NEW APPLICATION

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Arizona Corporation Commission
DOCKETED
FEB 26 2015
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IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC., AN ARIZONA NONPROFIT CORPORATION, FOR (1) APPROVAL OF A NET METERING TARIFFS; AND (2) PARTIAL WAIVER OF THE NET METERING RULES.	DOCKET NO. E-01461A-15-0057 **APPLICATION FOR APPROVAL OF NET METERING TARIFFS AND PARTIAL WAIVER OF THE NET METERING RULES**

Trico Electric Cooperative, Inc., an Arizona non-profit corporation, ("Trico" or "Company"), through undersigned counsel, hereby submits its application to the Arizona Corporation Commission ("Commission") for: (1) approval of a new net-metering tariff for future net metered Members that credits excess energy produced from an eligible net metering facility at the avoided cost rate;[1] (2) approval of a partial waiver of the Commission's net metering rules (A.A.C. R14-2-2301 *et seq.*); and (3) approval of a revised avoided cost rate in Trico's existing net metering tariff, which would apply to Trico's existing DG Members.

I. OVERVIEW.

Trico is non-profit electric distribution cooperative providing service to approximately 38,000 members in parts of Pima, Pinal and Santa Cruz counties under a Certificate of Convenience and Necessity granted by the Commission. Trico has had a renewable program in place since 2005 and has in place a Renewable Energy Standard and Tariff Implementation Plan (REST Plan) since the inception of the REST Rules. Under its REST Plan, Trico has established

[1] Trico members who have installed distributed generation ("DG") facilities that are eligible for net metering will be referred to as "DG Members."

and maintained a vibrant renewable energy portfolio, focused principally on distributed solar generation. Trico also has been a leader in Community Solar and has installed a 0.227 MW facility to provide a Community Solar option for its Members. The Cooperative was recognized by Solar Electric Power Association (SEPA) as the nation's Solar Cooperative of the Year in 2012. Although electric cooperatives are not subject to mandatory renewable energy targets under the REST Rules, Trico currently exceeds the Commission's renewable energy distributed generation target for investor-owned utilities under the Rules.

Trico recently has experienced a substantial increase in the number of Members installing rooftop solar Photovoltaic ("PV") systems. These DG systems are eligible for net metering under Trico's existing net metering tariff. The rapid rise in DG systems in Trico's service area has resulted in an equally rapid increase in unrecovered fixed costs. As the Commission is aware, the proliferation of the DG systems is shifting the ultimate recovery of those lost fixed costs to those Members who have not installed DG systems. In order to mitigate the acceleration of unrecovered fixed costs, Trico's Member-elected board of directors has decided that Trico must seek to change how excess energy from future eligible net-metering facilities is credited. Trico proposes a new net metering tariff that would modify how new DG Members receive credit for the energy that is generated by their DG system in excess of their load and delivered to Trico. The new tariff would apply to DG Members that submit applications for interconnection to Trico's grid facilities after February 28, 2015. Under the new tariff:

1. For energy generated by the DG system that is used to serve the DG Member's load, the DG Member will continue to benefit from what is effectively a retail rate offset for such energy.

2. For any excess energy that is delivered to Trico, Trico will provide a credit on the net metered DG Member's bill each month for the excess generation

at Trico's avoided cost rate.[2] New DG Members will no longer roll the excess generation from their DG system monthly or into the next month.

3. For any energy delivered to the DG Member by Trico, the DG Member will continue to pay Trico for that energy at the tariff retail rate.

4. Trico is not proposing any additional charge for net metered Members under the tariff modifications.

Thus, Members who decide to install DG systems in the future will still receive a subsidy from Trico. However, as a result of these modifications, the subsidy will be reduced from the current level.

The new net metering tariff would apply on a going forward basis.[3] DG Members who have already interconnected with Trico (or who have already committed to interconnect) will continue to be subject to Trico's existing net metering tariff. The proposed new net metering tariff implementation will utilize the same metering capability Trico already has in place for the current net metering tariff and for its CoGeneration Qualifying Facilities (QF1) tariff.

