

NEW APPLICATION



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IN THE MATTER OF THE APPLICATION OF
DUNCAN VALLEY ELECTRIC COOPERATIVE,
INC. APPLICATION FOR APPROVAL OF ITS
2016 RENEWABLE ENERGY STANDARD
TARIFF.

DOCKET NO. E-01703A-15-0273

Duncan Valley Electric Cooperative, Inc. ("DVEC") hereby submits its 2016 REST
Implementation Plan and Tariffs pursuant to A.A.C. R14-2-1814. .

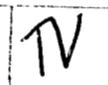
RESPECTFULLY SUBMITTED this 28th day of July, 2015

By 
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Duncan Valley Electric Cooperative, Inc.

REST Plan for Calendar Year 2016

A.A.C. R14-2-1814

June 30, 2015

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I. BACKGROUND

Duncan Valley Electric Cooperative, Inc. (“DVEC”) is a rural electric distribution cooperative headquartered in Duncan, Arizona and an all-requirements member of the Arizona Electric Power Cooperative, Inc. (“AEPCO”). DVEC provides electric service to approximately 1,750 members in Arizona’s Greenlee County and New Mexico’s Hidalgo and Grant Counties.

The Commission approved the Renewable Energy Standard and Tariff Rules (“REST Rules”) in Decision No. 69127. The REST Rules took effect August 14, 2007.

The REST Rules contain a section that specifically addresses electric power cooperatives. R14-2-1814.B instructs cooperatives to file by July 1 “an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year.” Upon Commission approval, the provisions of the cooperative’s plan substitute for the requirements of R14-2-1804 and R14-2-1805.

Pursuant to these provisions, DVEC submits its REST Plan for calendar year 2016 for approval.

II. DVEC 2016 REST PLAN

DVEC uses primarily surcharge dollars to fund renewable programs. The 2016 REST Plan includes incentive support for distributed residential and commercial photovoltaic, solar water heating, wind generation and other renewable technologies. Funds are also used to pay for the administration, advertising and promotion of SunWatts programs.

The 2016 REST plan continues rebate support for all technologies that were approved as part of the 2014-2015 REST Plan filed by DVEC. There are three SunWatts programs which make up the DVEC 2016 REST Plan:

- (1) The SunWatts Rebate Program;
- (2) The Large-Scale Purchase Power Contract & Generating Program; and
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(3) The PV for Government, Schools and Nonprofits Program.

Each of these programs is discussed in greater detail below.

(1) SunWatts Rebate Program: This program pays customers rebates to encourage the installation of qualifying photovoltaic (“PV”), solar water heating, small wind systems and other renewable technologies.

The rebate program pays an Up Front Incentive (“UFI”) to members who install qualifying PV, small wind, solar water heating and solar day-lighting systems. Subject to available budget funds, DVEC will pay a UFI of \$1.00 per installed watt for solar and wind systems up to 10 kW in size. Solar water heating and solar day-lighting systems will be supported with UFIs as outlined in Appendix 1. Projects receiving a UFI can receive no more than 40% of the total cost of the system in an incentive payment. DVEC will own all the renewable energy credits (“RECs”) from a project receiving a UFI throughout its operational life.

The rebate program provides Performance Based Incentives (“PBI”) for PV and small wind energy systems that are larger than 10 kW—subject also to available budget funds in any year. Additional technologies are also supported with a PBI as outlined in Appendix 1. Some PBIs outlined in Appendix 1 were adjusted using the Uniform Credit Purchase Program (“UCPP”) Year 3 program guidelines. PBI agreements are available for up to a 20-year term, but may be limited to the expected operational life of the technology. On all projects supported by a PBI, DVEC will own the RECs for the term of the REC agreement. Total PBI payments cannot exceed 40% of actual project cost. Systems that otherwise qualify for a PBI are subject to a competitive selection process where the most cost effective projects are rebated first. PBI projects will be competitively selected on a quarterly to semiannual basis. If a project is not chosen for funding, the applicant will be informed of the project’s status and given an opportunity to resubmit the project for consideration during the next selection process.

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Regardless of the number of projects submitted in a given evaluation period, DVEC reserves the right to negotiate the PBI agreement based on current market conditions to acquire the most competitively priced RECs. Distributed projects that are one megawatt or larger are not eligible for the incentives outlined in Appendix 1, but instead will be negotiated on a per-project basis relative to current market conditions.

Subject to the foregoing, distributed generation projects will be rebated on a first-come, first-served basis until funding is exhausted. Approved systems that are not rebated are eligible to be placed on a waiting list until additional funding is available. When funding is available, rebates will be paid to the customer following a final inspection of the system. System installations are required to be performed by a licensed renewable energy contractor or electrician. In the case of solar water heaters, a licensed plumber can be used. If local conditions dictate, DVEC may allow self-installations as long as the customer has the installation inspected and verified by a licensed contractor. Incentives for all supported technologies are found in Appendix 1.

