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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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COMMISSIONERS
SUSAN BITTER SMITH, CHAIRMAN
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2015 NOV 25 P 4: 10
AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION
OF MOHAVE ELECTRIC COOPERATIVE,
INCORPORATED FOR APPROVAL OF ITS
2016 RENEWABLE ENERGY STANDARD
AND TARIFF PLAN, INCLUDING A
RENEWABLE ENERGY STANDARD
TARIFF

DOCKET NO. E-01750A-15-0237

**MOHAVE ELECTRIC
COOPERATIVE, INCORPORATED'S
APPLICATION TO AMEND
DECISION NO. 75291**

Mohave Electric Cooperative, Incorporated ("MEC"), through its undersigned attorneys, pursuant to A.R.S. § 40-252, hereby submits an application to amend Arizona Corporation Commission ("Commission") Decision No. 75291 ("Decision") approving, with amendments, MEC's 2016 Renewable Energy Standard and Tariff ("REST") Plan. MEC respectfully requests that the Decision be amended to approve the modest REST surcharge and the PV and wind incentives proposed by MEC in its 2016 REST Plan application.

For the Commission's consideration and action, MEC provides a proposed Amendment of Decision No. 75291 attached hereto as Attachment A. If adopted, the Amendment amends the Decision to reflect MEC's original proposals for a) 2016 REST surcharge levels and b) 2016 REST PV¹ and wind incentives. MEC respectfully requests the proposed Amendment to Decision No. 75291 be adopted by the Commission. An appropriate motion would be: Motion to amend Decision No. 75291 as set forth on Attachment A to Mohave Electric Cooperative's Application to Amend the Decision, altering

¹ Photovoltaic

1 the approved REST surcharge and the PV and wind incentives and making conforming
2 changes.

3 **THE REQUESTED AMENDMENT IS CONSISTENT WITH THE**
4 **DIRECTION OF MEC'S MEMBERS AND BOARD**

5 Since January of 2015, MEC's Chief Executive Officer estimates that he and the nine
6 members of MEC's Board have met individually and in groups with more than 10,000 MEC
7 members. Items repeatedly raised and discussed with members include whether members
8 prefer a stable rate or immediate return of overages collected by the REST surcharge, the fuel
9 adjustor and other similar approved charges. Overwhelmingly, MEC's members indicate a
10 preference for rate stability over fluctuating rates. MEC's members also express a preference
11 for eliminating the PV and wind incentives. Some members support retaining a small
12 incentive in 2016.

13 1. The REST Surcharge

14 Based upon the feedback from members, MEC's Board directed MEC Staff to use the
15 existing REST carry-over balance of approximately \$3,000,000 in a manner that would
16 ensure a stable REST surcharge over a reasonable period of time. The result was a proposal
17 to further reduce the REST surcharge by over 28% (to \$0.0023006 per kWh with a cap of
18 \$0.75 per month for residential customers).² This surcharge level will provide approximately
19 \$376,251 or 36% of the Commission approved \$1,031,881 REST plan budget for 2016. The
20 carry-over funds would then be used to finance the remaining 64% of the budget. This same
21

22
23 ² The 2015 REST plan reduced the REST surcharge for residential customers 66% from
24 \$0.0095006 per kWh with a monthly cap of \$3.10 to the \$0.0032 per kWh and a \$1.05
25 monthly cap. Thus, since 2014 MEC proposed a 76% decrease in both the per kWh and
monthly cap REST surcharge for its residential customers. In doing so, MEC has focused on
ensuring the surcharge would not need to be increased for a five year period (assuming the
REST budget is not increased).

1 surcharge level, coupled with use of carry-over funds is projected to create a stable REST
2 plan budget and REST surcharge for the next five years.

3 Importantly, the REST program is a long-term program implemented pursuant to
4 Commission rules. REST funds are accounted for separately and are not available to pay
5 general operating expenses. These funds are dedicated exclusively for REST programs
6 approved by the Commission. As a non-profit member owned cooperative, MEC proposes to
7 utilize the existing carry-over funds to provide a stable REST surcharge for the next five
8 years – an action the MEC Board concluded is consistent with the wishes of its members.

