

OPEN MEETING

MEMORANDUM



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RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: December 1, 2014

ORIGINAL

2014 DEC 1 AM 9 05

RE: IN THE MATTER OF THE APPLICATION OF SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF THE 2015 REST IMPLEMENTATION PLAN AND 2015 RES TARIFF SURCHARGE. (DOCKET NO. E-01575A-14-0271)

Introduction

On July 17, 2014, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" 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. SSVEC's current REST Plan was approved by the Commission in Decision No. 74158 on October 25, 2013.

The 2015 SSVEC REST Plan targets a renewable energy goal of 2.5% of retail sales. Based on 2015 retail sales of 888,343 MWh, this equates to 22,209 MWh of renewable energy.

The implementation portion of the Plan consists of several programs, collectively called "Sun Watts." Details of the programs are discussed below.

The Sun Watts Green Contribution Program

This program allows customers to elect to contribute additional dollars on their bills to be used to fund various renewable energy programs. SSVEC does not propose changes to this program in the 2015 Plan.

Arizona Corporation Commission

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Proposed Incentives

A summary of SSVEC's current Commission-approved Up-Front Incentives ("UFI") is presented in Table I. SSVEC proposes the same UFIs for 2015.

**Table I
Proposed and Current Up-Front Incentives**

Program	Current/Proposed 2015 Up-Front Incentives
Residential PV Incentive	\$0.25 per Watt, up to \$2,500
Residential Wind Incentive	\$0.10 per Watt, up to \$1,250
Commercial PV Incentive	\$0.25 per Watt, up to \$5,000 of system cost for grid-connected and off-grid systems.
Commercial Wind Incentive	\$0.10 per Watt, up to \$2,500.
Solar Water Heater Program	\$0.50 per kWh of estimated energy saved during 1 st year of system operation, up to 25% of system cost.

The Sun Watts Residential Incentive Program

The Sun Watts Residential incentive program will pay a UFI for the installation of qualifying PV, wind, or solar water heating ("SWH") systems. To qualify for an incentive, the PV or wind system must be eligible to participate in Net Metering. Therefore, the system size must be no more than 125% of the customer's total connected load.

Photovoltaic System Incentives

SSVEC will pay an incentive of \$0.25 per installed Watt, up to \$2,500 per system per metered account or off-grid residential PV system. SSVEC is requesting to exclude leased systems from eligibility from incentives.

Wind System Incentives

The incentive rate for wind systems is \$0.10 per Watt with a maximum incentive of \$1,250 per metered account. To qualify for an incentive, the wind system must have a final output voltage of at least 120 VAC and be grid-tied. Wind turbines that produce only DC voltages (for battery charging) do not qualify for incentives.

Sun Watts Commercial One-Time Incentives

The Sun Watts Commercial and Industrial (non-residential) incentive program will pay a UFI for the installation of qualifying PV, wind, or SWH systems. To qualify for an incentive, the PV or wind systems must be eligible to participate in Net Metering. Therefore, the system must be no more than 125% of the customer's connected load.

Photovoltaic System Incentives

SSVEC will pay an incentive of \$0.25 per DC watt, with a maximum payment of \$5,000 per non-residential metered account. SSVEC is requesting to exclude leased systems from eligibility from incentives.

Wind System Incentives

SSVEC will pay an incentive rate for wind of \$0.10 per watt with a maximum incentive of \$2,500 per metered account. To qualify for an incentive the wind system must have a final output voltage of at least 120 VAC and be grid-tied. Wind turbines that produce only DC voltages (for battery charging) do not qualify for incentives.

Debt Service for 2008 Schools Project

As part of the 2008 REST program the Commission approved a Clean Renewable Energy Bonds ("CREBs") loan for the Solar for Schools project. The Maintenance and Debt Service budget is set to \$900,000 per year. Beginning with the 2014 REST Program, SSVEC had to include additional maintenance costs due to the bankruptcy and subsequent closure of the Inverter Manufacturer which nullified the extended warranty SSVEC had obtained in 2008.

The Sun Watts Large-Scale Generating Program

SSVEC installed two cooperative-owned, utility-scale solar photovoltaic systems in 2012, with a total capacity of 1.5 MW. These solar power plants were funded through Commission-approved CREB funds. The proposed 2015 budget includes debt service for this project. SSVEC reimburses the REST fund for all kWh produced by these solar power plants at the Avoided Cost Rate as set in SSVEC's Net Metering Tariff which is updated annually.

