

ORIGINAL

OPEN MEETING AGENDA ITEM
EXCEPTION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

JAN - 8 2010

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2010 JAN - 8 P 4: 14
AZ CORPORATION COMMISSION
DOCKET CONTROL

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01933A-09-0340
TUCSON ELECTRIC POWER COMPANY FOR)
THE APPROVAL OF ITS RENEWABLE) **TUCSON ELECTRIC POWER**
ENERGY STANDARD AND TARIFF) **COMPANY'S EXCEPTIONS TO**
IMPLEMENTATION PLAN) **THE RECOMMENDED ORDER**

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Tucson Electric Power ("TEP" or "the Company") through undersigned counsel hereby files its exceptions to the proposed Recommended Order submitted by the Staff of the Arizona Corporation Commission ("Commission") in this docket as follows:

The proposed Recommended Order recommends immediate approval of the vast majority of TEP's Renewable Energy Standard Tariff ("REST") Implementation Plan ("the Plan"). The proposed Recommended Order also recommends that the Purchased Power Agreements ("PPAs"), Community Solar Tariff and the 1.8 MW Springerville project and the 1.6 MW Airport project be approved in a bifurcated proceeding rather than at this time.

TEP concurs with the proposed Recommended Order's approval of the recommendations related to the Plan. However, TEP does not support bifurcation, as the Company believes that the requested approvals are necessary to ensure current and future compliance with the REST. As previously stated, financing for the PPAs is contingent upon Commission approval of these transactions.

Notwithstanding the Company's objection, if the Commission determines that bifurcation is necessary, TEP respectfully requests that the approvals be granted no later than March 1, 2010 for at least the following reasons:

1. TEP's future and current REST compliance is dependent upon timely approval of the projects, and the Plan contemplates timely approval of the projects in order to

1 meet the REST requirement. In order to meet the Commission's REST rules,
2 these renewable projects need to be approved so that TEP can proceed with the
3 ground-breaking of these projects. Due to the time necessary to implement these
4 projects and place them in service, if these projects cannot proceed in the
5 immediate future, TEP will be forced to meet its future REST requirements
6 through short-term transactions. TEP's stated preference is to participate in
7 projects that will result in new renewable facilities in that State.

8 2. The viability and cost of the projects are negatively impacted by a delay in
9 approval. Significant time and effort has been expended by all parties in the
10 project negotiations. Each of the projects has targeted milestone dates that could
11 be significantly impacted with any further delays. Additionally, several of the
12 contract agreements under consideration have clauses that would allow the
13 renewable developer to opt out, which could result in either re-negotiation,
14 including price, or termination of the contract, effectively starting the process
15 over. Further, significant delay could jeopardize the renewable energy projects as
16 the projects have to obtain certain milestones, including ground breaking, in order
17 to qualify for Federal Tax credits.

18 3. A delay in approval will send the wrong signal to renewable project developers.
19 Renewable developers participate in TEP's request for proposals ("RFPs"). Once
20 TEP evaluates and analyzes the proposals, TEP may select one or more projects
21 and then begin PPA negotiations with the associated parties. After these
22 negotiations are completed, TEP and the affected party will enter into a PPA,
23 which is subject to regulatory approval. If the regulatory approval process
24 includes bifurcation and the associated delay, then TEP anticipates that such
25 bifurcation may result in lower participation and/or increased prices by project
26 developers in future renewable RFPs.

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1 For the reasons stated above, TEP respectfully requests the Commission adopt TEP's
2 REST Implementation Plan as filed. In the alternative, if the Commission bifurcates this
3 proceeding, TEP respectfully requests that the approval order be issued not later than March 1,
4 2010.

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6 RESPECTFULLY SUBMITTED this 8th day of January 2010.

7 Tucson Electric Power Company

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21 Original and thirteen copies of the foregoing
22 filed this 8th day of January 2010, with:

23 Docket Control
24 Arizona Corporation Commission
25 1200 West Washington Street
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27 Copy of the foregoing mailed
this 8th day of January 2010, to:

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