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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

**KRISTIN K. MAYES, Chairman**  
**GARY PIERCE**  
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**BOB STUMP**

2010 NOV 18 P 1:09

Arizona Corporation Commission

AZ CORP COMMISSION  
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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE  
APPLICATION OF TUCSON ELECTRIC  
POWER COMPANY FOR APPROVAL OF  
ITS 2011 RENEWABLE ENERGY  
STANDARD IMPLEMENTATION PLAN  
AND DISTRIBUTED ENERGY  
ADMINSTRATIVE PLAN AND REQUEST  
FOR RESET OF RENEWABLE ENERGY  
ADJUSTOR

DOCKET NO. E-01933A-10-0266

**COMMENTS OF FREEPORT-  
MCMORAN COPPER & GOLD INC.  
AND ARIZONANS FOR ELECTRIC  
CHOICE AND COMPETITION ON  
THE COMMISSION STAFF'S  
TRANSMITTAL MEMORANDUM  
AND PROPOSED ORDER FOR  
TUCSON ELECTRIC POWER  
COMPANY FOR APPROVAL OF  
ITS 2011 RENEWABLE ENERGY  
STANDARD AND TARIFF  
IMPLEMENTATION PLAN**

Freeport-McMoRan Copper & Gold Inc. and Arizonans for Electric Choice and Competition (hereafter collectively "AECC") hereby submit these Comments on the Arizona Corporation Commission ("Commission") Staff's Transmittal Memorandum and Proposed Order for Tucson Electric Power Company for Approval of its 2011 Renewable Energy Standard and Tariff Implementation Plan.

**AECC COMMENTS ON COMMISSION STAFF'S TRANSMITTAL  
MEMORANDUM AND PROPOSED ORDER FOR TUCSON ELECTRIC  
POWER COMPANY FOR APPROVAL OF ITS 2011 RENEWABLE ENERGY  
STANDARD AND TARIFF IMPLEMENTATION PLAN**

There are two rate designs for RES cost recovery before the Commission, one proposed by Tucson Electric Power Company ("TEP") and one proposed by Staff.

1 AECC supports the rate design proposed by TEP. Specifically, AECC recommends that  
 2 the Commission adopt the rate caps proposed by TEP in Table 12 of its Updated 2011  
 3 Renewable Energy Standard Implementation Plan filed October 13, 2010. The REST  
 4 charge can then be reduced from TEP's proposed \$.008638/kWh to account for the  
 5 smaller revenue requirement proposed by Staff (i.e., \$35.9 million recommended by Staff  
 6 versus \$37.6 million proposed by TEP).

7 TEP's rate cap proposal retains the rate caps that are currently in place for all rate  
 8 schedules except Residential, which had been reduced significantly in 2010 in  
 9 recognition of a reduced level of overall program funding for that year. The TEP  
 10 proposed rate cap for Residential is only 8% higher than the 2009 rate cap for  
 11 Residential, whereas the current rate caps for all other customer groups are already 113%  
 12 to 125% higher than in 2009. In comparison, Staff's proposal would set the Residential  
 13 rate cap at the 2009 level while increasing the rate cap for Large Commercial, Industrial  
 14 and Mining, and Public Authority beyond the current 2010 levels. This information is  
 15 summarized in AECC Table 1, below.

16 **AECC Table 1**

17

Approved and Proposed Cap Charges						
	2009 Approved Cap	2010 Approved Cap	2011 TEP Proposed Cap	2011 TEP % Change Relative to 2009	2011 Staff Proposed 2011 Cap	2011 Staff % Change Relative to 2009
Residential	\$ 4.50	\$ 3.20	\$ 4.88	8%	\$ 4.50	0%
Small Commercial	\$ 75.00	\$ 160.00	\$ 160.00	113%	\$ 160.00	113%
Large Commercial	\$ 350.00	\$ 760.00	\$ 760.00	117%	\$ 1,000.00	186%
Industrial and Mining	\$ 1,600.00	\$ 3,600.00	\$ 3,600.00	125%	\$ 5,500.00	244%
Public Authority	\$ 75.00	\$ 160.00	\$ 160.00	113%	\$ 180.00	140%
Lighting	\$ 75.00	\$ 160.00	\$ 160.00	113%	\$ 160.00	113%

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1 AECC believes it is important to retain proportionality in the rate caps going  
2 forward. The caps provide critical assurance that the economic impact of incurring the  
3 above-market costs of supporting the RES program is limited for any individual  
4 customer. This objective is best achieved by adopting the TEP rate design. It is  
5 important to bear in mind that the rate caps are implemented on a per-meter basis and that  
6 many industrial customers take service though multiple meters. Thus, under the current  
7 rate caps, the RES program already costs an industrial customer with multiple meters in  
8 excess of one hundred thousand dollars per year. It is essential that Arizona  
9 policymakers remain sensitive to the difficulties faced by Arizona businesses that must  
10 compete in the world marketplace, particularly as the nation and State attempt to recover  
11 from the ravages of the recent great recession.

12 AECC appreciates that the Staff proposal acknowledges the importance of the rate  
13 caps in its own proposal. However, TEP's 2011 RES Plan can be implemented by  
14 retaining the current rate caps for all customer classes except Residential, and simply  
15 returning Residential to the 2009 rate cap level, plus 8%, as proposed by TEP. AECC  
16 believes that TEP's rate design proposal provides greater rate stability and is a preferred  
17 course of action.

18 AECC respectfully requests that the Commission adopt the rate design proposed  
19 by TEP as set forth in Table 1 above.

20 RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of November, 2010.

21 FENNEMORE CRAIG, P.C.

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23 By:   
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1 **ORIGINAL** and 13 copies filed  
this 18<sup>th</sup> day of November, 2010 with:

2 Docket Control  
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