

# OPEN MEETING



**ORIGINAL**

**MEMORANDUM  
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Arizona Corporation Commission  
**DOCKETED**

TO: THE COMMISSION 2013 SEP 30 P 12:00

FROM: Utilities Division AZ CORP COMMISSION  
DOCKET CONTROL

SEP 30 2013

DATE: September 30, 2013

DOCKETED BY

RE: UNS ELECTRIC, INC. - APPLICATION FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD AND TARIFF IMPLEMENTATION PLAN (DOCKET NO. E-04204A-13-0225)

On July 1, 2013, UNS Electric, Inc. ("UNS" or "Company") filed for Arizona Corporation Commission ("Commission") approval of its 2014 Renewable Energy Standard and Tariff ("REST") Implementation Plan ("Plan"). On August 22, 2013, UNS filed a REST plan summary and a set of PowerPoint slides summarizing its REST plan.

On July 30, 2013, the Arizona Solar Deployment Alliance filed to intervene in this proceeding. On August 15, 2013, the Arizona Solar Deployment Alliance's request for intervention was granted.

UNS's initial filing requests approval of various REST plan components, including a budget, incentive levels, customer class caps, various program details, continuation of the Bright Arizona Solar Buildout Plan, and compliance matters.

Staff's proposal regarding UNS's 2014 REST plan is very similar to UNS's proposed plan C and is largely a continuance of the approved 2013 REST plan. Changes and/or interpretations in Staff's 2014 REST plan include an overall lower budget, a reduction in residential Up-front Incentives ("UFIs"), interpretations regarding self-direction, providing consistency in liquidated damages wording, and elimination of a compliance requirement.

### **UNS's Five Year Projection of Energy, Capacity, and Costs**

The table below shows UNS's forecast for energy, capacity, and costs for its annual REST plans from 2014 through 2018.

<b>UNS Energy, Capacity, and Cost Forecast</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Forecast Retail Sales MWh</b>	1,717,189	1,739,817	1,768,204	1,795,907	1,826,028
<b>% Renewable Energy Required</b>	4.50%	5.00%	6.00%	7.00%	8.00%
<b>Overall Renewable Requirement MWh</b>	77,274	86,991	106,092	125,713	146,082
<b>Utility Scale MWh</b>	54,091	60,894	74,265	87,999	102,258
<b>DG Requirement MWh</b>	23,182	26,097	31,828	37,714	43,825
<b>Res DG Requirement MWh</b>	11,591	13,049	15,914	18,857	21,912
<b>Non-Res DG Requirement MWh</b>	11,591	13,049	15,914	18,857	21,912
<b>Total Program Cost</b>	\$5,748,522 - \$5,948,522	\$7,194,934	\$9,107,396	\$9,409,262	\$6,908,470

**UNS REST Experience Under 2013 REST Plan**

UNS's 2013 implementation plan contemplated total spending and recoveries of \$8.4 million<sup>1</sup>.

Regarding installations and reservations, the table below summarizes installations and reservations for installations through June 30, 2013 by UNS.

<b>Residential</b>	<b>Photovoltaics</b>		<b>Solar Hot Water</b>	
	<b>Number of Systems</b>	<b>kW (kWh)</b>	<b>Number of Systems</b>	<b>kWh</b>
2013 Installations	32	259 (453,250)	2	5,586
Reservations	44	406 (710,500)	2	5,840

<b>Commercial</b>	<b>Photovoltaics</b>		<b>Solar Hot Water</b>	
	<b>Number of Systems</b>	<b>kW (kWh)</b>	<b>Number of Systems</b>	<b>kWh</b>
2013 Installations	3	562 (983,500)	1	63,357
Reservations	18	5,230 (9,152,500)	0	0

UNS has indicated to Staff that the Company has not seen any biomass/gas, geothermal, ground source heat pump, hydro, or wind DG installations in 2013.

**Customer Education and Outreach**

UNS is proposing to spend \$30,000 on customer education and outreach in 2014, the same amount the Commission approved in UNS's 2013 REST budget. UNS has indicated that

<sup>1</sup> Decision No. 73638 (January 31, 2013); Docket No. E-004204A-12-0297.

this money will be spent on a variety of local outreach efforts. Staff believes UNS's request for \$30,000 for customer education and outreach is reasonable and recommends inclusion of this amount in the 2014 REST budget.

### Solar Hot Water Heating Funding

UNS's approved 2013 REST plan included the availability of funding for solar hot water heating up to a cap of \$60,000, with an incentive of \$0.40 per kWh. The \$60,000 cap represented 20 percent of UNS's UFI budget in 2013. UNS has indicated that at this incentive level in 2013, there continue to be solar hot water heating installations, but at a slower rate. Staff is recommending smaller residential and commercial UFI budgets of \$100,000 each for 2014. Thus Staff recommends a \$20,000 cap on both residential and commercial solar hot water heating spending in 2014. Staff believes the residential and commercial solar hot water heating incentive should remain at \$0.40 per kWh in 2014

### Bright Arizona Solar Buildout Plan

In recent years, the Commission has approved continuation of UNS's buildout program at a rate of \$7 million annually. UNS proposes to continue this funding level in 2014. The tables below show the projects anticipated to be funded in that timeframe with a breakdown of the costs anticipated to be recovered through the REST budget in 2014-2017.

Projects	2014 Costs	2015 Costs	2016 Costs	2017 Costs
2014 – Rio Rico 7.2 MW	\$1,687,757	\$1,911,587	\$1,782,644	\$1,729,489
2015 – 2.5 MW		\$10,417	\$601,864	\$563,661
2016 – 2.5 MW			\$10,417	\$602,449
2017 – 2.5 MW				\$10,417
Total	\$1,687,757	\$1,922,003	\$2,394,925	\$2,906,015

Line Item	2014	2015	2016	2017
Return on Investment	\$963,354	\$993,295	\$1,191,450	\$1,403,755
Book Depreciation	\$562,500	\$760,417	\$1,010,417	\$1,260,417
Property Tax Expense	\$77,903	\$64,132	\$61,674	\$82,417
Operations and Maintenance	\$54,000	\$74,160	\$101,385	\$129,426
Lease Expense	\$30,000	\$30,000	\$30,000	\$30,000
Total	\$1,687,757	\$1,922,003	\$2,394,925	\$2,906,015

The costs shown above represent only the carrying costs of the various projects until such time as UNS has another general rate proceeding, during which UNS would seek the inclusion of these generating assets in base rates.

