

ORIGINAL
OPEN MEETING



MEMORANDUM

Arizona Corporation Commission
DOCKETED

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TO: THE COMMISSION

SEP 16 2013

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FROM: Utilities Division

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AZ CORP COMMISSION
DOCKET CONTROL

DATE: September 16, 2013

RE: GRAHAM COUNTY ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF THE 2014 RENEWABLE ENERGY STANDARD AND TARIFF PLAN AND NET METERING TARIFF (DOCKET NO. E-01749A-13-0217)

Background

On June 28, 2013, Graham County Electric Cooperative, Inc. ("GCEC" or the "Cooperative") filed its 2014 Renewable Energy Standard and Tariff ("REST") Implementation Plan in compliance with A.A.C. R14-2-1801 through R14-2-1816. GCEC's current REST Plan was approved by the Commission in Decision No. 73631, on January 31, 2013.

2014 REST Plan

SunWatts Renewable Energy Purchase Program

The SunWatts Renewable Energy Purchase Program is a voluntary program in which retail customers can choose to support renewable energy by purchasing blocks of "green energy." Currently the retail customers can purchase 50 kWh blocks of green energy at a cost of \$2.00 per block. According to GCEC, the Cooperative proposes to discontinue this program as part of its 2014 REST Plan due to lack of participation and interest by customers in this program.

SunWatts Residential and Commercial Rebate Program

The SunWatts rebate program, offered in compliance with A.A.C. R14-2-1809, provides incentives to customers for installation of qualifying photovoltaic ("PV"), solar water heating, small wind systems, and other renewable technologies.

The 2014 SunWatts rebate program will pay an Up Front Incentive ("UFI") for PV, small wind systems, solar water heating, and solar daylighting systems. Subject to available budget funds, GCEC proposes a UFI of \$0.35 per installed watt for any solar and wind systems with a maximum incentive of \$3,500, and GCEC will own all renewable energy credits ("RECs"). The proposed UFI is a reduction in the current UFI rebate amount of \$1.00 per watt for PV and small wind systems up to 10 kW in size not to exceed 30 percent of the total system cost.

GCEC has proposed a lower UFI for PV and small wind systems because of the current backlog of systems waiting on funding for their proposed qualifying renewable project. As of the end of July 2013, GCEC had 66 customers on a waiting list who have expressed an interest in rebates on PV. Customers inquiring about rebates who are placed on the waiting list will have the opportunity to request a rebate at the UFI level in effect when funding is available.

In addition, GCEC would offer UFIs for solar water heating and solar daylighting as outlined in the table below. The proposed UFI rebate amounts for solar water heating and solar daylighting remain unchanged from what is currently approved but the provision of a maximum incentive of \$3,500 has been added. As noted above, the Cooperative would own all the RECs from a project receiving UFIs for its operational life. Projects would be rebated on a first-come, first-served basis until funding is no longer available. Systems which have been approved and not yet rebated due to lack of funding would be placed on a reservation list until additional funding becomes available. Once funding becomes available, rebates would be paid following a final inspection of the system.

For PV and small wind systems that are larger than 10 kW in size, customers would have the option to apply for a UFI or receive a Performance Based Incentive ("PBI"), up to 40 percent of the total system cost, as outlined in the table below. PBIs would be available for a term of up to 20 years but may be limited to the expected operational life of the specific technology. In addition, GCEC would own all the RECs from the project receiving PBIs for the term of the REC agreement. GCEC would offer PBIs for additional technologies at levels shown in the table below.

Systems eligible for PBIs would also be subject to a competitive selection process, resulting in the most cost-effective projects being rebated. Projects eligible for PBIs would be competitively selected on a quarterly to semiannual basis. If a project is not selected, the applicant is then informed of the project's status and given an opportunity to resubmit the project for consideration during the next selection process. Further, the Cooperative would reserve the right to negotiate the PBI agreement based on current market conditions to obtain the most competitively priced RECs. Projects that are one megawatt ("MW") or greater would not be eligible for the incentives outlined in the table below, but instead would be negotiated on a per-project basis relative to market conditions.

Installations are required to be performed by licensed renewable energy contractors, electricians, or plumbers (in the case of solar water heaters). GCEC may permit self-installations only if the installation has been inspected and verified by a licensed contractor. Customers would continue to be able to assign incentive payments to the contractor installing the system.

