



0000111902

ORIGINAL

EXCEPTION

BEFORE THE ARIZONA CORPORATION COMMISSION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

COMMISSIONERS  
KRISTIN K. MAYES - CHAIRMAN  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

RECEIVED  
2010 MAY 24 A 11:49  
AZ CORP COMMISSION  
DOCKET CONTROL

E-01933A-05-0650

IN THE MATTER OF THE APPLICATION OF )  
TUCSON ELECTRIC POWER COMPANY FOR )  
THE ESTABLISHMENT OF JUST AND )  
REASONABLE RATES AND CHARGES )  
DESIGNED TO REALIZE A REASONABLE )  
RATE OF RETURN ON THE FAIR VALUE OF )  
ITS OPERATIONS THROUGHOUT THE STATE )  
OF ARIZONA. )

DOCKET NO. E-01933A-07-0402

**TUCSON ELECTRIC POWER  
COMPANY'S EXCEPTIONS**

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel, respectfully submits its Exceptions to the proposed order ("Order") approving the annual adjustment to the TEP Demand Side Management ("DSM") adjustor rate. In its application, the Company sought recovery of the fixed cost recovery deficiency resulting from it to DSM programs. Although TEP believes that the most appropriate and timely means of recovery of those deficiencies is through the DSM adjustor rate, TEP understands that the Commission is currently addressing these issues in its decoupling workshops which may provide for an appropriate recovery of those deficiencies. Therefore, TEP requests that the Commission confirm that recovery of such deficiencies through the DSM adjustor will be addressed in the decoupling workshops. TEP has included proposed language for an amendment in Attachment "A" to these exceptions.

Pursuant to TEP's approved DSM adjustor, TEP must apply to reset its DSM adjustor rate on an annual basis. In its application for the updated DSM adjustor rate, TEP requested recovery of its incremental "Fixed Cost Recovery Deficiency" through the DSM adjustor rate. This deficiency represents lost revenues due the approved DSM programs' reduction of energy used by TEP's customers. TEP's revenue requirement is predicated upon a certain level of energy sales, as

**ROSHKA DEWULF & PATTEN, 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 the Company's current rates. To the extent the DSM programs reduce such sales, TEP's ability  
2 to achieve its revenue requirement is directly compromised. TEP is attempting to significantly  
3 expand its DSM programs in anticipation of the enactment of the Commission's proposed Energy  
4 Efficiency Rules. Some DSM programs take time to develop and to reach their potential. These  
5 proactive measures by TEP will increase the lost sales deficiency. TEP's proposal to recover this  
6 deficiency through its DSM adjustor provides the most timely method for recovery.

7 Staff (at page 2 of the Staff Report) has recommended that the Fixed Cost Recovery  
8 Deficiency not be included in calculating the updated DSM adjustor rate. Rather, Staff states that  
9 "TEP could seek recovery of that type of 'deficiency' in its next rate case." However, TEP is  
10 under a stay-out provision pursuant to its last rate case settlement. These deficiencies will  
11 continue to accrue as the DSM programs are both ongoing and expanding.

12 Therefore, TEP requests that the Commission amend the Order to include a direction to  
13 Staff to work with TEP and interested stakeholders to develop an appropriate approach for  
14 recovery of these fixed-cost recovery deficiencies through the DSM adjustor in the decoupling  
15 workshop process. This direction also will help facilitate implementation of the proposed Energy  
16 Efficiency Rules by addressing TEP's rate filing stay-out provision.

17 Wherefore, TEP respectfully requests that the Commission amend the proposed Order in  
18 this docket as set forth in the attached proposed amendment.

19 RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of May 2010.

20 TUCSON ELECTRIC POWER COMPANY

21 By 

22 Michael W. Patten  
23 J. Matthew Derstine  
24 Roshka DeWulf & Patten, PLC  
25 One Arizona Center  
26 400 East Van Buren Street, Suite 800  
27 Phoenix, Arizona 85004

and

**ROSHKA DEWULF & PATTEN, PLC**

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

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

Philip J. Dion  
Melody Gilkey  
Tucson Electric Power Company  
One South Church Avenue, Ste 200  
Tucson, Arizona 85701

Original and 15 copies of the foregoing  
filed this 24<sup>th</sup> day of May 2010 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered/mailed  
this 24<sup>th</sup> day of May 2010 to:

Jane Rodda, Esq.  
Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
400 W. Congress  
Tucson, Arizona 85701

Janice M. Alward  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Steve Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

By Mary Appolits

# ATTACHMENT "A"

**ATTACHMENT "A"**  
**PROPOSED AMENDMENT**

**At page 6, line 4, INSERT:**

IT IS FURTHER ORDERED that the Commission Staff shall coordinate with Tucson Electric Power Company and other interested Stakeholders in the ongoing decoupling workshops to develop parameters that would allow for the appropriate recovery of the Fixed Cost Recovery Deficiency through the DSM adjustor.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27