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AZ CORP COMMISSION
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Arizona Corporation Commission

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Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

DOCKETED BY 

Re: *AEPCO Compliance Filing re ECAR Tariff and Plan of Administration;
Decision No. 75350; Docket No. E-01773A-12-0305*

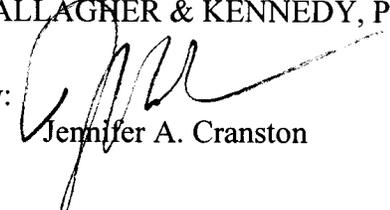
Dear Sir or Madam:

Pursuant to the First Ordering Paragraph at page 15 of Decision No. 75350, enclosed are the original and 13 copies of the following:

1. Environmental Compliance Adjustment Rider Tariff, set at zero, with an effective date of December 17, 2015; and
2. Environmental Compliance Adjustment Rider Plan of Administration.

Sincerely,

GALLAGHER & KENNEDY, P.A.

By: 
Jennifer A. Cranston

JAC:njk
Enclosures
5179297v1/10421-0067

cc (w/enclosures): William P. Sullivan and Michael A. Curtis, Attorneys for MEC (*mailed*)
Jeffrey W. Crockett, Attorneys for SSVEC (*mailed*)
Michael W. Patten and Jason D. Gellman, Attorneys for Trico (*mailed*)

Original and 13 copies filed with Docket Control this 29th day of December, 2015.

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

ENVIRONMENTAL COMPLIANCE ADJUSTMENT RIDER (ECAR)

TARIFF

Effective Date: December 17, 2015

PURPOSE

The purpose of the Environmental Compliance Adjustment Rider ("ECAR") is to provide a revenue recovery mechanism that will create a fund to be used for the purpose of meeting environmental compliance obligations mandated by federal, state, or local laws or regulations. The ECAR is the tariff collection mechanism for the overall Environmental Compliance Strategy ("ECS") developed by Arizona Electric Power Cooperative, Inc. ("AEPCO" or "Company") and its Members.

APPLICABILITY

Applicable to all Class A Member Distribution Cooperatives of AEPCO.

TERMS AND CONDITIONS

1. The initial rates of the tariff shall be set at zero. AEPCO will calculate the capital costs (including carrying costs and/or contributions in aid of construction) and operations' costs (including chemical costs) to be collected from each Class A Member Distribution Cooperative through the ECAR as follows:
 - a. Capital Costs – AEPCO will allocate the capital costs to each Class A Member Distribution Cooperative as a monthly fixed charge based on the Allocated Capacity Percentage ("ACP") of each Member. The monthly dollar amount to be collected from each individual Collective All-Requirements Member ("CARM") will be based upon each CARM's monthly Demand Ratio Share. The Demand Ratio Share is calculated each month as the percentage of each CARMs' 12-month rolling average demand to the total of the CARMs' 12-month rolling average demand. For contributions in aid of construction, AEPCO will also determine the term of collection for the costs.
 - b. Operations' Costs – The operating costs associated with environmental compliance will be assessed to each Member on a per kWh basis.
2. Once the monthly fixed and variable charges and the term of collection, if any, have been established, AEPCO will file the ECS plan and a revised tariff with the Arizona Corporation Commission ("ACC" or "Commission"), for Commission approval.* Once the revised tariff is effective, each Member will be assessed a monthly charge on its bill

for environmental compliance capital costs and a variable charge for environmental compliance operating costs in addition to other rates and charges approved by the Commission. Exhibit A sets forth the monthly Member charges and anticipated term of collection, if any.

3. The level of funding and ECAR rates may be adjusted (up or down) depending on the actual environmental compliance funding needs of the Company as outlined in the ECS plan. Any changes to the ECS and ECAR tariff after the initial ECS plan is approved will be subject to a sixty (60) day ACC Staff review period.* The revised tariff shall become effective at the end of the sixty (60) day period unless the Commission elects to suspend the revised tariff, in which case it shall become effective upon Commission approval.

Details of the operation of the ECAR and ACC compliance requirements are as set forth in the Company's Plan of Administration.

*In order for the ECAR to be revised, AEPCO must obtain Board approval and the unanimous consent of its Class A Member Distribution Cooperatives, prior to being submitted to the Commission.

EXHIBIT A

The Monthly Charges shall be as follows for each of the Company's Class A Member Distribution Cooperatives:

December 17, 2015*

Environmental Compliance Capital Costs

Collective All-Requirements Members:

Anza Electric Cooperative, Inc.	\$0.00/mo.
Duncan Valley Electric Cooperative, Inc.	\$0.00/mo.
Graham County Electric Cooperative, Inc.	\$0.00/mo.

