

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION

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AZ CORP COMMISSION
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E-01933A-10-0213

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01933A-10-_____
TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF RENEWABLE ENERGY POWER PURCHASE AGREEMENTS)
Arizona Corporation Commission

DOCKETED APPLICATION

MAY 24 2010

DOCKETED BY **NR**

Tucson Electric Power Company ("TEP" or "Company"), through undersigned counsel, hereby requests that the Arizona Corporation Commission ("Commission") approve nine Purchase Power Agreements ("PPA") for renewable resources pursuant to A.A.C. R14-2-1804(G) of the Commission's Renewable Energy Standard and Tariff ("REST") rules. These PPAs will allow TEP to procure over 107 megawatts ("MW") of solar energy and 50 MW of wind energy. Approval of these PPAs will allow TEP to not only meet, but to exceed, the REST Annual Renewable Energy Requirement for 2012 and will effectively allow TEP to meet the 2014 requirement two years early.

In 2009, TEP issued two Renewable Requests for Proposals ("RFP"). The first RFP, for wind, generated 14 submissions from 10 different wind developers. The second, for solar, generated 144 submissions from 58 different companies representing every major renewable solar technology currently available, including thermal concentrating solar power, concentrating photovoltaic, fixed photovoltaic, single-axis tracking photovoltaic, and multi-axis photovoltaic. Both the wind and solar RFPs utilized The Accion Group, Inc. as the Independent Monitor to oversee each process to ensure they were conducted in an open, fair, and non-biased environment and that all participants had equal access to information.

1 The initial bids in response to the RFPs were evaluated based on several factors, including:
2 proposed energy costs, technology choice, water consumption, delivery location, operational,
3 environmental and technical attributes, delivery terms, transmission impacts (including third-party
4 transmission agreements), incremental costs (including those associated with transmission
5 upgrades and interconnection required to deliver the energy product), local economic
6 development opportunities, project capacity, generation profile, any firming provided, land rights
7 and associated risks, timeliness of project completion, permit acquisition, and the bidder's
8 experience and financial viability. Final selections were based on cost, cost-effectiveness, water
9 consumption, location, bidder's credit, bidder's risk analysis, and project completion viability.

10 In April 2010, after completing a full evaluation of the responses to the RFPs and
11 subsequent contract negotiations, TEP executed the following PPAs.

