

# OPEN MEETING



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## MEMORANDUM

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Arizona Corporation Commission

TO: THE COMMISSION

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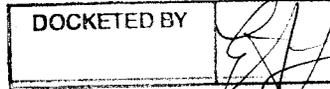
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FROM: Utilities Division

NOV 26 2014

AZ CORP COMMISSION  
DOCKET CONTROL

DATE: November 26, 2014



RE: IN THE MATTER OF THE APPLICATION OF GRAHAM COUNTY ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF THE 2015 REST IMPLEMENTATION PLAN, RES TARIFF, AND NET METERING TARIFF (DOCKET NO. E-01749A-14-0257)

### Background

On July 7, 2014, Graham County Electric Cooperative, Inc. ("GCEC" or the "Cooperative") filed its 2015 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. 74160, on October 25, 2013.

### 2015 REST Plan

#### SunWatts 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 2015 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 will pay a UFI of \$0.15 per installed watt for any solar and wind systems. Solar water heating systems will be eligible for a UFI equal to \$0.75 per kWh saved for the first year of savings, and solar daylighting systems will be eligible for \$0.18 per kWh saved for the first year of savings. All projects receiving a UFI will be limited to a maximum incentive of \$1,500, and GCEC will own all renewable energy credits ("RECs") from such projects for their operational life.

The proposed \$0.15 per installed watt UFI for solar and wind systems is a reduction in the current UFI rebate amount. Currently, GCEC offers a UFI of \$0.35 per watt. GCEC also proposes to lower the maximum incentive approved in 2014 from \$3,500 to \$1,500.

In its application, GCEC proposed a lower UFI to help decrease the back log of proposed qualified renewable projects which were on a waiting list for funding. Subsequently, GCEC has reduced that backlog to zero. During the four months after filing its application, GCEC contacted each person on the waiting list as funds became available, and many people on this list chose to remove themselves because they could not afford the system or were no longer interested in the project. Despite the eliminated backlog, GCEC states that it believes as demand for solar increases,

ORIGINAL

the need for subsidies like the UFI to support installation should decrease correspondingly, and it believes that a lower UFI would be more similar to UFIs offered by comparable Arizona utilities.

GCEC has also proposed to limit its funding of renewable projects to only customer-owned systems, and not leased systems. GCEC reasons that leased solar systems involve little up-front cost for the consumer, and that its funding resources would be best used in applications requiring greater initial investment.

GCEC currently offers Performance Based Incentives (“PBI”) for solar and small wind systems. The Company proposes discontinuing PBIs for these technologies due to lack of interest and administrative difficulty. No PBIs have ever been requested for solar or small wind systems as long as GCEC has administered REST programs. GCEC requests an exception for its single 10-year PBI in place as part of its Willcox Greenhouse Geothermal project, which was approved in 2010.

In addition, GCEC would continue to 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 maximum incentive has been reduced to \$1,500. 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.

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.

The table below illustrates the incentive levels provided for each technology proposed in GCEC’s 2015 REST Plan.

<b>Technology</b>	<b>UFIs</b>	<b>PBIs</b>
Solar Electric	\$0.15 per watt <i>Cannot exceed \$1,500 per rebate</i>	Not Eligible
Small Wind	\$0.15 per watt <i>Cannot exceed \$1,500 per rebate</i>	Not Eligible
Solar Water Heating	\$0.75 per kWh for first year savings <i>Cannot exceed \$1,500 per rebate</i>	Not Eligible
Solar Daylighting	\$0.18 per kWh for first year savings <i>Cannot exceed \$1,500 per rebate</i>	Not Eligible

**SunWatts Large-Scale Purchase Power Contract and 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 it does plan to add an additional utility-owned PV system at the GCEC headquarters facility. GCEC's existing utility-owned PV system previously approved in Decision No. 73631 and Decision No. 74160 has been fully implemented.

GCEC estimates the new system will cost approximately \$100,000. GCEC is considering the construction of an elevated solar array that can also be used for shaded parking at the Company's headquarters facility or expanding the rooftop solar array at GCEC's plant facility. The Company is evaluating both options to determine which project offers the greatest benefit to its members.

GCEC estimates that either of the new systems would be approximately 32 kW in size and produce approximately 71 MWh per year once fully implemented.