Partial Requirements Members:

Mohave Electric Power Cooperative, Inc.	\$0.00/mo.
Sulphur Springs Valley Electric Power Cooperative, Inc.	\$0.00/mo.
Trico Electric Cooperative, Inc.	\$0.00/mo.

Environmental Compliance Operations' Costs

All Members:	\$0.00000/kWh
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*The stated Monthly Rates apply to service provided on and after this date.

Arizona Electric Power Cooperative, Inc.

Environmental Compliance Adjustment Rider

Plan of Administration

1 **ECAR – Plan of Administration**

2 **General Description:**

3 The purpose of the Environmental Compliance Adjustment Rider (“ECAR”) Surcharge is
4 to establish a fund to be used for the purpose of meeting, in whole or in part, the cost of
5 environmental compliance obligations imposed on or applicable to the Arizona Electric
6 Power Cooperative, Inc. (“AEPSCO”) that are mandated by federal, state or local laws or
7 regulations or judicial or regulatory agency interpretations of such laws or regulations
8 (“Environmental Regulations”). The ECAR provides for the recovery of capital addition
9 costs, operations’ costs and any other costs specified in the Environmental Compliance
10 Strategy, as approved by the Commission. The ECAR is not intended to recover any
11 costs already recovered in base rates approved in Decision No. 74173 or any subsequent
12 rate case decision or recovered through any other Commission-approved adjustor
13 mechanism.

14 **Key Definitions:**

- 15 1. ECAR Surcharge – A rate rider approved by the Arizona Corporation
16 Commission (“ACC” or “Commission”) in Decision No. 75350 which
17 authorizes AEPSCO to: recover or mitigate Environmental Regulations
18 operations’ costs; or fund, in whole or in part, capital additions required by
19 Environmental Regulations.
20
- 21 2. Environmental Compliance Strategy (“ECS”) – A formal plan developed by
22 AEPSCO to meet Environmental Regulations. The ECS shall include, at a
23 minimum, a scope of work, anticipated timelines and cost estimates.
24
- 25 3. Qualified Environmental Compliance Projects – Projects, as specified in the
26 ECS plan, implemented in order to comply with standards mandated by
27 Environmental Regulations. These standards include, but are not limited to,
28 restrictions of carbon dioxide (CO₂), nitrogen oxide (NO_x), sulfur oxide (SO_x),
29 ozone, particulate matter (PM), volatile organic compounds (VOC), mercury
30 (Hg), and other toxins, coal ash and other requirements.
31
- 32 4. Qualified ECS Costs – The costs associated with Qualified Environmental
33 Compliance Projects as identified in the ECS plan and approved by the
34 Commission as appropriate for recovery through the ECAR Surcharge
35 pursuant to ACC review of the ECS plan. The Qualified ECS Costs must be
36 classified in one or more of the Rural Utilities Service (“RUS”) accounts, or
37 any other successor RUS account, listed below under Qualified RUS
38 Accounts. Any costs already recovered in base rates approved in Decision
39 No. 74173 or any subsequent rate case decision or recovered through any

1 other Commission-approved adjustor mechanism are not Qualified ECS Costs
2 and are not recoverable through the ECAR. Environmental fines or penalties
3 do not qualify for cost recovery through the ECAR Surcharge nor do costs
4 that have been included as part of AEPCO's authorized cost of service for
5 recovery through established rate tariffs.

6 **Calculation of ECAR:**

7 Based on costs detailed in the ECS, AEPCO will calculate the capital costs (including
8 carrying costs and/or contributions in aid of construction) and operations' costs
9 (including chemical costs) to be collected from each Class A Member Distribution
10 Cooperative through the ECAR. AEPCO will allocate the capital costs to each Class A
11 Member Distribution Cooperative as a monthly fixed charge based on the Allocated
12 Capacity Percentage ("ACP") of each Member. The fixed charge to be collected from
13 each individual Collective All-Requirements Member ("CARM") will be based upon
14 each CARM's monthly Demand Ratio Share. The Demand Ratio Share is calculated
15 each month as the percentage of each CARMs' 12-month rolling average demand to the
16 total of the CARMs' 12-month rolling average demand. The operating costs associated
17 with environmental compliance will be assessed to each Member on a per kWh basis.
18 AEPCO will also determine the term of collection for any contributions in aid of
19 construction.

20 **Qualified RUS Accounts:**

21 The costs classified in the following RUS accounts are eligible to be recovered through
22 the ECAR. This list may be expanded to include other accounts approved by the
23 Commission in the future.

