

ORIGINAL

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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: July 30, 2015

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RE: IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF A NEW NET METERING TARIFF, A PARTIAL WAIVER OF THE COMMISSION'S NET METERING RULES AND A REVISED AVOIDED COST RATE IN THE COMPANY'S EXISTING NET METERING TARIFF (DOCKET NO. E-01461A-15-0057)

SUBJECT: APPROVAL OF REVISED AVOIDED COST RATE

On March 31, 2015, the Utilities Division docketed a Memo and Proposed Order to address the Avoided Cost portion of the Trico Electric Cooperative, Inc. ("Trico") Net Metering application. This Memo and Proposed Order will substitute the aforementioned filing.

BACKGROUND

On February 26, 2015, Trico filed an application with the Commission for approval of: (1) a new net metering tariff for future net metered Members; (2) a partial waiver of the Commission's net metering rules; and (3) a revised avoided cost rate in Trico's existing net metering tariff (Schedule NM).

On March 11, 2015, Trico filed a request for a procedural order ("Request") in connection with its application. On March 19, 2015, Staff filed a Response to Trico's Request, in which Staff argued that Trico's requested relief would be more appropriately addressed in a rate case. Staff suggested that Trico should voluntarily withdraw all but the avoided cost portion of its application. Lastly, Staff suggested that the Commission should schedule an evidentiary hearing if the application is not withdrawn.

On March 26, 2015, Trico filed a reply to Staff's Response. In its reply, Trico indicated that it would not withdraw any part of its application; however, it no longer objected to a hearing, so long as it is not conducted in "conjunction with hearings on any other similar application." On April 2, 2015, the presiding administrative law judge conducted a procedural conference, and on April 3, 2015, issued a Procedural Order.

On July 6, 2015, following the submission of pre-hearing briefs, and oral argument on whether Trico's application should be dismissed, Trico filed a Notice of Partial Withdrawal of Application. In Trico's notice, it withdraws the portions of its application requesting a new net metering tariff for future net metered Members and related partial waiver of the Commission's Net

Metering Rules. Trico is not withdrawing its request to update the avoided cost rate applicable to its current net metering tariff.

On July 29, 2015, the Administrative Law Judge assigned to this docket, filed a recommended Order to grant Trico's request for partial withdrawal of the application.

Net Metering allows electric utility customers to be compensated for generating excess energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's energy production exceeds the energy supplied by Trico during a billing period, the customer's bill for subsequent billing periods is credited for the excess generation. That is, the excess kWh generated during the billing period are used to reduce the kWh billed by Trico during subsequent billing periods. Under Schedule NM, excess kWh is allowed to roll over in this manner to future billing periods for up to one year.

Every year in October (September usage) or for a customer's final bill upon discontinuance of service, Trico does not allow excess kWh to rollover. Instead, Trico credits the customer for any remaining excess kWh at Trico's annual average avoided cost, which is specified in Schedule NM. Arizona Administrative Code R14-2-2302(1) defines avoided costs as "the incremental costs to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source."

Trico's Net Metering Tariff provides for the annual average avoided cost to be determined by the average wholesale fuel and energy cost per kWh charged by Trico's wholesale power suppliers during the 12-month period.

Trico's current approved avoided cost rate was approved on January 26, 2010, in Decision No. 71462 at \$0.04205 per kWh. Trico proposes that the rate be decreased to \$0.03662 per kWh. Staff has reviewed Trico's purchased power costs that resulted in the \$0.03662 per kWh rate and confirms that the proposed rate reflects Trico's avoided cost.

Therefore, Staff recommends that Trico's proposed avoided cost rate for its Schedule NM of \$0.03662 per kWh be approved, and become effective September 1, 2015.

RECOMMENDATIONS

Staff recommends that Trico's proposed avoided cost rate of \$0.03662 per kWh be approved.

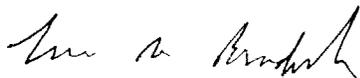
THE COMMISSION

July 30, 2015

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Staff further recommends that the revised avoided cost rate be effective September 1, 2015.

Staff further recommends that Trico be required to file, with Docket Control, a revised Schedule NM consistent with the Decision in this matter within 15 days of the effective date of the Decision.



Thomas M. Broderick

Director

Utilities Division

TMB:EMV:red\RWG

ORIGINATOR: Eric Van Epps

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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

IN THE MATTER OF THE APPLICATION)
OF TRICO ELECTRIC COOPERATIVE,)
INC. FOR APPROVAL OF A NEW NET)
METERING TARIFF, A PARTIAL WAIVER)
OF THE COMMISSION'S NET METERING)
RULES AND A REVISED AVOIDED COST)
RATE IN THE COMPANY'S EXISTING)
NET METERING TARIFF.)

