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BEFORE THE ARIZONA CORPORATION Arizona Corporation Commission

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2010 DEC -1 A 10: 58

DEC 1 2010

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF)
UNS ELECTRIC, INC. FOR APPROVAL OF ITS)
2011 RENEWABLE ENERGY STANDARD)
IMPLEMENTATION PLAN AND DISTRIBUTED)
ENERGY ADMINSTRATIVE PLAN)

DOCKET NO. E-04204A-10-0265

**UNS ELECTRIC, INC'S
COMMENTS TO PIERCE'S
PROPOSED AMENDMENT #1**

UNS Electric, Inc. ("UNS Electric" or "Company"), through undersigned counsel, hereby files its comments to Commissioner Pierce's Proposed Amendment #1 regarding this docket. The Company's proposed modifications to this Amendment are attached.

During the November 23, 2010 Open Meeting, the Arizona Corporation Commission ("Commission") addressed UNS Electric's 2011 Renewable Energy Standard and Tariff ("REST") Implementation Plan. As part of the discussion, Commissioner Pierce introduced his Proposed Amendment #1. Commissioner Pierce's Proposed Amendment #1 was intended to reduce UNS Electric's REST monthly residential surcharge cap from the Recommended Order's proposed amount of \$9.00 per month to \$5.00 per month, resulting in a total REST budget of \$8,069,914.

As discussed at the Open Meeting, the Company understands the Commission's, and specifically Commissioner Pierce's, desire to keep the REST surcharge cap for residential customers at \$5.00 per month. Therefore, UNS Electric proposes to modify its REST budget to meet the total budget and residential surcharge cap proposed by Commissioner Pierce (\$8,069,914 and \$5.00 per month). The Company believes it is able to achieve this target budget without sacrificing its ability to administer its REST programs or to engage in other significant initiatives, such as the funding of research and development programs. As such, the Company believes that its proposed changes are reasonable and should be adopted.

1 Based upon the discussion of this matter at the Open Meeting, the Company's proposal
2 incorporates some of the changes proposed in Commissioner Pierce's Proposed Amendment #1
3 and recommends other adjustments to the budget. Specifically, the Company believes that: (1) the
4 Purchased Renewable Energy Budget could be reduced from \$1,460,000 to \$1,115,000; (2) the
5 Customer Sited Distributed Renewable Energy Budget could be reduced from \$7,465,386 to
6 \$6,632,914; (3) the Information Systems Budget could be reduced from \$120,000 to \$50,000; (4)
7 the Net Metering Budget could be reduced from \$333,938 to \$225,000; and (5) the Reporting
8 Budget could be reduced from \$130,000 to \$25,000.¹

9 The Company's proposed modifications to Pierce's Amendment #1 are attached. These
10 changes will allow UNS Electric to continue to effectively manage its REST programs. Moreover,
11 these changes achieve Commissioner Pierce's targets of an \$8,069,914 total budget and a \$5.00
12 per month residential surcharge cap. UNS Electric requests that the Commission consider
13 adopting these changes and looks forward to discussing this matter at the December 6, 2010 Open
14 Meeting.

15 RESPECTFULLY SUBMITTED this 1st day of December, 2010.

16 UNS ELECTRIC, INC.

17
18 By 
19 Michael W. Patten
20 Roshka DeWulf & Patten, PLC
21 One Arizona Center
22 400 East Van Buren Street, Suite 800
23 Phoenix, Arizona 85004

24 ¹ In modifying its budget, UNS Electric does not intend to increase the \$0.008315 per kWh REST
25 rate recommended by Staff and set forth in the proposed order. Based on the Company's best
26 estimate of REST revenue collection for 2011, keeping REST rate at \$0.008315 per kWh may
27 result in collecting approximately \$12,000 less than the revised budget amount. However,
depending on the actual usage of UNS Electric customers during 2011, the Company may still be
able to collect the budgeted amount if usage exceeds current estimates.

and

Philip J. Dion, Esq.
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Tucson Electric Power Company
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Original and 13 copies of the foregoing
filed this 1st day of December, 2010 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing hand-delivered/mailed
this 1st day of December, 2010 to the following:

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By Mary Appolito

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1 **UNS ELECTRIC, INC.'S PROPOSED MODIFICATIONS TO**
2 **PIERCE PROPOSED AMENDMENT NO. 1**

