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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

Arizona Corporation Commission

DOCKETED

SEP 16 2015

DOCKETED BY

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

DOCKET NO. E-01703A-15-0240

DECISION NO. 75270

ORDER

Open Meeting
September 8 and 9, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Duncan Valley Electric Cooperative, Inc. ("Duncan Valley" or "Cooperative") is certificated to provide electricity as a public service corporation in the state of Arizona. Duncan Valley provides electric service to approximately 2,118 members in Greenlee County. The membership for Duncan Valley is primarily Residential in nature, with a small number of Commercial and Irrigation members.

Background

2. On July 1, 2015, Duncan Valley filed its Renewable Energy Standard and Tariff ("REST") Implementation Plan for 2016 pursuant to Arizona Administrative Code ("A.A.C.") R14-2-1814. On July 29, 2015, Duncan Valley refiled its REST Implementation Plan for 2016 to include Tables 1 and 2. Duncan Valley's current REST Plan and revised Net Metering Tariff was approved by the Commission in Decision No. 74159, on October 25, 2013.

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1 3. Duncan Valley is not proposing any changes to the incentives and surcharges in this
2 filing. The Cooperative's application requests approval for the calendar year 2016.

3 **2016 REST Plan**

4 4. The Duncan Valley REST Plan consists of three SunWatts programs: (i) the SunWatts
5 Rebate Program; (ii) the Large-Scale Purchase Power Contract and Generating Program; and (iii) the
6 PV for Government, Schools and Nonprofits Program. Ratepayer funds recovered through a
7 surcharge are used to fund the programs. More detail on these three programs is provided below.

8 *SunWatts Rebate Program*

9 5. Up-Front Incentives. The SunWatts Rebate Program, offered in compliance with
10 A.A.C. R14-2-1809, provides incentives to customers for installation of qualifying photovoltaic
11 ("PV"), solar water heating, small wind systems, and other renewable technologies. For PV and small
12 wind systems up to 10 kW in size, customers would continue to receive an Up-Front Incentive
13 ("UFI") of \$1.00 per installed watt. UFIs for PV and small wind systems would not exceed 40 percent
14 of the total system cost. Duncan Valley would also offer UFIs for solar water heating and solar
15 daylighting, as outlined in the table included herein.

16 6. Duncan Valley would own all the Renewable Energy Credits ("RECs") from a project
17 receiving UFIs for its operational life. Projects would be rebated on a first-come, first-served basis
18 until funding is no longer available. Systems which have been approved and not yet rebated due to
19 lack of funding would be placed on a reservation list until additional funding becomes available. Once
20 funding becomes available, rebates would be paid following a final inspection of the system.

21 7. Performance-Based Incentives. For PV and small wind systems that are larger than 10
22 kW in size, customers would receive Performance-Based Incentives ("PBIs"), up to 40 percent of the
23 total system cost. PBIs would be available for a term of up to 20 years, but may be limited to the
24 expected operational life of the specific technology.

25 8. Duncan Valley would own all the RECs from the project receiving PBIs for the term
26 of the REC agreement. Duncan Valley would offer PBIs for additional technologies at levels shown
27 in the table below. Further, systems eligible for PBIs would be subject to a competitive selection
28 process, resulting in the most cost-effective projects being rebated first. Projects eligible for PBIs

1 would be competitively selected on a quarterly to semiannual basis. If a project is not selected, the
 2 applicant is then informed of the project's status and given an opportunity to resubmit the project for
 3 consideration during the next selection process. Further, Duncan Valley would reserve the right to
 4 negotiate the PBI agreement based on current market conditions in order to obtain the most
 5 competitively priced RECs. Projects that are one megawatt ("MW") or greater would not be eligible
 6 for the incentives outlined in the table below, but instead would be negotiated on a per-project basis
 7 relative to market conditions.

8 9. Installations are required to be performed by licensed renewable energy contractors,
 9 electricians, or plumbers (in the case of solar water heaters). Customers would continue to be able to
 10 assign incentive payments to the contractor installing the system. Duncan Valley may permit self-
 11 installations only if the installation has been inspected and verified by a licensed contractor.

12 10. The table below shows the incentive levels for each technology proposed in Duncan
 13 Valley's 2016 REST Plan. These proposed incentives are unchanged from Duncan Valley's existing
 14 incentives.

