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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP  
Chairman

Arizona Corporation Commission

3 GARY PIERCE  
Commissioner

**DOCKETED**

4 BRENDA BURNS  
Commissioner

AUG 26 2014

5 BOB BURNS  
Commissioner

DOCKETED BY	NR
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6 SUSAN BITTER SMITH  
Commissioner

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8 IN THE MATTER OF SULPHUR SPRINGS  
9 VALLEY ELECTRIC COOPERATIVE,  
10 INC.'S APPLICATION FOR APPROVAL OF  
11 THE 2014 NET METERING TARIFF WITH  
12 THE UPDATED AVOIDED COST AND  
13 PROPOSED TARIFF MODIFICATIONS

DOCKET NO. E-01575A-14-0232

DECISION NO. 74704

ORDER

12

13

14 Open Meeting  
15 Date to be Determined  
16 Phoenix, Arizona

16 BY THE COMMISSION:

17

FINDINGS OF FACT

18 1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") is certified to provide  
19 electric service as a public service corporation in the state of Arizona.

20 Background

21 2. On July 1, 2014, SSVEC filed an application for approval to (1) update the avoided  
22 cost that is contained in its Net Metering Tariff; (2) add a Fixed Cost Recovery Fee; and (3) designate  
23 September as the only True-Up month.

24 Net Metering Avoided Cost Update

25 3. SSVEC's Net Metering Tariff was approved by the Commission in Decision No.  
26 71463 (January 26, 2010) and most recently revised with updated avoided costs in Decision No. 74038  
27 (August 16, 2013).

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

7           5.       Each September or March (or for a customer's final bill upon discontinuance of  
8 service), SSVEC credits the customer for the balance of any remaining excess kWh. The payment for  
9 the purchase of these excess kWh is at SSVEC's annual average avoided cost, which is specified on the  
10 Net Metering Tariff. Arizona Administrative Code R14-2-2302(1) defines avoided cost as "the  
11 incremental cost to an Electric Utility for electric energy or capacity or both which, but for the  
12 purchase from the Net Metering facility, such utility would generate itself or purchase from another  
13 source."

14           6.       SSVEC's Net Metering Tariff provides for the annual average avoided cost to be  
15 determined by the average wholesale fuel and energy cost per kWh charged by SSVEC's wholesale  
16 power suppliers during the previous 12 months calculated with the receipt of the May wholesale  
17 power bills. SSVEC is required to file its updated avoided cost calculations with the Commission no  
18 later than July 1 of each year. This updated avoided cost, after approval by the Commission, would  
19 become effective on September 1.

20           7.       SSVEC's current approved avoided cost rate is \$0.0364 per kWh. SSVEC proposes  
21 that the rate be lowered to \$0.0307 per kWh. SSVEC states that the decrease in the avoided cost is  
22 due to SSVEC's change from using Western Area Power Authority as its balancing agent to Arizona  
23 Electric Power Cooperative ("AEPSCO"). AEPSCO implemented new rates that raised monthly fixed  
24 service charges and lowered kWh energy charges. In addition, SSVEC was able to purchase some  
25 energy at below market rates which also reduced SSVEC's avoided cost. Staff has reviewed SSVEC's  
26 purchased power costs that resulted in the \$0.0307 per kWh rate and confirms that the proposed rate  
27 reflects SSVEC's avoided cost.

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1           8.       Therefore, Staff has recommended that SSVEC's proposed annual average avoided  
2 cost for its Net Metering Tariff of \$0.0307 per kWh be approved, and become effective September 1,  
3 2014.

4       **Fixed Cost Recovery Fee**

5           9.       The second part of SSVEC's application requests approval of a monthly Fixed Cost  
6 Recovery Fee ("FCRF"). The FCRF would be a new customer charge to recover a portion of the  
7 fixed costs embedded in SSVEC's volumetric energy rates that are lost because of customers' self-  
8 generation under SSVEC's Net Metering program. In other words, SSVEC seeks to place a new  
9 charge on all existing and future Net Metering customers to partially offset the revenues lost because  
10 of Net Metering customers' reduced purchases of electric energy from SSVEC.

11          10.       Under SSVEC's proposed FCRF, all solar photovoltaic ("PV") customers will be  
12 subject to the new charge based on the date of installation of the customer's PV system. For PV  
13 systems installed prior to January 1, 2015, the charge would be \$0.50 per kW of DC panel rating. For  
14 systems installed after January 1, 2015, the charge would be \$1.00 per kW of DC panel rating.

15          11.       SSVEC states that the additional monthly charge to residential customers would be  
16 within the range of \$0.18 to \$12.50 for systems installed prior to January 1, 2015, with an average  
17 charge of \$2.95 for a 5.9 kW average sized system. For customers installing PV systems after January  
18 1, 2015, the charge would range from \$3.00 and \$24.96, with the average charge being \$6.00. The  
19 monthly FCRF charge for commercial customers would range from \$0.16 to \$42.00, with an average  
20 charge of \$7.37.

