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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman

GARY PIERCE
Commissioner

PAUL NEWMAN
Commissioner

SANDRA D. KENNEDY
Commissioner

BOB STUMP
Commissioner

Arizona Corporation Commission

DOCKETED

DEC -8 2009

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IN THE MATTER OF TUCSON ELECTRIC)	DOCKET NO. E-01933A-07-0402
POWER COMPANY'S PROPOSED)	
REVISIONS TO PRICING PLAN PS-40)	DOCKET NO. E-01933A-05-0650
MUNICIPAL SERVICE)	
)	DECISION NO. <u>71413</u>
)	
)	<u>ORDER</u>

Open Meeting
November 19 and 20, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On June 12, 2009, TEP docketed proposed revisions to its existing Pricing Plan PS-40 Municipal Service tariff ("PS-40"). The proposed revisions would allow qualifying municipal customers to receive electric service at primary voltage levels under PS-40.

3. TEP's primary service is defined as service delivered to customers' sites at normal distribution or sub-transmission voltage levels (Rules and Regulations, Section 9, Article B). Primary voltage levels are nominally in the 8-13.8 kV or 46 kV ranges, and are usually requested by customers with large power requirements (e.g. demands greater than 2,500 kW). By comparison, secondary voltage levels are nominally in the 120/240-277/480 volt ranges (TEP Rules and Regulations, Section 9, Article A), and are usually requested by average size residential

1 and commercial customers.

2 4. Primary voltage service level options are becoming increasingly more desirable for
3 Arizona municipalities in direct proportion to the increasing interest in constructing new solar
4 projects. TEP believes that the proposed primary option would benefit existing primary and
5 secondary service municipal customers (e.g. Pricing Plan LGS-13, approximately 600 customers;
6 and, Pricing Plan GS-10, approximately 32,500 customers) by providing an opportunity to opt for
7 potentially more favorable rates under PS-40 compared to LGS-13 and GS-10 rates, respectively
8 (Attachment 1). What is not apparent from Attachment 1 is that Load Factors significantly impact
9 the economic metrics of monthly billing differences between the three rate schedules (Attachment
10 2).

11 5. At 45 percent load factor, Attachment 1 illustrates potential annual savings in the
12 amount of approximately \$16,800 and \$10,300 for LGS-13 and GS-10 municipal customers,
13 respectively if they move to PS-40. Annual savings for municipal customers are modest at best,
14 and depending on load factor, municipal customers may incur annual revenue "losses"
15 (Attachment 2). Therefore, Staff asked TEP to identify factors, other than potential modest
16 revenue savings, that would motivate existing and prospective municipal customers to choose PS-
17 40 over General Service schedules 13 and 10. TEP's responses are discussed in detail below.

18 **Staff's Findings and Recommendations**

19 6. TEP's responses to Staff's data requests provided the data contained in the above
20 referenced Attachments 1 and 2. In addition to the potential annual savings discussed above, TEP
21 offered the following insight into the reasons TEP proposed adding a primary service option to PS-
22 40: 1) current secondary municipal customers may need to upgrade to primary service to
23 efficiently facilitate their solar projects; 2) TEP does not want its rate schedules to encumber the
24 addition of solar projects by automatically precluding municipal customers from being eligible to
25 receive primary service under PS-40; and 3) TEP's proposed change eliminates a negative
26 consequence of installing a solar project, and as such, views the proposal as an incentive to
27 encourage municipals to pursue solar projects. At this time, TEP is aware of two planned
28 municipal solar projects that require primary service options to proceed in a most cost-effective

1 manner.

2 7. Staff believes that the Company's proposed revisions to schedule PS-40 would be a
3 positive influence on the solar projects process. Staff, therefore, has recommended that the
4 Commission approve the Company's proposed revisions to rate schedule PS-40. Staff's
5 recommendation is further supported by the following findings.

6 **Fair Value-Related Matters**

7 8. TEP has stated that there will be no consequential rate base-related investments
8 made. TEP is of the opinion that the revenue erosion that will occur will not affect fair value.
9 According to TEP, there will be no change in facilities cost either on a historical or replacement
10 basis and the infrastructure requirements will remain unchanged.

11 9. Staff has concluded that there would be no impact on TEP's fair value rate base and
12 rate of return.

13 **Anticipated End-Users of PS-40 Solar-Generated Electricity**

14 10. According to the Company, end users are expected to be government entities being
15 served under PS-40. Typical load will include office building load and process load (e.g., waste
16 water treatment). If available and pursuant to the net metering rules, TEP would purchase solar-
17 generated power created by customers served under proposed schedule PS-40.