3 **COMPANY:** **UNS Electric, Inc.**

4 **DOCKET NO.** **E-04204A-10-0265**

5 **OPEN MEETING DATE:** **December 6, 2010** **AGENDA ITEM:**

6
7 **Page 15, Line 14:**

8 **INSERT new heading "Commission Findings"**

9
10 "The Commission is concerned that the proposed \$9.00 monthly residential cap, while
11 significantly superior to the \$12.00 monthly residential cap proposed by the Company, is still more
12 than twice the amount of the residential cap approved or proposed for any other electric utility in
13 Arizona. We do not believe it is sustainable or equitable for residential customer of UNS to pay
14 \$9.00 per month via the REST surcharge when the residential customer of Arizona Public Service
15 and Tucson Electric Power are paying less than half that amount.

16 Accordingly, we believe that it is in the public interest to reduce UNS Electric's monthly
17 residential cap to \$5.00 per month. Reducing the residential cap from \$9.00 per month to \$5.00
18 per month will have the effect of reducing the revenue collected via the REST surcharge by
19 \$1,259,659, from \$9,329,572 to \$8,069,914.

20 In order to accommodate a monthly residential cap of \$5.00, we will reduce: (1) the Purchased
21 Renewable Energy Budget from \$1,460,000 to \$1,115,000; (2) the Customer Sited Distributed
22 Renewable Energy Budget from \$7,465,386 to \$6,632,914; (3) the Information Systems Budget
23 from \$120,000 to \$50,000; (4) the Net Metering Budget from \$333,938 to \$225,000; and (5) the
24 Reporting Budget from \$130,000 to \$25,000. We also will reduce the initial residential up-front
25 incentive from \$1.75 per watt to \$1.60 per watt and reduce the initial commercial up-front
26 incentive from \$1.50 per watt to \$1.30 per watt. The aggregation of these adjustments will reduce
27 UNS Electric's overall REST budget to \$8,069,914 and are reflected in the following table:

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Budget Components	2011 REST Plan UNS Proposed Budget	2011 REST Plan Staff Proposed Budget	2011 REST Plan Staff Approved Budget
<i>Purchased Renewable Energy</i>			
Above market cost of conventional generation	\$1,440,000	\$1,440,000	\$1,100,000
Other	\$20,000	\$20,000	\$15,000
Subtotal	\$1,460,000	\$1,460,000	\$1,115,000
<i>Customer Sited Distributed Renewable Energy</i>			
Up-front payments to customers - residential	\$4,002,552	\$4,002,552	\$3,680,918
Up-front payments to customers - commercial	\$1,051,646	\$1,051,646	\$920,560
Production-based payments to customers	\$1,645,686	\$1,645,686	\$1,645,686
Lost net revenue and performance incentive	\$73,752	\$0	\$0
Outreach efforts	\$150,000	\$150,000	\$118,000
Other	\$541,750	\$503,750	\$267,750
Subtotal	\$7,465,386	\$7,353,634	\$6,632,914
<i>Information Systems</i>			
Subtotal	\$120,000	\$75,000	\$50,000
<i>School Vocational Program</i>			
Subtotal	\$154,000	\$0	\$0
<i>Net Metering</i>			
Subtotal	\$333,938	\$308,938	\$225,000
<i>Reporting</i>			
Subtotal	\$130,000	\$110,000	\$25,000
<i>Outside Coordination, Support, Research and Development</i>			
Support to university research	\$20,000	\$20,000	\$20,000
Other	\$33,750	\$2,000	\$2,000
Subtotal	\$53,750	\$22,000	\$22,000
<i>Under-collection of REST Funds From 2009</i>			
Subtotal	\$363,356	\$0	\$0
Total Budget	\$10,080,430	\$9,329,572	\$8,069,914

Page 16, line 4
DELETE: Page 16, lines 4-6
INSERT: "IT IS FURTHER ORDERED that the 2011 REST plan, as discussed above, is approved, which reflects a REST charge of \$0.008315 per kWh, a residential surcharge cap of \$5.00 per month and a total budget of \$8,069,914.

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IT IS FURTHER ORDERED that the initial residential up-front incentive for the 2011 REST Plan is \$1.60 per watt and the initial commercial up-front incentive is \$1.30 per watt.”

MAKE ALL CONFORMING CHANGES.