

OPEN MEETING



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MEMORANDUM

RECEIVED

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2013 SEP 27 A 9:22

TO: THE COMMISSION

FROM: Utilities Division

THE COMMISSION
DOCKET CONTROL

ORIGINAL

DATE: September 27, 2013

RE: NAVOPACHE ELECTRIC COOPERATIVE, INC. – APPLICATION FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD TARIFF, IMPLEMENTATION PLAN AND NET METERING TARIFF (DOCKET NO. E-01787A-13-0220)

Background

On June 28, 2013, Navopache Electric Cooperative, Inc. (“NEC” or “the Cooperative”) filed an application for approval of its 2014 Renewable Energy Standard and Tariff (“REST”) Implementation Plan (“2014 REST Plan”) in compliance with A.A.C. R14-2-1801 through R14-2-1816 (“REST Rules”). NEC also submitted an updated avoided cost to be included in its Net Metering Tariff. NEC’s current REST Plan was approved by the Commission in Decision No. 73770, on March 21, 2013.

Renewable Energy Requirement

Pursuant to 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 R14-2-1814. Electric cooperatives, instead, are required to submit “appropriate plans for acquiring Renewable Energy Credits...”.

NEC proposes to obtain approximately 0.98% of its forecast 2014 retail sales from Renewable Energy Resources in its 2014 REST Plan. In comparison, the REST Rule requirement for IOUs in 2014 is 4.5% of retail sales of which 30 percent must be Distributed Renewable Energy Resources.

2014 REST Plan

NEC’s 2014 REST Plan 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 284 kW.

NEC is in the process of negotiating a contract for a biomass project. NEC estimates the biomass project could be producing energy by the fourth quarter of 2014. The expected capacity from the facility is 1.0 MW. Production estimates for 2014 are 1,896 MWh. For 2014, the estimated cost for the biomass generation is \$50,058.

NEC currently has 196 member-installed renewable energy systems in operation. The NEC member-installed systems include PV systems, solar thermal systems, and wind turbines. The member-installed systems have a combined capacity of 1,262 kW.

Residential PV and Wind Program

NEC currently offers an Up-Front Incentive (“UFI”) of \$0.50 per installed watt up to a maximum of \$5,000 per metered location for systems up to 10 kW in size not to exceed 50% of the total system cost. NEC is proposing with its 2014 REST Plan to eliminate the size limit and total system cost percentage cap but keep the maximum incentive at each metered location. NEC maintains the changes will simplify the process of calculating the incentive.

Commercial PV and Wind Program

NEC currently offers a UFI of \$0.50 per installed watt up to a maximum payment of \$12,500 per metered location for systems up to 25 kW in size not to exceed 50% of the total system cost. NEC is proposing with its 2014 REST Plan to eliminate the size limit and total system cost percentage cap but keep the maximum incentive at each metered location. As stated above, NEC maintains the changes will simplify the process of calculating the incentive.

Solar Water Heater Program

NEC currently offers a UFI of \$0.75 per kWh of estimated energy saved during the system’s first year of operation. There are no proposed changes requested to this program.

The table below illustrates the current incentive levels provided for each technology and those proposed in NEC’s 2014 REST Plan.

**Table 1
Current and Proposed Incentives**

Technology	Current UFIs	Proposed UFIs
Residential PV and Wind	\$0.50 per installed watt Max payment of \$5,000 per metered location Up to 10 kW size Incentive cannot exceed 50% of system cost	\$0.50 per installed watt Max payment of \$5,000
Commercial PV and Wind	\$0.50 per installed watt Max payment of \$12,500 per metered location Up to 25 kW size Incentive cannot exceed 50% of system cost	\$0.50 per installed watt Max payment of \$12,500
Solar Water Heating	\$0.75 per kWh of estimated energy saved during the first year of operation	Same as Current Incentives

Tariffs

Staff has reviewed NEC’s proposed REST Schedule No. 9, Voluntary Renewable Energy Program Schedule No. 10, and the Renewable Energy Customer Self-Directed Tariff Schedule No. 11.