### **Commission Track and Record Proceeding**

UNS is involved in the Commission's on-going Track and Record proceeding, wherein the Commission is considering how utilities will demonstrate compliance in a post-incentive era where the utility no longer acquires renewable energy credits ("RECs") in exchange for incentives. In that proceeding, the hearing has taken place and the briefing phase concluded on September 10, 2013. Given this timeframe, there may not be a final decision issued in that proceeding in time for the results to be incorporated in UNS's REST plan if the Commission acts on the REST plan in late 2013. In response to a question from Staff, UNS indicated that if the Commission does not act on the Track and Record proceeding in time for the results to be incorporated in the 2014 REST plans, then UNS recommends that the Commission should grant a waiver of DG requirements for 2014 and state that utilities would not be subject to penalties for any DG compliance deficiency in 2014.

In response to a data request from Staff, UNS indicated that it estimates a total of 17 residential systems totaling 103 kW will or have been installed in its service territory in 2012 and 2013 without taking any incentive. Regarding commercial systems, UNS estimates a total of 1 project totaling 58 kW will or have been installed in 2012 and 2013 without taking an incentive from UNS. Thus these systems, at this time, are not considered by UNS in regard to compliance with REST requirements. However, at this time, UNS anticipates it will be compliant with the residential and commercial DG REST requirements through approximately 2014.

In light of these circumstances, Staff is not recommending a waiver of the DG requirement in 2014 for UNS. If the Track and Record proceeding is not resolved in a timely fashion in 2014 and, if UNS's ability to achieve REST compliance is impaired by the inability to count projects that are not taking an incentive, Staff believes it would be reasonable for UNS to have the ability to seek a waiver or to take appropriate actions to alleviate such a problem.

### **Self-Direction of Funds**

UNS does not have any current requests for self-direction of funds, but this issue has been raised in Tucson Electric Power's REST plan application (Docket No. E-01933A-13-0224) and thus UNS seeks clarification of the same questions that were raised in TEP's application. Under R14-2-1801.D, a "Customer Self-Directed Renewable Energy Option" means a Commission-approved program under which an Eligible Customer may self-direct the use of its allocation of funds collected pursuant to an Affected Utility's Tariff." Under R14-2-1809 Customer Self-Directed Renewable Energy Option, utilities were required to file a tariff that allowed customers to self-direct. UNS has indicated that it has never received a request for self-direction of funds and does not expect to ever receive such a request.

Specifically, UNS requests guidance from the Commission regarding the following issues:

1. Should the Affected Utility authorize self-directed funding to Eligible Customers when no other incentives are available to other customers in that customer class?
2. Should self-directed funding requests be subject to the same incentive level restrictions as other customers, such as \$0.10 per watt or 70 kW size limit for up-front incentives?

Staff believes that these questions are among those that arise when the market is shifting from a market reliant on utility-based incentives to a market where utility-based incentives are minimal or nonexistent. Regarding the first question, Staff believes that it is equitable in circumstances involving an incentive offered to a customer class for UNS to limit the ability to self-direct funds, thereby putting self-directed and non-self-directed customers on an equal footing. It would be inequitable for customers who can self-direct to have the ability to access significant incentive funds at a time when the rest of UNS's similarly situated customers are unable to access any incentive funds. Further, Staff also believes it is reasonable to limit self-directed customers to self-directing funds at an incentive level, such as \$0.10 per watt, equal to that offered to other customers in the same customer class (such as within the non-residential class). Regarding the size limitation, this is addressed by the previous recommendation that self-directed customers be treated in the same manner as other similarly situated customers. Thus, self-directed customers would be subject to the same limitations that other customers are subject to, whether under the commercial UFI segment or the commercial PBI segment. In the cases where there is no new commercial UFI or PBI funding, the size issue is moot.

### **Liquidated Damages**

In TEP's REST plan application it requests that the Commission apply the same conditions regarding all renewable energy purchased power agreements ("PPAs"). UNS requests the same treatment regarding liquidated damages as TEP is seeking. In Decision No. 72034 (December 10, 2010), the Commission ordered UNS to "include, as part of future annual REST plan filings, a list of any cases within the previous three calendar years where UNS Electric Inc. has received damages or other considerations as a result of non-compliance related to REST contracts." Recently the Commission considered a TEP case involving a PPA with Red Horse Wind 2, LLC, resulting in Decision No. 74014 (July 30, 2013). In this Decision the Commission added the additional requirement in cases of liquidated damages that "TEP make a recommendation for the disposition of proceeds and if applicable inform the Commission of the measures TEP intends to take in order to comply with the REST requirements in light of existing circumstances." In its application, UNS requests that the additional language from Decision No. 74014 be applied to all of UNS's renewable PPAs. Staff believes this request is reasonable and will result in the same requirements being applied to all of UNS's renewable PPAs. Thus Staff recommends approval of the application of this additional language to all

UNS's renewable PPAs to provide consistent treatment of liquidated damages reporting for all renewable PPAs.

### **Incentive Levels for Technologies Other Than Solar Electric and Solar Hot Water**

In UNS's proposed 2014 REST plan, the Company eliminates incentives for technologies other than solar electric and solar hot water. UNS has indicated to Staff that if an application for an installation of such a technology would be submitted to UNS in the future, UNS would review such an application and create an appropriate incentive on a case-by-case basis. UNS has indicated to Staff that it has not had an installation from any of these other technologies in recent years.

Staff believes it is reasonable and administratively efficient to eliminate these incentives and review any possible future applications related to these technologies on a case-by-case basis. However, Staff believes that any incentive offered under this scenario should be limited to the equivalent incentive level offered for solar electric installations at the time. This would guide the establishment of reasonable incentives for other technologies.

### **Compliance Requirements**

The Commission has placed a variety of compliance requirements on UNS in orders approving UNS's REST plans over the years. Staff believes there is value in considering whether any of these compliance requirements may no longer be necessary. Elimination of unnecessary compliance requirements would reduce the burden on both the Company and the Commission in the future.

Decision No. 72034 required UNS to file "a one to two page RES summary that will accompany the filings required in R14-2-1812 (Compliance Reports) and R14-2-1813 (Implementation Plans), and a PowerPoint presentation of the REST filing." Staff believes that this filing requirement is largely duplicative of what UNS already provides in its REST implementation plan and compliance reports it files with the Commission. For example, with the REST implementation plan, UNS provides a summary of what is contained in the filing at the beginning of the filing each year. Therefore, Staff recommends that the Commission no longer require UNS to file this information with its compliance reports and REST implementation plans.

### **2012 Funds Carried Forward to 2014 REST Budget**

UNS's filing reflects the carryforward of \$1,393,486 in unspent funds from UNS's 2012 REST budget. The table below accounts for the line items of UNS's 2012 REST budget from which those funds came.

2012 Revenue Undercollection	-\$834,042
Lower Cost Purchased Renewable Energy	\$393,076
Customer Sited Distributed Renewable Energy	\$1,723,070
Meter Reading	\$5,403
Information Systems	\$13,583
Technical Training	\$60,453
Labor and Administration	\$31,942
Total Unspent 2012 REST funds	\$1,393,486

Both UNS's and Staff's REST budget proposals discussed herein reflect this carry-forward of unspent 2012 REST funds which reduce the amount of money required to be recovered through the 2014 REST surcharge.

