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EXCEPTION

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

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COMMISSIONERS:

MARC SPITZER, CHAIRMAN
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

MAR - 7 2003

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF NEW PARTIAL REQUIRE-
MENTS SERVICE TARIFFS; MODIFICATION
OF EXISTING PARTIAL REQUIREMENTS
SERVICE TARIFF 101; AND ELIMINATION OF
QUALIFYING FACILITY TARIFFS.

Docket No. E-01933A-02-0345

**TUCSON ELECTRIC POWER
COMPANY'S EXCEPTIONS TO
RECOMMENDED OPINION AND
ORDER**

Tucson Electric Power Company ("TEP"), by and through undersigned counsel, hereby submits its exceptions to the Recommended Opinion and Order ("Recommended Order") issued on February 26, 2003, as follows:

TEP's exceptions focus on the Recommended Order's denial of the proposed new Partial Requirement Service ("PRS") tariffs PRS-10, PRS-13 and PRS-14. These proposed tariffs were developed based on information from the Commission's Distributed Generation Working Group and would broaden the scope of customers that could receive partial requirement service. Presently, TEP has addressed the need for partial requirement service on a case-by-case basis for those customers that did not qualify for service under TEP's existing QF tariffs. Although the Recommended Order acknowledges that there was no objection to PRS tariffs that applied to a broader range of self-generation customers [see Recommended Order at 10-11], it ultimately rejects the proposed PRS tariffs because of a perceived lack of evidence concerning the impact of those tariffs if approved. [See *id.* at 11, 13, 14] However, TEP respectfully disagrees with the denial of the proposed PRS tariffs because: (i) TEP did present substantial evidence on the potential impact of the PRS tariffs – as best as could be determined without the PRS tariffs in

1 effect [*see* Hearing Transcript at 37-40, 43-46; TEP Ex. 1 at 5-10]; and (ii) much of the
2 information sought by the Recommended Order would be available *only if* the tariffs were in
3 effect – thus creating a “chicken-or-egg” dilemma regarding the ultimate approval of such tariffs.

4 TEP submits that it would be in the public interest to approve the PRS tariffs as filed and
5 to require TEP to submit information to the Commission regarding the actual use of those tariffs.
6 In that way, the “missing” information identified by the Recommended Order will be collected.
7 Unless the PRS tariffs are in effect, TEP cannot know which self-generation customers would
8 choose to take power under those tariffs and, thus, the ultimate demand for such service. TEP
9 also cannot know when or how much energy will be purchased under the tariffs, and thus cannot
10 know the actual impact on revenues.

11 Moreover, TEP submits that it is in the public interest to have PRS tariffs that apply more
12 broadly than the existing QF tariffs. Such a tariff could encourage additional self-generation
13 through distributed generation facilities that do not meet the definition of “qualifying facilities”
14 under PURPA. A tariff also is preferable to the case-by-case approach presently used by TEP
15 for situations that would be addressed by the PRS tariffs, from both an equity and efficiency
16 perspective.

17 Further, the proposed PRS tariffs address the changing landscape of electric generation.
18 There are increasing opportunities to self generate. TEP needs to be able to serve those
19 customers without adversely impacting the cost and reliability of service to customers that do not
20 self generate.

21 Finally, TEP submits that the proposed PRS tariffs better match cost of service to price
22 for service. The empirical information collected through the actual use of the tariff should
23 confirm that match. Full requirements customers potentially bear the brunt of any mismatching
24 of costs and revenues for partial requirements service.

25 In sum, the proposed PRS tariffs provide an opportunity to more effectively and
26 appropriately serve a type of customer – such as customers that use distributed generation to
27 meet power needs – that may be increasing in number in Arizona. At the same time, if the tariffs

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 are approved, it will provide an opportunity to both TEP and Commission to obtain specific
2 information concerning service to such customers. That information is important in light of the
3 increasing opportunities for distributed generation and the need for the type of service provided
4 by the proposed PRS tariffs.

5 TEP requests that the Recommended Order be amended as follows:

- 6 1. DELETE: page 13, lines 22-23.
- 7 2. REPLACE page 14, lines 10-12 with "The proposed tariffs PRS-
8 10, PRS-13 and PRS-14 are reasonable, fair and in the public
9 interest."
- 10 3. DELETE: At page 14, lines 20-21, ",and approval of new tariffs
11 PRS-10, PRS-13 and PRS-14.
- 12 4. INSERT: On page 13, line 26, "IT IS FURTHER ORDERED
13 that the proposed tariffs PRS-10, PRS-13 and PRS-14 are
14 approved. Tucson Electric Power shall submit appropriate
15 information to the Commission regarding service under those
16 tariffs consistent to allow the Commission to monitor whether
17 those tariffs continue to be in the public interest."

18 WHEREFORE TEP requests that the Commission approve the Recommendation Order
19 with the amendments proposed herein by TEP.

20 RESPECTFULLY SUBMITTED this 7th day of March, 2003.

21 **ROSHKA HEYMAN & DEWULF, PLC**

22 By 

23 Raymond S. Heyman
24 Michael W. Patten
25 One Arizona Center
26 400 E. Van Buren Street, Suite 800
27 Phoenix, Arizona 85004

Attorneys for Tucson Electric Power Company

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

ORIGINAL and **13 COPIES** of the foregoing
filed March 7, 2003, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPIES of the foregoing hand-delivered
March 7, 2003, to:

Chairman Marc Spitzer
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Jim Irvin
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner William A. Mundell
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Jeff Hatch-Miller
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Mike Gleason
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Lyn A. Farmer, Esq.
Chief ALJ, Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Christopher Kempley, Esq.
Chief Counsel, Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 Ernest Johnson
2 Director, Utilities Division
3 ARIZONA CORPORATION COMMISSION
4 1200 West Washington Street
5 Phoenix, Arizona 85007

6 **COPIES** of the foregoing mailed
7 March 7, 2003, to:

8 Scott S. Wakefield, Chief Counsel
9 RESIDENTIAL UTILITY CONSUMER OFFICE
10 1110 West Washington, Suite 220
11 Phoenix, Arizona 85007

12 Norman J. Furuta
13 DEPARTMENT OF THE NAVY
14 900 Commodore Drive, Building 107
15 San Bruno, California 94066-5006

16 Dan Neidlinger
17 NEIDLINGER & ASSOCIATES
18 3020 North 17th Drive
19 Phoenix, Arizona 85015

20 Peter Q. Nyce, Jr.
21 General Attorney, Regulatory
22 DEPARTMENT OF ARMY
23 901 N. Stuart St. Room 713
24 Arlington, VA 22203-1837

25
26
27