Solar Water Heater Program

SSVEC will pay a rebate equal to \$0.50 per kWh of estimated energy saved during the system's first year of operation. Only OG-300 certified solar systems are eligible for the Sun Watts Incentive. SSVEC highly recommends that systems be installed by licensed contractors but if the member chooses to do a "self-install" the local building inspector must approve the installation to qualify for the Sun Watts Incentive. Customers will provide copies of their invoice for tracking systems costs for posting on the AZ Goes Solar website.

Additional Programs and Incentives

SSVEC proposes to continue the Habitat for Humanity ("Habitat") Program. SSVEC contributes up to \$15,000 to the Habitat organization for the purchase of photovoltaic and other renewable energy equipment to be installed on Habitat homes. If Habitat does not have a suitable project, these funds will be used to pay residential and commercial incentives.

SSVEC notes that it will also assist in finding local renewable energy equipment dealers who are willing to donate products and services to the Habitat cause.

SSVEC will provide a New Home Subdivision Model Home advertising allowance of \$250 per builder per year, subject to available funds.

SSVEC proposes to continue to fund a grant program for teachers in its service territory for the development of renewable energy curricula for the classroom. SSVEC's 2015 budget allows up to ten grants of \$500 each.

REST Plan Funding and Expenditures

SSVEC is not proposing any changes to its REST kWh surcharge or the REST surcharge caps. The SSVEC REST Surcharge is \$0.00988 per kWh and the collection caps are shown in the following Table II:

**Table II
2015 REST Plan Collections**

Rate Class	Monthly Collection Caps	Monthly Average per Bill	Percentage Reaching Cap	Collection by Rate Class per Month
Residential	\$3.49	\$3.11	74.4%	\$121,205
General Service	\$85.00	\$10.86	1.8%	\$80,144
Irrigation	\$50.00	\$36.50	61.8%	\$19,802
Large Commercial/Industrial	\$200.00	\$139.15	45.0%	\$53,397
Contract	\$300.00	\$300.00	100.0%	\$900

SSVEC has provided the 2015 REST Plan budget as shown in the following Table III.

Table III
Proposed 2015 REST Plan Budget

Collections	
Estimated 2015 REST Surcharge	\$4,535,000
SSVEC-owned Solar Power Plant production	\$112,828
Estimated 2014 carryover	\$35,000
Total	\$4,682,828
Expenditures	
Administration	\$200,000
Habitat for Humanity Program	\$15,000
Advertising	\$1,000
Future Large Scale Project	\$900,000
PBI "Buy Down"	\$200,000
School Solar Project (CREBs Debt Service)	\$900,000
Large-Scale Solar Power Plant (CREBs Debt Service)	\$425,000
Sun Watts Residential Incentives	\$1,166,828
Sun Watts Commercial Incentives	\$875,000
Total	\$4,682,828

Requested Changes from 2014 REST Plan

SSVEC's proposed 2015 REST plan includes three requested changes from its approved 2014 Plan.

First, SSVEC requests permission to form a Future Large Scale Project fund. SSVEC has recently eliminated its backlog of renewable energy projects waiting for funding, and it anticipates that in 2015 funds will begin to accumulate. SSVEC requests permission to begin saving money in a Future Large Scale Project fund to pay for future large scale SSVEC-owned renewable projects without having to incur financing costs, as SSVEC members are supportive of such projects.

Second, SSVEC would like to begin paying off its existing Performance Based Incentive ("PBI") commitments early on a first in, first out ("FIFO") basis with a goal of reducing the liability and administrative costs caused by the use of PBIs. PBI "buy outs" would be processed in December of each year.

Finally, SSVEC requests permission to exclude leased PV systems from its incentive programs. In its application, SSVEC suggests that leased systems have an advantage over owned systems due to the combination of depreciation, tax benefits, and rebates that such systems receive, so eliminating incentives for leased systems would "level the playing field" for homeowner-owned PV systems since owners cannot claim depreciation.

SSVEC also details several concerns with the leased residential PV system business, including large cost differences between leased and owned systems. SSVEC states that it is concerned that by offering an incentive for leased PV systems, it is providing "tacit support" of leasing systems, and it is concerned that if SSVEC members have difficulty with such systems in the future, those problems might also reflect poorly on SSVEC itself.

