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NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

Arizona Corporation Commission

DOCKETED

JUN - 1 2016

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AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
SULPHUR SPRINGS VALLEY ELECTRIC  
COOPERATIVE, INC. FOR APPROVAL OF THE  
2017 REST IMPLIMENTATION PLAN AND 2017  
RES TARIFF SURCHARGE

DOCKET NO. E-01575A-16-  
APPLICATION

E-01575A-16-0175

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") hereby submits the 2017 REST Implementation Plan for Arizona Corporation Commission approval.

**I. Background.**

SSVEC is an Arizona nonprofit corporation certified to provide electricity as a public service corporation in the State of Arizona.

SSVEC now files its 2017 REST plan (attached). The REST Rules (A.A.C. R14-2-1814) allow Cooperatives to file "an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Resources for the next calendar year." In anticipation of potential questions regarding our proposed 2017 REST Plan, Attachment B is pre-filed testimony based on questions asked in prior years and of questions asked in other utility REST filings. Attachment D is the SSVEC Board Resolution approving the 2017 REST plan.

SSVEC proposes no changes to the incentive levels from the 2016 REST plan. SSVEC requests the Commissioners waive the requirement to participate in the AZ Goes Solar website under Decision 71458 (Docket No. E-01575A-09-0429). No changes in the RES Tariff (Attachment C) are requested.

1 **II. History**

2 The following table summarizes the program history and the proposed 2017 plan

3	Program item	2009	2010	2011/ 2012	2013	2014 / 2015	2016	2017
4	<b>Residential</b>							
5	Residential Per Watt One Time Incentive (OTI)	\$ 4.00	\$ 3.00	\$2.00	\$0.50	\$0.25	\$0.00	\$0.00
6	Maximum Residential Incentive					\$2,500	\$0.00	\$0.00
7	Maximum OTI percentage based on the total cost	50%	50%	40%	35%	n/a	n/a	n/a
8	PBI 10 year Rate and Cap	\$0.202 60%	\$0.202 60%	\$0.182 50%	\$0.084 40%	n/a	n/a	n/a
9	PBI 15 year Rate and Cap	\$0.187 60%	\$0.187 60%	\$0.168 50%	\$0.082 40%	n/a	n/a	n/a
10	PBI 20 year Rate and Cap	\$0.18 60%	\$0.18 60%	\$0.162 50%	\$0.080 40%	n/a	n/a	n/a
11	<b>Commercial</b>							
12	Maximum System Size Allowed	N/A	N/A	50 kW	50kW	n/a	n/a	n/a
13	C&I per Watt One Time Incentive (OTI)	\$4.00	\$2.50	\$1.25	\$0.50	\$0.25	\$0.00	\$0.00
14	Maximum C&I Incentive					\$5,000	\$0.00	\$0.00
15	Maximum OTI based on the percentage of total costs	50%	50%	45%	35%	n/a	n/a	n/a
16	PBI 10 year Rate and Cap	\$0.202 60%	\$0.202 60%	\$0.182 50%	\$0.084 40%	n/a	n/a	n/a
17	PBI 15 year Rate and Cap	\$0.187 60%	\$0.187 60%	\$0.168 50%	\$0.082 40%	n/a	n/a	n/a
18	PBI 20 year Rate and Cap	\$0.18 60%	\$0.18 60%	\$0.162 50%	\$0.080 40%	n/a	n/a	n/a
19	<b>Solar Water Heating</b>							
20	Per kWh Rebate based on first year kWh output (per OG- 300)	N/A	\$0.75	\$0.70	\$0.65	\$0.50	\$0.25	\$0.25
21	<b>Wind</b>							
22	One Time Incentive (per watt)					\$0.10	\$0.00	\$0.00
23	Residential Maximum Incentive					\$1,250	\$0.00	\$0.00
24	C&I Maximum Incentive					\$2,500	\$0.00	\$0.00
25	PBI 10 year Rate and Cap	\$0.202 60%	\$0.202 60%	\$0.182 50%	\$0.084 40%	n/a	n/a	n/a
26	PBI 15 year Rate and Cap	\$0.187 60%	\$0.187 60%	\$0.168 50%	\$0.082 40%	n/a	n/a	n/a
	PBI 20 year Rate and Cap	\$0.18 60%	\$0.18 60%	\$0.162 50%	\$0.080 40%	n/a	n/a	n/a

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**III. Conclusion**

SSVEC respectfully requests the Commission issue an Order:

- 1) Approving SSVEC's 2017 REST plan as filed
- 2) Approving SSVEC's current RES Tariff
- 3) Waive the requirement to participate in the AZ Goes Solar Website
- 4) Approving the program to be effective on January 1, 2017.

RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of June 2016

Sulphur Springs Valley Electric Cooperative, Inc.

By   
David Bane  
SunWatts Program Manager

**Original** and thirteen (13) copies filed this  
1<sup>st</sup> day of June 2016 with:

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

Copy of the foregoing mailed  
this 1st day of June 2016

Lyn Farmer, Esq  
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Attachment A



**Sulphur Springs Valley  
Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative 

**Renewable Energy Standard and Tariff  
Plan of Administration**

**Contents**

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Submitted by: David Bane, Program Manger

## 1. General Description

This document describes the plan of administration for the Renewable Energy Standard and Tariff (REST) for SSVEC and the associated Implementation plan as required by Arizona Administrative Code R14-2-1801 through R14-2-1815. SSVEC submits an annual REST plan for review and approval by the ACC.

## 2. Definitions

Implementation Plan – The annual Plan that describes how it intends to comply with the Renewable Energy and Standard Tariff rules for the next calendar year.

REST Surcharge – An ACC approved per kWh surcharge (with monthly maximums) used to fund the SSVEC REST plan.

REST Plan – The Renewable Energy and Standard Tariff Implementation plan that is reviewed and approved annually by the ACC.

REST Year – A calendar year beginning September 1<sup>st</sup> and lasting until August 31<sup>st</sup>.

REST Costs – The costs associated with the design, implementation, management, contracts, training, education, labor, and other services contained in the SSVEC Implementation Plan and incurred by SSVEC, which otherwise would not be incurred without the Commission's RPS rules and which are not recovered through the SSVEC general retail rate structure.

Annual Avoided Cost Determination – SSVEC's Avoided Cost is based on twelve months of wholesale purchased power ending in month of May each year. Purchase costs are submitted to the ACC to determine the Avoided Cost for the REST year in a new docket.

All other terms and definitions associated with the REST are contained in the Arizona Administrative Code in Section R14-2-1801.

### 3. REST Plan Components

The REST Plan will consist of, at a minimum, the following components designed to meet the SSVEC annual requirements of the Arizona Renewable Portfolio Standard. Those components are:

- a. Executive Summary: Designed to provide an overview of the SSVEC annual Implementation Plan.
- b. Description of the SSVEC residential Incentive plans
- c. Description of the SSVEC Commercial Incentive plans
- d. Net Metering Sizing formula
- e. Line item Budget showing direct and estimated income and expenses. At a minimum the budget shall show the following:
  - i. Income from:
    1. Estimated Collections
    2. Sales from SSVEC solar farms to SSVEC
    3. Estimated Carryover from prior year
  - ii. Expenses
    1. Administration costs
    2. Specific project costs
    3. Debt Service for prior ACC approved projects
    4. Incentives
- f. 5-year Budget Projection
- g. Estimated impact of REST Tariff on Customers
- h. Statement of Distributed Generation Goals

### 4. Filing and Procedural Deadlines

- July 1 – SSVEC shall file the proposed Implementation plan for the next Calendar year no later than July 1.
- July 1 – SSVEC shall file their Avoided Cost Calculations for ACC approval for a September implementation.
- April 1 – SSVEC shall file their Annual Report no later than April 1 each year
- Additional Filings – SSVEC will file any additional information as requested by the ACC regarding the REST program or annual report filings

## Attachment B

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The following is SSVEC's responses (or pre-filed testimony) regarding the proposed 2017 RES Tariff and Plan with questions we anticipate might be asked by the ACC Staff based on prior submissions and our review of other utilities approved plans.

