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Arizona Corporation Commission

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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,

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

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

15 DISCUSSION

16 **I. Of the Four Budget Options Addressed by Staff, the Staff Proposal Provides** 17 **the Most Reasonable Level of Expenditure on Renewable Energy.**

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

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

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

8 Each of the plans presented by TEP, as well as the budget recommended by
9 Staff, would result in a lower annual recovery amount than the budget approved for the
10 2013 REST Plan, after accounting for carryover funds. However, Staff recommends
11 increasing the monthly cap applicable to Industrial and Mining customers from the
12 current rate of \$7,700 to \$8,000, while decreasing the monthly caps applicable to Small
13 General Service, Large General Service, and Lighting customers.

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

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

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

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

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

17 **CONCLUSION**

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

20 RESPECTFULLY SUBMITTED this 10th day of October 2013.

21 FENNEMORE CRAIG, P.C.

22
23 By 

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

3 Docket Control
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7 **COPY** of the foregoing was **HAND-DELIVERED/**
8 **MAILED** this 10th day of October 2013 to:

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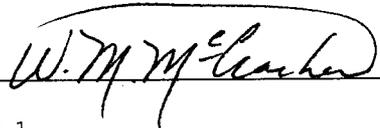
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