15 **Current/Proposed Incentive Table**

Technology	Current/Proposed UFI's	Current/Proposed PBIs
Solar Electric	\$1.00/watt up to 10 kW Not to exceed 40% of the system cost	\$0.14 (max)/ kWh (over 10 kW) Not to exceed 40% of the system cost
Small Wind	\$1.00/ watt up to 10 kW Not to exceed 40% of the system cost	\$0.097 (max)/ kWh (over 10 kW) Up to 40% of the system cost
Solar Water Heating	\$0.75/kWh for first year savings	N/A
Solar Daylighting	\$0.18/ kWh for first year savings	N/A
Geothermal -Electric -Thermal	N/A	\$0.020/ kWh over 20 yrs \$0.040/ kWh over 20 yrs
Biogas/Biomass -Electric -Thermal -Cooling -CHP-Electric -CHP-Thermal	N/A	\$0.050 per kWh over 20 yrs \$0.013 per kWh over 20 yrs \$0.027 per kWh over 20 yrs \$0.029 per kWh over 20 yrs \$0.015 per kWh over 20 yrs
Solar Space Cooling	N/A	\$0.108 per kWh over 20 yrs

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1 11. In 2016, Duncan Valley anticipates that its residential and commercial rebate program
2 will support installation of approximately 30 kW in qualifying renewables. The Cooperative is also
3 participating with other cooperatives in supporting a commercial distributed generation geothermal
4 project in Willcox, Arizona.

5 *SunWatts Large-Scale Purchase Power Contract & Generating Program*

6 12. Under the Large-Scale Generating Program, Duncan Valley would, on its own or in
7 partnership with others, install and assist in the development of large-scale renewable resources either
8 through purchase power agreements or by the construction of utility-owned resources. Duncan
9 Valley has indicated that there are no plans for a large-scale project to come online in 2016.

10 13. However, in its application Duncan Valley states that it plans to install a utility-owned
11 45 kW PV system on the roof top of a parking structure at its headquarters facility. Duncan Valley
12 estimates that the system will cost a total of approximately \$110,000. Duncan Valley intends to install
13 the system over a two-year period completing one-half of the system in 2016 and the remainder of the
14 system in 2017 at a cost of \$55,000 per year. To fund the project, in 2016 Duncan Valley proposes
15 using \$55,000 in REST funds, of which \$32,100 are prior year funds, per the proposed budget. For
16 2017, Duncan Valley indicated to Staff that it proposes using funds collected from the 2017 plan and
17 tariff or from unused funds from prior year tariff collections. Duncan Valley anticipates that the new
18 PV system would produce approximately 100 MWh per year when fully implemented.

19 14. Staff understands by building the PV system at the headquarters facility all members
20 will benefit from reduced energy consumption at Duncan Valley's own facilities through reduced
21 overall costs for procuring power from a generator. The energy cost savings will be passed through to
22 the members in Duncan Valley's Purchased Power Cost Adjustor. Duncan Valley also indicated to
23 Staff that an additional benefit of using REST funds on larger scale utility-based projects is that funds
24 which would otherwise be used to subsidize net metering systems can be used to benefit every
25 member through reduced energy costs instead of benefiting a few members that can afford to install
26 rooftop solar.

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SunWatts PV for Government, Schools and Nonprofits Program

15. Duncan Valley would offer PBIs to third-party developers or those with access to stimulus funding that would be interested in installing renewable systems on government, school, and nonprofit buildings. In addition, Duncan Valley would continue its support of the Arizona Utilities for Renewable Energy Education (“AZURE”) initiative. AZURE is developing renewable energy education materials for teachers and educators in Arizona. Duncan Valley is also contributing to, and participating in, the Commission’s “Go Solar Arizona” website initiative.