For questions or comments the point of contact is:

David Bane  
SunWatts Program Manager  
311 E. Wilcox  
Sierra Vista, AZ 85635  
[dbane@ssvec.com](mailto:dbane@ssvec.com)  
520-515-3472

With copies to;

Jack Blair  
Chief Member Services Officer  
311 E. Wilcox  
Sierra Vista, AZ 85635  
[jblair@ssvec.com](mailto:jblair@ssvec.com)

Respectfully,



David Bane

Questions and Comments for the 2016 REST Plan for SSVEC

Question 1) What are the requested changes from the 2016 plan?

Response: The changes in the REST plan for 2017 are minimal. First is the elimination of the requirement to participate in the AZ Goes Solar website. While not a large expense it is a time consuming process with no measurable return. We have not had a referral from the website in over two years (except for net crawlers high jacking e-mail addresses).

In prior plans we included a table listing Performance Based Incentives for alternative technologies based on the UCCP guidelines that were never fully ratified by the Commission. SSVEC has not had a request for this type of incentive for over 5 years, and feel that filing an addendum to the 2017 plan for staff approval on a case by case basis is a more appropriate method to determine the incentive than using an "outdated" table of incentives.

Question 2) Did SSVEC consider any change to the method of the collection of REST funds or in the amount of the kWh surcharge or caps?

Response: We are proposing no changes in our collection method for the REST surcharge in the 2017 program. From the very beginning of the SSVEC Renewable Energy Program, based on Member input, our method has been to collect the surcharge based on the "delivered" kWh from SSVEC not the "net kWh" (see sample bill below). We felt that it was only fair those consumers who installed a "net zero" sized system would continue to contribute to the very same program that helped them install their systems. Spot checks show that these residential consumers with "net zero" systems continue to pay the same average REST surcharge as those without a PV system.

A sample utility bill from Arizona Public Service (APS) showing the REST surcharge. The bill is for account 134741, meter L07087580V. It details the following charges:

NR IDE Net Meter RES 1 Delivered	7321	8146	1	325	39.55
Cost of Basic Service					8.25
Wholesale Power and Fuel Cost Adjustor					1.02CR
DSM Surchage					0.29
ACC Environmental Surcharge (REST)					3.21
Taxes					1.69
30 days of service from 09Feb2012 to 09Mar2012					TOTAL: 54.99
NCE Net Mtr Res Customer Generated	8407	8925	1	325	39.55CR
Backed kWh: 283					2.70
Wholesale Power and Fuel Cost Adjustor					1.02
Net Meter Charge					2.70
Balance Transfer Between Accounts					15.90CR
PREVIOUS BALANCE	18.99	PAYMENTS RECEIVED	0.00	BALANCE FORWARD	18.99
					<b>BALANCE DUE: 18.14</b>

Looking back to 2015 (last full year available) collections were below budget for the first time in the history of the program. A slowdown in installations kept a positive cash balance and the 2017 total budget is lowered to \$3,765,438.00.

	2015 Actual	2015 Budget
Administration	\$ 199,000	\$ 199,000
Habitat for Humanity projects	\$ 15,000	\$ 15,000
Advertising	\$ 1,000	\$ 1,000
PBI Buydown	\$ 200,000	\$ 900,000
Future Large Scale	\$ 900,000	\$ 200,000
School Solar Project (CREBs 1 debt)	\$ 900,000	\$ 900,000
SSVEC Solar Farm (CREBs 2 debt)	\$ 425,000	\$ 425,000
Misc	\$ 1,000	\$ 1,000
SunWatts Incentives Residential	\$ 342,629	\$ 645,828
SunWatts Incentives Commercial	\$ 155,126	\$ 290,000
PBI Residential	\$ 268,740	\$ 521,000
PBI Commercial	\$ 300,218	\$ 585,000
Total	\$ 3,707,714	\$ 4,682,828

Questions and Comments for the 2016 REST Plan for SSVEC

Question 3) Did SSVEC consider the lowering the REST Surcharge in light of the lower incentives paid to Customers?

Response: Feedback from our Members indicates the desire for more SSVEC owned large scale systems. Keeping the Surcharge at the current level will allow SSVEC to accumulate funds for future large scale projects without having to incur finance charges and long term debt. See Attachment B for executive summary of Customer Survey.