The tables below illustrate the current incentive levels provided for each technology and those proposed in GCEC's 2014 REST Plan. GCEC is not proposing any changes to its current PBIs.

Technology	Current UFIs	Proposed UFIs
Solar Electric	\$1.00 per watt up to 10 kW <i>Not to exceed 30% of the system cost</i>	\$0.35 per watt <i>Cannot exceed \$3,500 per rebate</i>
Small Wind	\$1.00 per watt up to 10 kW <i>Not to exceed 30% of the system cost</i>	\$0.35 per watt <i>Cannot exceed \$3,500 per rebate</i>
Solar Water Heating	\$0.75 per kWh for first year savings	\$0.75 per kWh for first year savings <i>Cannot exceed \$3,500 per rebate</i>
Solar Daylighting	\$0.18 per kWh for first year savings	\$0.18 per kWh for first year savings <i>Cannot exceed \$3,500 per rebate</i>
Geothermal -Electric -Thermal	Not Eligible	Not Eligible
Biogas/Biomass -Electric -Thermal -Cooling -CHP-Electric -CHP-Thermal	Not Eligible	Not Eligible
Solar Space Cooling	Not Eligible	Not Eligible

Technology	Current/Proposed PBIs
Solar Electric	\$0.14 (max) per kWh (over 10 kW) <i>Not to exceed 40% of the system cost</i>
Small Wind	\$0.097 (max) per kWh (over 10 kW) <i>Not to exceed 40% of the system cost</i>
Solar Water Heating	Not Eligible
Solar Daylighting	Not Eligible
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

GCEC anticipates that the residential and commercial rebate programs and the GCEC headquarters facility project will support the installation of approximately 422 kW of qualifying renewable technologies in 2014 with the split being 359 kW from residential, 33 kW from commercial, and 31 kW from the headquarters facility.

GCEC would also continue to purchase RECs from the commercial distributed generation geothermal project in Wilcox, Arizona.

SunWatts Large-Scale Purchase Power Contract & Generating Program

The Large-Scale Generating Program would have GCEC, 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. In its application, GCEC indicates that current plans do not include any large-scale purchase power projects but do include plans to install a utility-owned 46.08 kW PV system on the rooftop of the GCEC headquarters facility as approved in Decision No. 73631, dated January 31, 2013. GCEC estimates that it will cost a total of approximately \$198,000. In addition, GCEC intends to install the system over a three-year period completing one-third of the project each year at \$66,000 per year. GCEC anticipates that the PV system would produce approximately 67 MWh in 2014 and 101 MWh per year once fully operational.

SunWatts PV for Government, Schools and Nonprofits Program

GCEC will continue to offer UFIs to third-party developers or those with access to stimulus funds interested in installing renewable systems on government, school, and nonprofit buildings. In addition, the Cooperative would continue its support of the Arizona Utilities for Renewable Energy Education (“AZURE”) initiative.

Tariffs

GCEC is not proposing to change the current Renewable Energy Standard surcharge or monthly maximums for 2014. The kWh surcharges and monthly maximums for GCEC’s current REST are:

Customer Class	Current Surcharges (per kWh)	Current Maximums (per month)
Residential	\$0.000900	\$2.00
Non-Residential	\$0.009477	\$74.10
Governmental & Agricultural	\$0.001663	\$24.70
Governmental & Agricultural with metered demand at 3,000 kW or more for 3 consecutive months	\$0.001663	\$74.10
Non-Residential with metered demand at 3,000 kW or more for 3 consecutive months	\$0.009477	\$222.30

The Cooperative believes that the current surcharge rates and the monthly maximums contained in its current REST will be sufficient to fund its annual budget for 2014. GCEC has not filed a revised Renewable Energy Standard Tariff, Voluntary Renewable Energy Standard Contribution Program Tariff, or Customer Self-Directed Tariff.

Budget

According to GCEC, the funding from the Renewable Energy Standard surcharge is estimated to be a total of \$245,000. The table below indicates GCEC's estimated REST budget for 2014:

Category	\$ Amount of Total Budget
---Residential DG Rebate*	\$125,500
---Commercial DG Rebate*	\$27,000
Rebate Program Total	\$152,500
LS* Purchase Power & Generation Program	\$66,000
Advertising	\$2,000
Administration	\$24,500
Total	\$245,000

*LS=Large Scale; DG=Distributed Generation

The table below indicates the REST funds GCEC estimates that would be collected in 2014 by each customer class:

Customer Class	Amount	% Reaching Cap
Residential	\$67,637	5.0%
Non-Residential	\$137,019	10.8%
Government/Agricultural	\$40,344	4.4%
Total	\$245,000	

The GCEC 2014 REST Plan indicates 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. However, as of the end of July 2013, GCEC did not anticipate having any funding to carry over into 2014. All anticipated REST collections have been reserved for pending installations, the GCEC headquarters project, and the existing waiting list of customers who have inquired about rebates.