Tariffs

16. Duncan Valley is not proposing to change the existing surcharges approved in Decision No. 73635 (January 31, 2013). The kWh surcharges and monthly maximums for Duncan Valley’s current RES tariff are shown below:

Customer Class	Current/Proposed Surcharges (per kWh)	Current/Proposed Maximums (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

Budget

17. According to Duncan Valley, the funding from the RES surcharge is estimated to be a total of \$59,000 in 2016. Duncan Valley has an estimated carryover budget of \$32,100 from prior year RES funds. The table below indicates Duncan Valley’s proposed REST budget allocations for 2016:

Revenues	\$ Amount	Percentage of Budget
RES funding	\$59,000	
Expenditures		
Residential Incentives	\$19,300	33.0%
Commercial Incentives	\$10,000	17.0%
L-S Purchase Power & Generation Program	\$55,000	39.0%
	\$22,900	
	\$32,100	Prior Year Funds
Willcox Greenhouse	\$4,800	8.0%
Advertising/R&D/Admin	\$2,000	3.0%
Proposed Expenditures	\$110,000	100.0%

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1 18. The table below indicates the portion of the 2016 REST funds Duncan Valley
2 estimates would be collected from each customer class:

	Amount	% Reaching Cap
Residential	\$16,150	3.6%
Non-Residential	\$35,308	3.4%
Government/Agricultural	\$7,542	2.5%

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7 19. Duncan Valley proposes using \$32,100 from prior year funds to help fund the new
8 utility-owned 45 kW PV system at its headquarters facility as described under its SunWatts Large-Scale
9 Purchase Power Contract & Generating Program.

10 20. Staff has recommended that Duncan Valley's proposed 2016 budget be approved.
11 Staff also has recommended the use of \$32,100 prior year funds to help fund installation of the new
12 utility-owned PV system on the roof top of a parking structure at Duncan Valley's headquarters.

13 21. Staff also has recommended no change to the existing RES surcharges and caps.

14 **Net Metering Tariff and Avoided Cost**

15 22. Duncan Valley's current Net Metering Tariff was approved by the Commission on
16 October 25, 2013, in Decision No. 74159. Duncan Valley is proposing no changes to its Net
17 Metering Tariff; therefore, its avoided cost will remain at \$0.03309 per kWh.

18 **Compliance Requirements**

19 23. Given that cooperatives under the REST rules do not have a compliance requirement,
20 by definition they could not and did not use any RECs not owned by the utility to comply with the
21 Commission's REST rules.

22 24. Per A.A.C. R14-2-1812, Duncan Valley is required to file an annual compliance report.
23 Staff recommends that, beginning in 2016, Duncan Valley file its annual REST compliance reports in
24 a docket to be opened by Staff.

25 **Summary of Recommendations**

26 25. Staff has recommended that Duncan Valley's proposed 2016 REST Plan be approved.

27 26. Staff has recommended that Duncan Valley's proposed 2016 REST budget be
28 approved.

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ORDER

IT IS THEREFORE ORDERED the Duncan Valley Electric Cooperative, Inc. 2016 REST Plan is hereby approved as discussed herein.

IT IS FURTHER ORDERED that the Duncan Valley Electric Cooperative, Inc. 2016 REST budget of \$91,100 be approved, which includes a carryover of \$32,100 from prior year Renewable Energy Standard and Tariff funds.

IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative Inc.'s Customer Self-Directed Tariff, Voluntary Renewable Energy Standard Contribution Program Tariff, Net Metering Tariff, and the Renewable Energy Standard Tariff, currently on file with the Commission, remain in effect until further Order of the Commission.

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1 IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative Inc., beginning in
2 2016, file its annual REST compliance reports in a docket to be opened by Staff.

3 IT IS FURTHER ORDERED that Duncan Valley Electric Cooperative, Inc. shall file its next
4 Renewable Energy Resources Plan on or before July 1, 2016.

5 IT IS FURTHER ORDERED that this Order be made effective immediately.

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

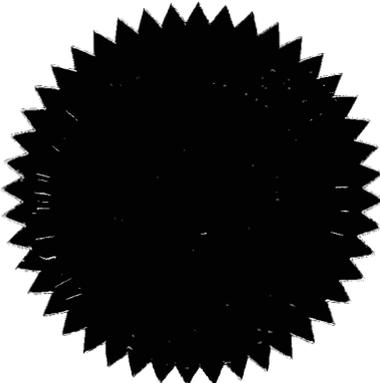
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CHAIRMAN


COMMISSIONER

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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 16th day of September, 2015.


JODI JERICH
EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 TMB:PJG:red\RRM
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1 SERVICE LIST FOR: DUNCAN VALLEY ELECTRIC COOPERATIVE, INC.
2 DOCKET NO. E-01703A-15-0240

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