21          12.       SSVEC believes that the adoption of an FCRF is permitted under section R14-2-2305  
22 of the Net Metering Rules. However, Staff believes that this section of the Net Metering Rules is  
23 intended to allow the adoption of relatively minor charges to recover the cost of operational  
24 equipment such as special metering or billing software upgrades required by a net metering program.  
25 Staff further believes that an FCRF is a rate design mechanism that necessitates the fine-grained  
26 documentation and cost-of-service studies required in a general rate case. In addition, SSVEC also  
27 recently received increased rates as the result of an expedited rate case under A.A.C. R14-2 (Decision

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1 No. 74381; March 19, 2014). In addition, it appears that the implementation of this rate design  
2 mechanism may result in an increase in rates to a certain class of SSVEC customers, and that SSVEC  
3 has not provided notice of this possible increase to its customers. For these reasons Staff concludes  
4 that the implementation of the FCRF as proposed by SSVEC is best processed within the context of a  
5 general rate case application. Therefore, Staff has recommended that the Commission not approve  
6 SSVEC's proposed Fixed Cost Recovery Fee, and that such a fee not be considered outside of a full  
7 rate case proceeding.

### 8 Elimination of March True-Up

9 13. The third part of SSVEC's application requests the elimination of the March True-Up  
10 and the designation of September as SSVEC's only annual True-Up. Presently, SSVEC is unique  
11 among Arizona electric utilities by having two True-Up periods (i.e. March and September). SSVEC  
12 was ordered to offer customers a choice between a winter (March) True-Up and a summer  
13 (September) True-Up under Decision No. 71463 (January 26, 2010).

14 14. SSVEC states that it is requesting the deletion of the March True-Up "...to eliminate  
15 confusion and simplify things for SSVEC, the Solar Installers, and SSVEC customers by having a  
16 single "True-Up" like the rest of the electric utilities in Arizona." SSVEC further states that  
17 customers that have already selected the March True-Up will be allowed to continue with this  
18 selection. However, the single September True-Up would be for all new Net Metering customers.

19 15. Staff notes that the two True-Up periods were ordered by the Commission based on  
20 customer requests. Therefore, Staff has recommended that SSVEC's request to eliminate the March  
21 True-Up not be approved because the requirement was set forth in a prior Commission decision and  
22 that SSVEC may not have laid the necessary ground work for eliminating this requirement.

### 23 Summary of Recommendations

24 16. Staff has recommended that SSVEC's updated avoided cost for Net Metering of  
25 \$0.0307 per kWh be approved, with an effective date of September 1, 2014.

26 17. Staff has further recommended that the Commission not approve SSVEC's proposed  
27 Fixed Cost Recovery Fee, and that such a fee not be considered outside of a full rate case proceeding.

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1 18. Staff has further recommended that the Commission not approve SSVEC's request to  
2 eliminate the March "True-Up" option for new Net Metering customers.

3 19. Staff has further recommended that SSVEC be required to file, with Docket Control, a  
4 revised Net Metering Tariff in compliance with the Decision in this case within 15 days of the  
5 effective date of the Decision.

6 CONCLUSIONS OF LAW

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

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

11 3. The Commission, having reviewed Staff's Memorandum dated August 12, 2014,  
12 concludes that it is in the public interest to approve updated avoided costs for Net Metering.

13 ORDER

14 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s  
15 updated avoided cost for Net Metering of \$0.0307 per kWh is hereby approved, and shall become  
16 effective September 1, 2014.

17 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s request  
18 for approval of a new Fixed Cost Recovery Fee is denied at this time without prejudice to Sulphur  
19 Springs Valley Electric Cooperative, Inc. to file a new application on this request.

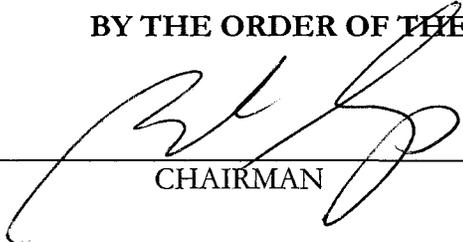
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1 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s request  
2 to eliminate the March True-Up is denied at this time without prejudice to Sulphur Springs Valley  
3 Electric Cooperative, Inc. to file a new application on this request.

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

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

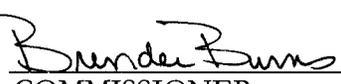
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

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COMMISSIONER

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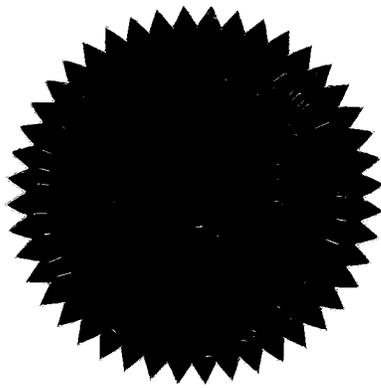
COMMISSIONER

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COMMISSIONER

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COMMISSIONER



15 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
16 Director of the Arizona Corporation Commission, have  
17 hereunto, set my hand and caused the official seal of this  
18 Commission to be affixed at the Capitol, in the City of  
19 Phoenix, this 26<sup>th</sup> day of August, 2014.

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JODI JERICH  
EXECUTIVE DIRECTOR

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

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

25 SMO:RBL:sms/WVC

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1 SERVICE LIST FOR: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.  
2 DOCKET NO. E-01575A-14-0232

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