Net Metering Tariff and Avoided Cost Update

GCEC's current Net Metering ("NM") Tariff was approved by the Commission on March 17, 2010, in Decision No. 71506.

The current filing includes a proposed update to the avoided cost on the NM Tariff. The NM Tariff sets the Cooperative's Annual Average Avoided Cost, which is the per-kWh rate paid once a year to customers who have an excess energy production balance as of December 31, or as of the customer's final bill upon discontinuance of service. The decrease from \$0.04529 per kWh to \$0.03301 per kWh is the only change currently being proposed for the NM Tariff. The

Cooperative supplied Staff with the calculations used to arrive at the proposed new avoided cost. The calculation and result appear reasonable. Staff recommends that the proposed new avoided cost be approved.

The NM Tariff in GCEC's application inadvertently incorporated language under the Metering section referring to qualifying customers incurring the incremental cost of the bi-directional meter. This language was not approved in Decision No. 71506, and GCEC did not intend to make the change to include the language with this application. Staff recommends that GCEC submit a revised NM Tariff to delete this language and incorporate the updated avoided cost.

Staff Recommendations

Staff recommends that GCEC's proposed 2014 REST Plan should be approved.

Staff believes that with the proposed incentive levels, GCEC would be able to sustain its budget in 2014. In addition, Staff believes that GCEC should be able to transfer any allocated funds not used by a particular program to any other program during subsequent years. Therefore, Staff recommends that GCEC's Renewable Energy Standard Tariff and Customer Self-Directed Tariff currently on file with the Commission, remain in effect until further Order of the Commission.

Staff recommends that GCEC file with Docket Control, as a compliance item, a revised NM Tariff, which excludes the incremental cost of the bi-directional meter, within 15 days of the effective date of the Decision in this case.

Staff recommends that the avoided cost on GCEC's NM Tariff be set at \$0.03301 per kWh.



Steven M. Olea
Director
Utilities Division

SMO:RSP:sms\CHH

ORIGINATOR: Ranelle Paladino

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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 GRAHAM COUNTY)
 ELECTRIC COOPERATIVE, INC.'S)
 APPLICATION FOR APPROVAL OF THE)
 2014 RENEWABLE ENERGY STANDARD)
 AND TARIFF PLAN AND NET METERING)
 TARIFF)

DOCKET NO. E-01749A-13-0217
 DECISION NO. _____
ORDER

Open Meeting
 October 16 and 17, 2013
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Background

2. On June 28, 2013, GCEC filed its 2014 Renewable Energy Standard and Tariff ("REST") Implementation Plan in compliance with A.A.C. R14-2-1801 through R14-2-1816. GCEC's current REST Plan was approved by the Commission in Decision No. 73631, on January 31, 2013.

2014 REST Plan

SunWatts Renewable Energy Purchase Program

3. The SunWatts Renewable Energy Purchase Program is a voluntary program in which retail customers can choose to support renewable energy by purchasing blocks of "green energy." Currently the retail customers can purchase 50 kWh blocks of green energy at a cost of \$2.00 per block. According to GCEC, the Cooperative proposes to discontinue this program as part of its 2014 REST Plan due to lack of participation and interest by customers in this program.

1 **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.

5 5. The 2014 SunWatts rebate program will pay an Up Front Incentive ("UFI") for PV,
6 small wind systems, solar water heating, and solar daylighting systems. Subject to available
7 budget funds, GCEC proposes a UFI of \$0.35 per installed watt for any solar and wind systems
8 with a maximum incentive of \$3,500, and GCEC will own all renewable energy credits ("RECs").
9 The proposed UFI is a reduction in the current UFI rebate amount of \$1.00 per watt for PV and
10 small wind systems up to 10 kW in size not to exceed 30 percent of the total system cost.

