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PIERCE PROPOSED AMENDMENT # 2

2010 NOV 23 A 8:52 DATE PREPARED: November 22, 2010

COMPANY: Tucson Electric Power

DOCKET NOS: E-01933A-10-0266

OPEN MEETING DATES: November 22-23, 2010 AGENDA ITEM: U-34

Page 7, line 8 & 9

DELETE sentence beginning: "Funding levels are similar" and INSERT:

"We are concerned with the rapid growth of these R&D expenses, which now total more than \$1 million per year. In TEP's 2008 REST Plan, funding for these R&D projects was zero. In TEP's 2009 plan, the Commission approved R&D expenses of \$200,000. In TEP's 2010 Plan, the Commission approved R&D expenses of more than \$1 million."

"The Solar Alliance has also noticed the rapid increase in R&D expense, and has expressed concern about the use of ratepayer funds outside of the intent of complying with the RES rules. While supporting the limited use of RES funds for research, the Solar Alliance expressed concern about the potential for overlap and duplication of effort with ongoing or planned R&D projects at other Arizona utilities. The Solar Alliance asks that we delay approval of these R&D funds until the regulated utilities form a working group with the ACC and stakeholders to review proposed R&D."

"We believe the Solar Alliance's request is reasonable, and will not approve an R&D budget for TEP until a working group has been able to review TEP's R&D and the Commission is assured that it is of value to TEP's ratepayers and not duplicative of other R&D. In the meantime, the money budgeted for R&D expense will be transferred to the Residential UFI budget, where it will be immediately available to fund DG projects."

Marketing and Outreach

"TEP is requesting a marketing and outreach budget of \$750,000 for 2011. We agree with comments filed by the Solar Alliance regarding the minimal need for utility marketing and outreach at this time. Given the high demand for DG systems, Solar providers already have a vested interest in marketing. We will transfer \$700,000 of the marketing budget to the Residential UFI budget."

MAKE ALL CONFORMING CHANGES, INCLUDING TO ORDERING PARAGRAPHS

Arizona Corporation Commission

**DOCKETED**

NOV 23 2010

DOCKETED BY: *[Signature]*

**THIS AMENDMENT:**

Passed \_\_\_\_\_ Passed as amended by \_\_\_\_\_

Failed \_\_\_\_\_ Not Offered \_\_\_\_\_ Withdrawn \_\_\_\_\_