The caps in the current RES Tariff have been there since 2010 and the kWh surcharge has been the same since 2011. The SSVEC Board of Directors and feedback from focus groups members feel the current RES Tariff is fair and balanced.

Question 4) In the 2017 plan you mentioned a 20MW solar farm that SSVEC will purchase the output and use these RECs to meet the goals set in the REST plan. Why do you not need any subsidization from the REST funds?

Response: The price we negotiated for the power was so close to our normal purchase costs that no cost support was required from the REST funds. This power contract includes an option for SSVEC to purchase the solar farm in the future and we may determine that funds we are collecting for the future large scale expansion may best be used to take the purchase option. SSVEC will seek ACC approval for whatever project is selected prior to committing funds.

Question 5) You have funds in the budget for incentives in 2017 even though you have taken the PV incentives to zero. Why is this?

Response: This is for the Solar Water Heating incentive which is still in the program.

Question 6) SSVEC no longer includes Performance Based Incentives in its program offerings. In its 2017 proposed budget, two line items for "Residential PBI" and "Commercial PBI" appear with \$477,467 of allocations. Please explain the purpose of these allocations.

Response: The PBI agreements from prior programs have a life of up to 10, 15, or 20 years or until they reach the "maximum payout". This budget item represents the expected PBI payments for 2016 based on the current level of distributions. As of the end of March 2016 SSVEC has a PBI liability of \$2,044,231.19.

Question 7) In the 2015 and 2016 REST plans you had a budget item for the "buy down" of outstanding PBI accounts. Why did you not continue this item in 2017?

Response: The idea of "buying down" sounded good but was difficult to put into practice. The proposed concept created more work than it was thought it would save and was "put on hold" by management. All funds budgeted for the "buy down" remained in the REST program and will "rollover" to the 2017 funds.

One of the outcomes of looking at the PBI portion of the REST plan was developing a procedure to deal with transfers due to the sale of the property and full disbursement of the Incentive outstanding balance in the case of a death of the member.

Questions and Comments for the 2016 REST Plan for SSVEC

Question 8) Did you calculate what the REST surcharge would have to be so that SSVEC could meet the 15% of supply that is required of the investor owned utilities?

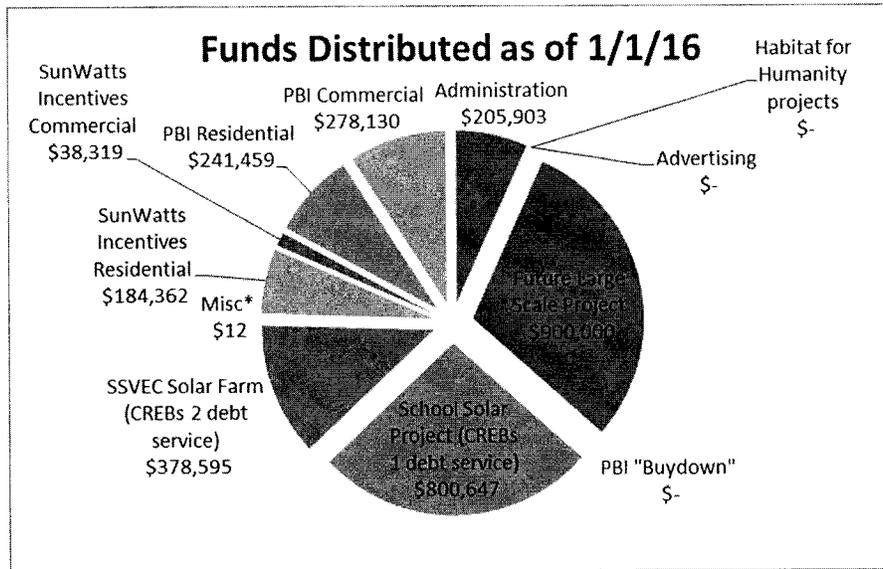
Response: For three REST program submissions we performed that study and each time it has shown that the required REST tariff would be so large as to have an extreme negative impact on our members. Each time the Commissioners have agreed that our requested REST surcharge was fair and reasonable. Because we are not changing the REST surcharge, spending time to update this study would be a waste of both the time and efforts of the ACC Staff and SSVEC as the results would be virtually the same as prior studies. The following is the summary table from the 2011 submission.