18 11. Staff believes that TEP's comments indicate the Company's willingness to facilitate
19 the implementation of new solar projects.

20 **Net Metering Considerations**

21 12. TEP states that "Net metering will be available to qualified customers, including
22 qualified customers on Rate 40." The Company opines that all customers could be affected by the
23 impact of solar production, in that such energy may replace energy that otherwise would have been
24 provided by TEP. In addition, some customers may solar-generate electricity in excess of their
25 own use, thereby making it necessary for the municipals to find buyers for their excess energy.

26 13. Staff believes that TEP is attempting to realign its tariff's terms and conditions to
27 better accommodate the resurgence in new solar projects and sellers of excess solar-generated
28 power.

Rate Case Moratorium

14. Pursuant to Decision No. 70628, Section 10.1 of the Settlement Agreement imposed a rate case moratorium on TEP. Specifically Section 10.1:

“Except as otherwise expressly provided herein, TEP’s base rates, as authorized in the Commission order approving this Agreement, shall remain frozen through December 31, 2012, and no Signatory will seek any change to TEP’s base rates that would take effect before January 1, 2013.”

15. Staff has reviewed this Section in conjunction with the application Staff believes the proposed revision as it relates to rate of return and revenues is *de minimus* and consistent with the Agreement.

Additional Staff Recommendations

16. Staff has also recommended that rate schedule PS-40 be approved effective December 1, 2009.

17. Furthermore, Staff has recommended that TEP file tariff pages for the approved rate schedule PS-40 consistent with the Decision within 15 days from the effective date of the Decision.

CONCLUSIONS OF LAW

1. Tucson Electric Power Company is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over Tucson Electric Power Company and the subject matter of the application.

3. Approval of Tucson Electric Power Company’s Pricing Plan PS-40 Municipal Service in this application does not constitute a rate increase as contemplated in A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff’s Memorandum dated November 4, 2009, concludes that it is in the public interest to approve the Tucson Electric Power Company’s proposed Pricing Plan PS-40 Municipal Service as discussed herein.

ORDER

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IT IS THEREFORE ORDERED that Tucson Electric Power Company's proposed Pricing Plan PS-40 Municipal Service as revised and discussed herein is approved.

IT IS FURTHER ORDERED that Pricing Plan PS-40 Municipal Service, as approved, shall become effective December 1, 2009.

IT IS FURTHER ORDERED that Tucson Electric Power Company file tariff pages for the approved Pricing Plan PS-40 Municipal Service consistent with the Decision in this matter within 15 days from 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



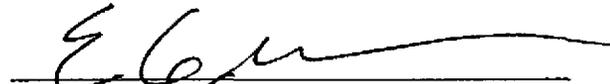
COMMISSIONER

COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, 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 8th day of December, 2009.



ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:WHM:red/RM

1 SERVICE LIST FOR:
2 DOCKET NOS. E-01933A-07-0402 and E-01933A-05-0650

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45% Load Factor Scenario

Capacity		LF = 45%		KWH = 972,000	
Rate 13 vs. Rate 40 Excluding Base Power Supply		1,350	1,350	972,000	972,000
KW summer =	3,000				
KW winter =	3,000				
SUMMER:	LGS-13	PS-40			
CUST CHG	371.88	0			
DEM CHG	10,352	0			
ENERGY*	0.025656	0.05753			
KW DISCOUNT	0.206	0			
TOTALS		55,748			
DELTA				\$	172
*EXCLUDING BASE POWER CHARGE					
WINTER:	LGS-13	PS-40			
CUST CHG	371.88	0			
DEM CHG	10,352	0			
ENERGY*	0.02391	0.053159			
KW DISCOUNT	0.206	0			
TOTALS		54,050			
DELTA				\$	(2,380)

45% Load Factor Scenario

Capacity		LF = 45%		KWH = 32,400	
Rate 10 vs. Rate 40 Excluding Base Power Supply		100	100	32,400	32,400
KW summer =	100				
KW winter =	100				
SUMMER:	GS-10	PS-40			
CUST CHG	14	0			
ENERGY 1ST 500	0.056236	0			
ENERGY OVER	0.085145	0.05753			
TOTALS		2,758			
DELTA				\$	(894)
*EXCLUDING BASE POWER CHARGE					
WINTER:	GS-10	PS-40			
CUST CHG	14	0			
ENERGY 1ST 500	0.051252	0			
ENERGY OVER	0.080145	0.053159			
TOTALS		2,596			
DELTA				\$	(874)