### UFI and PBI Levels

UNS has seen dramatic reductions in the incentive levels it has offered in many DG areas in recent years. In 2013, UNS offered a \$0.10 per watt residential and commercial DG incentives and PBIs ranging from \$0.060 per kWh to \$0.068 per kWh based upon customer size.

	Residential DG UFI (per watt)	Commercial DG UFI (per watt)
2008	\$3.00	\$2.50
2009	\$3.00	\$2.50
2010	\$3.00	\$2.50
2011	\$1.60	\$1.30
2012	\$1.00	\$1.00
2013	\$0.10	\$0.10

Note: Yearly incentive levels shown above are Commission-approved incentives at the beginning of the plan year.

UNS has indicated to Staff that UNS's estimated total future PBI commitment as of the end of 2013 will be \$18,399,305.

Although UNS indicated early in 2013 that it expected to exhaust its incentive budgets prior to the end of 2013, UNS's application filed July 1, 2013, stated "the Company does not expect to exhaust its 2013 funding by the end of the year, and has only reserved approximately 35% of its residential budget and 11% of its up front non-residential budget for 2013 at the time of this filing." UNS indicated to Staff at the time that only two small local installers were active in UNS's market. Since then UNS has indicated that another installer has begun operating in UNS's market and that UNS expects to come close to expending its incentive budgets for 2013.

UNS's application includes three budget options, with the difference among the options being whether there are UFIs offered to just residential, both residential and commercial customers, or neither. UNS Plan A includes \$100,000 each for residential UFIs and \$100,000 for commercial UFIs. UNS Plan B includes \$100,000 for residential UFIs. UNS Plan C includes no funding for residential and commercial UFIs. The UFIs under Plans A and B would be set at \$0.10 per watt.

*Staff Proposal*

While UNS expects to reach compliance in 2014, UNS is not very far ahead on compliance in comparison to TEP for commercial DG. Thus Staff believes an approach maintaining residential and commercial UFIs at a \$0.10 per watt level is reasonable, at the funding levels reflected in UNS Plan A. Staff believes a cap on solar water heating's portion of the residential and commercial DG UFI budget of \$20,000 is appropriate.

Staff's budget and incentive levels are equivalent to UNS's Plan A. Staff proposes adjustments to the cap levels and surcharge level, as discussed below.

**Proposed UNS and Staff Budgets**

The table below summarizes the budgets being proposed by UNS and Staff.

Budget Components	2013 Approved Budget	2014 UNS Proposed Plan A/ Staff Proposed Plan	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C
<i>Utility Scale Energy</i>				
Above market cost of conventional generation	\$4,726,000	\$3,738,661	\$3,738,661	\$3,738,661
UNS Owned	\$1,191,463	\$1,687,757	\$1,687,757	\$1,687,757
Subtotal	\$5,917,463	\$5,426,418	\$5,426,418	\$5,426,418
<i>Customer Sited Distributed Renewable Energy</i>				
Residential UFI	\$180,000	\$100,000	\$100,000	
Commercial UFI	\$100,000	\$100,000		
Commercial PBI On-Going Commitments	\$1,786,546	\$1,348,451	\$1,348,451	\$1,348,451
Meter Reading	\$6,250	\$6,250	\$6,250	\$6,250
Education and Outreach	\$30,000	\$30,000	\$30,000	\$30,000
Subtotal	\$2,102,796	\$1,584,791	\$1,484,791	\$1,384,791
<i>Technical Training</i>				
Internal and Contractor Training				
Subtotal	\$37,500	\$37,500	\$37,500	\$37,500
<i>Information Systems</i>				
Subtotal	\$25,000	\$20,000	\$20,000	\$20,000

<i>Metering</i>				
Subtotal	\$76,070	\$47,430	\$47,430	\$47,430
<i>Labor and Administration</i>				
Labor, Materials, Supplies	\$207,722	\$193,424	\$193,424	\$193,424
AZ Solar Website	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal				
<i>Research and Development</i>				
Subtotal	\$27,500	\$31,200	\$31,200	\$31,200
Total Spending	\$8,395,051	\$7,341,763	\$7,241,763	\$7,141,763
Carryover of Previous Year's Funds	\$0	-\$1,393,241	-\$1,393,241	-\$1,393,241
Total Amount for Recovery	\$8,395,051	\$5,948,522	\$5,848,522	\$5,748,522

### Recovery of Funds Through 2014 REST Charge

Staff's proposed caps and per kWh charge are designed to recover the \$5,948,522 shown above.

The table below shows the proposed surcharge per kWh for the UNS and Staff options as well as the proposed caps under each option, in comparison to what is currently in effect for 2013. UNS's proposals roughly reduce the caps on all customer classes proportionately while holding the surcharge rate at \$0.012 per kWh. Staff's proposal spreads the reductions between the caps and the surcharge rate, resulting in the opportunity for a lower REST surcharge for a broader spectrum of UNS's customers.

	2013 Approved	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
REST Charge (per kWh)	\$0.012	\$0.012	\$0.012	\$0.012	\$0.010
<i>Class Caps</i>					
Residential	\$5.25	\$3.25	\$3.18	\$3.05	\$3.50
Commercial	\$150.00	\$90.00	\$90.00	\$90.00	\$90.00
Industrial and Mining	\$10,000.00	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00
Lighting	\$135.00	\$90.00	\$90.00	\$90.00	\$90.00

The cost recovery by customer class for the approved 2013 REST plan and estimates for the UNS and Staff options for the 2014 REST plan are shown in the table below. For comparison purposes, the table below also shows the projected MWH sales by customer class for 2014.

	2013 Approved REST Recovery	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal	2014 Projected Sales (MWh)
Residential	\$4,094,401 (49.6%)	\$2,826,476 (47.4%)	\$2,772,777 (47.3%)	\$2,673,049 (46.4%)	\$2,961,907 (49.9%)	834,910 (47.8%)
Commercial	\$3,577,873 (43.3%)	\$2,776,845 (46.6%)	\$2,776,845 (47.4%)	\$2,498,356 (48.2%)	\$2,498,356 (42.1%)	608,574 (38.8%)
Industrial and Mining	\$581,878 (7.0%)	\$359,970 (5.9%)	\$305,500 (5.2%)	\$305,500 (5.3%)	\$466,970 (7.9%)	303,775 (17.4%)
Lighting	\$5,906 (0.1%)	\$6,027 (0.1%)	\$6,022 (0.1%)	\$6,097 (0.1%)	\$6,097 (0.1%)	619 (0.0%)
Total	\$8,260,059	\$5,961,318	\$5,861,144	\$5,761,407	\$5,933,330	1,747,878

The table below shows the contribution, per kWh consumed, for each customer class (projected class cost recovery divided by projected class kWh sales). The table thus provides a comparison of the relative contribution to REST funding by each customer class on a per kWh basis. Staff's proposal for class caps and the per kWh charge is intended to gradually move the customer classes closer to one another in terms of their contribution per kWh consumed in each customer class.

