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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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

IN THE MATTER OF THE APPLICATION OF)
UNS ELECTRIC, INC. FOR APPROVAL OF ITS)
RENEWABLE ENERGY STANDARD AND)
TARIFF IMPLEMENTATION PLAN.)
)
)
)
)

DOCKET NO. E-04204A-09-0347

NOTICE OF FILING AND
REQUEST FOR DIRECTION,
INCLUDING AMENDING UNS
ELECTRIC'S 2010 REST PLAN

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UNS Electric, Inc. ("UNS Electric" or "Company") hereby notifies the Arizona Corporation Commission ("Commission") that the funds for its Residential and Small Commercial Distributed Generation ("DG") incentive programs have been depleted. These programs have recently been inundated with applications; half of the total applications for the year occurred in the last three weeks. Due to this unexpected and unprecedented flood of applications, the funding for these programs have been completely expended.

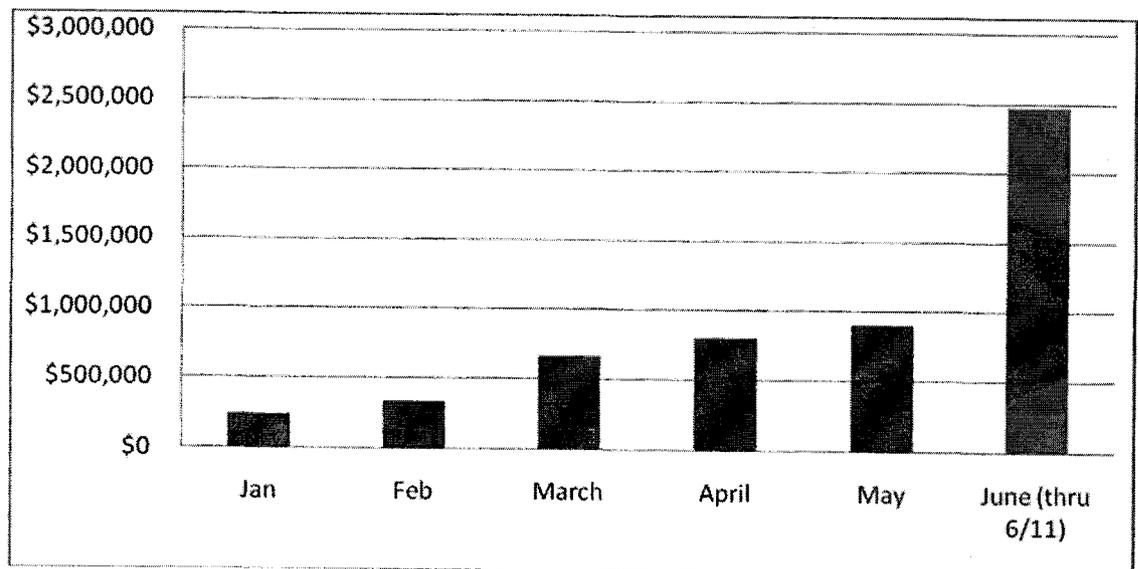
UNS Electric originally allocated \$5 million in funding to these incentive programs. Because of the amount of applications for up-front incentives ("UFIs"), no funding remains for the remainder of 2010. UNS Electric is currently placing new applicants on a waiting list. UNS Electric seeks guidance from the Commission to address this issue. Specifically, the Company believes it could take one of the following steps: (i) re-allocating some or all of the approximately \$800,000 from its Commercial Performance Based Incentive Program towards providing UFIs for residential and small commercial customers; (ii) seek authorization to increase the rates and caps in RES adjustor; and (iii) take none of those measures and simply continue to place customers on a waiting list until funding becomes available (in 2011). UNS Electric has no preference, but seeks Commission approval to take one or more of these actions for the remainder of 2010.

1 **I. BACKGROUND.**

2 The Commission approved the Company's initial Renewable Energy Standard and Tariff
3 Implementation Plan ("REST Plan") in Decision No. 70652 (December 18, 2008). The
4 Commission approved UNS Electric's 2010 REST Plan in Decision No. 71464 (January 26,
5 2010). For 2010, the Commission authorized UNS Electric's budget for the Company's
6 Residential and Small Commercial Distributed Generation ("DG") incentive programs (to pay
7 UFI's to customers for eligible Distributed Renewable Energy Resources as defined in the
8 Commission's REST Rules). Those figures were based on historical participation in the
9 Company's programs.