Capacity		LF = 45%		KWH = 972,000	
Rate 13 vs. Rate 40 Including Base Power Supply		1,350	1,350	972,000	972,000
KW summer =	3,000				
KW winter =	3,000				
SUMMER:	LGS-13	PS-40			
CUST CHG	371.88	0			
DEM CHG	10,352	0			
ENERGY*	0.08821	0.089775			
KW DISCOUNT	0.206	0			
TOTALS		87,390			
DELTA				\$	(129)
*INCLUDING BASE POWER CHARGE					
WINTER:	LGS-13	PS-40			
CUST CHG	371.88	0			
DEM CHG	10,352	0			
ENERGY*	0.048964	0.077904			
KW DISCOUNT	0.206	0			
TOTALS		78,403			
DELTA				\$	(2,680)

Capacity		LF = 45%		KWH = 32,400	
Rate 10 vs. Rate 40 Including Base Power Supply		100	100	32,400	32,400
KW summer =	100				
KW winter =	100				
SUMMER:	GS-10	PS-40			
CUST CHG	14	0			
ENERGY 1ST 500	0.087786	0			
ENERGY OVER	0.116695	0.089775			
TOTALS		3,780			
DELTA				\$	(872)
*INCLUDING BASE POWER CHARGE					
WINTER:	GS-10	PS-40			
CUST CHG	14	0			
ENERGY 1ST 500	0.075474	0			
ENERGY OVER	0.104367	0.077904			
TOTALS		3,381			
DELTA				\$	(857)

*Annual Potential Savings = \$ (16,853)

*Annual Potential Savings = \$ (10,372)

*Negative Number = Customer Savings

*Negative Number = Customer Savings

55% Load Factor Scenario

Rate 13 vs. Rate 40 Excluding Base Power Supply

Capacity					
KW summer =	3,000	LF =	55%	1,650	KWH = 1,188,000
KW winter =	3,000	LF =	55%	1,650	KWH = 1,188,000
SUMMER:	LGS-13	\$	PS-40	\$	
CUST CHG	371.88		0	0	
DEM CHG	10,352	30,438.00	0	0	
ENERGY*	0.025656	30,479.33	0.05753	68,346	
KW DISCOUNT	0.206		0	0	
TOTALS		61,289		68,346	
DELTA					\$ 7,058
*EXCLUDING BASE POWER CHARGE					
WINTER:	LGS-13	\$	PS-40	\$	
CUST CHG	371.88		0	0	
DEM CHG	10,352	30,438.00	0	0	
ENERGY*	0.02391	28,405.08	0.053159	63,153	
KW DISCOUNT	0.206		0	0	
TOTALS		59,215		63,153	
DELTA					\$ 3,938

55% Load Factor Scenario

Rate 10 vs. Rate 40 Excluding Base Power Supply

Capacity					
KW summer =	100	LF =	55%	55	KWH = 39,600
KW winter =	100	LF =	55%	55	KWH = 39,600
SUMMER:	GS-10	\$	PS-40	\$	
CUST CHG	14		0	0	
ENERGY 1ST 500	0.056236	28.12	0	0	
ENERGY OVER	0.085145	3,329.17	0.05753	2,278	
TOTALS		3,371		2,278	
DELTA					\$ (1,093)
*EXCLUDING BASE POWER CHARGE					
WINTER:	GS-10	\$	PS-40	\$	
CUST CHG	14		0	0	
ENERGY 1ST 500	0.051252	25.63	0	0	
ENERGY OVER	0.080145	3,133.67	0.053159	2,105	
TOTALS		3,173		2,105	
DELTA					\$ (1,068)

Rate 13 vs. Rate 40 Including Base Power Supply

Capacity					
KW summer =	3,000	LF =	55%	1,650	KWH = 1,188,000
KW winter =	3,000	LF =	55%	1,650	KWH = 1,188,000
SUMMER:	LGS-13	\$	PS-40	\$	
CUST CHG	371.88	371.88	0	0	
DEM CHG	10,352	30,438.00	0	0	
ENERGY*	0.05821	59,153.48	0.089775	106,653	
KW DISCOUNT	0.206		0	0	
TOTALS		99,963		106,653	
DELTA					\$ 6,689
*INCLUDING BASE POWER CHARGE					
WINTER:	LGS-13	\$	PS-40	\$	
CUST CHG	371.88	371.88	0	0	
DEM CHG	10,352	30,438.00	0	0	
ENERGY*	0.048964	58,169.23	0.077904	92,550	
KW DISCOUNT	0.206		0	0	
TOTALS		88,979		92,550	
DELTA					\$ 3,571

