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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER-SMITH
Commissioner

Arizona Corporation Commission
DOCKETED

FEB - 6 2013

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IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF A
CUSTOMER AGREEMENT WITH PIMA
COUNTY

DOCKET NO. E-01933A-12-0308
DECISION NO. 73652
ORDER

Open Meeting
January 30 and 31, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On July 6, 2012, TEP filed an application for approval of an agreement between TEP and Pima County ("Pima") that would allow Pima to acquire a large number of blocks of solar energy from TEP under the Bright Tucson Community Solar Program at a lower premium than is provided for in TEP's Pricing Plan Rider 5. In the application, TEP waived the 30-day time limit for the Commission to act on the agreement.

Background

3. The Bright Tucson Community Solar Program ("Program") was approved by the Commission under Decision No. 71835, on August 10, 2010. The Program is designed to provide

1 owned system, thereby avoiding large upfront costs and requiring a long-term commitment. In
2 addition, the Program provides customers with a hedge against future energy price increases and a
3 means to promote solar energy at a nominal price.

4 4. Under the Program, one or more solar photovoltaic ("PV") power plants are either
5 TEP-constructed and owned, or a private developer owns and operates the plant under a Power
6 Purchase Agreement with TEP. A customer may participate in the Program by purchasing one or
7 more blocks ("Solar Blocks") of solar capacity from these solar PV power plants. Each block of
8 solar capacity is equal to one kilowatt and represents 150 kWh (per month) of electric energy.
9 Participating customers pay a Solar Energy Premium of \$0.02 per kWh over the regular tariff rate
10 and this solar component of their bill is fixed at this rate for 20 years. All contracted Solar Block
11 kWhs and associated charges in a billing month are excluded from the calculation of Purchased
12 Power and Fuel Adjustor Clause ("PPFAC") and Renewable Energy Standard and Tariff ("REST")
13 charges and/or credits.

14 5. TEP reports that as of July 1, 2012, 777 customers have purchased a total of 4,133
15 solar blocks under the Program, representing 4,133 kW of capacity and 619,950 kWh per month of
16 energy.

17 The Proposed Agreement

18 6. TEP states that it has been approached by Pima with a proposal whereby Pima
19 would agree to acquire a large number of Solar Blocks if TEP would agree to a smaller premium
20 for the solar energy. TEP would agree to lease land owned by Pima upon which a new solar PV
21 generation facility would be constructed for an additional decrease in the contract rate.
22 Accordingly, TEP and Pima have signed an agreement entitled "Bright Tucson Community Solar
23 Rider Agreement Between Tucson Electric Power Company and Pima County" ("Agreement").

24 7. TEP will own and operate the new 5 MW solar PV power plant. The plant, known
25 as the "Prairie Fire" project, will be located on a 48-acre tract of vacant land located at 7540 South
26 Old Vail Road in Tucson. Interconnection of the new plant with TEP's existing distribution system
27 will occur near the northeast corner of the site. Funding for this plant is included in TEP's 2013

28

1 REST Implementation Plan (Docket No. E-01933A-12-0296) as part of the Bright Tucson
2 Community Solar Build-out Plan.

3 8. Under terms of the Agreement, Pima would purchase five megawatts of generating
4 capacity from the Program. Pima would pay a Solar Energy Premium of \$0.01250 per kWh. The
5 credit for use of Pima's land for the use of the new solar generating facility would further reduce
6 Pima's rate by \$0.0075 per kWh. The base power contract rate would be at the Municipal Service
7 PS-40 standard tariff rate. The Solar Block Energy Rate would be \$0.034085 per kWh, a 17.19
8 percent premium over Pima's base power contract rate, as depicted in Table I below.

9 **Table I**

10 **Special Contract Rate**

11 Rate	Base Power	Solar Energy		Solar Block Energy
12 Schedule	Contract Rate	Premium	Land Use Credit	Rate
13 Municipal				
14 Service 15 PS-40	\$0.029086/kWh	\$0.012500/kWh	- \$0.0075/kWh	\$0.034086/kWh

16 9. The Agreement has a term of 20 years commencing on the date of an Order by the
17 Commission approving the Agreement, or the date of execution of the land lease, or the date of
18 solar system commissioning, whichever is later ("Effective Date").

19 10. Solar Blocks purchased by Pima would be applied to the actual energy usage each
20 month. Electricity used in excess of the purchased Solar Blocks will be billed at the applicable
21 standard offer energy rate. If electricity usage is below the amount covered by the Solar Blocks,
22 then the excess kWhs will be rolled forward and credited against Pima's usage in the following
23 month(s). Pima would still be responsible for the full monthly cost of the contracted Solar Blocks.

24 11. Each year, for the bills produced in October (September usage), TEP would credit
25 any excess kWhs after netting and reset the balance to zero. Credit for excess kWhs will be at the
26 energy rate of the Solar Blocks. All contracted Solar Block kWhs and associated charges in a
27 billing month will be excluded from the calculation of PPFAC and REST charges and/or credits.

28

12 The Agreement contains provisions for termination for cause based on specific
13 material default situations defined in the Agreement. The Termination for Cause paragraph states
14 that if either party materially defaults in its performance under the Agreement and fails to cure
15 such default for 30 days, the non-defaulting party may immediately terminate the Agreement. If
16 TEP terminates the Agreement for Cause, such termination will not affect the land lease or require
17 removal of the solar generation facility on the leased property. Upon termination of this
18 Agreement by TEP for Cause, the lease rate specified in the land lease will convert to a fixed rate
19 of \$67,500 annually for the remainder of the lease term.

9 13. If Pima terminates the Agreement for Cause, Pima may terminate the land lease
10 pursuant to terms of the land lease agreement

11 Staff Analysis and Recommendations

12 14. Staff has reviewed the Agreement and finds that it is consistent with the terms of
13 TEP's Pricing Plan Rider-5 (except the proposed change to the Solar Energy Premium). Staff
14 believes that an 82.8 percent reduction in the Solar Energy Premium is reasonable in light of the
15 magnitude of Pima's intended Solar Block purchases, and because the agreement will enable Pima
16 to capture the lease value of their fallow land asset and trade it for solar power. Staff further
17 believes that the other terms and conditions of the Agreement are reasonable. Staff further
18 believes that large Solar Block purchases will enhance and promote the continued success of
19 community solar programs in general and the Program specifically. Finally, for the purposes of
20 evaluating this special contract, any impact to TEP's fair value rate of return would likely be de
21 minimus.

22 15. Based on the above analysis, Staff has recommended approval of the Bright Tucson
23 Community Solar Rider Agreement Between Tucson Electric Power Company and Pima County.

24 CONCLUSIONS OF LAW

25 1. TEP is an Arizona public service corporation within the meaning of Article XV,
26 Section 2, of the Arizona Constitution.

27 2. The Commission has jurisdiction over TEP and over the subject matter of the
28 application.

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A-12-0308

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