Contribution by Customer Class (per kWh)	2013 Approved	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
Residential	\$0.0049	\$0.0034	\$0.0033	\$0.0032	\$0.0035
Commercial	\$0.0058	\$0.0046	\$0.0046	\$0.0046	\$0.0041
Industrial/ Mining	\$0.0017	\$0.0012	\$0.0010	\$0.0010	\$0.0015
Lighting	\$0.0334	\$0.0097	\$0.0097	\$0.0097	\$0.0099

The table below shows the average REST charge by customer class as well as the percentage of customers at the cap for each customer class.

	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
Residential - Average Bill	\$2.90	\$2.85	\$2.75	\$3.04
Commercial - Average Bill	\$23.32	\$23.32	\$23.32	\$20.98
Industrial and Mining - Average Bill	\$7,489	\$6,500	\$6,500	\$9,911
Lighting - Average Bill	\$4.38	\$4.38	\$4.37	\$3.82
Residential - Percent at Cap	89.3%	89.6%	90.0%	86.9%
Commercial - Percent at Cap	25.9%	25.9%	25.9%	23.3%
Industrial and Mining - Percent at Cap	99.8%	100.0%	100.0%	99.1%

Lighting – Percent at Cap	4.9%	4.9%	4.9%	4.2%
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Estimated customer bill impacts for various monthly consumptions are shown in the table below.

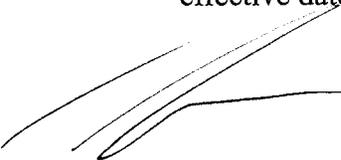
Example Customer Types	kWh / mo.	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
Residence Consuming	400	\$3.25	\$3.18	\$3.05	\$3.50
Residence Consuming	858	\$3.25	\$3.18	\$3.05	\$3.50
Residence Consuming	2,000	\$3.25	\$3.18	\$3.05	\$3.50
Dentist Office	2,000	\$24.00	\$24.00	\$24.00	\$20.00
Hairstylist	3,900	\$46.80	\$46.80	\$46.80	\$39.00
Department Store	170,000	\$90.00	\$90.00	\$90.00	\$90.00
Mall	1,627,100	\$90.00	\$90.00	\$90.00	\$90.00
Retail Video Store	14,400	\$90.00	\$90.00	\$90.00	\$90.00
Large Hotel	1,067,100	\$90.00	\$90.00	\$90.00	\$90.00
Large Building Supply	346,500	\$90.00	\$90.00	\$90.00	\$90.00
Hotel/Motel	27,960	\$90.00	\$90.00	\$90.00	\$90.00
Fast Food	60,160	\$90.00	\$90.00	\$90.00	\$90.00
Large High Rise Office Bldg	1,476,100	\$90.00	\$90.00	\$90.00	\$90.00
Hospital (< 3 MW)	1,509,600	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00
Supermarket	233,600	\$90.00	\$90.00	\$90.00	\$90.00
Convenience Store	20,160	\$90.00	\$90.00	\$90.00	\$90.00
Hospital (> 3 MW)	2,700,000	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00
Copper Mine	72,000,000	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00

Staff recommends approval of the Staff proposal.

### Staff Recommendations

1. Staff recommends that the Commission approve the Staff budget option for the 2014 REST plan, reflecting a REST surcharge of \$0.01 per kWh, and related monthly caps of \$3.50 for the residential class, \$90.00 for the commercial class, \$10,000.00 for the industrial and mining class, and \$90.00 for the lighting class. This includes total spending of \$7,341,763 and a total amount to be recovered through the REST surcharge of \$5,948,522.
2. Staff further recommends that the residential and commercial up-front incentives be set at \$0.10 per watt for 2014 and that solar water heating spending under the residential and commercial up-front incentive budgets be limited to \$20,000 each in 2014.

3. Staff further recommends that UNS's 2014 buildout plan for \$7 million in 2014 be approved.
4. Staff further recommends that reasonableness and prudence of buildout plan costs be examined in UNS's next rate case and that any costs determined not to be reasonable and prudent be refunded by the Company.
5. Staff further recommends that UNS may limit self-directed funding and that self-directed customers be subject to the same limitations as other customers within the class that are not self-directed.
6. Staff further recommends that in cases where UNS offers incentives to a customer class, that self-directed projects be limited to the incentive level offered to other customers in the same customer class.
7. Staff further recommends that the liquidated damages provisions contained in Tucson Electric Power Company's Decision No. 74014 be applied to all UNS renewable energy purchased power agreements.
8. Staff further recommends approval of UNS's proposal to eliminate incentives for technologies other than solar electric and solar hot water. UNS would be able to offer incentives on a case-by-case basis for such technologies, with the limitation that such incentives would not be greater than the equivalent incentive offered for solar electric installations at the time.
9. Staff further recommends that the Commission eliminate the compliance requirement from Decision No. 72034 requiring UNS to file a one to two page summary and PowerPoint slides with its compliance reports and REST implementation plans.
10. Staff further recommends that UNS file a revised REST-TS1, to become effective on January 1, 2014, consistent with the Decision in this case, within 15 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:RGG:lhm\CHH

ORIGINATOR: Robert Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 BOB STUMP  
Chairman  
3 GARY PIERCE  
Commissioner  
4 BRENDA BURNS  
Commissioner  
5 BOB BURNS  
Commissioner  
6 SUSAN BITTER SMITH  
Commissioner

7  
8 IN THE MATTER OF THE APPLICATION )  
OF UNS ELECTRIC, INC. FOR APPROVAL )  
9 OF ITS 2014 RENEWABLE ENERGY )  
10 STANDARD AND TARIFF )  
IMPLEMENTATION PLAN )  
11

DOCKET NO. E-04204A-13-0225

DECISION NO. \_\_\_\_\_

ORDER

12  
13 Open Meeting  
October 16 and 17, 2013  
14 Phoenix, Arizona

15 BY THE COMMISSION:

16 FINDINGS OF FACT

17 1. UNS Electric, Inc. ("UNS" or "Company") is engaged in providing electric service  
18 within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission  
19 ("Commission").

20 2. On July 1, 2013, UNS Electric, Inc. ("UNS" or "Company") filed for Arizona  
21 Corporation Commission ("Commission") approval of its 2014 Renewable Energy Standard and  
22 Tariff ("REST") Implementation Plan. On August 22, 2013, UNS filed a REST plan summary and  
23 a set of PowerPoint slides summarizing its REST plan.