24 ***Steam Production Plant***

- 25 • 310 Land and Land Rights
- 26 • 311 Structures and Improvements
- 27 • 312 Boiler Plant Equipment
- 28 • 313 Engines and Engine Driven Generators
- 29 • 314 Turbogenerator Units
- 30 • 315 Accessory Electric Equipment
- 31 • 316 Miscellaneous Power Plant Equipment

32 ***Other Production Plant***

- 33 • 340 Land and Land Rights
- 34 • 341 Structures and Improvements
- 35 • 342 Fuel Holders, Producers, and Accessories

- 1 • 343 Prime Movers
- 2 • 344 Generators
- 3 • 345 Accessory Electric Equipment
- 4 • 346 Miscellaneous Power Plant Equipment

5 ***Steam Power Generation Operations***

- 6 • 502 Steam Expenses (limited to chemical expenses incurred solely due to
- 7 Environmental Regulation(s) but not including any indirect expenses such as
- 8 overhead)

9

10 **Accounting:**

11 Funds collected from the ECAR Surcharge will be separately identified by AEPCO and
12 recorded as a regulatory liability. Accounting for these funds shall be done on a
13 contributing Member Distribution Cooperative basis. Use of these funds to meet
14 Qualified ECS Costs will reduce that regulatory liability on a dollar-for-dollar basis.
15 Funds used for qualified environmental capital additions (as opposed to capital carrying
16 costs) will be recorded as contributions in aid of construction.

17 **Investment Administration:**

18 AEPCO will deposit all funds collected through the ECAR Surcharge in a separate
19 interest bearing investment account ("ECAR Surcharge Account") and may only draw
20 monies from the account to fund Qualified ECS Costs. Interest earned on the investment
21 of these funds shall be retained in the account. Upon completion or termination of the
22 ECS plan, all remaining funds in the ECAR Surcharge Account, including interest
23 earned, will be refunded to Members within ninety (90) days, returning the rates to zero,
24 using the same method established for the collection of the ECAR (see Calculation of
25 ECAR above).

26 **Compliance Reports:**

27 On September 1 for the previous January through June period and March 1 for the prior
28 year July to December period of each year, AEPCO will file semi-annual reports
29 concerning the ECAR Surcharge with the Commission, with a copy to its Members,
30 containing the following information for the reporting period:

- 31 1. The beginning balance of the ECAR Surcharge Account.
- 32 2. The amount collected from each Class A Member through the ECAR Surcharge,
33 including the total amount collected.
- 34 3. The total amount of interest earned by the ECAR Surcharge Account.
- 35 4. The total withdrawals for Qualified ECS Costs.
- 36 5. The ending balance of the ECAR Surcharge Account.

1 AEPCO will also file the following supporting information with the semi-annual report:

- 2 1. A listing of the dates and amounts of withdrawals.
- 3 2. A description of each Qualified ECS Cost paid during the period and the
- 4 accounting for each cost.

5 Each report will be certified by AEPCO's Chief Executive Officer or Chief Financial
6 Officer that all information provided in the filing is true and accurate to the best of his or
7 her information and belief. However, no report shall be required for reporting periods
8 during which there is no account activity and both the beginning and ending balances of
9 the ECAR Surcharge Account are zero (\$0.00).

10 **ECS and ECAR Surcharge Modifications:**

11 Pursuant to Decision No. 75350, the initial ECAR rates shall be set at \$0.00. Thereafter,
12 in response to an Environmental Regulation, AEPCO shall file its initial ECS plan and a
13 revised ECAR tariff with Docket Control for Commission approval.

14 The level of funding and ECAR rates may be adjusted (up or down) depending on the
15 actual environmental compliance funding needs of the Company as outlined in the ECS
16 plan. Any changes to the ECS and ECAR tariff after the initial ECS plan is approved will
17 be subject to a sixty (60) day ACC Staff review period. The revised tariff shall become
18 effective at the end of the sixty (60) day period unless the Commission elects to suspend
19 the revised tariff, in which case it shall become effective upon Commission approval.

20 Upon completion or termination of the ECS plan, all remaining funds in the ECAR
21 Surcharge Account not needed to meet the Company's objective(s) for the ECS plan,
22 including interest earned, will be refunded to Members within ninety (90) days, returning
23 the rates to zero, using the same method established for the collection of the ECAR.
24 AEPCO will file a revised tariff returning the rates to zero. The rates shall remain at zero
25 until AEPCO deems it necessary to utilize the ECAR tariff again in response to an
26 Environmental Regulation, in which case it will prepare and file an initial ECS plan and
27 initial revised tariff for Commission approval.

28 **AEPCO Board Approval and Member Consent:**

29 Prior to filing an initial ECS plan and revised ECAR tariff or seeking a subsequent
30 modification to either the ECS or ECAR, AEPCO will obtain authorization from its
31 Board. AEPCO shall also notify its Member Distribution Cooperatives sixty (60) days
32 in advance of a proposed filing with the Commission in order to confirm the unanimous
33 consent of its Members. Absent receipt of timely written objections, Member consent
34 shall be deemed obtained and AEPCO may proceed with the filing.