DVEC expects that the residential and commercial rebate program will support the installation of approximately 30 kW of qualifying renewable technologies in 2016. In addition, DVEC is participating currently with other cooperatives to support a commercial DG geothermal project located in Willcox, Arizona.

(2) The SunWatts Large-Scale Purchase Power Contract and Generating Program: The SunWatts large-scale program calls for DVEC, on its own or in partnership with others, to participate and assist in the development of large-scale renewable resources, either through purchase power agreements or by construction of utility-owned resources. Currently, no large-scale projects are planned to come online in 2016. However DVEC does plan to install a utility owned 45 kW PV system on the roof top of a parking structure at DVEC headquarters
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facility. DVEC estimates the system to cost approximately \$110,000 and proposes to install the project in two phases with approximately ½ of the project to be completed each year. Constructing the project in phases over a two year period has one big advantage in that it will allow for the continued funding of the other SunWatts rebate programs without a decrease in average annual number of residential and commercial distributed generation installations that DVEC has historically funded. In addition, the proposed PV system will benefit all of the Cooperative members with reduced power consumption costs. It is anticipated the new PV system would produce approximately 100 MWh per year when fully implemented. The proposed PV system at the DVEC headquarters will be visible to the public and would function as a strong promotional tool for solar projects and the SunWatts program. To be able to fund the project, DVEC will use funds that have gone unspent in prior years to supplement ongoing funding.

(3) PV for Government, Schools and Nonprofits Program: DVEC will encourage the installation of renewable energy systems on government, school and nonprofit buildings within its service territory by offering a PBI, consistent with those offered in the rebate program, to third-party developers or those with access to stimulus funding interested in installing renewable systems. The objective of this program is to use DVEC funding and leverage against other resources to provide a benefit to such entities as well as further the goals of the REST program.

DVEC will continue its support of the Arizona Utilities for Renewable Energy Education (“AZURE”) initiative. AZURE is jointly developing renewable energy education materials for teachers and educators across Arizona. The group’s website is www.azure-education.com.

Additionally, DVEC is participating in and will contribute funding to support the Commission’s “Go Solar Arizona” website initiative.

III. ADMINISTRATION OF THE SUNWATTS PROGRAM

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Annual Reporting and Plan Development: By April 1, 2016, DVEC will file a report that describes the results achieved for the 2015 calendar year from the 2016 REST Plan. In addition, by April 1, 2017, DVEC will file a report that describes the results achieved from the 2016 REST Plan. By or before July 1 of 2016, DVEC will file an updated REST plan as required by R14-2-1814.B for 2017.

Advertising and Promotion: SunWatts programs are promoted in a variety of media, for example: bill inserts and ads/stories in monthly newsletters; counter cards and posters; and participation at local events, such as the cooperative's annual meeting and county fairs. Additionally, DVEC will maintain a SunWatts promotional presence outlining DVEC programs maintained on its website at www.dvec.org and the Commission's solar website at www.arizonagoessolar.org.

Rebate Program Process and Procedures

DVEC generally follows the program process guidelines of the UCPP working group recommendations.

Projects eligible to receive a UFI incentive are handled based on procedures similar to the following. First, the member submits an enrollment form to DVEC indicating interest in the program. The enrollment form is evaluated to determine project eligibility and form completeness. If the enrollment form is not sufficient or the project is not eligible, the member is notified of project status. If the project qualifies, DVEC determines funding availability. If funds are available, the member is notified of project acceptance and that the project must be ready for inspection within six months of the application date. If the six months expires prior to inspection, the member must resubmit the project (an extension may be granted for good cause on a case-by-case basis). If no funding is available, the project is put on a waiting list and the member is notified as to that status. All projects on a waiting list will be funded in the order

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received as additional funding becomes available. Once DVEC accepts a project, the member must complete an interconnection agreement, submit a system schematic and provide copies of the project estimate and all permits within 60 days. Once the system is installed, the member informs DVEC of that fact. The system is inspected and the interconnection is verified. Once the system passes the inspection, DVEC processes the incentive.

Projects that are eligible to receive a PBI must first submit an enrollment form indicating interest in participation. Enrollment forms are evaluated for completeness and project eligibility. The member is notified of any deficiencies and given an opportunity to resubmit. If the enrollment form is accepted, it is put in a queue to competitively compete against other projects. Project evaluations are conducted quarterly or semiannually and all projects received during an evaluation period compete with other applications received. Projects will be evaluated based on the PBI being requested, the benefit the project brings to the community and the benefit the project brings to the system. The top projects will be awarded support until the budgeted funding for that period is exhausted. Any projects not selected can resubmit for consideration in the next evaluation period. Selected PBI projects must be installed within eight months of acceptance before the project needs to be resubmitted. The remainder of the PBI process is similar to the process for UFI projects.

Members can, at their own risk and discretion, assign their utility incentive to the contractor installing their system by contacting the cooperative in advance of the installation and making the necessary arrangements.