24 3. On July 30, 2013, the Arizona Solar Deployment Alliance filed to intervene in this  
25 proceeding. On August 15, 2013, the Arizona Solar Deployment Alliance's request for  
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4. UNS's initial filing requests approval of various REST plan components, including a budget, incentive levels, customer class caps, various program details, continuation of the Bright Arizona Solar Buildout Plan, and compliance matters.

5. Staff's proposal regarding UNS's 2014 REST plan is very similar to UNS's proposed plan C and is largely a continuance of the approved 2013 REST plan. Changes and/or interpretations in Staff's 2014 REST plan include an overall lower budget, a reduction in residential Up-front Incentives ("UFIs"), interpretations regarding self-direction, providing consistency in liquidated damages wording, and elimination of a compliance requirement.

#### UNS's Five Year Projection of Energy, Capacity, and Costs

6. The table below shows UNS's forecast for energy, capacity, and costs for its annual REST plans from 2014 through 2018.

UNS Energy, Capacity, and Cost Forecast					
	2014	2015	2016	2017	2018
Forecast Retail Sales MWh	1,717,189	1,739,817	1,768,204	1,795,907	1,826,028
% Renewable Energy Required	4.50%	5.00%	6.00%	7.00%	8.00%
Overall Renewable Requirement MWh	77,274	86,991	106,092	125,713	146,082
Utility Scale MWh	54,091	60,894	74,265	87,999	102,258
DG Requirement MWh	23,182	26,097	31,828	37,714	43,825
Res DG Requirement MWh	11,591	13,049	15,914	18,857	21,912
Non-Res DG Requirement MWh	11,591	13,049	15,914	18,857	21,912
Total Program Cost	\$5,748,522 - \$5,948,522	\$7,194,934	\$9,107,396	\$9,409,262	\$6,908,470

#### UNS REST Experience Under 2013 REST Plan

7. UNS's 2013 implementation plan contemplated total spending and recoveries of \$8.4 million<sup>1</sup>.

8. Regarding installations and reservations, the table below summarizes installations and reservations for installations through June 30, 2013 by UNS.

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<sup>1</sup>Decision No. 73638 (January 31, 2013); Docket No. E-004204A-12-0297.

	Photovoltaics		Solar Hot Water	
	Number of Systems	kW (kWh)	Number of Systems	kWh
2013 Installations	32	259 (453,250)	2	5,586
Reservations	44	406 (710,500)	2	5,840

	Photovoltaics		Solar Hot Water	
	Number of Systems	kW (kWh)	Number of Systems	kWh
2013 Installations	3	562 (983,500)	1	63,357
Reservations	18	5,230 (9,152,500)	0	0

9. UNS has indicated to Staff that the Company has not seen any biomass/gas, geothermal, ground source heat pump, hydro, or wind DG installations in 2013.

#### Customer Education and Outreach

10. UNS is proposing to spend \$30,000 on customer education and outreach in 2014, the same amount the Commission approved in UNS's 2013 REST budget. UNS has indicated that this money will be spent on a variety of local outreach efforts. Staff believes UNS's request for \$30,000 for customer education and outreach is reasonable and recommends inclusion of this amount in the 2014 REST budget.

#### Solar Hot Water Heating Funding

11. UNS's approved 2013 REST plan included the availability of funding for solar hot water heating up to a cap of \$60,000, with an incentive of \$0.40 per kWh. The \$60,000 cap represented 20 percent of UNS's UFI budget in 2013. UNS has indicated that at this incentive level in 2013, there continue to be solar hot water heating installations, but at a slower rate. Staff is recommending smaller residential and commercial UFI budgets of \$100,000 each for 2014. Thus Staff recommends a \$20,000 cap on both residential and commercial solar hot water heating spending in 2014. Staff believes the residential and commercial solar hot water heating incentive should remain at \$0.40 per kWh in 2014.

#### Bright Arizona Solar Buildout Plan

12. In recent years, the Commission has approved continuation of UNS's buildout program at a rate of \$7 million annually. UNS proposes to continue this funding level in 2014.

1 The tables below show the projects anticipated to be funded in that timeframe with a breakdown of  
2 the costs anticipated to be recovered through the REST budget in 2014-2017.

3 <b>Projects</b>	<b>2014 Costs</b>	<b>2015 Costs</b>	<b>2016 Costs</b>	<b>2017 Costs</b>
4 2014 – Rio Rico 7.2 MW	\$1,687,757	\$1,911,587	\$1,782,644	\$1,729,489
5 2015 – 2.5 MW		\$10,417	\$601,864	\$563,661
6 2016 – 2.5 MW			\$10,417	\$602,449
2017 – 2.5 MW				\$10,417
7 <b>Total</b>	<b>\$1,687,757</b>	<b>\$1,922,003</b>	<b>\$2,394,925</b>	<b>\$2,906,015</b>

8 <b>Line Item</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
9 Return on Investment	\$963,354	\$993,295	\$1,191,450	\$1,403,755
10 Book Depreciation	\$562,500	\$760,417	\$1,010,417	\$1,260,417
11 Property Tax Expense	\$77,903	\$64,132	\$61,674	\$82,417
12 Operations and Maintenance	\$54,000	\$74,160	\$101,385	\$129,426
13 Lease Expense	\$30,000	\$30,000	\$30,000	\$30,000
14 <b>Total</b>	<b>\$1,687,757</b>	<b>\$1,922,003</b>	<b>\$2,394,925</b>	<b>\$2,906,015</b>

15 13. The costs shown above represent only the carrying costs of the various projects  
16 until such time as UNS has another general rate proceeding, during which UNS would seek  
17 inclusion of these generating assets in base rates.

#### 18 **Commission Track and Record Proceeding**

19 14. UNS is involved in the Commission's on-going Track and Record proceeding,  
20 wherein the Commission is considering how utilities will demonstrate compliance in a post-  
21 incentive era where the utility no longer acquires renewable energy credits ("RECs") in exchange  
22 for incentives. In that proceeding, the hearing has taken place and the briefing phase concluded on  
23 September 10, 2013. Given this timeframe, there may not be a final decision issued in that  
24 proceeding in time for the results to be incorporated in UNS's REST plan if the Commission acts  
25 on the REST plan in late 2013.

26 15. In response to a question from Staff, UNS indicated that if the Commission does  
27 not act on the Track and Record proceeding in time for the results to be incorporated in the 2014  
28 REST plans, then UNS recommends that the Commission should grant a waiver of DG

1 requirements for 2014 and state that utilities would not be subject to penalties for any DG  
2 compliance deficiency in 2014.