Pursuant to Decision No. 73770, customers who receive UFIs after March 21, 2013, for installing distributed generation (“DG”) are billed the REST surcharge average for their customer class (\$0.24 for residential, \$4.55 for non-residential, and \$1.72 for government and agricultural). Customers that received a UFI prior to March 21, 2013, are billed the REST surcharge on the electricity purchased from NEC each month.

NEC is requesting to change how the above customers are billed the REST surcharge. The proposed change to Schedule No. 9 is to replace the “per kilowatt-hour of retail electricity purchased by” with “per kilowatt-hour of electricity delivered to”. This change would allow for all customers to be billed based on the kWh delivered to the customer each month regardless of any net metering kWh credits that have been carried over to that month. According to NEC, billing based on the kWh delivered is more manageable than the current billing situation.

Of the 196 customers with renewable installations, five (5) received incentives after March 21, 2013; therefore, those five (5) are currently paying the average REST surcharge for their customer class. The majority of the remainder of the 196 customers (received incentives prior to March 21, 2013) are paying less than the average and probably paying close to zero. With NEC’s proposed change, most of the existing 196 customers (and most of the new customers installing renewables) would pay more than the average and probably close to the cap for their customer class.

NEC is also incorporating minor verbiage changes to the above-mentioned tariffs. These changes include replacing “Load-Serving Entity” with “Cooperative” in Schedule No. 9. NEC has also incorporated a new sentence in Schedule Nos. 10 and 11 stating the service under these schedules is subject to the Cooperative’s rules and regulations.

The proposed tariff charges are unchanged from those previously approved. The current and proposed REST charges along with the expected number of accounts reaching the monthly cap are shown in Table 2.

Table 2
Current/Proposed REST Charges

Customer Class/Category	Rates		Percent Reaching Cap
	Energy Charge (per kWh)	Monthly Cap	
Residential	\$0.004988	\$1.05	70.6%
Non-Residential	\$0.004988	\$39.00	8.6%
Non-Residential ≥ 3 MW	\$0.004988	\$117.00	0.0%
Governmental & Agricultural	\$0.000875	\$13.00	7.9%
Governmental & Agricultural ≥ 3 MW	\$0.000875	\$39.00	0.0%

Budget

NEC’s proposed budget for 2014 is shown in Table 3. According to NEC, the funding from the Renewable Energy Standard surcharge is estimated to be \$691,112.

**Table 3
2014 REST Plan Budget**

Category	\$ Amount of Total Budget
---Residential DG Rebate*	\$298,935
---Commercial DG Rebate*	\$109,500
---Solar Water Heater Rebates	\$10,000
Rebate Program Total	\$418,435
RUS Loan Obligation	\$60,000
Utility Owned PV Maintenance/Repair	\$10,000
Purchased Power Agreement	\$50,000
Administration	\$140,677
Net-Metering Payments	\$12,000
Total	\$691,112

*DG=Distributed Generation

Table 4 below indicates the REST funds NEC estimates that would be collected in 2014 by each customer class:

**Table 4
Estimate of 2014 REST Collections**

Customer Class	Amount
Residential	\$352,000
Commercial	\$323,000
Irrigation	\$14,000
Security Lights	\$1,200
Non-Residential \geq 3 MW	\$0
Voluntary Renewable Energy Program	\$912
Total	\$691,112

The NEC 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. The Cooperative has requested the same budget level for 2014 as was in place for 2013 (with the exception of dollars set aside to cover a back log in 2013). NEC has not requested a change to the existing surcharges and caps as it has not had a full 12 month historical time period at the reduced incentive level.

Net Metering Tariff and Avoided Cost Update

NEC's current Net Metering Service ("NMS") Tariff was approved by the Commission on April 14, 2010, in Decision No. 71635.