11 6. GCEC has proposed a lower UFI for PV and small wind systems because of the
12 current backlog of systems waiting on funding for their proposed qualifying renewable project. As
13 of the end of July 2013, GCEC had 66 customers on a waiting list who have expressed an interest
14 in rebates on PV. Customers inquiring about rebates who are placed on the waiting list will have
15 the opportunity to request a rebate at the UFI level in effect when funding is available.

16 7. In addition, GCEC would offer UFIs for solar water heating and solar daylighting as
17 outlined in the table below. The proposed UFI rebate amounts for solar water heating and solar
18 daylighting remain unchanged from what is currently approved but the provision of a maximum
19 incentive of \$3,500 has been added. As noted above, the Cooperative would own all the RECs
20 from a project receiving UFIs for its operational life. Projects would be rebated on a first-come,
21 first-served basis until funding is no longer available. Systems which have been approved and not
22 yet rebated due to lack of funding would be placed on a reservation list until additional funding
23 becomes available. Once funding becomes available, rebates would be paid following a final
24 inspection of the system.

25 8. For PV and small wind systems that are larger than 10 kW in size, customers would
26 have the option to apply for a UFI or receive a Performance Based Incentive ("PBI"), up to 40
27 percent of the total system cost, as outlined in the table below. PBIs would be available for a term
28 of up to 20 years but may be limited to the expected operational life of the specific technology. In

1 addition, GCEC would own all the RECs from the project receiving PBIs for the term of the REC
2 agreement. GCEC would offer PBIs for additional technologies at levels shown in the table
3 below.

4 9. Systems eligible for PBIs would also be subject to a competitive selection process,
5 resulting in the most cost-effective projects being rebated. Projects eligible for PBIs would be
6 competitively selected on a quarterly to semiannual basis. If a project is not selected, the applicant
7 is then informed of the project's status and given an opportunity to resubmit the project for
8 consideration during the next selection process. Further, the Cooperative would reserve the right
9 to negotiate the PBI agreement based on current market conditions to obtain the most
10 competitively priced RECs. Projects that are one megawatt ("MW") or greater would not be
11 eligible for the incentives outlined in the table below, but instead would be negotiated on a per-
12 project basis relative to market conditions.

13 10. Installations are required to be performed by licensed renewable energy contractors,
14 electricians, or plumbers (in the case of solar water heaters). GCEC may permit self-installations
15 only if the installation has been inspected and verified by a licensed contractor. Customers would
16 continue to be able to assign incentive payments to the contractor installing the system.

17 11. The tables below illustrate the current incentive levels provided for each technology
18 and those proposed in GCEC's 2014 REST Plan. GCEC is not proposing any changes to its
19 current PBIs.

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12. GCEC anticipates that the residential and commercial rebate programs and the GCEC headquarters facility project will support the installation of approximately 422 kW of qualifying renewable technologies in 2014 with the split being 359 kW from residential, 33 kW from commercial, and 31 kW from the headquarters facility.

13. GCEC would also continue to purchase RECs from the commercial distributed generation geothermal project in Wilcox, Arizona.

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14. The Large-Scale Generating Program would have GCEC, 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. In its application, GCEC indicates that current plans do not include any large-scale purchase power projects but do include plans to install a utility-owned 46.08 kW PV system on the rooftop of the GCEC headquarters facility as approved in Decision No. 73631, dated January 31, 2013. GCEC estimates that it will cost a total of approximately \$198,000. In addition, GCEC intends to install the system over a three-year period completing one-third of the project each year at \$66,000 per year. GCEC

...

1 anticipates that the PV system would produce approximately 67 MWh in 2014 and 101 MWh per
2 year once fully operational.

3 **SunWatts PV for Government, Schools and Nonprofits Program**

4 15. GCEC will continue to offer UFIs to third-party developers or those with access to
5 stimulus funds interested in installing renewable systems on government, school, and nonprofit
6 buildings. In addition, the Cooperative would continue its support of the Arizona Utilities for
7 Renewable Energy Education (“AZURE”) initiative.

8 **Tariffs**

9 16. GCEC is not proposing to change the current Renewable Energy Standard surcharge
10 or monthly maximums for 2014. The kWh surcharges and monthly maximums for GCEC’s
11 current REST are:

Customer Class	Current Surcharges (per kWh)	Current Maximums (per month)
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18 17. The Cooperative believes that the current surcharge rates and the monthly maximums
19 contained in its current REST will be sufficient to fund its annual budget for 2014. GCEC has not
20 filed a revised Renewable Energy Standard Tariff, Voluntary Renewable Energy Standard
21 Contribution Program Tariff, or Customer Self-Directed Tariff.