**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, schools, and nonprofit buildings.

**Tariffs**

GCEC is not proposing to change the current Renewable Energy Standard surcharge or monthly maximums for 2015. 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 2015.

**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 2015:

Category	\$ Amount of Total Budget
Rebate Program	\$118,500
---Residential Distributed Generation	\$101,500
---Commercial Distributed Generation	\$17,000
Large Scale Purchase Power & Generation Program	\$100,000
Advertising	\$2,000
Administration	\$24,500
<b>Total</b>	<b>\$245,000</b>

The table below indicates the REST funds GCEC estimates that would be collected in 2015 by each customer class:

Customer Class	Amount	% Reaching Cap
Residential	\$ 68,569.05	4.5%
Non-Residential	\$ 141,127.15	10.2%
Government / Agricultural	\$ 35,303.80	3.4%
<b>Total</b>	<b>\$245,000.00</b>	<b>4.8%</b>

The GCEC 2015 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.

GCEC anticipates that approximately 1,216 kW of renewable technology will be supported by the 2015 plan. The table below shows how this breaks down by class based on the proposed budget. Under GCEC's proposal, commercial customers could also qualify for the UFI that has historically been used primarily by residential customers, so the approximately 677 kW for residential could be split between residential and commercial but it would be on a "first-come, first-served basis."

Customer Class	kW
Residential	677
Commercial (Willcox Greenhouse)	507
GCEC HQ Project	32

**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 decrease from \$0.03301 per kWh to \$0.02906 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.

**Staff Recommendations**

Staff recommends that GCEC offer the same incentives to all installed PV systems, regardless of leased or purchased status. GCEC states in its application that the primary reason for excluding leased systems from UFI eligibility is because homeowners who lease rooftop PV systems incur fewer costs than those who purchase their own PV systems, so funds should be allocated to those consumers with a greater initial investment. However, all rooftop PV systems in GCEC's service territory receive a UFI count toward accomplishing GCEC's REST requirement, and Staff does not believe it is appropriate or necessary to discriminate between customers based solely on the financing mechanism used to acquire the system.

Therefore, Staff recommends GCEC's proposed 2015 REST Plan should be approved as discussed above, but omit GCEC's proposed exclusion of leased systems.

Staff believes that with the proposed incentive levels, GCEC would be able to sustain its budget in 2015. 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 the avoided cost on GCEC's NM Tariff be set at \$0.02906 per kWh.

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



Steven M. Olea  
Director  
Utilities Division

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ORIGINATOR: Eric Hill

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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 THE APPLICATION  
OF GRAHAM COUNTY ELECTRIC  
COOPERATIVE, INC. FOR APPROVAL OF  
THE 2015 REST IMPLEMENTATION  
PLAN, RES TARIFF, AND NET  
METERING TARIFF.

DOCKET NO. E-01749A-14-0257

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
December 11 and 12, 2014  
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.

2. On July 7, 2014, GCEC filed its 2015 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. 74160, on October 25, 2013.

2015 REST Plan

SunWatts Residential and Commercial Rebate Program

3. 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.

...

1           4.       The 2015 SunWatts rebate program will pay an Up Front Incentive (“UFI”) for PV,  
2 small wind systems, solar water heating, and solar daylighting systems. Subject to available budget  
3 funds, GCEC will pay a UFI of \$0.15 per installed watt for any solar and wind systems. Solar water  
4 heating systems will be eligible for a UFI equal to \$0.75 per kWh saved for the first year of savings,  
5 and solar daylighting systems will be eligible for \$0.18 per kWh saved for the first year of savings. All  
6 projects receiving a UFI will be limited to a maximum incentive of \$1,500, and GCEC will own all  
7 renewable energy credits (“RECs”) from such projects for their operational life.

8           5.       The proposed \$0.15 per installed watt UFI for solar and wind systems is a reduction in  
9 the current UFI rebate amount. Currently, GCEC offers a UFI of \$0.35 per watt. GCEC also  
10 proposes to lower the maximum incentive approved in 2014 from \$3,500 to \$1,500.