IV. ESTIMATED RESULTS/BUDGET/TARIFFS

Estimated Results

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Based on the programs proposed and projects currently in place, as well as the assumptions stated in the 2016 REST Plan, DVEC anticipates a full year's operation would generate approximately 993 MWh of distributed renewable energy for 2016

Budget

The budget for the 2016 REST Plan is provided in Appendix 2. The total DVEC program budget for 2016 is \$59,000 per year. Of this, about \$52,200 or 89% of the budget will be allocated to support DG program activities. DVEC reserves the right, however, to move budgeted monies from program areas where funding is unspent to other program areas as needed.

Tariffs

Tariffs for the 2016 REST plan will remain the same as the 2014-2015 plans and will be as follows:

Customer Class	Surcharge (per kWh)	Maximum (per Month)
Residential	\$0.0009	\$2.00
Governmental & Agricultural	\$0.0016	\$24.70
Governmental & Agricultural >3MW	\$0.0016	\$74.10
Non-Residential	\$0.0074	\$74.10
Non-Residential>3MW	\$0.0074	\$222.30

APPENDIX 1

REBATE PROGRAM INCENTIVE MATRIX

Technology	UFI	PBI
Solar Electric	\$1 per watt up to 10 kW <i>Up to 40% of System Cost</i>	Not to exceed \$0.14 per kWh (for systems over 10 kW) <i>Up to 40% of System Cost</i>
Small Wind	\$1 per watt up to 10 kW <i>Up to 40% of System Cost</i>	Not to exceed \$0.097 per kWh (for systems over 10 kW) <i>Up to 40% of System Cost</i>
Solar Water Heating	\$.75 per kWh for first year savings	Not Eligible
Solar Day-lighting	\$.18 per kWh for first year savings	Not Eligible
Geothermal Electric Thermal	Not Eligible	\$.020 per kWh over 20 years \$.040 per kWh over 20 years
Biogas/Biomass Electric Thermal	Not Eligible	\$.050 per kWh over 20 years \$.013 per kWh over 20 years
Cooling		\$.027 per kWh over 20 years
CHP-Electric		\$.029 per kWh over 20 years
CHP-Thermal		\$.015 per kWh over 20 years
Solar Space Cooling	Not Eligible	\$.108 per kWh over 20 years

APPENDIX

Proposed DVEC 2016 per year REST Budget

Collected REST Funds	\$59,000	
Rebates		
Residential DG	(\$19,300)	33%
Commercial DG	(\$10,000)	17%
L-S Purchase Power & Generation Program	(\$55,000)	
	(\$22,900)	39%
	(\$32,100)	Prior Year Funds
Performance Based Incentive		
Willcox Greenhouse	(\$4,800)	8%
Total DG Programs	(\$57,000)	97%
Total Advertising, R&D & Admin	(\$2,000)	3%
Budget Deficit/Surplus	(\$32,100)	

IMPLEMENTATION PLAN

Table 1 - Targeted Resources

Line No.	Targeted Generation Resources:	Ownership ¹	Targeted Completion	YYYY-YYYY Total MW	Targeted Energy Production (MWh or Equivalent)					
					2014	2015	2016	2017	2018	Total
1	Solar:									
2										
3										
4										
5										
6	Wind:									
7										
8										
9	Geothermal:									
10										
11										
12	Biomass/Biogas:									
13										
14										
15										
16										
17	Total Targeted Generation									
18										
19	Targeted Distributed Energy Resources:									
20	Residential:	Customer	2016	0.030						66
21										
22										
23	Subtotal Residential			0.030						
24										
25										
26	Non-Residential:	Customer	2016	0.046						100
27		Large scale								
28										
29										
30										
31	Subtotal Non-Residential			0.046						
32										
33										
34	Total Targeted DE			0.076						166

Notes:

¹All utility-owned and Third Party generation projects are developed through a competitive RFP process, and all DE systems are built independently by Third Party developers and installers.

IMPLEMENTATION PLAN

Table 2 - Targeted RES Resource Costs (in \$s)

COMPETITIVELY CONFIDENTIAL¹
 Projected RES Cost per Year¹

Line No.	Targeted Generation Resources: Ownership	2014	2015	2016	2017	2018	Total	Line No.
1	Solar:							1
2								2
3								3
4								4
5								5
6	Wind:							6
7								7
8								8
9								9
10	Geothermal:							10
11								11
12								12
13	Biomass/Biogas:							13
14								14
15								15
16	SubTotal Targeted Generation							16
17								17
18	Targeted and Expected Distributed Energy Resources:							18
19								19
20	Residential:				19,300			20
21	Customer	\$ 35,800						21
22								22
23								23
24								24
25								25
26								26
27	Subtotal Residential	\$ 35,800						27
28								28
29	Non-Residential:				10,000			29
30	Customer	\$ 17,200						30
31					22,900			31
32	L-S Purchase and Generation Program							32
33	Wilcox Greenhouse				4,800			33
34								34
35	Subtotal Non-Residential	\$ 17,200			37,700			35
36								36
37	SubTotal Targeted Distributed Energy	\$ 53,000			57,000			37
38								38
39	Total Targeted Energy Costs	\$ 53,000			57,000			39

¹ Redacted due to the competitively confidential nature of the information.