BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	Docket No. E-01933A-12-0291 **COMMENTS OF FREEPORT-MCMORAN COPPER & GOLD INC. AND ARIZONANS FOR ELECTRIC CHOICE AND COMPETITION ON TUCSON ELECTRIC POWER COMPANY'S DRAFT INTERRUPTIBLE SERVICE TARIFF, RIDER R-12**

Freeport-McMoRan Copper & Gold Inc. and Arizonans for Electric Choice and Competition (collectively "AECC") hereby files these Comments on Tucson Electric Power Company's ("TEP") Draft Interruptible Service Tariff, Rider R-12.

INTRODUCTION

On October 30, 2013 TEP filed Rider R-12, Interruptible Service, pursuant to the terms of the Settlement Agreement approved by the Commission in TEP's general rate case, Docket No. E-01933A-12-0291. AECC strongly supports adoption of an interruptible service tariff, but believes that a number of changes must be made to TEP's proposed Rider R-12 for the interruptible service contemplated under the tariff to be viable.

By way of background, TEP had previously filed on October 26, 2009, an interruptible service tariff, Rider-5 ISCC ("Rider 5"), pursuant to the terms of the Settlement Agreement approved by the Commission in TEP's *prior* general rate case, Docket No. E-01933A-07-0402. That previously-proposed tariff is part of the record of this docket in AECC Exhibit KCH-28 and is attached to these comments for ease of reference. However, Rider 5 was never approved by the Commission. AECC makes particular note of Rider 5 because it incorporated several features that AECC and TEP had agreed upon after detailed discussion. Several of those agreed-upon features have been excluded or changed in the new Rider R-12 proposal. At the same time, there was one area of significant disagreement in Rider 5 that has been rectified in Rider R-12, namely the elimination of the "shared savings factor," which would have made Rider 5 unworkable. AECC strongly supports this change.

In commenting on Rider R-12, AECC will refer back to the Rider 5 proposal in a number of instances in which that previous proposal has a superior and more reasonable design. Improving the design deficiencies in the new Rider R-12 proposal is essential if interruptible service is to become a viable option in the TEP service territory.

Use of Market Values

Both Rider R-12 and the previously-proposed Rider-5 contemplate using market values to determine the value of interruptible capacity. AECC does not object to this basic approach.

Credit for Avoided Reserves and Line Losses

Rider 5 appropriately provided a 16% credit for avoided reserves and an additional 3% credit for avoided line losses attributable to the interruptible capacity in the valuation of the capacity credit. Rider R-12 provides no comparable credit. This deficiency should be corrected.

Reasons for Interruption

Section (2) in the proposed Terms and Conditions of Service for Rider R-12 specifies that curtailments can be called for economic or non-economic reasons. This is a departure from the previous language in Rider 5, which stated that, "Interruptions called pursuant to the terms of this Rider will not be made solely for economic reasons." In making this change, TEP has broadly expanded the reasons for which an interruption may be called. AECC recommends that interruptions be limited to those required to ensure system reliability as contemplated in Rider 5.

Duration and Frequency of Single Interruptions and Cumulative Annual Duration of Interruptions

Rider 5 provided that a single interruption would be 4 hours and that TEP could order up to three interruptions per day. Rider R-12 proposes to increase the duration of an interruption to 6 hours and provides that TEP can order up to two interruptions per day. AECC recommends that the 4 hour duration proposed in Rider 5 be retained, with up to two interruptions ordered per day. This means that a customer would be committing to interrupt up to one eight-hour shift in a day.

Further, Rider 5 provided three options for cumulative annual interruptions: 20 hours, 40 hours, and 80 hours. Each of these options had a unique discount applied to the market valuation of the capacity that corresponded to the amount of annual availability. For instance, customers selecting the 20 hour option would receive only 60% of the full market valuation (after adjusting for avoided reserves and line losses discussed above). This proportion increased to 65% of the full market valuation for the 40 hour option and 75% for the 80 hour option. AECC supported these provisions as filed by TEP in Rider 5.

In contrast, Rider R-12 offers no comparable duration options but has a single cumulative cap of 120 hours. AECC does not object to the inclusion of a 120-hour cap at 100% of full market valuation, as proposed by TEP, but suggests that this should be an *option* among the other duration options originally proposed in Rider 5. Having several duration options from which to choose is likely to increase the attractiveness of the program to participants.

Emergency Interruptions

Section (8) in the proposed Terms and Conditions of Service for Rider R-12 specifies that "Emergency interruptions shall not count as interruption events for the purposes of this Rider." AECC maintains that emergency interruptions should count as interruption events, and that interruptible customers that have already been subjected to the Maximum Annual Duration of interruptions should be treated on a non-discriminatory basis relative to non-interruptible customers for the purposes of determining whether to interrupt the customer's service.

