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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUL 23 2010

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2010 JUL 23 P 3:47

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS RENEWABLE ENERGY)
STANDARD AND TARIFF IMPLEMENTATION)
PLAN - BRIGHT TUCSON COMMUNITY SOLAR)
PROGRAM.)

DOCKET NO. E-01933A-09-0340

**TUCSON ELECTRIC POWER
COMPANY'S COMMENTS TO
RECOMMENDED ORDER**

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel, respectfully submits the following comments on the Recommended Order ("RO") regarding TEP's proposed Bright Tucson Community Solar Program ("Program"). TEP concurs with the RO's proposed approval of the Program. The Program will promote renewable energy in TEP's service territory because it is tailored to the needs and objectives of TEP's customers and the Company. TEP looks forward to implementing the Program as soon as possible after it is authorized by the Arizona Corporation Commission ("Commission").

As currently written, there are several aspects of the RO that create ambiguity in the operation and impact of the Program or that will increase Program costs unnecessarily. The purpose of these comments is to bring these items to the attention of the Commission. For example, the recommendation that TEP submit Riders to existing tariffs instead of the proposed Program-specific tariffs will require a significant modification of TEP's billing system and may result in significant billing confusion due to several additional billing lines. As an alternative, TEP respectfully requests that the Commission amend the RO to eliminate the Rider requirement and allow TEP to use its tariffs as initially proposed. The other examples are described herein. TEP's proposed RO amendment language is attached for consideration.

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Introduction

The Program is an innovative approach to providing those TEP customers who cannot or do not construct solar facilities on their premises with access to distributed solar power. TEP's Program is uniquely adapted to its customers and service territory.

Under the Program, TEP requests that the Commission approve a voluntary customer tariff for community distribution of solar energy, which may qualify as Distributed Generation ("DG") under the Renewable Energy Standard and Tariff ("REST") rules. The benefits of TEP's proposed tariff are numerous because the Program:

1. Does not require any up-front capital expenditures by the customer;
2. Does not require any long-term customer commitment;
3. Increases reliability as it will be placed in strategically useful positions on the distribution network;
4. Alleviates any shading, tree, rooftop, or homeowner association issues;
5. Allows for scalable energy purchases;
6. Should increase residential customer participation in DG;
7. Provides our customers greater access to more affordable renewable energy;
8. Captures the benefits of economies of scale; and
9. Allows customers the opportunity to secure long-term, stable energy pricing.

TEP has high expectations for its Program and has worked to create the Program in the most efficient and cost-effective manner possible. Commission Staff's proposed modifications, however, will increase the cost of the Program.

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Specific Concerns

A. Staff's Rider Requirement should not be adopted because it is unduly expensive, laborious, and will confuse customers.

Under the Program, TEP proposed five tariffs – one for each of five customer classes. TEP proposed the tariff format as opposed to a Rider format because it determined that the tariffs would be manageable from both a billing system and a “man-hour to administer and track” standpoint. Because the tariffs complement TEP’s existing billing system, the Company’s proposal is more cost-effective than Commission Staff’s proposed Rider. Additionally, the Company’s proposed tariffs are straightforward and will be easy for customers to understand on their bills. Commission Staff’s Rider proposal will require substantial and costly changes to the Company’s billing system in addition to the cost of adding additional staff to track the limited rates; these costs were not anticipated in the Company’s proposal.

The Company believes that the Rider modification may have merit in other circumstances, but will be more costly and complicated than originally intended here. Accordingly, TEP recommends that its Program as originally proposed be adopted.

B. The REST and PPFAC surcharges waiver portion of the RO should be clarified to apply only to Solar Block energy purchased under the Program.

Page 6 of the RO lists several Commission Staff recommendations that are then effectively adopted in the first ordering paragraph. One of the recommended modifications to the Program (Paragraph 22.b of the RO) states that “All adjustors, except the PPFAC and REST, shall apply to all customers participating in the [Program].” Under the Program, a participating customer need not purchase all of its energy under the program. It can buy one or more monthly 150kWh blocks of solar energy (“Solar Blocks”). TEP agrees that the PPFAC and REST surcharges should not apply to the Solar Block energy purchased under the Program. However, those surcharges would still apply to all other energy purchased by the customer. The Staff modification could be read to waive those surcharges for a participating customer for all energy purchased, not just the Solar

1 Block energy. Thus, TEP recommends the following modification: "All adjustors, except the
2 PPFAC and REST, shall apply to the Solar Block energy purchased under the Program."

3 **C. The RO appears to unduly limits what Program generation can be used to**
4 **meet distributed renewable energy requirements.**

5 The RO appears to limit the amount of renewable energy produced by the Program
6 generation that counts towards compliance with the DG requirements of the REST Rules to only
7 generation that meets Arizona Administrative Code Rule 12-2-1805.E. TEP agrees that Program
8 generation that meets Rule 1805.E should count towards compliance. However, the Program
9 generation also was designed to meet the DG portion as defined in Rule 1801.E and Rule 1802.B.
10 Rule 1801.E expressly covers electric generation "sited at a customer premises, providing electric
11 energy to the customer load on that site or providing wholesale electricity and energy to the local
12 Utility Distribution Company for use by multiple customers in a contiguous distribution substation
13 service area." Rule 1802.B covers certain generation technologies that "are located at a customer's
14 premises and that displace Conventional Energy Resources." Future generation under the Program
15 could be located on a customer's premises, which would displace conventional energy resources
16 and be used to reduce the customer's load or the load of multiple customers in a contiguous
17 distribution substation service area. Because of this, TEP requests that the second ordering
18 paragraph be amended to read: "IT IS FURTHER ORDERED that the Commission find that the
19 Program does not count toward compliance with the distributed renewable energy requirements of
20 the REST Rules, except to the extent it meets the requirements of R14-2-1801.E, R14-2-1802.B or
21 R14-2-1805.E."

22 **Conclusion**

23 TEP looks forward to implementing the Program in order to further enhance renewable
24 generation in southern Arizona. TEP respectfully requests that the Commission approve the
25 Program as originally proposed by the Company and adopt the clarifications as set forth in the
26 proposed amendment language attached to this filing.

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RESPECTFULLY SUBMITTED this 23rd day of July 2010.

TUCSON ELECTRIC POWER COMPANY

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PROPOSED AMENDMENT 1
(Elimination of the Rider Approach)

DELETE page 6, lines 7-9

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PROPOSED AMENDMENT 2

(Clarification of Applicability of PPFAC and REST Charges)

DELETE page 6, lines 10-11 and **INSERT:**

“All adjustors, except the PPFAC and REST, shall apply to the Solar Block energy purchased under the Program.”

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PROPOSED AMENDMENT 3

(Clarification of DG that qualifies for REST Compliance)

DELETE page 7, lines 17-19 and **INSERT**:

“IT IS FURTHER ORDERED that the Commission finds that the Program does not count toward compliance with the distributed renewable energy requirements of the REST Rules, except to the extent it meets the requirements of R14-2-1801.E, -1802.B or -1805.E.”