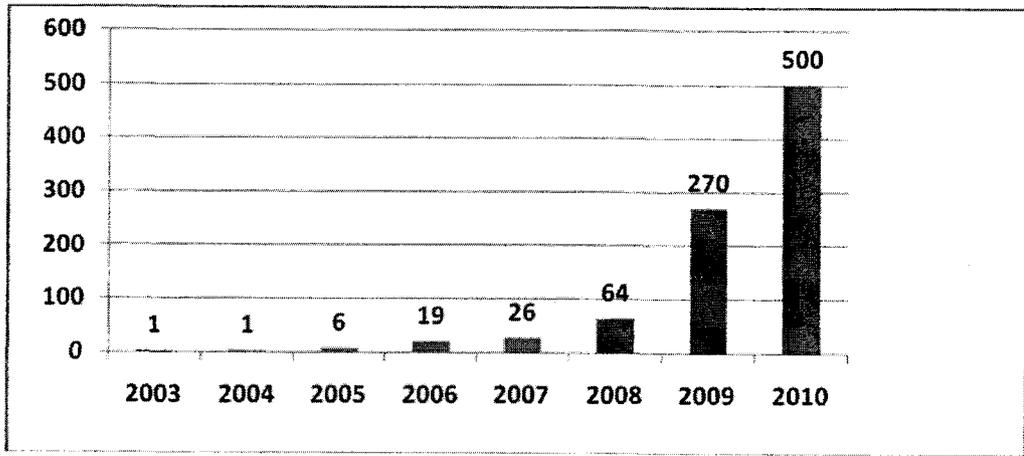
10 Recent participation in the Residential and Small Commercial DG programs, however, has
11 exceeded both historical rates and those forecasted in the Company's 2010 REST Plan (see Figure
12 1). A key factor driving this unprecedented participation is the rapid decline in the market price of
13 PV panels. PV pricing for residential systems has declined by 40% in the last five years. Under
14 current incentive levels, a consumer could cover more than 50% of the cost of a residential PV
15 system. In 2005, that same consumer could only have covered 25% of the cost for a residential PV
16 system with the Company incentives.

17 **Figure 1. 2010 Up Front Incentive Applications**

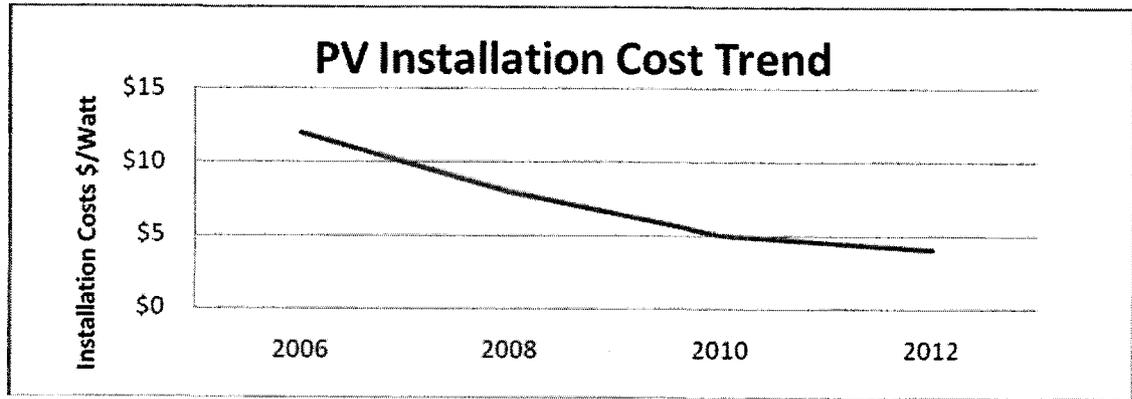


1 solar installations, UNS Electric expects that the increasing number of incentive applications will
2 continue through 2011.

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4 **Figure 4. 2010 Forecasted Installed Distributed Generation Projects**



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12 **Figure 5. Installed Cost Trend**



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19 **II. CONCLUSION.**

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21 Based on the foregoing, UNS Electric respectfully requests direction for the remainder of
22 2010 regarding how to address depleted funding for DG incentive programs. Specifically, the
23 Company believes it could take one of the following steps: (i) re-allocating some or all of the
24 approximately \$800,000 from its Commercial Performance Based Incentive Program towards
25 providing UFIs for residential and small commercial customers; (ii) seek authorization to increase
26 the rates and caps in RES adjustor; and (iii) take none of those measures and simply continue to
27 place customers on a waiting list until funding becomes available (in 2011). UNS Electric has no

1 preference, but seeks Commission approval to take one or more of these actions for the remainder
2 of 2010.

3 RESPECTFULLY SUBMITTED this 6th day of July 2010.

4 UNS ELECTRIC, INC.

5
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16 Original and 13 copies of the foregoing
17 filed this 6th day of July 2010 with:

18 Docket Control
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21 Copy of the foregoing hand-delivered/mailed
this 6th day of July 2010 to:

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By Mary Appolite