3 16. In response to a data request from Staff, UNS indicated that it estimates a total of  
4 17 residential systems totaling 103 kW will or have been installed in its service territory in 2012  
5 and 2013 without taking any incentive. Regarding commercial systems, UNS estimates a total of 1  
6 project totaling 58 kW will or have been installed in 2012 and 2013 without taking an incentive  
7 from UNS. Thus these systems, at this time, are not considered by UNS in regard to compliance  
8 with REST requirements. However, at this time, UNS anticipates it will be compliant with the  
9 residential and commercial DG REST requirements through approximately 2014.

10 17. In light of these circumstances, Staff is not recommending a waiver of the DG  
11 requirement in 2014 for UNS. If the Track and Record proceeding is not resolved in a timely  
12 fashion in 2014 and if UNS's ability to achieve REST compliance is impaired by the inability to  
13 count projects that are not taking an incentive, Staff believes it would be reasonable for UNS to  
14 have the ability to seek a waiver or to take appropriate actions to alleviate such a problem.

#### 15 **Self-Direction of Funds**

16 18. UNS does not have any current requests for self-direction of funds, but this issue  
17 has been raised in Tucson Electric Power's REST plan application (Docket No. E-01933A-13-  
18 0224) and thus UNS seeks clarification of the same questions that were raised in TEP's  
19 application. Under R14-2-1801.D, a "Customer Self-Directed Renewable Energy Option" means  
20 a Commission-approved program under which an Eligible Customer may self-direct the use of its  
21 allocation of funds collected pursuant to an Affected Utility's Tariff." Under R14-2-1809  
22 Customer Self-Directed Renewable Energy Option, utilities were required to file a tariff that  
23 allowed customers to self-direct. UNS has indicated that it has never received a request for self-  
24 direction of funds and does not expect to ever receive such a request.

25 19. Specifically, UNS requests guidance from the Commission regarding the following  
26 issues:

- 27 a. Should the Affected Utility authorize self-directed funding to Eligible Customers  
28 when no other incentives are available to other customers in that customer class?

1           b.     Should self-directed funding requests be subject to the same incentive level  
2                   restrictions as other customers, such as \$0.10 per watt or 70 kW size limit for up-  
3                   front incentives?

4           20.    Staff believes that these questions are among those that arise when the market is  
5                   shifting from a market reliant on utility-based incentives to a market where utility-based incentives  
6                   are minimal or nonexistent.

7           21.    Regarding the first question, Staff believes that it is equitable in circumstances  
8                   involving an incentive offered to a customer class for UNS to limit the ability to self-direct funds,  
9                   thereby putting self-directed and non-self-directed customers on an equal footing. It would be  
10                  inequitable for customers who can self-direct to have the ability to access significant incentive  
11                  funds at a time when the rest of UNS's similarly situated customers are unable to access any  
12                  incentive funds.

13          22.    Further, Staff also believes it is reasonable to limit self-directed customers to self-  
14                  directing funds at an incentive level, such as \$0.10 per watt, equal to that offered to other  
15                  customers in the same customer class (such as within the non-residential class). Regarding the size  
16                  limitation, this is addressed by the previous recommendation that self-directed customers be  
17                  treated in the same manner as other similarly situated customers. Thus, self-directed customers  
18                  would be subject to the same limitations that other customers are subject to, whether under the  
19                  commercial UFI segment or the commercial PBI segment. In the cases where there is no new  
20                  commercial UFI or PBI funding, the size issue is moot.

### 21   **Liquidated Damages**

22          23.    In TEP's REST plan application it requests that the Commission apply the same  
23                  conditions regarding all renewable energy purchased power agreements ("PPAs"). UNS requests  
24                  the same treatment regarding liquidated damages as TEP is seeking. In Decision No. 72034  
25                  (December 10, 2010), the Commission ordered UNS to "include, as part of future annual REST  
26                  plan filings, a list of any cases within the previous three calendar years where UNS Electric Inc.  
27                  has received damages or other considerations as a result of non-compliance related to REST  
28                  contracts."

1           24.     Recently the Commission considered a TEP case involving a PPA with Red Horse  
2 Wind 2, LLC, resulting in Decision No. 74014 (July 30, 2013). In this Decision the Commission  
3 added the additional requirement in cases of liquidated damages that “TEP make a  
4 recommendation for the disposition of proceeds and if applicable inform the Commission of the  
5 measures TEP intends to take in order to comply with the REST requirements in light of existing  
6 circumstances.”

7           25.     In its application, UNS requests that the additional language from Decision No.  
8 74014 be applied to all of UNS’s renewable PPAs. Staff believes this request is reasonable and  
9 will result in the same requirements being applied to all of UNS’s renewable PPAs. Thus Staff  
10 recommends approval of the application of this additional language to all UNS’s renewable PPAs  
11 to provide consistent treatment of liquidated damages reporting for all renewable PPAs.

#### 12 **Incentive Levels for Technologies Other Than Solar Electric and Solar Hot Water**

13           26.     In UNS’s proposed 2014 REST plan, the Company eliminates incentives for  
14 technologies other than solar electric and solar hot water. UNS has indicated to Staff that if an  
15 application for an installation of such a technology would be submitted to UNS in the future, UNS  
16 would review such an application and create an appropriate incentive on a case-by-case basis.  
17 UNS has indicated to Staff that it has not had an installation from any of these other technologies  
18 in recent years.

19           27.     Staff believes it is reasonable and administratively efficient to eliminate these  
20 incentives and review any possible future applications related to these technologies on a case-by-  
21 case basis. However, Staff believes that any incentive offered under this scenario should be  
22 limited to the equivalent incentive level offered for solar electric installations at the time. This  
23 would guide the establishment of reasonable incentives for other technologies.

#### 24 **Compliance Requirements**

25           28.     The Commission has placed a variety of compliance requirements on UNS in orders  
26 approving UNS’s REST plans over the years. Staff believes there is value in considering whether  
27 any of these compliance requirements may no longer be necessary. Elimination of unnecessary  
28 ...

1 compliance requirements would reduce the burden on both the Company and the Commission in  
2 the future.

3 29. Decision No. 72034 required UNS to file “a one to two page RES summary that  
4 will accompany the filings required in R14-2-1812 (Compliance Reports) and R14-2-1813  
5 (Implementation Plans), and a PowerPoint presentation of the REST filing.” Staff believes that  
6 this filing requirement is largely duplicative of what UNS already provides in its REST  
7 implementation plan and compliance reports it files with the Commission. For example, with the  
8 REST implementation plan, UNS provides a summary of what is contained in the filing at the  
9 beginning of the filing each year. Therefore, Staff recommends that the Commission no longer  
10 require UNS to file this information with its compliance reports and REST implementation plans.

#### 11 **2012 Funds Carried Forward to 2014 REST Budget**

12 30. UNS’s filing reflects the carry-forward of \$1,393,486 in unspent funds from UNS’s  
13 2012 REST budget. The table below accounts for the line items of UNS’s 2012 REST budget  
14 from which those funds came.