DOCKET NO. E-01461A-15-0057
DECISION NO. _____
ORDER

Open Meeting
August 18 and August 19, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On February 26, 2015, Trico filed an application with the Commission for approval of: (1) a new net metering tariff for future net metered Members; (2) a partial waiver of the Commission's net metering rules; and (3) a revised avoided cost rate in Trico's existing net metering tariff (Schedule NM).

3. On March 11, 2015, Trico filed a request for a procedural order ("Request") in connection with its application. On March 19, 2015, Staff filed a Response to Trico's Request, in which Staff argued that Trico's requested relief would be more appropriately addressed in a rate case.

1 Staff suggested that Trico should voluntarily withdraw all but the avoided cost portion of its
2 application. Lastly, Staff suggested that the Commission should schedule an evidentiary hearing if the
3 application is not withdrawn.

4 4. On March 26, 2015, Trico filed a reply to Staff's Response. In its reply, Trico
5 indicated that it would not withdraw any part of its application; however, it no longer objected to a
6 hearing, so long as it is not conducted in "conjunction with hearings on any other similar application."
7 On April 2, 2015, the presiding administrative law judge conducted a procedural conference, and on
8 April 3, 2015, issued a Procedural Order.

9 5. On July 6, 2015, following the submission of pre-hearing briefs, and oral argument on
10 whether Trico's application should be dismissed, Trico filed a Notice of Partial Withdrawal of
11 Application. In Trico's notice, it withdraws the portions of its application requesting a new net
12 metering tariff for future net metered Members and related partial waiver of the Commission's Net
13 Metering Rules. Trico is not withdrawing its request to update the avoided cost rate applicable to its
14 current net metering tariff.

15 6. On July 29, 2015, the Administrative Law Judge assigned to this docket, filed a
16 recommended Order to grant Trico's request for partial withdrawal of the application.

17 7. Net Metering allows electric utility customers to be compensated for generating excess
18 energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's energy
19 production exceeds the energy supplied by Trico during a billing period, the customer's bill for
20 subsequent billing periods is credited for the excess generation. That is, the excess kWh generated
21 during the billing period are used to reduce the kWh billed by Trico during subsequent billing periods.
22 Under Schedule NM, excess kWh is allowed to roll over in this manner to future billing periods for up
23 to one year.

24 8. Every year in October (September usage) or for a customer's final bill upon
25 discontinuance of service, Trico does not allow excess kWh to rollover. Instead, Trico credits the
26 customer for any remaining excess kWh at Trico's annual average avoided cost, which is specified in
27 Schedule NM. Arizona Administrative Code R14-2-2302(1) defines avoided costs as "the incremental
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1 costs to an Electric Utility for electric energy or capacity or both which, but for the purchase from the
2 Net Metering facility, such utility would generate itself or purchase from another source."

3 9. Trico's Net Metering Tariff provides for the annual average avoided cost to be
4 determined by the average wholesale fuel and energy cost per kWh charged by Trico's wholesale
5 power suppliers during the 12-month period.

6 10. Trico's current approved avoided cost rate was approved on January 26, 2010, in
7 Decision No. 71462 at \$0.04205 per kWh. Trico proposes that the rate be decreased to \$0.03662 per
8 kWh. Staff has reviewed Trico's purchased power costs that resulted in the \$0.03662 per kWh rate
9 and confirms that the proposed rate reflects Trico's avoided cost.

10 11. Therefore, Staff has recommended that Trico's proposed avoided cost rate for its
11 Schedule NM of \$0.03662 per kWh be approved, and become effective September 1, 2015.

12 **Recommendations**

13 12. Staff has recommended that Trico's proposed avoided cost rate of \$0.03662 per kWh
14 be approved.

15 13. Staff has further recommended that the revised avoided cost rate should be effective
16 as of September 1, 2015.

17 14. Staff has further recommended that Trico be required to file, with Docket Control, a
18 revised Schedule NM consistent with the Decision in this matter within 15 days of the effective date
19 of the Decision.

20 **CONCLUSIONS OF LAW**

21 1. Trico is an Arizona public service corporation within the meaning of Article XV,
22 Section 2, of the Arizona Constitution.

23 2. The Commission has jurisdiction over Trico and over the subject matter of the
24 application.