The current filing includes a proposed update to the avoided cost on the NMS Tariff. The NMS 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 April billing

or as of the customer's final bill upon discontinuation of service. The increase from \$0.0238 per kWh to \$0.03333 per kWh is the only change currently being proposed for the NMS Tariff. The Cooperative supplied Staff with the calculations used to arrive at the proposed new avoided cost. The calculations and result appear reasonable. Staff recommends that the proposed new avoided cost be approved.

Staff Conclusions and Recommendations

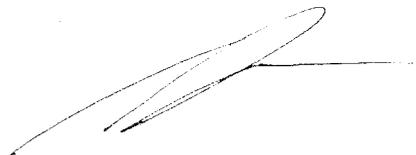
Staff recommends that NEC's proposed 2014 REST Plan should be approved. As requested by NEC, Staff recommends that as of January 1, 2014, customers should be billed the REST surcharge based on the kWh delivered by NEC to the customers.

Staff believes that with the proposed incentive levels, NEC would be able to sustain its budget in 2014. In addition, Staff believes that NEC should be able to transfer any allocated funds not used by a particular program to any other program during subsequent years.

Staff recommends that NEC's Renewable Energy Standard Tariff Schedule No. 9, Voluntary Renewable Energy Program Schedule No. 10 and Customer Self-Directed Tariff Schedule No. 11 be modified as submitted by NEC in its application.

Staff recommends that the avoided cost on NEC's NMS Tariff be set at \$0.03333 per kWh.

Staff recommends that NEC file with Docket Control, as a compliance item, a revised NMS Tariff, a revised Renewable Energy Standard Tariff Schedule No. 9, a revised Voluntary Renewable Energy Program Schedule No. 10, and a revised Renewable Energy Customer Self-Directed Tariff Schedule No. 11 within 15 days of the effective date of the Decision in this case.



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 NAVOPACHE
ELECTRIC COOPERATIVE, INC.'S
APPLICATION FOR APPROVAL OF ITS
2014 RENEWABLE ENERGY STANDARD
TARIFF, IMPLEMENTATION PLAN AND
NET METERING TARIFF

DOCKET NO. E-01787A-13-0220
DECISION NO. _____
ORDER

Open Meeting
October 16 and 17, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Background

2. On June 28, 2013, NEC filed an application for approval of its 2014 Renewable Energy Standard and Tariff ("REST") Implementation Plan ("2014 REST Plan") in compliance with A.A.C. R14-2-1801 through R14-2-1816 ("REST Rules"). NEC also submitted an updated avoided cost to be included in its Net Metering Tariff. NEC's current REST Plan was approved by the Commission in Decision No. 73770, on March 21, 2013.

Renewable Energy Requirement

3. Pursuant to 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 ...

1 requirements by R14-2-1814. Electric cooperatives, instead, are required to submit “appropriate
2 plans for acquiring Renewable Energy Credits...”.

3 4. NEC proposes to obtain approximately 0.98% of its forecast 2014 retail sales from
4 Renewable Energy Resources in its 2014 REST Plan. In comparison, the REST Rule requirement
5 for IOUs in 2014 is 4.5% of retail sales of which 30 percent must be Distributed Renewable
6 Energy Resources.

7 **2014 REST Plan**

8 5. NEC’s 2014 REST Plan consists of using existing utility- and member-owned
9 renewable resources. Since 2003, NEC has installed and interconnected four separate utility-
10 owned photovoltaic (“PV”) systems to the distribution system. The four systems have a combined
11 capacity of approximately 284 kW.

12 6. NEC is in the process of negotiating a contract for a biomass project. NEC
13 estimates the biomass project could be producing energy by the fourth quarter of 2014. The
14 expected capacity from the facility is 1.0 MW. Production estimates for 2014 are 1,896 MWh.
15 For 2014, the estimated cost for the biomass generation is \$50,058.