9 MEC further notes that its proposal allows the carry-over funds to be used for their
10 intended purpose – to acquire renewable energy from a 5MW solar facility within MEC’s
11 load area. The 5MW solar facility has been a significant component of MEC’s REST plan
12 since 2010 with an annual budget in excess of \$500,000. While MEC aggressively pursued
13 attracting such a facility, that facility only became operational in 2015. Therefore, these
14 funds accumulated and constitute most, if not all of the existing carry-over balance. MEC’s
15 proposal for the use of carry-over funds serves to synchronize the purpose for which the
16 funds were originally collected with their actual use, just on a delayed basis. Attachments B
17 and C are schedules showing the REST budget for the period from 2015 through 2021.
18 Attachment B demonstrates that MEC’s proposal will more than fully consume the existing
19 carry-over balance by the end of 2021. Attachment C demonstrates that with the surcharge
20 and cap set at zero, it will be necessary to once again implement a surcharge no later than
21 2019 and at that point the surcharge will be require to collect 146% more from members than
22 under MEC’s proposal (\$950,494 vs. \$337,380).

23 MEC respectfully requests the Commission amend Decision No. 75291 to include a
24 REST surcharge in the amounts proposed by MEC and reflected in Table 3 of the Decision.
25 Adopting Attachment A to this Application will effectuate the requested change.

1 2. The PV and Wind Incentive

2 The Decision also rejects MEC's proposal to reduce the PV and wind incentive from
3 \$0.20/watt to \$0.05/watt. At open meeting, Staff suggested that a \$0.05/watt was the
4 equivalent to no incentive. MEC disagrees. In its service area, a \$0.05/watt remains
5 meaningful. Additionally, moving to no PV or wind incentive is actually preferred by the
6 majority of MEC's members. Therefore, if any change to MEC's proposal was to be made, it
7 should have been to move the PV and wind incentive all the way to zero.

8 MEC also notes that 2016 REST budget of \$1,031,881 approved by the Decision was
9 based upon MEC's proposed PV and wind incentive level of \$0.05/watt (a reduction from
10 \$372,739 in 2015 to \$100,000 in 2016). Thus the Decision reduces the incentive budget by
11 73.2% without any like reduction in the incentive level itself. This means that fewer
12 members will have access to the incentive than intended by MEC's Board when developing
13 the 2016 REST budget. By reducing the incentive level to \$0.05/watt (a 75% reduction), the
14 Commission will restore consistency between the incentive budget and the incentive level.

15 MEC respectfully requests the Commission amend Decision No. 75291 to establish the
16 PV and wind incentives at the \$0.05/watt level proposed by MEC's Board. Adopting
17 Attachment A to this Application will so amend the Decision.

18 **CONCLUSION**

19 MEC's proposal retains a modest surcharge for existing customers³ while reducing the
20 carry over balance by approximately \$655,631 annually until fully consumed by early 2021.⁴
21

22 ³ The \$0.0023006/kWh and \$0.75 monthly cap for residential customers will generate \$0.37
23 per month on the average residential customer's bill.

24 ⁴ MEC notes that the carry-over balance is largely due to the delay in securing a viable
25 proposal for the 5MW solar facility. This one element of the REST program has represented
between 16 to 35 % of the annual REST budget since 2010, but did not come on line until
2015. Now that the 5MW facility is operational, these funds are being expended.

1 In doing so, MEC will avoid a fluctuating surcharge for a five-year period in keeping with the
2 desires of its members and its Board. Adopting MEC's proposal will also allow the carry-
3 over funds to be applied toward the acquisition of power from a 5MW solar facility located
4 within MEC's load area as intended by the Commission approved REST plans since 2010.
5 MEC's proposal also maintains a modest PV and wind incentive consistent with the 2016
6 incentive budget approved by the Commission. This moves in the direction of the total
7 elimination of the incentive, while recognizing that some MEC members desire to retain
8 some incentive for PV and wind in 2016.

