

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

JUL 28 2014

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: July 29, 2014

DOCKETED BY	nr
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RE: MOHAVE ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF NET METERING TARIFF UPDATED ANNUAL AVERAGE AVOIDED COST (DOCKET NO. E-01750A-14-0229)

Background

On June 30, 2014, Mohave Electric Cooperative, Inc. ("MEC") filed an application for approval to update the avoided cost that is contained in its Net Metering Service Tariff (Schedule NMS). MEC's Net Metering Service Tariff was originally approved by the Commission in Decision No. 71461 (January 26, 2010) and most recently revised with updated avoided costs in Decision No. 74204 (December 3, 2013).

Net Metering allows electric utility customers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's energy production exceeds the energy supplied by MEC during a billing period, the customer's bill for subsequent billing periods is credited for the excess generation. That is, the excess kWh generated during the billing period is used to reduce the kWh billed by MEC during subsequent billing periods.

For the last billing period of the calendar year (or for a customer's final bill upon discontinuance of service), MEC pays the customer for the balance of any remaining excess kWh. The payment for these excess kilowatt hours ("kWh") is at MEC's annual average avoided cost, which is specified in the Net Metering Service Tariff. A.A.C. R14-2-2302(1) defines avoided cost as "the incremental cost to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source."

MEC's Net Metering Service Tariff provides for the annual average avoided cost to be determined by the average wholesale fuel and energy cost per kWh charged by MEC's wholesale power suppliers during the 12-month period. MEC is required to file its updated avoided cost calculations with the Commission no later than July 15 of each year. This updated avoided cost, after approval by the Commission, would become effective on December 1.

MEC's current approved avoided cost rate is \$0.0406 per kWh. MEC proposes that the rate be decreased to \$0.03245 per kWh. Staff has reviewed MEC's purchased power costs that resulted in the \$0.03245 per kWh rate and confirms that the proposed rate reflects MEC's avoided cost.

Recommendations

Staff recommends that MEC's avoided cost be approved at \$0.03245 per kWh, effective December 1, 2014.

Staff further recommends that MEC be required to file, with Docket Control, a revised Net Metering Service Tariff (Schedule NMS) consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:sms\CHH

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **BOB STUMP**

Chairman

3 **GARY PIERCE**

Commissioner

4 **BRENDA BURNS**

Commissioner

5 **BOB BURNS**

Commissioner

6 **SUSAN BITTER SMITH**

Commissioner

7

8 IN THE MATTER OF THE APPLICATION)
9 OF MOHAVE ELECTRIC COOPERATIVE,)
10 INC. FOR APPROVAL OF NET METERING)
11 TARIFF UPDATED ANNUAL AVERAGE)
12 AVOIDED COST.)

DOCKET NO. E-01750A-14-0229

DECISION NO. _____

ORDER

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12

Open Meeting
August 12 and 13, 2014
Phoenix, Arizona

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14

BY THE COMMISSION:

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FINDINGS OF FACT

16

1. Mohave Electric Cooperative, Inc. ("MEC") is certificated to provide electric service
17 as a public service corporation in the State of Arizona.

18

2. On June 30, 2014, MEC filed an application for approval to update the avoided cost
19 that is contained in its Net Metering Service Tariff (Schedule NMS).

20

3. MEC's Net Metering Service Tariff was originally approved by the Commission in
21 Decision No. 71461 (January 26, 2010) and most recently revised with updated avoided costs in
22 Decision No. 74204 (December 3, 2013).

23

4. Net Metering allows electric utility customers to be compensated for generating their
24 own energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's
25 energy production exceeds the energy supplied by MEC during a billing period, the customer's bill for
26 subsequent billing periods is credited for the excess generation. That is, the excess kilowatt hours
27 ("kWh") generated during the billing period is used to reduce the kWh billed by MEC during
28 subsequent billing periods.

1 5. For the last billing period of the calendar year (or for a customer's final bill upon
2 discontinuance of service), MEC pays the customer for the balance of any remaining excess kWh.
3 The payment for these excess kWh is at MEC's annual average avoided cost, which is specified on the
4 Net Metering Service Tariff. A.A.C. R14-2-2302(1) defines avoided cost as "the incremental cost to
5 an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net
6 Metering facility, such utility would generate itself or purchase from another source."

7 6. MEC's Net Metering Service Tariff provides for the annual average avoided cost to be
8 determined by the average wholesale fuel and energy cost per kWh charged by MEC's wholesale
9 power suppliers during the 12-month period. MEC is required to file its updated avoided cost
10 calculations with the Commission no later than July 15 of each year. This updated avoided cost, after
11 approval by the Commission, would become effective on December 1.

12 7. MEC's current approved avoided cost rate is \$0.0406 per kWh. MEC proposes that
13 the rate be decreased to \$0.03245 per kWh. Staff has reviewed MEC's purchased power costs that
14 resulted in the \$0.03245 per kWh rate and confirms that the proposed rate reflects MEC's avoided
15 cost.

16 Recommendations

17 8. Staff has recommended that MEC's avoided cost be approved at \$0.03245 per kWh,
18 effective December 1, 2014.

19 9. Staff has further recommended that MEC be required to file, with Docket Control, a
20 revised Net Metering Service Tariff (Schedule NMS) consistent with the Decision in this case within
21 15 days of the effective date of the Decision.

22 CONCLUSIONS OF LAW

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

25 2. The Commission has jurisdiction over Mohave Electric Cooperative, Inc. and over the
26 subject matter of the application.

27 3. Approval of the updated Net Metering Service Schedule NMS does not constitute a
28 rate increase as contemplated by A.R.S. Section 40-250.

1 4. The Commission, having reviewed the application and Staff's Memorandum dated July
2 29, 2014, concludes that the updated Net Metering Service Tariff (Schedule NMS) should be approved
3 as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that Mohave Electric Cooperative, Inc.'s avoided cost is approved at \$0.03245 per kWh, effective December 1, 2014.

IT IS FURTHER ORDERED that Mohave Electric Cooperative, Inc. shall file, with Docket Control, a revised Net Metering Service tariff consistent with this Decision within 15 days of the effective date of the Decision.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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 _____, 2014.

Jodi Jerich
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:sms\CHH

1 SERVICE LIST FOR: MOHAVE ELECTRIC COOPERATIVE, Inc.
2 DOCKET NO. E-01750A-14-0229

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