16 7. NEC currently has 196 member-installed renewable energy systems in operation.
17 The NEC member-installed systems include PV systems, solar thermal systems, and wind turbines.
18 The member-installed systems have a combined capacity of 1,262 kW.

19 **Residential PV and Wind Program**

20 8. NEC currently offers an Up-Front Incentive (“UFI”) of \$0.50 per installed watt up
21 to a maximum of \$5,000 per metered location for systems up to 10 kW in size not to exceed 50%
22 of the total system cost. NEC is proposing with its 2014 REST Plan to eliminate the size limit and
23 total system cost percentage cap but keep the maximum incentive at each metered location. NEC
24 maintains the changes will simplify the process of calculating the incentive.

25 **Commercial PV and Wind Program**

26 9. NEC currently offers a UFI of \$0.50 per installed watt up to a maximum payment
27 of \$12,500 per metered location for systems up to 25 kW in size not to exceed 50% of the total
28 system cost. NEC is proposing with its 2014 REST Plan to eliminate the size limit and total

1 system cost percentage cap but keep the maximum incentive at each metered location. As stated
2 above, NEC maintains the changes will simplify the process of calculating the incentive.

3 Solar Water Heater Program

4 10. NEC currently offers a UFI of \$0.75 per kWh of estimated energy saved during the
5 system's first year of operation. There are no proposed changes requested to this program.

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7 and those proposed in NEC's 2014 REST Plan.

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16 12. Staff has reviewed NEC's proposed REST Schedule No. 9, Voluntary Renewable
17 Energy Program Schedule No. 10, and Renewable Energy Customer Self-Directed Tariff Schedule
18 No. 11.

19 13. Pursuant to Decision No. 73770, customers who receive UFIs after March 21, 2013,
20 for installing distributed generation ("DG") are billed the REST surcharge average for their
21 customer class (\$0.24 for residential, \$4.55 for non-residential, and \$1.72 for government and
22 agricultural). Customers that received a UFI prior to March 21, 2013 are billed the REST
23 surcharge on the electricity purchased from NEC each month.

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26 electricity purchased by" with "per kilowatt-hour of electricity delivered to". This change would
27 allow for all customers to be billed based on the kWh delivered to the customer each month
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1 regardless of any net metering kWh credits that have been carried over to that month. According
2 to NEC, billing based on the kWh delivered is more manageable than the current billing situation.

3 15. Of the 196 customers with renewable installations, five (5) received incentives
4 after March 21, 2013; therefore, those five (5) are currently paying the average REST surcharge
5 for their customer class. The majority of the remainder of the 196 customers (received incentives
6 prior to March 21, 2013) are paying less than the average and probably paying close to zero. With
7 NEC's proposed change, most of the existing 196 customers (and most of the new customers
8 installing renewables) would pay more than the average and probably close to the cap for their
9 customer class.

10 16. NEC is also incorporating minor verbiage changes to the above-mentioned tariffs.
11 These changes include replacing "Load-Serving Entity" with "Cooperative" in Schedule No. 9.
12 NEC has also incorporated a new sentence in Schedule Nos. 10 and 11 stating the service under
13 these schedules is subject to the Cooperative's rules and regulations.

14 17. The proposed tariff charges are unchanged from those previously approved. The
15 current and proposed REST charges along with the expected number of accounts reaching the
16 monthly cap are shown in Table 2.

17 **Table 2**
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19 **Budget**

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21 funding from the Renewable Energy Standard surcharge is estimated to be \$691,112.
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Voluntary Renewable Energy Program	\$912
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20. The NEC 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. The Cooperative has requested the same budget level for 2014 as was in place for 2013 (with the exception of dollars set aside to cover a back log in 2013). NEC has not requested a change to the existing surcharges and caps as it has not had a full 12 month historical time period at the reduced incentive level.

Net Metering Tariff and Avoided Cost Update

21. NEC's current Net Metering Service ("NMS") Tariff was approved by the Commission on April 14, 2010, in Decision No. 71635.