Rate 10 vs. Rate 40 Including Base Power Supply

Capacity					
KW summer =	100	LF =	55%	55	KWH = 39,600
KW winter =	100	LF =	55%	55	KWH = 39,600
SUMMER:	GS-10	\$	PS-40	\$	
CUST CHG	14		0	0	
ENERGY 1ST 500	0.087786	43.89	0	0	
ENERGY OVER	0.116695	4,562.77	0.089775	3,555	
TOTALS		4,621		3,555	
DELTA					\$ (1,066)
*INCLUDING BASE POWER CHARGE					
WINTER:	GS-10	\$	PS-40	\$	
CUST CHG	14		0	0	
ENERGY 1ST 500	0.075474	37.74	0	0	
ENERGY OVER	0.104367	4,080.75	0.077904	3,085	
TOTALS		4,132		3,085	
DELTA					\$ (1,047)

65% Load Factor Scenario

Rate 13 vs. Rate 40 Excluding Base Power Supply

Capacity	3,000	1,950	1,950						
KW summer =	3,000	65%	1,950						
KW winter =	3,000	65%	1,950						
		LF =							
		LF =							
SUMMER:	LGS-13	\$	PS-40	\$					
CUST CHG	371.88		0	0					
DEM CHG	10,352	30,438.00	0	0					
ENERGY*	0.025656	36,021.02	0.05753	80,772					
KW DISCOUNT	0.206		0	0					
TOTALS		66,831		80,772					
DELTA									\$ 13,941
*EXCLUDING BASE POWER CHARGE									
WINTER:	LGS-13	\$	PS-40	\$					
CUST CHG	371.88		0	0					
DEM CHG	10,352	30,438.00	0	0					
ENERGY*	0.02391	33,569.64	0.053159	74,635					
KW DISCOUNT	0.206		0	0					
TOTALS		64,380		74,635					
DELTA									\$ 10,256

65% Load Factor Scenario

Rate 10 vs. Rate 40 Excluding Base Power Supply

Capacity	100	65	65						
KW summer =	100	65%	65						
KW winter =	100	65%	65						
		LF =							
		LF =							
SUMMER:	GS-10	\$	PS-40	\$					
CUST CHG	14		0	0					
ENERGY 1ST 500	0.056236	28.12	0	0					
ENERGY OVER	0.085145	3,942.21	0.05753	2,692					
TOTALS		3,984		2,692					
DELTA									\$ (1,292)
*EXCLUDING BASE POWER CHARGE									
WINTER:	GS-10	\$	PS-40	\$					
CUST CHG	14		0	0					
ENERGY 1ST 500	0.051252	25.63	0	0					
ENERGY OVER	0.080145	3,710.71	0.053159	2,488					
TOTALS		3,750		2,488					
DELTA									\$ (1,262)

Rate 13 vs. Rate 40 Including Base Power Supply

Capacity	3,000	1,950	1,950						
KW summer =	3,000	65%	1,950						
KW winter =	3,000	65%	1,950						
		LF =							
		LF =							
SUMMER:	LGS-13	\$	PS-40	\$					
CUST CHG	371.88		0	0					
DEM CHG	10,352	30,438.00	0	0					
ENERGY*	0.05821	81,726.84	0.089775	126,044					
KW DISCOUNT	0.206		0	0					
TOTALS		112,537		126,044					
DELTA									\$ 13,507
*INCLUDING BASE POWER CHARGE									
WINTER:	LGS-13	\$	PS-40	\$					
CUST CHG	371.88		0	0					
DEM CHG	10,352	30,438.00	0	0					
ENERGY*	0.048964	68,745.46	0.077904	109,377					
KW DISCOUNT	0.206		0	0					
TOTALS		99,555		109,377					
DELTA									\$ 9,822

Rate 10 vs. Rate 40 Including Base Power Supply

Capacity	100	65	65						
KW summer =	100	65%	65						
KW winter =	100	65%	65						
		LF =							
		LF =							
SUMMER:	GS-10	\$	PS-40	\$					
CUST CHG	14		0	0					
ENERGY 1ST 500	0.087786	43.89	0	0					
ENERGY OVER	0.116695	5,402.98	0.089775	4,201					
TOTALS		5,461		4,201					
DELTA									\$ (1,259)
*INCLUDING BASE POWER CHARGE									
WINTER:	GS-10	\$	PS-40	\$					
CUST CHG	14		0	0					
ENERGY 1ST 500	0.075474	37.74	0	0					
ENERGY OVER	0.104367	4,832.19	0.077904	3,646					
TOTALS		4,884		3,646					
DELTA									\$ (1,238)