In addition to the approval of the new net metering tariff, Trico will also require a partial waiver of the net metering rules. Since those rules were approved in 2008, the economics of rooftop solar has dramatically changed. Solar panels are significantly less expensive and there are numerous business models available to consumers. As a result, most of Arizona's electric utilities, including Trico, have reduced upfront incentives for solar DG systems, and seen little or no reduction in the volume of solar DG interconnection applications. The recent significant increase in the number of Solar DG installations in Trico's service territory indicates that there are continuing reductions in the cost of owning or leasing a solar DG system, and that less subsidy is required to promote the development of solar DG. Trico acknowledges that with a reduced net

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[2] As part of this application, Trico is also proposing to modify the avoided cost rate set forth in its current net metering tariff to match Trico's actual 2014 avoided cost. The new avoided cost rate will be $0.03662 per kWh, instead of the current $0.04205 per kWh.

[3] Existing DG Members that Trico has either received a completed application and that have proof that the system has passed the jurisdictional inspection as midnight on February 28, 2015 will still be subject to Trico's existing net metering tariff, even if those systems have not yet been interconnected to Trico's distribution grid.

metering subsidy, the "payback" period may increase from what it is today, but may still be shorter than what it was only a few years ago. Moreover, Trico believes that the new approach will encourage Members to better match the size of their rooftop system (and its production) to their actual load and usage over time, as opposed to sizing the system up to 125% of their peak load.

Trico believes this approach provides a balance for its Members and meets the public interest by mitigating some of the unrecovered fixed costs and the cost shift from one group of Members to another while still continuing to provide an incentive for renewable self-generation.

II. BACKGROUND.

The Commission approved its current net metering rules in Decision 70567 (October 23, 2008) which became effective on May 23, 2009. The rules required, among other provisions, a requirement that Trico interconnect with Member-owned or leased distributed generation facilities using bi-directional metering, net the energy generated by the facility up to the Member's usage on an annual twelve month rolling basis in accordance with the Member's currently effective rate schedule under A.A.C. R14-2-2306, and credit or pay the member for excess energy generated above the member's usage, on an annual basis, at the utility's avoided cost. Trico's initial net metering tariff was approved in Decision No. 71462 (January 26, 2010).[4] The Decision concluded that Trico's proposal conformed to the net metering rules, in terms of eligibility, metering, billing and addressing excess energy from eligible facilities. It also approved Trico's avoided cost rate of $0.04205 per kWh and an additional metering cost of $3.38 per month. Trico's net metering tariff has not been amended since that time.

Trico is now experiencing a substantial increase in the number of Members interconnecting distributed generation, and rooftop solar facilities in particular. The number of applications to interconnect DG systems with Trico increased from 157 in 2013 to 465 in 2014 – almost a

[4] The Commission affirmed the net-metering tariff, and the additional meter charge in particular in Decision 72253 (April 7, 2011). Notably, the Commission found that the technology Trico was employing (and still employs) to implement net metering – the SmartSynch technology – was an appropriate technology to employ.

threefold increase. The significant increase was more pronounced in the second half of 2014 -- in December 2014 alone, Trico received 114 applications. Trico received 75 applications in January 2015. Even with a conservative estimate, Trico will likely see almost as many applications in the first two months of 2015 as it observed throughout 2013.

The rapid rise in DG systems and net metering has rapidly increased the amount of unrecovered fixed costs for Trico. Historically, Members have paid for power based on how much energy they use. The cost of using the grid is "rolled in" to the cost of electricity through the per-kilowatt hour (kWh), or energy charge. However, when Members generate some of their own power, they avoid paying for a portion of their allocated share of the fixed costs for maintaining the grid, even though they continue to use the grid to both buy and sell electricity.

Consequently, under current rate tariffs, the DG Member does not pay for the full amount of the fixed costs that Trico incurs to serve the Member. This issue needs to be addressed at this time because of the rapid growth in solar installations and the fact that Members choosing to install rooftop solar systems are making a long-term commitment based on assumptions related to current utility price structures. Delaying action on this issue will ultimately result in greater expenses for all Members.