15 2012 Revenue Undercollection	-\$834,042
16 Lower Cost Purchased Renewable Energy	\$393,076
17 Customer Sited Distributed Renewable Energy	\$1,723,070
18 Meter Reading	\$5,403
19 Information Systems	\$13,583
20 Technical Training	\$60,453
Labor and Administration	\$31,942
Total Unspent 2012 REST funds	\$1,393,486

21 31. Both UNS’s and Staff’s REST budget proposals discussed herein reflect this carry-  
22 forward of unspent 2012 REST funds which reduce the amount of money required to be recovered  
23 through the 2014 REST surcharge.

#### 24 **UFI and PBI Levels**

25 32. UNS has seen dramatic reductions in the incentive levels it has offered in many DG  
26 areas in recent years. In 2013, UNS offered a \$0.10 per watt residential and commercial DG  
27 incentives and PBIs ranging from \$0.060 per kWh to \$0.068 per kWh based upon customer size.

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	Residential DG UFI (per watt)	Commercial DG UFI (per watt)
2008	\$3.00	\$2.50
2009	\$3.00	\$2.50
2010	\$3.00	\$2.50
2011	\$1.60	\$1.30
2012	\$1.00	\$1.00
2013	\$0.10	\$0.10

Note: Yearly incentive levels shown above are Commission-approved incentives at the beginning of the plan year.

33. UNS has indicated to Staff that UNS's estimated total future PBI commitment as of the end of 2013 will be \$18,399,305.

34. Although UNS indicated early in 2013 that it expected to exhaust its incentive budgets prior to the end of 2013, UNS's application filed July 1, 2013, stated "the Company does not expect to exhaust its 2013 funding by the end of the year, and has only reserved approximately 35% of its residential budget and 11% of its up front non-residential budget for 2013 at the time of this filing." UNS indicated to Staff at the time that only two small local installers were active in UNS's market. Since then UNS has indicated that another installer has begun operating in UNS's market and that UNS expects to come close to expending its incentive budgets for 2013.

35. UNS's application includes three budget options, with the difference among the options being whether there are UFIs offered to just residential, both residential and commercial customers, or neither. UNS Plan A includes \$100,000 each for residential UFIs and \$100,000 for commercial UFIs. UNS Plan B includes \$100,000 for residential UFIs. UNS Plan C includes no funding for residential and commercial UFIs. The UFIs under Plans A and B would be set at \$0.10 per watt.

#### *Staff Proposal*

36. While UNS expects to reach compliance in 2014, UNS is not very far ahead on compliance in comparison to TEP for commercial DG. Thus Staff believes an approach maintaining residential and commercial UFIs at a \$0.10 per watt level is reasonable, at the funding levels reflected in UNS Plan A. Staff believes a cap on solar hot water heating's portion of the

...

1 residential and commercial DG UFI budgets of \$20,000 each is appropriate. Staff believes that the  
2 solar hot water heating incentive level should remain at \$0.40 per kWh in 2014.

3 37. Staff's budget and incentive levels are equivalent to UNS's Plan A. Staff proposes  
4 adjustments to the cap levels and surcharge level, as discussed below.

### 5 Proposed UNS and Staff Budgets

6 38. The table below summarizes the budgets being proposed by UNS and Staff.

Budget Components	2013 Approved Budget	2014 UNS Proposed Plan A/ Staff Proposed Plan	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C
<i>Utility Scale Energy</i>				
Above market cost of conventional generation	\$4,726,000	\$3,738,661	\$3,738,661	\$3,738,661
UNS Owned	\$1,191,463	\$1,687,757	\$1,687,757	\$1,687,757
Subtotal	\$5,917,463	\$5,426,418	\$5,426,418	\$5,426,418
<i>Customer Sited Distributed Renewable Energy</i>				
Residential UFI	\$180,000	\$100,000	\$100,000	
Commercial UFI	\$100,000	\$100,000		
Commercial PBI On-Going Commitments	\$1,786,546	\$1,348,451	\$1,348,451	\$1,348,451
Meter Reading	\$6,250	\$6,250	\$6,250	\$6,250
Education and Outreach	\$30,000	\$30,000	\$30,000	\$30,000
Subtotal	\$2,102,796	\$1,584,791	\$1,484,791	\$1,384,791
<i>Technical Training</i>				
Internal and Contractor Training				
Subtotal	\$37,500	\$37,500	\$37,500	\$37,500
<i>Information Systems</i>				
Subtotal	\$25,000	\$20,000	\$20,000	\$20,000
<i>Metering</i>				
Subtotal	\$76,070	\$47,430	\$47,430	\$47,430
<i>Labor and Administration</i>				
Labor, Materials, Supplies	\$207,722	\$193,424	\$193,424	\$193,424
AZ Solar Website	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal				
<i>Research and Development</i>				
Subtotal	\$27,500	\$31,200	\$31,200	\$31,200
Total Spending	\$8,395,051	\$7,341,763	\$7,241,763	\$7,141,763
Carryover of Previous Year's Funds	\$0	-\$1,393,241	-\$1,393,241	-\$1,393,241
Total Amount for Recovery	\$8,395,051	\$5,948,522	\$5,848,522	\$5,748,522

1 **Recovery of Funds Through 2014 REST Charge**

2 39. Staff's proposed caps and per kWh charge are designed to recover the \$5,948,522  
3 shown above.

4 40. The table below shows the proposed surcharge per kWh for the UNS and Staff  
5 options as well as the proposed caps under each option, in comparison to what is currently in effect  
6 for 2013. UNS's proposals roughly reduce the caps on all customer classes proportionately while  
7 holding the surcharge rate at \$0.012 per kWh. Staff's proposal spreads the reductions between the  
8 caps and the surcharge rate, resulting in the opportunity for a lower REST surcharge for a broader  
9 spectrum of UNS's customers.

10

	2013 Approved	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
REST Charge (per kWh)	\$0.012	\$0.012	\$0.012	\$0.012	\$0.010
<i>Class Caps</i>					
Residential	\$5.25	\$3.25	\$3.18	\$3.05	\$3.50
Commercial	\$150.00	\$90.00	\$90.00	\$90.00	\$90.00
Industrial and Mining	\$10,000.00	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00
Lighting	\$135.00	\$90.00	\$90.00	\$90.00	\$90.00

16 41. The cost recovery by customer class for the approved 2013 REST plan and  
17 estimates for the UNS and Staff options for the 2014 REST plan are shown in the table below. For  
18 comparison purposes, the table below also shows the projected MWH sales by customer class for  
19 2014.