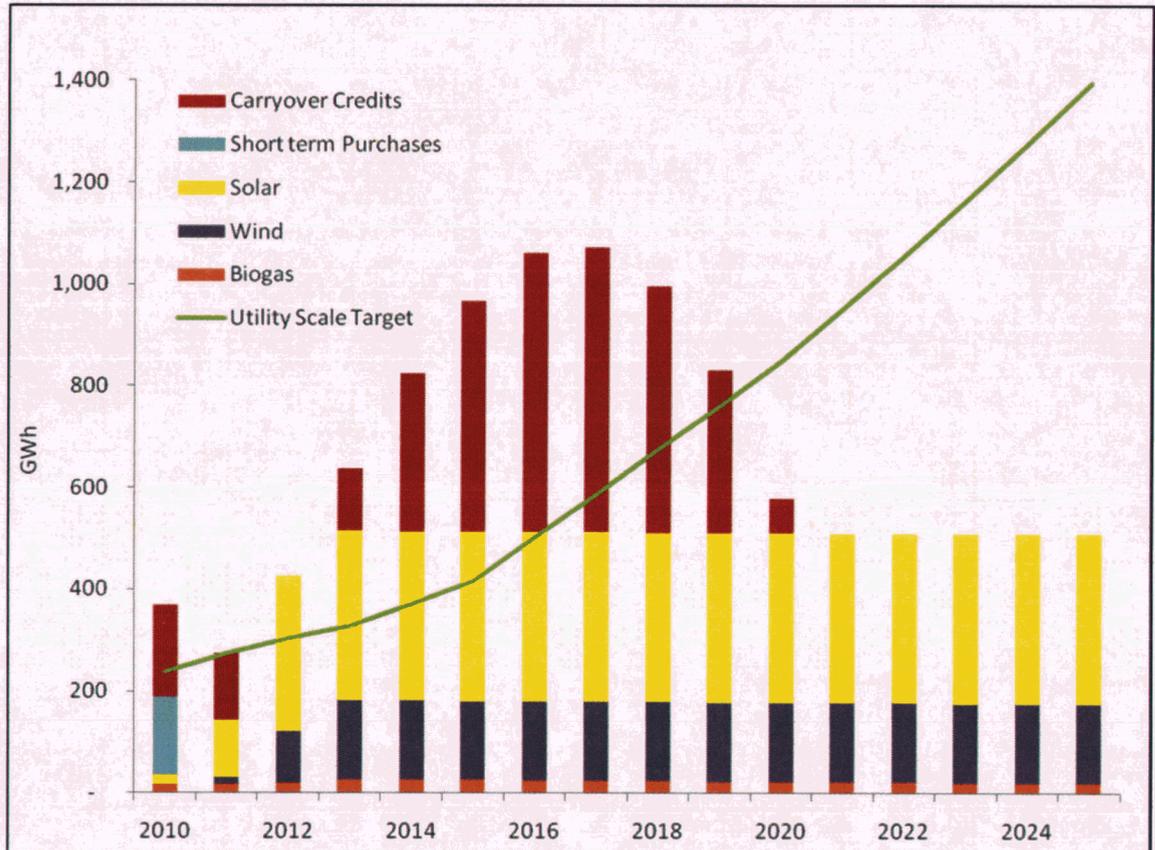
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|----|--------------------------|--------------|
| 12 | • Amonix Solar | 2 MW |
| 13 | • Amonix Solar | 12 MW |
| | • Foresight Solar | 4 MW |
| 14 | • Foresight Solar | 12 MW |
| | • Avalon Solar | 35 MW |
| 15 | • Emcore Solar | 2 MW |
| | • CTC (First Light LLC) | 5 MW |
| 16 | • NRG Solar | 25 MW |
| | • Solon Solar | 10 MW |
| 17 | • Torch Energy (wind) | 50 MW |
| | • Sexton Energy (biogas) | up to 2.2 MW |

18 The PPAs for each of the projects listed above are summarized in the attached Exhibit A.
19 The PPAs themselves are confidential because of competitively sensitive terms, including pricing.
20 Un-redacted copies of the PPAs, including the associated economic analyses, will be provided to
21 the Arizona Corporation Commission Staff ("Commission Staff") pursuant to a protective
22 agreement.

