



UNS Energy Corporation

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**Carmine Tilghman**  
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November 12, 2013

Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007-2927

Re: Arizona Public Service Company Net Metering Application  
Docket No. E-01345A-13-0248  
Supplemental Comments Regarding Staff Recommended Alternative #2

Dear Commissioners:

On behalf of Tucson Electric Power Company and UNS Electric, Inc. (together, the "Companies"), I would like to offer additional comments on Staff Recommended Alternative #2, a proposed interim solution to the acknowledged cost-shifting under the Arizona Public Service ("APS") net metering tariff.

After reviewing APS' Nov. 6, 2013, response to Commissioner Gary Pierce's Oct. 17, 2013, letter in this docket, the Companies agree that Staff Recommended Alternative #2 could partially, yet meaningfully, mitigate the cost-shifting problem. Establishing a monthly distributed generation ("DG") Premium that reflects the difference between retail electric rates and the cost of utility scale solar power could recover a portion of the fixed service costs net-metered customers currently avoid through use of DG systems.

To work properly, the formula used to calculate the DG Premium must employ accurate values for both the utility-scale Power Purchase Agreement rate ("PPA rate") and the affected utility's retail electric rate. The Companies find merit in APS' suggestion that the PPA rate reflect current, independently established values for larger-scale systems, as they more accurately reflect the state of the market for utility-scale solar power. Such a value could be established in this docket for all utilities and allowed to remain in place until a utility's next rate case to avoid repeated assessment and calculation of this interim measure.

The Companies expressed concern previously that the use of inappropriate values in calculating the DG Premium could result in inadequate cost recovery under Staff Recommended Alternative #2. But in hopes of finding compromise among parties that recognize the DG cost-shifting problem, the Companies would support the Commission's approval of Staff Recommended Alternative #2 with adoption of the PPA Rate calculation proposed by APS. This option would provide an appropriate interim solution to the cost shifting problem identified by APS and confirmed by both Staff and the Residential Utility Consumer Office in their comments to this docket.

Sincerely,

Carmine Tilghman

Cc: Docket Control  
Parties of Record in Docket No. E-01345A-13-0248

Arizona Corporation Commission

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