12, 2013 and March 13, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navopache Electric Cooperative, Inc. ("NEC") is certificated to provide electric service as a Public Service Corporation in the State of Arizona.

2. On October 30, 2012, NEC filed an application for approval of its 2013 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules. NEC forecasts 393.6 gigawatt-hours in retail sales to its membership in 2013.

Renewable Energy Requirement

3. Under the REST Rules, investor-owned utilities ("IOUs") are required to meet specific annual percentage-of-sales targets for both Renewable Energy Resources and Distributed Renewable Energy Resources. However, electric cooperatives are excluded from these specific requirements by R-14-2-1814. Electric cooperatives, instead, are required to submit "...appropriate plans for acquiring Renewable Energy Credits...".

4. NEC proposes to obtain approximately 0.89 percent of its forecast 2013 retail sales from Renewable Energy Resources in the subject plan. This compares to a range of 0.19 to 1.02 percent of sales for other Arizona electric cooperatives. In comparison, the REST Rule requirement for IOUs in 2013 is 4 percent of retail sales, of which 30 percent must be Distributed Renewable Energy Resources.

NEC's Renewable Infrastructure

5. NEC's REST Plan for 2013 consists of using existing utility- and member-owned renewable resources. Since 2003, NEC has installed and interconnected four separate utility-owned photovoltaic ("PV") systems to the distribution system. The four systems have a combined capacity of approximately 270 kW.

6. NEC currently has 165 member-installed renewable energy systems in operation. The NEC member-installed systems include photovoltaic systems, solar thermal systems, and wind turbines. A summary of NEC's renewable resources is presented in Table 1.

Table 1
2012 Renewable Energy Resources

Resource	NEC 2012	
	kW Capacity	kWh Energy
Utility-Owned Renewable Generation	278	608,820
Member-Owned Dist. Generation	1,328	2,908,320
Purchased Power (RECs)	0	0
Total	1,606	3,517,140

7. NEC claims to be in negotiations to purchase Renewable Energy Credits ("RECs") from a proposed biomass project. However, NEC does not anticipate making actual REC purchases from this facility until 2014.

NEC's 2013 REST Implementation Plan

8. NEC has proposed a number of changes to its Renewable Energy Incentive Plan ("REIP") for 2013. Specifically, NEC proposes to make the following revisions:

...

...

- 1 A. Change the Residential Grid-Tied Up-Front Incentive (“UFI”) from \$3 per
2 watt, up to 50 percent of the installed cost with a maximum amount of \$25,000 to
3 \$0.50 per watt, up to 50 percent of the installed cost, less any grant funds applied to
4 the cost of the installation with a maximum amount of \$5,000 and limited to 10 kW
5 maximum systems;
- 6 B. Eliminate the Residential Off-Grid UFI;
- 7 C. Change the Non-Residential Grid-Tied UFI from \$3 per watt, up to 50
8 percent of the installed cost with a maximum amount of \$25,000 to \$0.50 per watt,
9 up to 50 percent of the installed cost, less any grant funds applied to the cost of the
10 installation with a maximum amount of \$12,500 and limited to 50 kW maximum
11 systems;
- 12 D. Add a member leased program to the REIP;
- 13 E. Add a statement requiring the system to be installed and operational within
14 120 calendar days of the approval of the incentive application.
- 15 F. Add a statement that the renewable energy systems must have a generating
16 capacity less than or equal to 125% of the customers total connected load measured
17 in kWh in order to be eligible to receive the incentive.
- 18 G. Add a \$75 trip charge for each inspection after the initial inspection. The
19 initial inspection is at no cost to the customer.
- 20 H. Add language to allow NEC to collect the approved REST surcharge cap
21 amount from members who receive REIP incentive payments.
- 22 I. Add language clarifying the incentive payment waiting list process.

23 9. Staff has reviewed these proposed changes to NEC’s REIP and finds them
24 acceptable, except for NEC’s proposal to collect the approved REST surcharge cap from members
25 that receive REIP payments. Staff has recommended that NEC be ordered to collect the REST
26 surcharge average charge per class from those members that have received REIP incentive
27 payments.

28 ...

1 **REST Plan Funding and Expenditures**

2 10. Staff has reviewed NEC's proposed Renewable Energy Standard Tariff. The tariff
 3 sets forth the surcharge rates and monthly maximums to be collected to fund NEC's renewable
 4 energy budget for 2013. The proposed tariff charges are unchanged from those previously
 5 approved by Commission Decision Nos. 71408 and 72383. The proposed tariff charges are shown
 6 in Table 2. The expected number of customers reaching the monthly collection caps is shown in
 7 Table 3. NEC also provided Staff with a breakdown of what percentage of its members will pay
 8 the maximum monthly cap amount, which is detailed in Table 3.