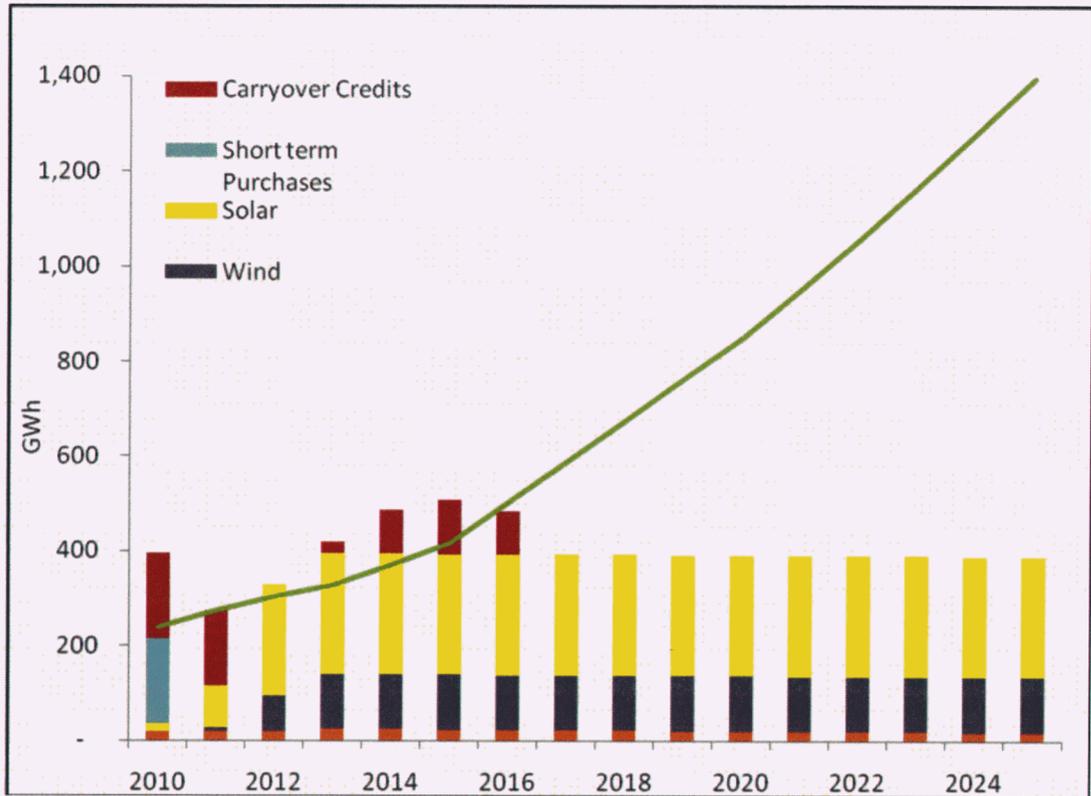
23 Commission approval of these PPAs is vital in order for TEP to diversify its energy
24 resources at reasonable costs and to meet its REST requirements in a timely manner. The energy
25 from these PPA projects also will help TEP meet critical capacity needs, add long-term fixed-price
26 energy sources, reduce the Company's dependence on coal and natural gas, and reduce the
27 Company's exposure to carbon risk.

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TEP anticipates that the renewable energy from these PPAs will be available by 2012. If each of these projects is constructed on schedule, the renewable energy they will produce will allow TEP to meet its REST requirements through 2019 as depicted in the chart below.



TEP's expectation is that each of these projects will be completed in a timely manner. Experience shows, however, that some project attrition is not unusual and that delays can likely occur. To address these inevitabilities, TEP has contracted for renewable energy well in excess of the 2012 REST requirement. TEP is committed to meeting the 2012 requirement, and thus even with a 25% attrition rate, which is in line with historic norms, the Company would still be able to meet its REST goals through 2015, as depicted in the chart on the following page.



Finally, the successful development of the projects underlying these PPAs is dependent, in large part, upon a supporting Commission Order. Participating developers are uncomfortable moving forward without Commission confirmation that their projects are stable investments. Similarly, potential financiers of these projects often require assurance that there is regulatory support prior to committing the necessary debt and equity financing. Moreover, in Decision No. 71702 (May 17, 2010), the Commission approved TEP's request for 1.6 MW of solar, and ordered that the Company procure an additional 1.6MW. Thus, a favorable Commission Order here is necessary for the Company to comply with the Commission's most recent order.

Because of the significant financial commitment required by TEP and the renewable energy project developers, TEP requests that the Commission make the following findings.

1. That these PPAs were selected through a fair and competitive procurement process;
2. That these PPAs will provide energy that is an Eligible Renewable Energy Resource pursuant to REST Rule R14-2-1802;

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3. That the PPAs are an appropriate component of TEP's energy portfolio and are compatible with appropriate implementation plans under the REST;
4. That these PPAs are a reasonable means of complying with the long-term REST requirements and that TEP's participation in the PPAs is in the public interest; and
5. That with respect to any subsequent inquiry into the prudence of these PPAs, the expense of renewable energy purchased under these PPAs should not be deemed imprudent solely because the expense is greater than that of other generation, or because it exceeds the REST requirements.