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	2013 Approved REST Recovery	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal	2014 Projected Sales (MWH)
Residential	\$4,094,401 (49.6%)	\$2,826,476 (47.4%)	\$2,772,777 (47.3%)	\$2,673,049 (46.4%)	\$2,961,907 (49.9%)	834,910 (47.8%)
Commercial	\$3,577,873 (43.3%)	\$2,776,845 (46.6%)	\$2,776,845 (47.4%)	\$2,498,356 (48.2%)	\$2,498,356 (42.1%)	608,574 (38.8%)
Industrial and Mining	\$581,878 (7.0%)	\$359,970 (5.9%)	\$305,500 (5.2%)	\$305,500 (5.3%)	\$466,970 (7.9%)	303,775 (17.4%)
Lighting	\$5,906 (0.1%)	\$6,027 (0.1%)	\$6,022 (0.1%)	\$6,097 (0.1%)	\$6,097 (0.1%)	619 (0.0%)
Total	\$8,260,059	\$5,961,318	\$5,861,144	\$5,761,407	\$5,933,330	1,747,878

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42. The table below shows the contribution, per kWh consumed, for each customer class (projected class cost recovery divided by projected class kWh sales). The table thus provides a comparison of the relative contribution to REST funding by each customer class on a per kWh basis. Staff's proposal for class caps and the per kWh charge is intended to gradually move the customer classes closer to one another in terms of their contribution per kWh consumed in each customer class.

Contribution by Customer Class (per kWh)	2013 Approved	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
Residential	\$0.0049	\$0.0034	\$0.0033	\$0.0032	\$0.0035
Commercial	\$0.0058	\$0.0046	\$0.0046	\$0.0046	\$0.0041
Industrial/ Mining	\$0.0017	\$0.0012	\$0.0010	\$0.0010	\$0.0015
Lighting	\$0.0334	\$0.0097	\$0.0097	\$0.0097	\$0.0099

43. The table below shows the average REST charge by customer class as well as the percentage of customers at the cap for each customer class.

	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
Residential - Average Bill	\$2.90	\$2.85	\$2.75	\$3.04
Commercial - Average Bill	\$23.32	\$23.32	\$23.32	\$20.98
Industrial and Mining - Average Bill	\$7,489	\$6,500	\$6,500	\$9,911
Lighting - Average Bill	\$4.38	\$4.38	\$4.37	\$3.82
Residential - Percent at Cap	89.3%	89.6%	90.0%	86.9%
Commercial - Percent at Cap	25.9%	25.9%	25.9%	23.3%
Industrial and Mining - Percent at Cap	99.8%	100.0%	100.0%	99.1%
Lighting - Percent at Cap	4.9%	4.9%	4.9%	4.2%

44. Estimated customer bill impacts for various monthly consumptions are shown in the table below.

Example Customer Types	kWh / mo.	2014 UNS Proposed Plan A	2014 UNS Proposed Plan B	2014 UNS Proposed Plan C	2014 Staff Proposal
Residence Consuming	400	\$3.25	\$3.18	\$3.05	\$3.50

1	Residence Consuming	858	\$3.25	\$3.18	\$3.05	\$3.50
2	Residence Consuming	2,000	\$3.25	\$3.18	\$3.05	\$3.50
3	Dentist Office	2,000	\$24.00	\$24.00	\$24.00	\$20.00
4	Hairstylist	3,900	\$46.80	\$46.80	\$46.80	\$39.00
5	Department Store	170,000	\$90.00	\$90.00	\$90.00	\$90.00
6	Mall	1,627,100	\$90.00	\$90.00	\$90.00	\$90.00
7	Retail Video Store	14,400	\$90.00	\$90.00	\$90.00	\$90.00
8	Large Hotel	1,067,100	\$90.00	\$90.00	\$90.00	\$90.00
9	Large Building Supply	346,500	\$90.00	\$90.00	\$90.00	\$90.00
10	Hotel/Motel	27,960	\$90.00	\$90.00	\$90.00	\$90.00
11	Fast Food	60,160	\$90.00	\$90.00	\$90.00	\$90.00
12	Large High Rise Office Bldg	1,476,100	\$90.00	\$90.00	\$90.00	\$90.00
13	Hospital (< 3 MW)	1,509,600	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00
14	Supermarket	233,600	\$90.00	\$90.00	\$90.00	\$90.00
15	Convenience Store	20,160	\$90.00	\$90.00	\$90.00	\$90.00
16	Hospital (> 3 MW)	2,700,000	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00
17	Copper Mine	72,000,000	\$7,500.00	\$6,500.00	\$6,500.00	\$10,000.00

18 45. Staff has recommended approval of the Staff proposal.

#### 19 Staff Recommendations

20 46. Staff has recommended that the Commission approve the Staff budget option for  
21 the 2014 REST plan, reflecting a REST surcharge of \$0.01 per kWh, and related monthly caps of  
22 \$3.50 for the residential class, \$90.00 for the commercial class, \$10,000.00 for the industrial and  
23 mining class, and \$90.00 for the lighting class. This includes total spending of \$7,341,763 and a  
24 total amount to be recovered through the REST surcharge of \$5,948,522.

25 47. Staff has further recommended that the residential and commercial up-front  
26 incentives be set at \$0.10 per watt for 2014.

27 48. Staff has further recommended that solar water heating spending under the  
28 residential and commercial up-front incentive budgets be limited to \$20,000 each in 2014 and that  
the incentive level for residential and commercial solar hot water heating be set at \$0.40 per kWh  
in 2014.

49. Staff has further recommended that UNS's 2014 buildout plan for \$7 million in  
2014 be approved.

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1           IT IS FURTHER ORDERED that UNS Electric, Inc.'s proposal to eliminate incentives for  
2 technologies other than solar electric and solar hot water be and hereby is approved. UNS Electric,  
3 Inc. shall offer incentives on a case-by-case basis for such technologies, with the limitation that  
4 such incentives not be greater than the equivalent incentive offered for solar electric installations at  
5 the time.

6           IT IS FURTHER ORDERED that the compliance requirement from Decision No. 72034  
7 requiring UNS Electric, Inc. to file a one to two page summary and PowerPoint slides with its  
8 compliance reports and REST implementation plans be and hereby is eliminated.

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1 IT IS FURTHER ORDERED that UNS Electric, Inc. file a revised REST-TS1, to be  
2 effective January 1, 2014, consistent with the Decision in this case, within 15 days of the effective  
3 date of the Decision.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5  
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 \_\_\_\_\_  
9 CHAIRMAN

COMMISSIONER

10  
11 \_\_\_\_\_  
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

18 \_\_\_\_\_  
19 JODI JERICH  
20 EXECUTIVE DIRECTOR

21 DISSENT: \_\_\_\_\_

22 DISSENT: \_\_\_\_\_

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SERVICE LIST FOR: UNS Electric, Inc.  
DOCKET NO. E-04204A-13-0225

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