Trico's unrecovered fixed costs due to net metering have been increasing at an alarming rate. In 2009, Trico determined that the annual unrecovered fixed costs due to net metering were approximately $142,000.[5] In 2013, that figure was approximately $550,000; but has now jumped to over $1.0 million. Trico has seen a continuing acceleration in the amount of unrecovered fixed costs due to the increased number of solar rooftop systems. About half of these costs (associated with generation and transmission) are shifted to non-DG Members through Trico's Power Cost Adjustor while the other half (associated with distribution) cannot currently be recovered by Trico through existing rates.

Equally concerning is that the unrecovered cost figure will continue to rise for the foreseeable future absent some fundamental change in either Trico's rate design, or its net-

[5] Decision No. 72253 at Finding of Fact 24.

metering tariff. Unlike past cases where a utility has attempted an interim rate-design solution or adding an additional fixed-cost recovery charge, Trico believes that modifying its net-metering tariff directly mitigates the problem in a timely manner.

Therefore, Trico is not proposing any new costs on DG Members. Rather, Trico proposes a restructuring of the net metering tariff that would apply to new DG Members. Under the restructured net metering tariff, those new DG Members will simply receive a smaller subsidy from Trico's other Members. By reducing the subsidy, the new DG Members will pay for a portion of fixed costs of Trico's grid services that is closer to what other Members pay for the same safe, reliable power services. Even still, the proposed new net metering tariff will not charge the net metered Members as much as other Members for use of the grid. As a result, under the new net metering tariff, Trico and its Members will still provide a subsidy to the net metered Members, but it will be reduced from the current levels.

III. PROPOSED NEW NET METERING TARIFF.

Trico's proposed net metering tariff will partially mitigate the cost-shift burden by crediting DG Members for excess generation delivered to Trico at the avoided cost rate. Trico's proposed tariff will record energy (kWhs) sold and energy (kWhs) purchased. Under the new tariff:

1. For energy generated by the DG system that is used to serve Member load, the DG Member will continue to benefit from what is effectively a retail rate offset for such energy.

2. For any excess energy that is delivered to Trico, Trico will provide a credit on the DG Members' bill each month for the excess generation at Trico's avoided cost rate. New DG Members will no longer roll the excess generation from their solar system monthly or into the next month.

3. For any energy delivered to the DG Member by Trico, the Member will continue to pay Trico for that energy at the tariffed retail rate.

A copy of the new net metering tariff showing redline revisions from the existing net metering tariff is attached as Exhibit 1.

Trico proposes a set "cutoff" date where those DG Members with eligible systems that have not yet completed the jurisdictional permit application will be subject to the new net metering tariff. All DG Members with systems permitted before the cutoff will be grandfathered and eligible for net metering benefits under the current tariff. Trico proposes a cutoff date of midnight February 28, 2015. Concurrently with the filing of this application, Trico will be engaging in significant outreach to both solar contractors and Trico's Members. Trico will directly contact solar contractors that are active in its service area and the Tucson metropolitan area. It will post information on its website and send a direct mailing to its Members. Moreover, it has modified its interconnection application documentation to require potential net metering Members to acknowledge in writing that Trico has sought approval of the new net metering tariff.

Beyond the change in the credit for excess DG energy, Trico is not proposing to impose any new or additional charges to net metered Members. Current net metered Members would remain subject to their current rate schedules; Trico's proposal will not move those Members onto another rate schedule.

IV. PARTIAL WAIVER OF THE NET METERING RULES.

Because Trico proposes to credit net metered Members for all excess generation at the avoided cost rate and will no longer be rolling excess generation to offset future usage – which is different than what is set forth in A.A.C. R14-2-2306 -- Trico requests a partial waiver of the Net Metering Rules to the extent necessary. Trico believes such a waiver reflects the realities of the DG market in Arizona, allows a better balancing of the interests of its Members and is in the public interest.