22 **Budget**

23 18. According to GCEC, the funding from the Renewable Energy Standard surcharge is
24 estimated to be a total of \$245,000. The table below indicates GCEC’s estimated REST budget for
25 2014:

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Administration	\$24,500
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Non-Residential	\$137,019	10.8%
Government/Agricultural	\$40,344	4.4%
Total	\$245,000	

20. The GCEC 2014 REST Plan indicates 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.

21. As of the end of July 2013, GCEC did not anticipate having any funding to carry over into 2014. All anticipated REST collections have been reserved for pending installations, the GCEC headquarters project, and the existing waiting list of customers who have inquired about rebates.

Net Metering Tariff and Avoided Cost Update

22. GCEC's current Net Metering ("NM") Tariff was approved by the Commission on March 17, 2010, in Decision No. 71506.

23. The current filing includes a proposed update to the avoided cost on the NM Tariff. The NM Tariff sets the Cooperative's Annual Average Avoided Cost, which is the per-kWh rate paid once a year to customers who have an excess energy production balance as of December 31, or as of the customer's final bill upon discontinuance of service. The decrease from \$0.04529 per kWh to \$0.03301 per kWh is the only change currently being proposed for the NM Tariff. The Cooperative supplied Staff with the calculations used to arrive at the proposed new avoided cost.

1 The calculation and result appear reasonable. Staff has recommended that the proposed new
2 avoided cost be approved.

3 24. The NM Tariff in GCEC's application inadvertently incorporated language under the
4 Metering section referring to qualifying customers incurring the incremental cost of the bi-
5 directional meter. This language was not approved in Decision No. 71506, and GCEC did not
6 intend to make the change to include the language with this application. Staff has recommended
7 that GCEC submit a revised NM Tariff to delete this language and incorporate the updated avoided
8 cost.

9 **Staff Recommendations**

10 25. Staff has recommended that GCEC's proposed 2014 REST Plan should be approved.

11 26. Staff believes that with the proposed incentive levels, GCEC would be able to sustain
12 its budget in 2014. In addition, Staff believes that GCEC should be able to transfer any allocated
13 funds not used by a particular program to any other program during subsequent years. Therefore,
14 Staff has recommended that GCEC's Renewable Energy Standard Tariff and Customer Self-
15 Directed Tariff currently on file with the Commission, remain in effect until further Order of the
16 Commission.

17 27. Staff has recommended that GCEC file with Docket Control, as a compliance item, a
18 revised NM Tariff within 15 days of the effective date of the Decision in this case.

19 28. Staff has recommended that the avoided cost on GCEC's NM Tariff be set at \$0.03301
20 per kWh.

21 **CONCLUSIONS OF LAW**

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

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

26 3. The Commission, having reviewed the application and Staff's Memorandum dated
27 September 16, 2013, concludes that it is in the public interest to approve the Graham County
28 Electric Cooperative, Inc. 2014 REST Plan as specified in this order.

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ORDER

IT IS THEREFORE ORDERED that the Graham County Electric Cooperative, Inc. 2014 REST Plan is hereby approved as discussed herein.

IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. file with Docket Control, as a compliance item, a revised Net Metering Tariff, excluding the incremental cost of a bi-directional meter, within 15 days of the effective date of this Order.

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

4 IT IS FURTHER ORDERED that the avoided cost on Graham County Electric
5 Cooperative, Inc.'s Net Metering Tariff of \$0.03301 per kWh become effective 30 days after the
6 effective date of this decision.

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

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

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CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

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.

JODI JERICH
Executive Director

DISSENT: _____

DISSENT: _____

SMO:RSP:sms\CHH

- 1 SERVICE LIST FOR: Graham County Electric Cooperative, Inc.
- 2 DOCKET NO. E-01749A-13-0217

- 3 Mr. Than Ashby
- 4 Office Manager
- 5 Graham County Electric Cooperative, Inc.
- 6 9 West Center Street
- 7 PO Drawer B
- 8 Pima, Arizona 85543

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

- 14 Ms. Janice Alward
- 15 Chief Counsel, Legal Division
- 16 Arizona Corporation Commission
- 17 1200 West Washington Street
- 18 Phoenix, Arizona 85007

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