

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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JUN 24 2016

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION
OF AJO IMPROVEMENT COMPANY –
ELECTRIC DIVISION – FOR WAIVER OF THE
RENEWABLE ENERGY STANDARD TARIFF
RULES.

DOCKET NO. E-01025A-16-0205

APPLICATION

Ajo Improvement Company (“AIC”) requests a complete waiver of the Renewable Energy Standard and Tariff Rules (“REST Rules”). AIC has always faced challenges in complying with both the Annual Renewable Energy Requirement and the annual Distributed Renewable Energy Requirement. Even so, AIC has, until now, been able to acquire bundled energy with renewable energy credits (“RECs”) as defined under the REST Rules, and has provided incentives to customers for eligible Distributed Energy Renewable Resources (“DERs”). But after significant additional efforts, procuring such bundled energy and RECs has become impossible and no additional customers have come forward with any applications to receive incentives for such eligible DERs. Therefore, AIC believes the time is right to request a complete waiver of the REST Rules, when it has only requested partial waivers in the past.

In the alternative, should the Arizona Corporation Commission (“Commission”) decide to not approve a complete waiver, AIC would request the same partial waivers it has received in the past, including the waiver of the annual Distributed Renewable Energy Requirement under A.A.C. R14-2-1805 – which was originally granted in Decision No. 73881 (May 8, 2013) and affirmed in Decision No. 74831 (November 13, 2014). Further, AIC requests that its Renewable Energy Standard Implementation Plan for 2015 and 2016 (“2015-16 REST Plan”) remain in effect for 2017 and 2018.

1 **I. Introduction.**

2 In terms of number of customers, AIC remains a small electric utility that serves
3 approximately 1,025 customers in a one-square mile area within the unincorporated town-site of
4 Ajo, in Pima County, Arizona. AIC's customer base consists of approximately 822 residential
5 customers and 203 non-residential customers with demand under 3 MW. There are no active
6 mining operations in and around Ajo currently. Presently, AIC owns no generation and procures
7 all of its power from the wholesale market to meet load. This has also been the case historically.

8 **II. The reasons why a complete waiver of the Annual Renewable Energy Requirement in
9 the REST Rules for AIC going forward is justified.**

10 AIC believes several reasons support its request for a complete waiver from the REST
11 Rules at this time. While AIC has had past success meeting all facets of its non-distributed
12 Annual Renewable Energy Requirement from 2008 through 2014, acquiring bundled renewable
13 energy (energy from Eligible Renewable Energy Resources with the associated RECs) became
14 impossible in 2015. AIC explained in an application to acquire unbundled RECs from Salt River
15 Project last September that it had explored several options to acquire bundled RECs; but that none
16 of those options were feasible.¹ In that application, AIC detailed how there is simply not a robust-
17 enough renewables and RECs market in Arizona where AIC can acquire the RECs with the energy
18 *and* deliver that energy to its service territory. Further, because AIC is a distribution-only utility,
19 transmission access remains elusive, and merchant Eligible Renewable Energy Resources
20 (generation with available RECs and energy) are not being built. Potential options to acquire
21 bundled RECs were simply not available – including purchasing from Arizona Public Service
22 Company (“APS”), Tucson Electric Power Company (“TEP”) or Public Service Company of New
23 Mexico (none of whom are selling bundled RECs), purchasing from renewable developers AIC
24 contacted (all of whom were either fully subscribed or did not have projects go forward), pursuing
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26 ¹ See Docket No. E-1049A-15-0316.
27

1 a Landfill Gas Project in Santa Cruz County (that never materialized), and pursuing purchase of
2 wind energy from Colorado (made impossible by transmission constraints).

3 On December 29, 2015, Staff recommended against AIC buying unbundled RECs from
4 SRP.² Staff did not see the value to customers of AIC buying such RECs while commending
5 AIC's efforts to try and develop a renewable energy program. Staff also recommended that AIC
6 receive a waiver of the Annual Renewable Energy Requirement for the REST Plan years 2015 and
7 2016, and that AIC not pursue unbundled RECs for the post-2016 period. The Commission
8 approved Staff's recommendations in Decision No. 75454 (February 11, 2016).³