Nomination of Interruptible Load by the Customer

AECC does not disagree with the basic concept addressed in this section but recommends that the process outlined in this section be modified. Based on the experience of AECC's members, it is operationally preferable for the Interruptible Customer to designate in advance the amount of *firm* load, and all remaining load should be considered interruptible. AECC recommends that the first two sentences of this section be amended as follows:

"Nomination will occur before April 15 of the calendar year of year interruption season. Participating Customers shall designate by service point the portion of their load that is Firm Load (in kW), which shall not be subject to interruption. All remaining load shall be Interruptible Load ~~(in kW)~~."

Penalty for Failure to Interrupt

The draft tariff does not specify a penalty for failure to interrupt. AECC proposes the following language to be a reasonable and material penalty for failure to interrupt:

"Customers failing to interrupt contract interruptible load for any interruption event during the billing month forfeits the discount for that billing month. A second failure of the Customer to comply with any mandated interruption for capacity constraints within twelve (12) months of the first failure will result in the Customer being removed from this Pricing Plan for up to a twenty-four month period.

Additionally, a Customer's failing to interrupt contract interruptible load for any interruption event shall purchase interruptible power taken during the event at a penalty price calculated as two (2) times the incremental cost of power (higher of generated cost or market cost) taken in violation of the interruption order. The Customer's penalty payment shall be credited to the PPFAC."

CONCLUSION

AECC respectfully requests that the above changes recommended by AECC be incorporated into TEP's Draft Interruptible Service Tariff, Rider R-12.

DATED this 29th day of January, 2014.

FENNEMORE CRAIG, P.C.

By [signature]
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8845659

EXHIBIT KCH-28

Exhibit KCH-28

TEP's Oct 26, 2009 Interruptible Tariff Filing, Docket Nos. E-001933A-05-0605 & E-01933A-04-0402

BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE FILING BY TUCSON ELECTRIC POWER COMPANY TO AMEND DECISION NO. 62103.	DOCKET NO. E-01933A-05-0650
IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. E-01933A-07-0402 **NOTICE OF FILING**

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel and pursuant to the Tucson Electric Power Company Proposed Rate Settlement Agreement, approved by Decision No. 70628 (December 1, 2008) ("2008 Settlement Agreement"), hereby files with the Arizona Corporation Commission ("Commission") two (2) Large Light and Power ("LLP") Interruptible tariffs. In support of its Application, TEP states as follows:

I. TARIFFS.

Section 18.1 of the 2008 Settlement Agreement requires TEP to file Partial Requirements, Interruptible, Demand Response, and Bill Estimation tariffs. TEP previously has filed Partial Requirements, Demand Response, and Bill Estimation tariffs. Pursuant to the Settlement Agreement, TEP has consulted with Commission Staff and Interested Stakeholders prior to filing this Application. TEP hereby files the required Interruptible tariffs applicable to Large Light and Power (LL&P) Customers, as provided below:

- Rider-5 ISCC – Interruptible Service Capacity Constraint (Attachment "A")
- Rider-6 CEP – Experimental Critical Event Pricing Rider (Attachment "B")

Rider-5 ISCC addresses interruptions prompted by anticipated capacity constraints on the TEP system. The establishment of this interruptible program provides benefits to larger customers who are willing and able to reduce loads during periods of capacity constraints. This helps improve system reliability. Rider-6 CEP addresses interruptions prompted by economic considerations, and will provide participating customers an opportunity to receive a certain discount in exchange for a commitment to reduce purchases in periods declared critical by TEP when the cost of supplying power is highest. The reduction in purchases during critical periods helps reduce the cost of electricity that is ultimately recovered through the Purchased Power and Fuel Adjustment Charge ("PPFAC").

TEP favors an "experimental" implementation of these programs, with the tariff sheets accordingly marked as "experimental." This would recognize the need for periodic review of the program, and subject to the Commission's approval, allow adjustments to the tariff's prices, terms, and conditions to help optimize the operation of the interruptible tariffs.

II CONCLUSION.

TEP respectfully requests that the Commission approve its Rider-5 ISCC – Interruptible Service Capacity Constraint and Rider-6 CEP – Experimental Critical Event Pricing Rider.

RESPECTFULLY SUBMITTED this 26th day of October 2009.

Tucson Electric Power Company

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Attachment "A"

Tucson Electric Power
The Energy People

Rider-5 ISCC
Experimental Interruptible Service Capacity Constraint

APPLICABILITY
The Company agrees that interruptions called under the provisions of this Rider-5, Interruptible Service Capacity Constraint ("ISCC"), are limited to interruptions required to ensure system reliability. Interruptions called pursuant to the terms of this Rider will not be made solely for economic reasons.

AVAILABILITY
Available to Customers receiving and qualifying for electric service under pricing plans applicable to service over 3,000 kW, and are willing to subscribe to at least 1,000 kW of interruptible load at a contiguous facility.

CHARACTER OF SERVICE
Must meet all service requirements for the Customers applicable Standard Offer pricing plan.