The problem of utility lost revenues to recover fixed costs due to net metering is not a new or unprecedented problem exclusive to Trico. Indeed, the Commission has also recognized the existence of the cost-shift burden in Decision No. 74202 (December 3, 2013) – involving Arizona Public Service Company's application to approve its solution to the net metering cost-shift dilemma. Specifically, the Commission found that the growth of DG systems in APS's service territory "results in a cost shift from APS's DG Customers to APS's non DG residential

Customers absent significant changes to APS's rate design."[6] For Trico, a member owned cooperative, the growing amount of unrecovered costs (and resulting lost revenues) impacts the Members further because they are also the owners.

Trico does not have a mechanism in place to recover all of its lost fixed costs.[7] However, the future lost revenue/cost shift problem can be moderated by reducing the subsidy provided by the existing net-metering tariff. A partial waiver of the Net Metering Rules and a modification of Trico's net metering tariff is a timely means of addressing the problem. Granting the waiver and allowing Trico to implement a new net-metering tariff significantly reduces the future adverse impacts on Trico and its Members.

Further, the impact of the partial waiver is likely to be minimal on Members that choose to install smaller rooftop solar systems that better match their basic hourly usage over the course of a year. Those Members will likely see a subsidy similar to what they would have enjoyed under the current net metering tariff. However, for those Members who choose to install larger systems typical to what is now being installed which generate far more energy than the Member uses for large portions of the year Trico anticipates about a 50% reduction in subsidy over what that Member would realize under the current tariff.[8]

Trico submits that it is in the public interest for the Commission to grant Trico a waiver from A.A.C. R14-2-2301 *et seq.* and allow it to implement a new net-metering tariff that: (1) still provides a benefit to Trico's DG Members by crediting those Members for excess energy; but (2) more fairly values excess energy credited, while significantly and directly moderating the future lost revenue and cost-shift problem caused by its current net-metering tariff.[9]

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[6] See Decision No. 74202, Finding of Fact 49.

[7] For APS, the Commission approved a temporary fix of a $0.70 per kW charge to APS's DG customers through its Lost-Fixed Cost Recovery mechanism ("LFCR") to deal with what the Commission saw as "simply unfair for DG customers to contribute less to the recovery of APS's annual LFCR revenue than non-DG customers do."[7]

[8] The actual impact on the level of subsidy provided by the current net metering tariff is heavily dependent on the size of the DG system and the usage patterns of the Member.

[9] Trico may file a general rate case application in the near future. In that case, Trico also anticipates that it will propose rate design changes to further address the unrecovered fixed cost issue.

V. MODIFICATION OF AVOIDED COST RATE IN CURRENT NET METERING TARIFF.

As set forth above, Trico will be "grandfathering" existing DG Members under its existing net metering tariff. However, the avoided cost rate in the current has not been adjusted since the tariff was approved in 2010. Trico's current avoided cost is less than in 2010. Therefore, Trico also requests that its existing net metering tariff be revised to include an avoided cost rate of $0.03662 per kWh, instead of the current rate of $0.04205 per kWh. The new avoided cost rate is based on Trico actual cost data from 12 months ending December 2014. This new avoided cost rate is the same rate as in Trico's proposed new net metering tariff. A copy of the existing net metering tariff showing the new avoided cost rate is attached as Exhibit 2.

VI. CONCLUSION.

WHEREFORE, Trico requests that the Commission take the following actions:

- Approve Trico's proposed new net metering tariff as set forth in Exhibit 1.
- Approve the revision to the avoided cost rate in Trico's existing net metering tariff as set forth in Exhibit 2.
- Approve an effective date for Trico's new net metering tariff whereby all DG systems that do not have a completed jurisdictional permit application by February 28, 2015 would be subject to the new net metering tariff.
- Grandfather all DG systems that have a completed jurisdictional permit application by February 28, 2015, such that they would continue to be subject to Trico's existing net metering tariff.
- Grant Trico a partial waiver of A.A.C. R14-2-2301 *et seq.* as necessary.
- Grant Trico whatever other relief the Commission deems necessary and appropriate.