9 The bottom line is that AIC cannot purchase the bundled RECs to meet the requirements in
10 the REST Rules. Moreover, the Commission determined that acquiring unbundled RECs is not
11 consistent with the intent of the REST Rules, as explained by Staff in its December 29, 2015
12 Report. AIC's renewable energy program is to procure RECs from eligible resources to the extent
13 those are available, and to offer incentives for eligible DERs. It cannot develop these resources on
14 its own. But purchasing bundled RECs has become impossible due to the unavailability of such
15 RECs for a variety of reasons summarized in the preceding paragraphs. AIC notes that its
16 customers are currently the beneficiaries of a stable, reliable and safe power supply acquired for
17 mining operations through Freeport Energy Services, and have been beneficiaries for quite some
18 time. Thus, AIC receiving a waiver from the Annual Renewable Energy Requirement going
19 forward would not frustrate much of the intent of the REST Rules as cited by Staff in its Report –
20 which is to maintain system reliability and to mitigate against non-renewable fuel price volatility.

21 AIC believes that, after significant efforts to meet as much of the REST Rules
22 requirements as best it could, now is the proper time to receive a complete waiver of the REST
23 Rules requirements indefinitely – or at least until a robust renewable energy resources market
24 exists with significant transmission access to acquire affordable bundled RECs.

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26 ² Staff's Report is available on the Commission's eDocket system at
<http://images.edocket.azcc.gov/docketpdf/0000167997.pdf>.

27 ³ Available at <http://images.edocket.azcc.gov/docketpdf/0000168362.pdf>.

1 Even so, AIC recognizes that it currently has a positive bank balance for funds collected
2 through its renewable energy standard adjustor mechanism. AIC proposes to continue the current
3 rate of \$0.00 per kWh, and maintain the bank balance to provide incentives for customers to install
4 eligible distributed renewable energy resources for as long as funds are available. In other words,
5 AIC proposes to maintain its plan for eligible DERs for customers within its service territory. AIC
6 would not pursue acquiring any energy from Eligible Renewable Energy Resources with any funds
7 in the bank balance should the Commission approve this Application.

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9 **III. In the alternative, AIC requests continuation of partial waiver requests previously**
10 **approved, and that its 2015-16 REST Plan remain in effect for 2017-18.**

11 **A. Request for continuation of the waiver of the Distributed Renewable Energy**
12 **Requirement.**

13 AIC has not received any new inquiries for incentives from any other customer to develop
14 any eligible DERs, since the development of photovoltaic facilities at the Ajo Plaza by the Arizona
15 Sonoran Desert Alliance. Further, AIC does not anticipate receiving any new requests. Given that
16 AIC's service territory is limited to one square mile, and its customer profile will likely remain as
17 is, there are limited opportunities for the implementation of distributed generation. Thus, AIC
18 requests that the waiver of the distributed energy requirement originally granted in Decision No.
19 73881 continue for 2017 and 2018. The Company, however, intends to continue to notify its
20 customers of the availability of incentives.

21 **B. Approval of its 2015-16 REST Plan to remain in effect for 2017 and 2018.**

22 Finally, AIC would also request approval of its 2015-16 REST Plan to remain in effect for
23 2017 and 2018. Should the REST Rules requirements remain in effect for AIC, it would maintain
24 its approach to meeting those requirements that have been effect since 2008. AIC would propose
25 that its current plan be approved for the next two years since its plan would not change, and a two-
26 year approval would reduce administrative costs for AIC. With a two-year approval, AIC would
27 file its next plan (for 2019 and 2020) on July 1, 2018.

1 **IV. Conclusion.**

2 AIC requests that the Commission approve a complete waiver from the REST Rules
3 requirements for AIC going forward. In the alternative, AIC requests continuation of its 2015-16
4 REST Plan for 2017 and 2018, as well as extending the waiver of the distributed renewable energy
5 requirement originally granted in Decision No. 73881.

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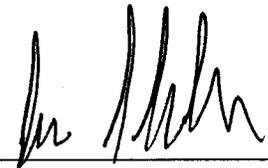
RESPECTFULLY SUBMITTED this 24th day of June, 2016.

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AJO IMPROVEMENT COMPANY

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1 Original and thirteen copies of the foregoing
filed this 24th day of June 2016, with:

2 Docket Control
3 ARIZONA CORPORATION COMMISSION
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5 Copy of the foregoing hand-delivered
6 this 24th day of June, 2016, to:

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