Table # 1		REST Funding Options Considered					
	Submitted	Alternate #1	Alternate #2	Alternate #3	Alternate #4	alternative #5	
Rest Surcharge	\$ 0.009880	\$ 0.009880	\$ 0.009880	\$ 0.021086	\$ 0.009880	\$ 0.039324	
Res Cap	\$ 3.49	\$3.69	\$ 3.89	\$ 3.49	\$ 5.66	\$ 25.00	
GS	\$ 85.00	\$89.87	\$ 94.74	\$ 85.00	\$ 137.85	\$ 250.00	
Irrigation	\$ 50.00	\$52.87	\$ 55.73	\$ 50.00	\$ 81.09	\$ 200.00	
Rate P & IP	\$ 200.00	\$211.46	\$ 222.92	\$ 200.00	\$ 324.36	\$ 400.00	
3MW + Cap	\$ 300.00	\$317.19	\$ 334.38	\$ 350.00	\$ 486.53	\$ 1,500.00	
Rest Collection	\$ 3,301,791	\$ 3,412,916	\$ 3,519,553	\$ 4,300,000	\$ 4,300,000	\$ 15,000,000	
% of Change	10%	13%	17%	43%	43%	398%	
2010 Budget	\$ 3,009,635						
Percentage reaching cap							
Rate R	74.4%	72.3%	70.1%	91.0%	51.5%	45.7%	
Rate G	1.8%	1.6%	1.4%	7.3%	0.4%	3.5%	
Rates I	61.8%	60.8%	59.8%	72.8%	53.3%	61.8%	
Rates P	45.0%	42.3%	39.8%	71.7%	25.1%	70.3%	
rate C	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Average Charge							
Rate R	\$ 3.11	\$3.25	\$3.40	\$ 3.33	\$ 4.47	\$ 19.00	
Rate G	\$ 10.86	\$10.94	\$11.01	\$ 19.41	\$ 11.35	\$ 40.95	
Rates I	\$ 36.50	\$38.25	\$39.98	\$ 39.91	\$ 54.29	\$ 145.88	
Rates P	\$ 139.15	\$144.15	\$148.86	\$ 163.94	\$ 181.24	\$ 324.90	
rate C	\$ 300.00	\$317.19	\$334.38	\$ 350.00	\$ 486.53	\$ 1,500.00	
Collected by Rate Class							
Rate R	\$ 1,454,465.26	\$1,523,191.01	\$1,589,922.99	\$ 1,559,756.68	\$ 2,092,838.97	\$ 8,891,872.73	
Rate G	\$ 961,729.27	\$969,079.11	\$975,438.80	\$ 1,718,690.52	\$ 1,005,472.74	\$ 3,626,655.19	
Rates I	\$ 237,628.49	\$249,200.19	\$260,598.05	\$ 258,442.42	\$ 355,244.22	\$ 949,834.27	
Rates P	\$ 640,767.94	\$663,832.72	\$685,568.02	\$ 754,710.38	\$ 834,767.26	\$ 1,495,637.81	
rate C	\$ 7,200.00	\$7,612.61	\$8,025.21	\$ 8,400.00	\$ 11,676.81	\$ 36,000.00	
Total	\$ 3,301,790.96	\$3,412,915.63	\$3,519,553.07	\$ 4,300,000.00	\$ 4,300,000.00	\$ 15,000,000.00	
	Surcharge from .007937 to .00988	Residential cap increased to 3.69 and remaining caps increased by same percentage	Residential cap increased to 3.89 and remaining caps increased by same percentage	Caps remain the same but surcharge increased to reach a 4.3 million total	Surcharge remain the same but Caps raised to reach the 4.3 Million	Level needed to get to the IOU % of Renewables	

Question 9) Where did SSVEC spend the REST budget in 2015?

Response: This graph provides a visual of where the REST funds were distributed. As you can see over 94% of funds collected went back to Customers in either an incentive, debt service for the PV for schools project, or carried forward to 2016.

Our total cost for program management was only 5.6% of funds collected, which is well below the 15% allowed by the RES guidelines.