RESPECTFULLY SUBMITTED this 26th day of February, 2015.

Trico Electric Cooperative, Inc.

By _____

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Original and thirteen copies of the foregoing filed this 26th day of February, 2015, with:

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By Jaclyn Howard

Exhibit-1

ELECTRIC RATES

TRICO ELECTRIC COOPERATIVE, INC.
8600 W. Tangerine Road
Marana, Arizona 85653
Filed By: Vincent Nitido
Title: General Manager/CEO

Effective Date: ~~January 26, 2010~~

STANDARD OFFER TARIFF

NET METERING TARIFF
SCHEDULE ~~NM~~NM1

Availability

Net Metering service is available to all customers of Trico Electric Cooperative, Inc. (Cooperative) with a qualifying Net Metering Facility. Participation under this schedule is subject to availability of enhanced metering and billing system upgrades. The electric energy generated by or on behalf of the customer from a qualifying Net Metering Facility and delivered to the Cooperative's distribution facilities may be used to offset electric energy provided by the Cooperative during the applicable billing period in accordance with the provisions of the Monthly Billing clause.

Net Metering Facility means a facility for the production of electricity that:

a. Is operated by or on behalf of the customer and is located on the customer's premises;
b. Is intended primarily to provide part or all of the customer's requirements for electricity;
c. Uses Renewable Resources, a Fuel Cell or CHP (as defined below);
d. Has a generating capacity less than or equal to 125% of the customer's total connected load, or in the absence of customer load data, capacity less than or equal to the customer's electric service drop capacity; and
e. Is interconnected with and can operate in parallel and in phase with the Cooperative's existing distribution system.

Service under this tariff is available provided the rated capacity of the customer's Net Metering Facility does not exceed the Cooperative's service capacity. The customer shall comply with all of the Cooperative's interconnection standards. The customer is also required to sign and complete a net metering application prior to being provided Net Metering Service. Service under this tariff is available for a Net Metering Facility that was interconnected after February 28, 2015, or that was the subject of an accepted application for interconnection that was submitted after February 28, 2015.

~~Net Metering Facilities with generation capacity that exceeds 1,000 kilowatts, which are interconnected presently, or desire to become interconnected, may, at Arizona Electric Power Cooperative's option, be subject to the negotiated terms and conditions set forth in multilateral contracts among the customer, Arizona Electric Power Cooperative, Southwest Transmission Cooperative and the Cooperative.~~

Metering

Metering installed for the service provided under this tariff shall be capable of registering and accumulating the kilowatt-hours (kWh) of electricity flowing in both directions in a billing period.

NET METERING TARIFF
SCHEDULE NM1

Monthly Billing

~~If the kWh~~The energy (kWh) supplied by the Cooperative ~~exceeds the kWh energy that are generated by the customer's Net Metering Facility and delivered back~~ to the ~~Cooperative~~customer during the billing period, ~~the customer~~ shall be billed ~~for the net kWh energy supplied~~ by the Cooperative in accordance with the rates and charges under the customer's Standard Rate Schedule.

~~If the kWh~~The energy (kWh) generated by the customer's Net Metering Facility and delivered back to the Cooperative ~~exceeds the kWh energy supplied by the Cooperative in the billing period, the customer~~ shall be credited to the customer during ~~subsequent billing periods for the excess kWh energy generated. The Cooperative shall apply the credit by using the excess kWh energy generated during the billing period to reduce the kWh energy supplied (not kW or kVA demand or customer charges) and billed by the Cooperative during the subsequent billing periods.~~

~~Customers taking service under time-of-use rates who are to receive credit in a subsequent billing period for excess kWh energy generated shall receive such credit during the following billing periods during the on- or off- peak periods corresponding to the on- or off- peak periods in which the kWh energy were generated by the customer.~~

~~Each Calendar Year, for the customer bills produced in October (September usage) or in the last billing period that the customer discontinues service under this tariff, the Cooperative shall issue a check or billing credit to customers with Net Metering Facilities for the balance of any credit due in excess of amounts owed by the customer to the Cooperative for Non-Firm Power. The payment for any remaining credits shall be~~the billing period at the Cooperative's Annual Average Avoided Cost. The Cooperative's Annual Average Avoided Cost shall be set at ~~$0.04205~~$0.03662 per kWh. Any payment for Firm Power will be pursuant to a separate contract.