25 3. The Commission, having reviewed the application and Staff's Memorandum dated July
26 30, 2015, concludes that the revised avoided cost rate in Trico's Schedule NM should be approved as
27 discussed herein.

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ORDER

IT IS THEREFORE ORDERED that Trico Electric Cooperative, Inc.'s proposed avoided cost rate of \$0.03662 per kWh is approved.

IT IS FURTHER ORDERED that the revised avoided cost rate is effective as of September 1, 2015.

IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file, with Docket Control, a revised Schedule NM consistent with the Decision in this matter within 15 days of the effective date of the Decision.

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 _____, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:EMV:red\RWG

1 SERVICE LIST FOR: TRICO ELECTRIC COOPERATIVE, INC.
2 DOCKET NO. E-01461A-15-0057

3 Mr. Michael W. Patten
4 Mr. Jason D. Gellman
5 SNELL & WILMER
6 One Arizona Center
7 400 East Van Buren Street
8 Phoenix, Arizona 85004

9 Mr. Vincent Nitido
10 General Manager/CEO
11 Trico Electric Cooperative, Inc.
12 8600 West Tangerine Road
13 Marana, Arizona 85658

14 Mr. Garry D. Hays
15 Law Offices of Garry D. Hays, P.C.
16 1702 East Highland Avenue, Suite 204
17 Phoenix, Arizona 85016

18 Mr. Michael A. Curtis
19 Mr. William P. Sullivan
20 Curtis, Goodwin, Sullivan, Udall & Schwab,
21 P.L.C.
22 501 East Thomas Road
23 Phoenix, Arizona 85012-3205

24 Mr. Tyler Carlson
25 Chief Operating Officer
26 Mohave Electric Cooperative, Inc.
27 PO Box 1045
28 Bullhead City, Arizona 86430

Ms. Peggy Gillman
Manager of Public Affairs & Energy Services
Mohave Electric Cooperative, Inc.
PO Box 1045
Bullhead City, Arizona 86430

Mr. Court S. Rich
Rose Law Group PC
7144 East Stetson Drive, Suite 300
Scottsdale, Arizona 85251

Mr. Paul O'Dair
Navopache Electric Cooperative, Inc.
1878 West White Mountain Blvd.
Lakeside, Arizona 85929

Mr. Robert B. Hall, Ph.D.
4809 Pier Mountain Place
Marana, Arizona 85658

Ms. Robyn L. Interpreter
Ms. Susan B. Montgomery
Montgomery & Interpreter, PLC
4835 East Cactus Road, Suite 210
Scottsdale, Arizona 85254

Mr. Bradley S. Carroll
Tucson Electric Power Company
88 East Broadway Blvd., MS HQE910
PO Box 711
Tucson, Arizona 85702

Ms. Kristen K. Mayes
3030 North Third Street, Suite 200
Phoenix, Arizona 85012

Mr. Kevin Koch
PO Box 42103
Tucson, Arizona 85716

Mr. Mark Holohan
Arizona Solar Energy Industries Association
2122 West Lone Cactus Drive, Suite 2
Phoenix, Arizona 85027

Mr. Thomas Laquvam
Pinnacle West Capital Corporation
PO Box 53999, MS 8695
Phoenix, Arizona 85072-3999

Mr. Greg Bernosky
Arizona Public Service Company
PO Box 53999, MS 9708
Phoenix, Arizona 85072

- 1 Mr. Jeffrey W. Crockett
- 2 Crockett Law Group PLLC
- 3 1702 East Highland Avenue, Suite 204
- 4 Phoenix, Arizona 85016

- 5 Mr. Credan Huber
- 6 Mr. Jack Blair
- 7 Sulphur Springs Valley Electric Cooperative,
- 8 Inc.
- 9 311 East Wilcox Drive
- 10 Sierra Vista, Arizona 85635

- 11 Mr. Thomas M. Broderick
- 12 Director, Utilities Division
- 13 Arizona Corporation Commission
- 14 1200 West Washington Street
- 15 Phoenix, Arizona 85007

- 16 Ms. Janice M. Alward
- 17 Chief Counsel, Legal Division
- 18 Arizona Corporation Commission
- 19 1200 West Washington Street
- 20 Phoenix, Arizona 85007

- 21 Mr. Dwight Nodes
- 22 Acting Director Administrative Law Judge,
- 23 Hearing Division
- 24 Arizona Corporation Commission
- 25 1200 West Washington Street
- 26 Phoenix, Arizona 85007

- 27
- 28