9 **Table 2**
 10 **2013 Proposed RES Tariff Charges**

Customer Class/Category	Rates	
	Energy Charge (per kWh)	Monthly Cap
Residential	\$0.004988	\$1.05
Commercial & Industrial	\$0.004988	\$39.00
Commercial & Industrial \geq 3 MW	\$0.004988	\$117.00
Governmental & Agricultural	\$0.000875	\$13.00
Governmental & Agricultural \geq 3 MW	\$0.000875	\$39.00

11 **Table 3**
 12 **Customers Reaching Surcharge Caps**

Customer Class/Category	Percent Reaching Cap	Monthly Cap	Percent Not Reaching Cap	Average Surcharge per Bill
Residential	48.2%	\$1.05	51.8%	\$0.24
Commercial	6.1%	\$39.00	93.9%	\$4.55
Irrigation	27.6%	\$13.00	72.4%	\$1.72
Non-Residential \geq 3 MW ¹	0.0%	\$117.00	0%	\$0

13 11. NEC's proposed budget for 2013 is shown in Table 4. NEC's expected surcharge
 14 revenue and carry-over amount from past years are also shown in Table 4. The difference between
 15 the available funding and the annual expenditures would roll over to 2014.

16 ¹ NEC's only customer with a demand, 3MW, Fort Apache Timber Company, ceased operations in 2011.

Table 4
2013 REST Plan Revenue & Expenditures

Customer Class/Category	Projected 2013 Revenue
Residential	\$352,000
Commercial	\$323,000
Irrigation	\$14,000
Security Lighting	\$1,200
Non-Residential \geq 3 MW ¹	\$0
Total 2013 Collections	\$690,200
2012 Balance Carry-Over	\$300,000
Total 2013 REST Funding	\$990,200
Expenditures	
Utility-Owned PV (RUS Loan Payments)	\$62,000
Net Metering Payments	\$5,000
Tier 1 Backlog: Approved Customer Applications (@\$3/Watt)	\$338,101
Tier 2 Backlog: Customer Applications Awaiting Approval (@ \$0.50/Watt)	\$176,375
New Residential Incentives (@ \$0.50/Watt)	\$157,150
New Commercial Incentives (@ \$0.50/Watt)	\$78,574
REST Plan Administration	\$173,000
Total 2013 REST Plan Expenditures	\$990,200

12. The budget presented in Table 4 illustrates NEC's response to a REST Program issue that became apparent in 2012. NEC experienced a large increase in members seeking incentives under the existing NEC REST program that offers incentives at the relatively high rate of \$3.00 per Watt. Due to NEC's high incentive rate, coupled with aggressive marketing by solar system installers, NEC was inundated with incentive applications. To meet demand, NEC instituted a reservation system that placed members on a wait list in an effort to balance incentive demand with REST fund collections. In mid-summer 2012, NEC instituted a second tier to its incentive reservation system by closing the reservation list to all new applications at the \$3.00 per

1 Watt incentive rate. Going forward, members are placed on the second tier of NEC's reservation
2 system at an incentive rate of \$0.50 per Watt.

3 13. As depicted in Table 4, NEC is projected to collect sufficient REST funds to pay
4 down both the first and second tier backlog of incentives, with funds remaining for new incentives
5 in 2013, assuming that the Commission approves NEC's request to lower its incentives to \$0.50
6 per Watt. Staff supports NEC's proposed 2013 REST budget, with the proviso that NEC have the
7 flexibility to shift funds between the Residential and Commercial incentive line items based on
8 member demand.

9 14. Staff notes that the "Net Metering Payments" itemized as an expenditure in NEC's
10 proposed 2013 REST Plan budget is a power purchase expense that would be more appropriately
11 recovered through NEC's power cost adjustor mechanism.

12 **Annual REST Plan Submittal Schedule**

13 15. On March 8, 2013, NEC filed exceptions to the ROO requesting that NEC be
14 allowed to continue recovering net metering payments through the REST surcharge. We agree
15 with NEC.

16 16. Staff reminds NEC that the REST Rules require that electric cooperatives file an
17 annual REST Implementation Plan by July 1st of the prior year. Staff notes that NEC is not in
18 compliance with the REST Plan submittal requirements contained in R14-2-1814, having made its
19 2013 Plan submittal on October 30, 2012. Staff recommends that NEC be ordered to comply with
20 the REST Plan submittal schedule requirements beginning with the 2014 REST Implementation
21 Plan which shall be filed on or before July 1, 2013.