Administrative Charge

In order to determine accurate billing and usage, net metering customers will need to have interval meter data available (minimum data collection of every half hour). This information is needed to ensure accurate billing and to calculate the net ~~kWh~~ energy (kWh) billed or credited to the customer's account. The following table shows the incremental costs for the increased data collection applicable to all rate classes.

Administrative Charge	**Monthly Rate**
Monthly Data Cost	$3.38

NET METERING TARIFF
SCHEDULE NM1

Definitions

1. Annual Average Avoided Cost: Defined as the average annual wholesale fuel and energy costs per kWh energy purchased from the Cooperative's wholesale power supplier during the calendar year. The Cooperative's Annual Average Avoided Cost shall be set at $0.~~04020505~~03662 per kWh.

2. ~~Calendar Year: The Calendar Year is defined as October 1 through September 30, for the purpose of determining the billing credit for the balance of any credit due in excess of amounts owed by the customer to the Cooperative.~~

~~3.~~2. Renewable Resource: Means natural resources that can be replenished by natural processes, including biomass, biogas, geothermal, hydroelectric, solar or wind.

~~4.~~3. Combined Heat and Power or CHP: Means a system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility (also known as cogeneration).

~~5.~~4. Fuel Cell: Means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. The source of the chemical reaction must be from Renewable Resources.

~~6.~~5. Non-Firm Power: Electric power which is supplied by the customer's generator at the customer's option, where no firm guarantee is provided, and the power can be interrupted by the customer at any time.

~~7.~~6. Firm Power: Electric power available from the customer's facilities, upon demand, at all times with an expected or demonstrated reliability that is covered by a separate multiparty purchase agreement among the customer, the Cooperative, Arizona Electric Power Cooperative and Southwest Transmission Cooperative.

~~8.~~7. Time Periods: Mountain Standard Time shall be used in the application of this rate schedule. On-peak and off-peak time periods will be determined by the applicable Standard Rate Schedule.

~~9.~~8. Standard Rate Schedule: Any of the Cooperative's retail rate schedules with metered energy (kWh) charges.

Exhibit-2

ELECTRIC RATES

TRICO ELECTRIC COOPERATIVE, INC.
8600 W. Tangerine Road
Marana, Arizona 85653
Filed By: Vincent Nitido
Title: General Manager/CEO

Effective Date: ~~January 26, 2010~~

STANDARD OFFER TARIFF

NET METERING TARIFF
SCHEDULE NM

Availability

Net Metering service is available to all customers of Trico Electric Cooperative, Inc. (Cooperative) with a qualifying Net Metering Facility. Participation under this schedule is subject to availability of enhanced metering and billing system upgrades. The electric energy generated by or on behalf of the customer from a qualifying Net Metering Facility and delivered to the Cooperative's distribution facilities may be used to offset electric energy provided by the Cooperative during the applicable billing period.

Net Metering Facility means a facility for the production of electricity that:

a. Is operated by or on behalf of the customer and is located on the customer's premises;
b. Is intended primarily to provide part or all of the customer's requirements for electricity;
c. Uses Renewable Resources, a Fuel Cell or CHP (as defined below);
d. Has a generating capacity less than or equal to 125% of the customer's total connected load, or in the absence of customer load data, capacity less than or equal to the customer's electric service drop capacity; and
e. Is interconnected with and can operate in parallel and in phase with the Cooperative's existing distribution system.

Service under this tariff is available provided the rated capacity of the customer's Net Metering Facility does not exceed the Cooperative's service capacity. The customer shall comply with all of the Cooperative's interconnection standards. The customer is also required to sign and complete a net metering application prior to being provided Net Metering Service. Service under this tariff is available for a Net Metering Facility that was interconnected on or before February 28, 2015, or that was the subject of an accepted application for interconnection that was submitted on or before February 28, 2015.