Question 10) You are asking to budget \$1,750,000.00 for future "SSVEC utility grade" solar expansion. When would you expend the funds and how do you plan on "holding" the funds from year to year?

Response:

A reasonable "price point" to put the solar project out to bid is when the funds collected is close to \$15 million (projections show this will be reached in 2022). Right now this seems to be a good price point to reach economics of scale to get the most solar for the dollar. The funds collected under the REST tariff are held in a separate "account" so the funds are not co-mingled with normal operating funds. We post our REST budget balances each month on our website and submit formal reports to the ACC Staff twice per year. If this budget item is approved any funds left at the end of the year will be allocated to the same budget item for the following year. The remaining "carry over" funds will then be allocated proportionally over the normal budget categories.

When the balance in the "expansion account" approaches the \$15 million, we will then prepare an RFP to see who can provide the most kW capacity expansion at the San Simon Solar Farm for the \$15 million and compare that to the option of buying the 20MW solar farm in Cochise where we have a PPA. Copies of the bids and notice of the winning bid will be filed in the Docket of the current REST program (since each program year has its own docket number) when the RFP is signed by SSVEC.

Question 11) Are there any comments you would like to share with the Commissioners and Staff?

Response: SSVEC would appreciate the expediting of this review of our plan based on the simplicity of our REST plan and the minor changes between the current and proposed plans.

# ATTACHMENT C

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
350 N. Haskell Ave  
Willcox, Arizona 85644-0820

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Effective Date: October 25, 2013 with Decision 74158

### STANDARD OFFER TARIFF

#### RENEWABLE ENERGY SURCHARGE TARIFF SCHEDULE REST

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Effective: For electrical usage beginning on or about November 1, 2013 and billed beginning with the December 2013 cycle billings. Decision 74158

#### Applicability

The Renewable Energy Surcharge Tariff is applicable to all consumers located along existing electric distribution lines of the Cooperative, who use the Cooperative's standard service for single- or three-phase service. Surcharges under this schedule will be in accordance with the Cooperative's general rules, terms and conditions, available at the Cooperative's office, which general rules or subsequent revisions thereof are a part of the schedule as if fully written herein.

#### Rate

\$0.00988 per kWh provided by the Cooperative

Subject to the following maximum per month:

Residential Consumers (Rates R, RT)	\$ 3.49
General Service (Rates GS, GT, non-residential rates not listed below)	\$ 85.00
Irrigation Customers (Rates CD, CW, CD-Large, IL, IS)	\$ 50.00
Commercial & Industrial (Rates P, IP, PRV, PT)	\$200.00
Industrial (Demand over 3MWs)	\$300.00

For Rate RPS only the daily REST CAP shall be \$0.115 per day

#### Schedule of fee's for SunWatts inspections:

1 <sup>st</sup> inspection	no charge
2 <sup>nd</sup> inspection (if needed*)	\$ 75.00
3 <sup>rd</sup> and subsequent inspections (if needed*)	\$150.00 ea.

\* additional inspections charges are billed to the installation contractor as required when violations of the inter-connection requirements, the National Electric Code, or safety issues are found during the current inspection that cannot be corrected during the first or subsequent inspection. Inspection fees to be returned to the REST funds.

RESOLUTION

2016-04

The following resolution was adopted at a regular meeting of the Sulphur Springs Valley Electric Cooperative, Inc., Board of Directors held May 25, 2016, in Sierra Vista, Arizona:

WHEREAS, Sulphur Springs Valley Electric Cooperative (SSVEC), an electric cooperative company in Arizona, is required to submit annual updates to the REST program and tariff, in the course of normal operations.

BE IT RESOLVED that the Board of Directors of SSVEC has reviewed the 2017 REST program presented by the SSVEC Management and Staff and fully supports the 2017 REST plan to be submitted to the ACC for approval.

I, Kathy Thatcher, do hereby certify that I am the Secretary of Sulphur Springs Valley Electric Cooperative, Inc., and the foregoing is a true and correct copy of a resolution adopted by the SSVEC Board of Directors at a regular meeting held on May 25, 2016.

  
Secretary

SEAL