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IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN, DISTRIBUTED ENERGY ADMINISTRATIVE PLAN AND REQUEST FOR RESET OF ITS RENEWABLE ENERGY ADJUSTOR.	Docket No. E-01933A-13-0224 **FREEPORT-MCMORAN COPPER & GOLD INC. AND ARIZONANS FOR ELECTRIC CHOICE AND COMPETITION COMMENTS ON STAFF'S MEMORANDUM AND PROPOSED ORDER**

Freeport-McMoRan Copper & Gold Inc. ("Freeport-McMoRan") and Arizonans for Electric Choice and Competition ("AECC") hereby submit these Comments to the Staff Memorandum and Proposed Order ("Memorandum") dated September 30, 2013, concerning the Tucson Electric Power Company ("TEP") 2013 REST Application (Docket No. E-01933A-13-0224).

INTRODUCTION

In its Memorandum, Staff addresses the renewable energy budget options presented by TEP, as well as a fourth budget option recommended by Staff. Of the four budget options presented, AECC recommends adoption of the Staff Proposal, which is a modified version of TEP's Plan C. AECC recommends the adoption of Staff's proposed budget, as it is the least expensive alternative presented, and is reasonably designed to allow TEP to meet its renewable energy requirement.

However, despite recommending a lower annual REST surcharge recovery amount than that approved for 2013, Staff recommends increasing the monthly cap for Industrial customers, while decreasing the cap applicable to Small General Service, Large General Service, and Lighting customers. Since each of the plans presented by TEP and Staff results in a lower annual recovery amount compared to the 2013 level, AECC recommends that the monthly cap applicable to any customer group be set no higher than current rate caps. For this reason, AECC recommends adoption of the TEP Plan C rate design presented in Staff's Memorandum, which produces revenues nearly identical to that of Staff's recommended budget, but which retains the current cap for Industrial and Mining customers, Large General Service customers, and Residential customers, while reducing it for Small General Service, and Lighting customers. This rate design can be trued up to Staff's recommended budget by reducing the cap slightly for Large General Service customers (as Staff has recommended).

For the purposes of TEP's 2014 REST, AECC agrees with Staff that self-directed funding should be subject to the same limitations as incentives available to similarly-situated customers. To do otherwise would raise costs above what is necessary for compliance with the renewable energy requirement.

DISCUSSION

I. Of the Four Budget Options Addressed by Staff, the Staff Proposal Provides the Most Reasonable Level of Expenditure on Renewable Energy.

In accordance with A.A.C. R14-2-1804 and R14-2-1805, TEP is required to obtain 4.5 of its annual retail sales from renewable resources in 2014, and 30 percent of that 4.5 percent must come from Distributed Generation. TEP presents three budget options in its REST Implementation Plan Application filed July, 1, 2013 ("TEP Application"), each of which is designed to meet this renewable energy target. The plans differ regarding the Up Front Incentives ("UFIs") offered for solar photovoltaics and hot water heater installations, with Plan A offering UFIs for both residential and commercial installations, Plan B only for residential installations, and Plan C not providing any additional UFIs. Staff's Proposal is largely consistent with TEP's Plan

C, the least expensive of the three options presented by TEP, but Staff recommends a slightly lower budget (approximately $25,000) due to a reduction in the information technology budget. Of the four budget options presented, AECC recommends the adoption of Staff's Proposal, which is the least expensive alternative presented, and is reasonably designed to allow TEP to meet its renewable energy requirement.

II. **The 2014 REST Surcharge Monthly Cap for Any Customers Group Should Be No Higher than the Corresponding 2013 REST Surcharge Cap.**

Each of the plans presented by TEP, as well as the budget recommended by Staff, would result in a lower annual recovery amount than the budget approved for the 2013 REST Plan, after accounting for carryover funds. However, Staff recommends increasing the monthly cap applicable to Industrial and Mining customers from the current rate of $7,700 to $8,000, while decreasing the monthly caps applicable to Small General Service, Large General Service, and Lighting customers.

TEP conceptually recommends utilizing the proportional cap allocation method, in which caps for all customer classes are increased proportionately based on the budget level approved (TEP Application at 11). By this logic, and in light of the fact that each of the plans presented by TEP and Staff results in a lower annual recovery amount compared to the 2013 level, the monthly cap applicable to any customer group should be set no higher than current rate caps.

AECC recommends adoption of the TEP Plan C rate design presented in Staff's Memorandum, which produces revenues nearly identical to that of Staff's recommended budget, and which retains the current cap for Industrial and Mining customers, Large General Service customers, and Residential customers, while reducing it for Small General Service and Lighting customers. This rate design can be trued up to Staff's recommended budget by reducing the cap slightly for Large General Service customers.

III. For the Purposes of the Upcoming Year, AECC Agrees with Staff that Self-Directed Funding Should be Subject to the Same Limitations as Other Incentives.

According to TEP's Application, two customers have submitted requests for self-directed funding. TEP has indicated that it will deny these requests, since it currently has no budget for non-residential programs, and even TEP's Plan A budget would be insufficient. In addition, the projects exceed the current 70 kW-dc limit.

While AECC is conceptually supportive of self-direction, AECC supports TEP's decision to deny these requests at this time. Approval of these projects would require a budget increase and/or redirection of funds from other programs. For the purposes of TEP's 2014 REST, AECC agrees with Staff that it is reasonable to limit access to self-directed funds when incentives are limited generally for similarly-situated customers. Further, for the purposes of the upcoming year, AECC agrees that incentive levels and size limitations should be consistently applied to customers within a class, including funding for self-directed projects. To do otherwise would raise costs above what is necessary for compliance with the renewable energy requirement.

CONCLUSION

For the reasons set forth above, AECC requests the Arizona Corporation Commission make the changes recommended by AECC to the Proposed Order.

RESPECTFULLY SUBMITTED this 10th day of October 2013.

FENNEMORE CRAIG, P.C.

By ______________________

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ORIGINAL and **13 COPIES** of the foregoing
FILED this 10th day of October 2013 with:

Docket Control
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