Net Metering Facilities with generation capacity that exceeds 1,000 kilowatts, which are interconnected presently, or desire to become interconnected, may, at Arizona Electric Power Cooperative's option, be subject to the negotiated terms and conditions set forth in multilateral contracts among the customer, Arizona Electric Power Cooperative, Southwest Transmission Cooperative and the Cooperative.

Metering

Metering installed for the service provided under this tariff shall be capable of registering and accumulating the kilowatt-hours (kWh) of electricity flowing in both directions in a billing period.

Monthly Billing

If the kWh energy supplied by the Cooperative exceeds the kWh energy that are generated by the customer's Net Metering Facility and delivered back to the Cooperative during the billing period, the customer shall be billed for the net kWh energy supplied by the Cooperative in accordance with the rates and charges under the customer's Standard Rate Schedule.

If the kWh energy generated by the customer's Net Metering Facility and delivered back to the Cooperative exceeds the kWh energy supplied by the Cooperative in the billing period, the customer shall be credited during subsequent billing periods for the excess kWh energy generated. The Cooperative shall apply the credit by using the excess kWh energy generated during the billing period to reduce the kWh energy supplied (not kW or kVA demand or customer charges) and billed by the Cooperative during the subsequent billing periods.

Customers taking service under time-of-use rates who are to receive credit in a subsequent billing period for excess kWh energy generated shall receive such credit during the following billing periods during the on- or off- peak periods corresponding to the on- or off- peak periods in which the kWh energy were generated by the customer.

Each Calendar Year, for the customer bills produced in October (September usage) or in the last billing period that the customer discontinues service under this tariff, the Cooperative shall issue a check or billing credit to customers with Net Metering Facilities for the balance of any credit due in excess of amounts owed by the customer to the Cooperative for Non-Firm Power. The payment for any remaining credits shall be at the Cooperative's Annual Average Avoided Cost. The Cooperative's Annual Average Avoided Cost shall be set at $0.03662~~4205~~ per kWh. Any payment for Firm Power will be pursuant to a separate contract.

Administrative Charge

In order to determine accurate billing and usage, net metering customers will need to have interval meter data available (minimum data collection of every half hour). This information is needed to ensure accurate billing and to calculate the net kWh energy billed or credited to the customer's account. The following table shows the incremental costs for the increased data collection applicable to all rate classes.

Administrative Charge	**Monthly Rate**
Monthly Data Cost	$3.38

NET METERING TARIFF
SCHEDULE NM

Definitions

1. Annual Average Avoided Cost: Defined as the average annual wholesale fuel and energy costs per kWh energy purchased from the Cooperative's wholesale power supplier during the calendar year. The Cooperative's Annual Average Avoided Cost shall be set at $0.03662~~40205~~ per kWh.

2. Calendar Year: The Calendar Year is defined as October 1 through September 30, for the purpose of determining the billing credit for the balance of any credit due in excess of amounts owed by the customer to the Cooperative.

3. Renewable Resource: Means natural resources that can be replenished by natural processes, including biomass, biogas, geothermal, hydroelectric, solar or wind.

4. Combined Heat and Power or CHP: Means a system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility (also known as cogeneration).

5. Fuel Cell: Means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. The source of the chemical reaction must be from Renewable Resources.

6. Non-Firm Power: Electric power which is supplied by the customer's generator at the customer's option, where no firm guarantee is provided, and the power can be interrupted by the customer at any time.

7. Firm Power: Electric power available from the customer's facilities, upon demand, at all times with an expected or demonstrated reliability that is covered by a separate multiparty purchase agreement among the customer, the Cooperative, Arizona Electric Power Cooperative and Southwest Transmission Cooperative.

8. Time Periods: Mountain Standard Time shall be used in the application of this rate schedule. On-peak and off-peak time periods will be determined by the applicable Standard Rate Schedule.

9. Standard Rate Schedule: Any of the Cooperative's retail rate schedules with metered kWh charges.