11          6.       In its application, GCEC proposed a lower UFI to help decrease the back log of  
12 proposed qualified renewable projects which were on a waiting list for funding. Subsequently, GCEC  
13 has reduced that backlog to zero. During the four months after filing its application, GCEC contacted  
14 each person on the waiting list as funds became available, and many people on this list chose to  
15 remove themselves because they could not afford the system or were no longer interested in the  
16 project. Despite the eliminated backlog, GCEC states that it believes as demand for solar increases,  
17 the need for subsidies like the UFI to support installation should decrease correspondingly, and it  
18 believes that a lower UFI would be more similar to UFIs offered by comparable Arizona utilities.

19          7.       GCEC has also proposed to limit its funding of renewable projects to only customer-  
20 owned systems, and not leased systems. GCEC reasons that leased solar systems involve little upfront  
21 cost for the consumer, and that its funding resources would be best used in applications requiring  
22 greater initial investment.

23          8.       GCEC currently offers Performance Based Incentives (“PBI”) for solar and small  
24 wind systems. The Company proposes discontinuing PBIs for these technologies due to lack of  
25 interest and administrative difficulty. No PBIs have ever been requested for solar or small wind  
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27 single 10-year PBI in place as part of its Willcox Greenhouse Geothermal project, which was  
28 approved in 2010.

9. In addition, GCEC would continue to 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 maximum incentive has been reduced to \$1,500. 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.

10. 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.

11. The table below illustrates the incentive levels provided for each technology proposed in GCEC's 2015 REST Plan.

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1 13. GCEC estimates the new system will cost approximately \$100,000. GCEC is  
 2 considering the construction of an elevated solar array that can also be used for shaded parking at the  
 3 Company's headquarters facility or expanding the rooftop solar array at GCEC's plant facility. The  
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 5 members.

6 14. GCEC estimates that either of the new systems would be approximately 32 kW in size  
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8 **SunWatts PV for Government, Schools and Nonprofits Program**

9 15. GCEC will continue to offer UFIs to third-party developers or those with access to  
 10 stimulus funds interested in installing renewable systems on government, school, and nonprofit  
 11 buildings.

12 **Tariffs**

13 16. GCEC is not proposing to change the current Renewable Energy Standard surcharge  
 14 or monthly maximums for 2015. The kWh surcharges and monthly maximums for GCEC's current  
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**Budget**

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<b>Total</b>	<b>\$245,000.00</b>	<b>4.8%</b>

20. The GCEC 2015 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. GCEC anticipates that approximately 1,216 kW of renewable technology will be supported by the 2015 plan. The table below shows how this breaks down by class based on the proposed budget. Under GCEC's proposal, commercial customers could also qualify for the UFI that has historically been used primarily by residential customers, so the approximately 677 kW for residential could be split between residential and commercial but it would be on a "first-come, first-served basis."

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#### 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 decrease from \$0.03301 per kWh to \$0.02906 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 has recommended that the proposed new avoided cost be approved.

#### Recommendations

24. Staff has recommended that GCEC offer the same incentives to all installed PV systems, regardless of leased or purchased status. GCEC states in its application that the primary reason for excluding leased systems from UFI eligibility is because homeowners who lease rooftop PV systems incur fewer costs than those who purchase their own PV systems, so funds should be allocated to those consumers with a greater initial investment. However, all rooftop PV systems in GCEC's service territory receive a UFI count toward accomplishing GCEC's REST requirement, and Staff does not believe it is appropriate or necessary to discriminate between customers based solely on the financing mechanism used to acquire the system.

25. Staff has recommended GCEC's proposed 2015 REST Plan should be approved as discussed above, but omit GCEC's proposed exclusion of leased systems.

26. Staff believes that with the proposed incentive levels, GCEC would be able to sustain its budget in 2015. 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 has recommended 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.



1 IT IS FURTHER ORDERED that the avoided cost on Graham County Electric Cooperative,  
2 Inc.'s Net Metering Tariff of \$0.02906 per kWh become effective 30 days after the effective date of  
3 this Decision.

4 IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. file with  
5 Docket Control, as a compliance item, a revised Net Metering Tariff, within 15 days of the effective  
6 date of this Order.

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

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

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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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.

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\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

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

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

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SMO:EAH:sms\CHH

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1 SERVICE LIST FOR: Graham County Electric Cooperative, Inc.  
2 DOCKET NO. E-01749A-14-0257

3 Mr. Than W. 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  
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14 Ms. Janice M. Alward  
15 Chief Counsel, Legal Division  
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17 1200 West Washington Street  
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