22 **REST Plan and Report Formats**

23 17. Under Decision No. 72737, dated January 18, 2012, the Commission ordered the
24 formation of a REST Format Working Group ("Working Group") to prepare format guidelines for
25 future REST Implementation Plans and REST Compliance Reports. The Working Group docketed
26 a report with its recommendations on August 31, 2012, and a letter indicating Staff's approval of
27 the recommendations was docketed on February 19, 2013. The effective date for usage of the
28 ...

1 templates is April 1, 2013, for the 2012 Compliance Reports and July 1, 2013, for the 2014 REST
2 Implementation Plans.

3 **Staff Recommendations**

4 18. Staff has recommended that the Commission approve NEC's 2013 REST Plan as
5 discussed herein. Staff has further recommended that NEC be ordered to collect the REST
6 surcharge average charge per class from those members that have received REIP incentive
7 payments. Staff has further recommended that NEC be ordered to comply with the report
8 submittal schedule requirements contained in R14-2-1814 beginning with the 2014 REST
9 Implementation Plan which shall be filled on or before July 1, 2013. Staff has further
10 recommended that NEC be ordered to implement the recommendations of the REST Format
11 Working Group.

12 CONCLUSIONS OF LAW

13 1. Navopache Electric Cooperative, Inc. is an Arizona Public Service Corporation
14 within the meaning of Article XV, Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over Navopache Electric Cooperative, Inc. and
16 over the subject matter of the application.

17 3. The Commission, having reviewed the application and Staff's Memorandum dated
18 February 28, 2013, concludes that Navopache Electric Cooperative, Inc.'s 2013 REST
19 Implementation Plan should be approved as discussed herein.

20 ORDER

21 IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc.'s 2013 REST
22 Implementation Plan is approved as discussed herein.

23 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall collect the
24 REST surcharge average charge per class from those members that have received REIP incentive
25 payments.

26 IT IS FURTHER ORDERED Navopache Electric Cooperative, Inc. shall comply with the
27 report submittal schedule requirements contained in R14-2-1814 beginning with the 2014 REST
28 Implementation Plan which shall be filled on or before July 1, 2013.

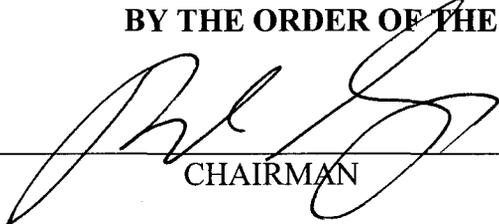
1 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. may recover net
2 metering payments through the REST surcharge.

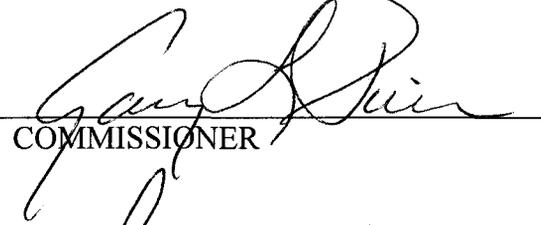
3 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall implement
4 the recommendations of the REST Format Working Group.

5 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. shall file a tariff
6 reflecting the surcharge rates and caps listed in Table 2 herein in compliance with the Decision in
7 this case within 15 days of the effective date of that Decision.

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

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

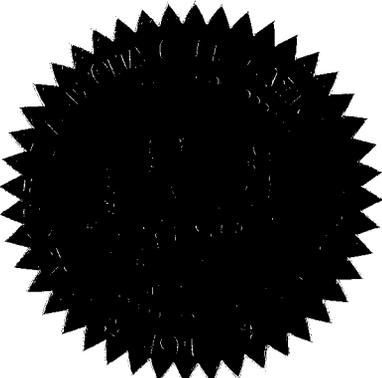
11
12 
13 CHAIRMAN

14 
15 COMMISSIONER

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17 COMMISSIONER

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19 COMMISSIONER

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21 COMMISSIONER



22 IN WITNESS WHEREOF, I, JODI JERICH, Executive
23 Director of the Arizona Corporation Commission, have
24 hereunto, set my hand and caused the official seal of this
25 Commission to be affixed at the Capitol, in the City of
26 Phoenix, this 21st day of March, 2013.

27 
28 JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RBL:sms/RRM

1 SERVICE LIST FOR: Navopache Electric Cooperative, Inc.'s Application For Approval Of
2 Renewable Energy Standard Plan And Tariffs.

3 DOCKET NO. E-01787A-12-0447

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