WHEREFORE Tucson Electric Power Company requests that the Commission approve the nine PPAs identified herein pursuant to A.A.C. R14-2-1804G as set forth above.

RESPECTFULLY SUBMITTED this 29th day of May 2010.

TUCSON ELECTRIC POWER COMPANY

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1 Original and 13 copies of the foregoing
2 filed this 24th day of May 2010 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
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7 Copy of the foregoing hand-delivered/mailed
8 this 24th day of May 2010 to:

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EXHIBIT A

1 **Summary of Purchase Power Agreements**

2 **Amonix Solar**

3 Amonix Solar is a concentrating photovoltaic ("CPV") developer that will develop two
4 projects: (1) a 2 MW project which will be sited at the University of Arizona Science &
5 Technology Park ("UASTP"); and (2) a 12 MW facility which will be located at the Swan Quarry
6 located in TEP's service territory. The 2 MW project will have an expected annual production of
7 approximately 4,400 MWh and the 12 MW project will have an expected annual production of
8 26,000 MWh. The PPA for each project has a 20 year term and a fixed price.

9 **Foresight Solar**

10 Foresight Solar will develop two projects, both using single-axis tracking photovoltaic
11 systems. One project is approximately 4 MW in size and will be located at the UASTP; the other
12 project is approximately 12 MW in size. The second project will be located within TEP's service
13 territory but the exact location has not yet been determined. The 4MW project is expected to have
14 an annual production of approximately 7,700 MWh and the 12MW project is expected to have an
15 annual production of 23,000 MWh. The PPA for each project has a 20 year term and a fixed price.

16 **Avalon Solar**

17 Avalon Solar is a fixed photovoltaic technology developer. Its 35 MW project will be sited
18 on fallowed farm land held by the Tucson Water Department, located in Marana, Arizona. The
19 project is expected to have an annual production of approximately 60,000 MWh. The project PPA
20 has a 20 year term and a fixed price.

21 **Emcore Solar**

22 Emcore Solar is a CPV developer. Its 2 MW system will be located at the UASTP and is
23 expected to have an annual production of approximately 4,400 MWh. The project PPA has a 20
24 year term and a fixed price.

25 **NRG Solar**

26 NRG Solar is a fixed photovoltaic technology developer. Its 25 MW project will be
27 located within TEP's service territory, but the exact location has not yet been determined. The

1 project is expected to have an annual production of approximately 48,000 MWh. The project PPA
2 has a 20 year term and a fixed price.

3 **CTC Solar**

4 CTC Solar is a fixed photovoltaic technology developer. Its 5 MW project will be sited at
5 the UASTP and is expected to have an annual production of approximately 8,800 MWh. The
6 project PPA has a 20 year term and a fixed price.

7 **Solon Solar**

8 Solon Solar will develop two 5 MW photovoltaic projects utilizing single-axis tracking
9 technology. The exact locations of these two projects has not yet been determined. Each project is
10 expected to have an annual production of approximately 10,000 MWh. Each project PPA will
11 have a 20 year term and a fixed price.

12 **Torch Energy**

13 Torch Energy Wind will develop a 50 MW wind project near Deming, New Mexico. The
14 project is expected to have an annual production of approximately 131,000 MWh. The project
15 PPA has a 20 year term and a fixed price.

16 **Sexton Energy LLC**

17 This PPA replaces TEP's previously-approved PPA with DTE Biogas. Although TEP
18 successfully negotiated a PPA with DTE, Pima County subsequently awarded the Tangerine
19 Landfill gas rights underlying the DTE PPA to Sexton Energy, effectively negating the DTE PPA.
20 The Sexton Energy PPA is similar to the DTE PPA in that it includes: (1) a 20 year term; (2) a
21 fixed price; (3) a project capacity of 1.1 to 2.2 MW (depending on actual gas output); and (4) an
22 expected annual project production between 8,000 and 19,000 MWh.