Staff Recommendations

Staff recommends that SSVEC offer the same incentives to all installed PV systems, regardless of leased or purchased status. The concerns that SSVEC raises regarding leased PV systems are not unique to SSVEC. Leased systems are offered in many utilities' service territories throughout Arizona, and it is the consumers considering these systems who ultimately must weigh the benefits and drawbacks of the financing mechanism used for acquiring rooftop solar.

Staff recommends approval of SSVEC's 2015 REST Implementation Plan as described above, including its proposed addition of a Future Large Scale Project Fund and its PBI "Buy Down" proposal, with exception of the SSVEC request to exclude leased systems from incentive programs.



Steven M. Olea
Director
Utilities Division

SMO:EAH:sms/RWG

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 SULPHUR SPRINGS VALLEY)
ELECTRIC COOPERATIVE, INC. FOR)
APPROVAL OF THE 2015 REST)
IMPLEMENTATION PLAN AND 2015 RES)
TARIFF SURCHARGE)

DOCKET NO. E-01575A-14-0271
DECISION NO. _____
ORDER

Open Meeting
December 11 and 12, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Introduction

2. On July 17, 2014, SSVEC filed its 2015 Renewable Energy Standard and Tariff ("REST") Implementation Plan in compliance with A.A.C. R14-2-1801 through R14-2-1816. SSVEC's current REST Plan was approved by the Commission in Decision No. 74158 on October 25, 2013.

3. The 2015 SSVEC REST Plan targets a renewable energy goal of 2.5% of retail sales. Based on 2015 retail sales of 888,343 MWh, this equates to 22,209 MWh of renewable energy.

4. The implementation portion of the Plan consists of several programs, collectively called "Sun Watts." Details of the programs are discussed below.

1 **The Sun Watts Green Contribution Program**

2 5. This program allows customers to elect to contribute additional dollars on their bills to
3 be used to fund various renewable energy programs. SSVEC does not propose changes to this
4 program in the 2015 Plan.

5 **Proposed Incentives**

6 6. A summary of SSVEC’s current Commission-approved Up-Front Incentives (“UFI”)
7 is presented in Table I. SSVEC proposes the same UFIs for 2015.

8 **Table I**
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19 qualifying PV, wind, or solar water heating (“SWH”) systems. To qualify for an incentive, the PV or
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2 without having to incur financing costs, as SSVEC members are supportive of such projects.

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4 Incentive ("PBI") commitments early on a first in, first out ("FIFO") basis with a goal of reducing the
5 liability and administrative costs caused by the use of PBIs. PBI "buy outs" would be processed in
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14 that by offering an incentive for leased PV systems, it is providing "tacit support" of leasing systems,
15 and it is concerned that if SSVEC members have difficulty with such systems in the future, those
16 problems might also reflect poorly on SSVEC itself.

17 Recommendations

18 27. Staff has recommended that SSVEC offer the same incentives to all installed PV
19 systems, regardless of leased or purchased status. The concerns that SSVEC raises regarding leased PV
20 systems are not unique to SSVEC. Leased systems are offered in many utilities' service territories
21 throughout Arizona, and it is the consumers considering these systems who ultimately must weigh the
22 benefits and drawbacks of the financing mechanism used for acquiring rooftop solar.

23 28. Staff has recommended approval of SSVEC's 2015 REST Implementation Plan as
24 described above, including its proposed addition of a Future Large Scale Project Fund and its PBI
25 "Buy Down" proposal, with exception of the SSVEC request to exclude leased systems from incentive
26 programs.

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CONCLUSIONS OF LAW

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1. Sulphur Springs Valley 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 Sulphur Springs Valley Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated December 1, 2014, concludes that it is in the public interest to approve Sulphur Springs Valley Electric Cooperative, Inc.'s 2015 REST Plan as specified in this order.

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ORDER

IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. offer the same incentives to all installed PV systems, regardless of leased or purchased status.

IT IS FURTHER ORDERED that the proposed addition of a Future Large Scale Project Fund and PBI "Buy Down" program is approved.

IT IS FURTHER ORDERED that the Sulphur Springs Valley Electric Cooperative, Inc. 2015 REST Plan is hereby approved as discussed herein.

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:EAH:sms\RBG

1 SERVICE LIST FOR: Sulphur Springs Valley Electric Cooperative, Inc.
2 DOCKET NO. E-01575A-14-0271

3 Mr. David Bane
4 Sulphur Springs Valley Electric Cooperative, Inc.
5 311 East Wilcox
6 Sierra Vista, Arizona 85635

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

12 Ms. Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
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