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1 22. The current filing includes a proposed update to the avoided cost on the NMS
2 Tariff. The NMS Tariff sets the Cooperative's Annual Average Avoided Cost, which is the per-
3 kWh rate paid once a year to customers who have an excess energy production balance as of April
4 billing or as of the customer's final bill upon discontinuation of service. The increase from
5 \$0.0238 per kWh to \$0.03333 per kWh is the only change currently being proposed for the NMS
6 Tariff. The Cooperative supplied Staff with the calculations used to arrive at the proposed new
7 avoided cost. The calculations and result appear reasonable. Staff has recommended that the
8 proposed new avoided cost be approved.

9 **Staff Conclusions and Recommendations**

10 23. Staff has recommended that NEC's proposed 2014 REST Plan should be approved.
11 As requested by NEC, Staff has recommended that as of January 1, 2014, customers should be
12 billed the REST surcharge based on the kWh delivered by NEC to the customers.

13 24. Staff believes that with the proposed incentive levels, NEC would be able to sustain
14 its budget in 2014. In addition, Staff believes that NEC should be able to transfer any allocated
15 funds not used by a particular program to any other program during subsequent years.

16 25. Staff has recommended that NEC's Renewable Energy Standard Tariff Schedule
17 No. 9, Voluntary Renewable Energy Program Schedule No. 10 and Customer Self-Directed Tariff
18 Schedule No. 11 be modified as submitted by NEC in its application.

19 26. Staff has recommended that the avoided cost on NEC's NMS Tariff be set at
20 \$0.03333 per kWh.

21 27. Staff has recommended that NEC file with Docket Control, as a compliance item, a
22 revised NMS Tariff, a revised Renewable Energy Standard Tariff Schedule No. 9, a revised
23 Voluntary Renewable Energy Program Schedule No. 10, and a revised Renewable Energy
24 Customer Self-Directed Tariff Schedule No. 11 within 15 days of the effective date of the Decision
25 in this case.

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CONCLUSIONS OF LAW

1. Navopache 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 Navopache Electric Cooperative, Inc. and over the subject matter of the application.

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

ORDER

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

IT IS FURTHER ORDERED that beginning January 1, 2014, all Navopache Electric Cooperative, Inc. customers be assessed the REST surcharge based on volumes delivered to each customer by Navopache Electric Cooperative, Inc.

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1 IT IS FURTHER ORDERED that the avoided cost on Navopache Electric Cooperative,
2 Inc.'s Net Metering Service Tariff of \$0.03333 per kWh become effective 30 days after the
3 effective date of this decision.

4 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. file with Docket
5 Control, as a compliance item, a revised Net Metering Service Tariff, a revised Renewable Energy
6 Standard Tariff Schedule No. 9, a revised Voluntary Renewable Energy Program Schedule No. 10,
7 and a revised Customer Self-Directed Tariff Schedule No 11 within 15 days of the effective date of
8 this Order.

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

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

11
12 _____
13 CHAIRMAN

COMMISSIONER

14
15 _____
16 COMMISSIONER

COMMISSIONER

COMMISSIONER

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

22 _____
23 JODI JERICH
24 Executive Director

25 DISSENT: _____

26 DISSENT: _____

27 SMO:RSP:sms\CHH

28

1 SERVICE LIST FOR: Navopache Electric Cooperative, Inc.
2 DOCKET NO. E-01787A-13-0220

3 Ms. Heather McNelly
4 Renewable Resources Specialist
5 Navopache Electric Cooperative, Inc.
6 1878 West White Mountain Boulevard
7 Lakeside, Arizona 85929

8 Ms. Lyn A. Farmer, Esq.
9 Chief Administrative Law Judge
10 Hearing Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 Mr. Steven M. Olea
15 Director, Utilities Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19 Ms. Janice Alward
20 Chief Counsel, Legal Division
21 Arizona Corporation Commission
22 1200 West Washington Street
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