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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

BOB STUMP - CHAIRMAN 2014 JAN 17 P 4:04  
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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE COMMISSION'S ) DOCKET NO. E-00000J-13-0375  
INQUIRY INTO POTENTIAL IMPACTS TO )  
THE CURRENT UTILITY MODEL RESULTING )  
FROM INNOVATION AND TECHNOLOGICAL )  
DEVELOPMENTS IN GENERATION AND )  
DELIVERY OF ENERGY )

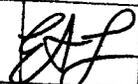
NOTICE OF FILING  
COMMENTS OF TUCSON  
ELECTRIC POWER COMPANY  
AND UNS ELECTRIC, INC.

Tucson Electric Power Company and UNS Electric, Inc., through undersigned counsel,  
hereby file comments in response to the December 5, 2013 letter from Commissioner Robert L.  
Burns in this docket.

RESPECTFULLY SUBMITTED this 17th day of January, 2014

TUCSON ELECTRIC POWER COPMANY  
UNS ELECTRIC, INC.

Arizona Corporation Commission  
DOCKETED  
JAN 17 2014

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1 Original and 13 copies of the foregoing  
filed this 17<sup>th</sup> day of January 2014 with:

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5 Copy of the foregoing hand-delivered/mailed  
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By Jaclyn Howard

**Tucson Electric Power and UNS Electric  
Joint Response to Initial Inquiries re: Innovations and Technological Developments  
Docket No. E-00000J-13-0375**

Tucson Electric Power ("TEP") and UNS Electric, Inc. ("UNSE") (jointly, the "Companies") hereby submit these joint comments in response to a December 5, 2013 letter from Commissioner Robert L. Burns regarding the scope of a proposed discussion of innovation and technology in Docket No. E-00000J-13-0375.

The Companies appreciate the Commission's interest in emerging energy technologies and would support further discussion of the matters raised in Commissioner Burns' letter. We recognize that our ability to maintain safe, reliable and cost-effective service and meet the changing needs of our customers in the years and decades to come will depend in large part on successfully addressing such issues. The Commission, for its part, also must prepare to establish new guidelines and resolve the regulatory questions that will inevitably arise as these innovations create new opportunities, obligations and challenges for electric utilities and their customers.

Technology and innovation have been at the core of the electric utility business for more than a century. From 1879, when the electric light bulb brought lighting into homes, through the development of the interstate electric grid to the construction of the first U.S. commercial nuclear power plant in 1958, our industry has embraced new technologies.

Today, our industry's commitment to innovation is evident in our growing use of advanced meters, improved system monitoring and real-time communication tools, technologies sometimes described in aggregate as the "smart grid." It also can be seen in the ongoing expansion of our renewable energy resources, including the Companies' successful efforts to meet the goals established by Arizona's Renewable Energy Standard.

TEP in particular has emerged as a national leader in renewable energy through the cost-effective deployment of various new energy technologies and creative partnerships with customers and their community. For example, TEP has partnered with the University of Arizona ("UA") Tech Park to develop the Solar Zone, one of the nation's leading centers for the testing, evaluation, demonstration and deployment of new solar energy technology. The company also has worked closely with the Arizona Research Institute for Solar Technology ("AzRISE") to research energy storage technology and address grid integration challenges posed by intermittent photovoltaic ("PV") resources. In light of such efforts, the Solar Electric Power Association ("SEPA") honored TEP as its 2012 Investor-Owned Utility of the Year in recognition of its leadership and continued investment in solar energy.

Such success has helped our Companies prepare for future technological challenges, including many that were raised in Commissioner Burns' letter. Last year, TEP established a Technology Council made up of a cross-functional team of employees who have been asked to research and analyze emerging technologies, markets and industrial trends and their potential impacts on

our customers and our ability to provide safe, reliable service. New customer-centric energy technologies are changing the ways our customers meet and manage their energy consumption, and they will require our utilities to offer more product, service and pricing options.

The proposed workshops in this docket could help engage the Commission in the discussions already taking place within and among Arizona's regulated utilities. While the workshops will explore industry-wide issues, they also should highlight regional and utility specific differences that might cause certain innovations and technologies to impact individual Arizona utilities in different ways.

To provide an appropriate backdrop for these discussions, we propose the following:

1. The initial workshop should begin with a utility-industry expert to provide a review of current regional grid operations, a high-level overview of various new energy technologies and an analysis of how those innovations might affect grid operations. This should be followed by presentations from experts in specific technologies.
2. A subsequent workshop should focus on how new policies and new technologies might impact the reliability and operations of *individual* Arizona utilities. As operators of our own transmission and distribution systems, the Companies are in the best position to understand the increasing complexities and nuances of grid operations and how changing external factors could impact the safety and reliability of our systems.

The Companies believe these workshops on innovative technologies will highlight the need for equally innovative regulatory models and policies. If the adoption of new products and services changes consumer behavior, our utility rates will need to adapt, becoming more transparent and responsive. Moreover, the current regulatory model, which is based on the outdated assumption that electric sales perpetually increase, must change. Utilities and regulators alike should be prepared to address the technological changes that are expected to challenge and transform the electric utility industry. For these reasons, the Companies look forward to participating in the proposed workshops in this docket.