9 MEC respectfully requests the Commission amend Decision No. 75291 by adopting
10 Attachment A to this Application.

11 DATED this 25th day of November, 2015.

12 CURTIS, GOODWIN, SULLIVAN,
13 UDALL & SCHWAB, P.L.C.

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19 Attorneys for Mohave Electric
20 Cooperative, Incorporated
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PROOF OF AND CERTIFICATE OF MAILING

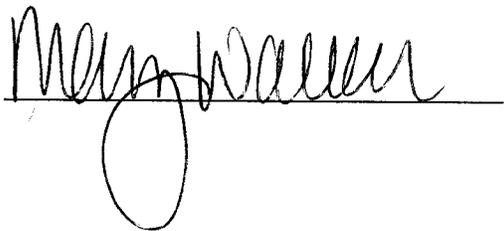
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I hereby certify that on this 25th day of November, 2015, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

A copy of the foregoing hand-delivered to:

Thomas Broderick, Director
Utilities Division
1200 W Washington St
Phoenix, Arizona 85007



ATTACHMENT A

**Mohave Electric Cooperative, Incorporated's
Proposed Amendment to Decision No. 75291**

**MOHAVE ELECTRIC COOPERATIVE INCORPORATED'S
PROPOSED AMENDMENT OF DECISION NO. 75291**

Motion that Decision No. 75291 be amended as follows:

At Page 7, lines 3-7, DELETE the existing language and ADD:

In the case of residential customers taking optional Prepaid Residential Service, the RES surcharge will be calculated daily at \$0.0023006 per kilowatt-hour of retail electricity purchased by the consumer that day, until the monthly surcharge cap of \$0.75 per service has been reached for the monthly billing period applicable to the service address.

At Page 7, Line 20, INSERT

Commission Resolution

24. We believe it is appropriate to reduce incentives as MEC has proposed in Table 1.

25. We also agree with MEC's plan to reduce, but not zero-out, its REST surcharge as it has proposed in Table 3.

At Page 8, lines 4-6, DELETE everything after the word "approved" so the Second Ordering Paragraph reads:

IT IS FURTHER ORDERED that Mohave Electric Cooperative's proposed incentive amounts as shown in Table 1 are approved.

At Page 8, line 8, DELETE the word "Staff" and REPLACE with "Mohave Electric Cooperative", so the Third Ordering Paragraph reads:

IT IS FURTHER ORDERED that Mohave Electric Cooperative's Renewable Energy Standard Tariff rates and caps be reduced as proposed by Mohave Electric Cooperative in Table 3.

ATTACHMENT B

**Five-Year REST Budget Projection
With MEC's Proposed Surcharge**



This Exhibit Assumes the proposed rates for 2016 being held unchanged throughout the five-year model budget.

	2016	2017	2018	2019	2020	2021
Forecasted Carry Forward	3,039,516	2,383,885	1,751,240	1,148,361	575,247	31,162
RES Funding	376,251	376,627	377,003	377,380	377,758	378,136
RES Program Forecast Expenditures	1,031,881	1,009,272	979,883	950,494	921,843	634,998
Carry Forward Funding	2,383,885	1,751,240	1,148,361	575,247	31,162	-225,700

<u>Tariff Revenues</u>	376,251	376,627	377,003	377,380	377,758	378,136
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	2016	2017	2018	2019	2020	2021
<u>Expenditures</u>						
Residential and Commercial Incentives	100,000	100,100	100,200	100,300	100,401	100,501
Up to 5MW Distributed Generation-Solar (Mohave Solar I)	435,632	412,918	383,424	353,929	325,172	87,666
PV For Schools Loan Repayment	103,189	103,189	103,189	103,189	103,189	53,744
GO SOLAR Website	516	521	526	532	537	542
Solar Water Heating	18,000	18,000	18,000	18,000	18,000	18,000
GeoThermal Resources-Willcox Greenhouse	29,544	29,544	29,544	29,544	29,544	29,544
Administration & Advertising	140,000	140,000	140,000	140,000	140,000	140,000
Education Grant Program	5,000	5,000	5,000	5,000	5,000	5,000
Community Programs	200,000	200,000	200,000	200,000	200,000	200,000
Total Expenditures	1,031,881	1,009,272	979,883	950,494	921,843	634,998

Net Application of Funds Carried Forward	-655,631	-632,645	-602,880	-573,114	-544,085	-256,862
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Under this proposal, Mohave would expect the entire balance of RES funding to be used up in the year 2021.