COMPANY'S ANNUAL POSTING OF AVAILABLE INTERRUPTIBLE CREDITS AND ASSOCIATED NOTICE REQUIREMENTS AND MAXIMUM HOURS OF INTERRUPTION
The Company will post Market Based Capacity Price MBCP(defined below), and available Interruptible Credits, by Notice Requirement and Maximum Hours of Interruption (Maximum Annual Duration) for upcoming months of May through October of the calendar year by March 15 of the same calendar year. A sample Interruptible Credit Availability Matrix is shown below.

The credits vary by Maximum Annual Duration and Notice Requirement. Typically, as Maximum Annual Duration increases – other factors held constant – the Interruptible Credit increases; and as the Notice Requirement increases (e.g., from ≤ 10 minutes to ≤ 30 minutes) – other factors held constant – the Interruptible Credit decreases. The Shared Savings Factor may also vary, and this will affect the Interruptible Credit.

NOMINATION OF INTERRUPTIBLE LOAD BY CUSTOMER
Nomination will occur before April 15 of the calendar year of each interruption season. Participating Customers shall designate the portion of their load that is Interruptible Load (in kW). A participating Customer also shall designate its choice for the Notice Requirement option and the Maximum Annual Duration option. A Customer may only choose from the available options posted by the Company.

A single Notice Requirement option and a single Maximum Annual Duration option applies to all load nominated at a single service point. A Customer may not split interruptible load at a single service point among multiple options. Customers with multiple service points may designate different Notice Requirement options and different Maximum Annual Duration options for different service points. If the Customer intends to interrupt a specific activity or function at its operation, the Customer should state this activity or function at the time Interruptible Load is nominated. The minimum nomination of interruptible load summed over a participating Customer's service points shall be 1,000 kW.

INTERRUPTIBLE CREDIT
Customers who elect service under this Rider-5 will receive a monthly Interruptible Credit. The credit will be an Interruptible Demand Charge Credit (in $/kW) applied to the Customer's Interruptible Load in kW. The Demand Charge (kW) Credit will be applied to the monthly demand charge for the Customer's Standard Offer Pricing Plan otherwise applicable under full requirements of service.

Tucson Electric Power
The Energy People

Rider-5 ISCC
Experimental Interruptible Service Capacity Constraint

The Demand Charge Credit shall be calculated as follows:

Market Based Capacity Price (MBCP) * A * B * C * D * E * F

(A) The 116% (+/-) Reserves Factor above represents the avoidance of reserves needed to support the interruptible load.

(B) The 103% (+/-) Line Loss Factor above represents the avoidance of transmission line losses by displacing purchased capacity.

(C) The 50% Annualization Factor above represents an annualization of the Demand Charge Credit. Applicable capacity is purchased over a six month summer time frame, while the Demand Charge Credit applies in all twelve months of the year.

(D) The Availability Weighting factor represents a discount applied to Interruptible Load to reflect its reduced availability under the terms of this Rider relative to purchased capacity. TEP recommends an Availability Weighting Factor based on the matrix below for the different hours per year.

(E) Shared Savings Factor:
The 25% Shared Savings Factor awards one-fourth of the interruptible benefit to the Customer subject to interruption and the remaining three-fourths to other system customers. (The Shared Savings Factor initially is set to 25% under this experimental tariff. A change in this factor requires Commission approval. A higher factor would award more benefit to the Interruptible Customer and less benefit to other customers and would provide a greater incentive for Customers to interrupt.)

(F) The Notice Factor of 100% is applicable to load that is interruptible with notice of Less Than or Equal to 10 Minutes and equals 50% for longer notice requirements.

SAMPLE INTERRUPTIBLE CREDIT AVAILABILITY MATRIX:

Maximum Annual Duration	80 Hours Per Year		40 Hours Per Year		20 Hours Per Year	
Notice Requirement	≤ 10 Minutes	≤ 30 Minutes	≤ 10 Minutes	≤ 30 Minutes	≤ 10 Minutes	≤ 30 Minutes
Reserves Factor (%)	116%	116%	116%	116%	116%	116%
Line Loss Factor (%)	103%	103%	103%	103%	103%	103%
Annualization Factor (%)	50%	50%	50%	50%	50%	50%
Availability Weighting Factor (%)	75%	75%	65%	65%	60%	60%
Shared Savings Factor (%)	25%	25%	25%	25%	25%	25%
Notice Factor (%)	100%	50%	100%	50%	100%	50%

Note: Rates and nominated hours for current season will be posted by Company via the Internet on or before March 15 of every year.

Tucson Electric Power
The Energy People

Rider-5 ISCC
Experimental Interruptible Service Capacity Constraint

Example: Assume a MBCP of $8 per kW-month. Assume a Customer is interruptible on 10 minutes notice or less and selects the 80 hours/year Maximum Annual Duration option. Multiply by 116% for avoided reserves. Multiply by 103% for avoided line losses. Multiply by 50% for Annualization. Multiply by the 75% for Availability Weighting. And multiply by 25% for Shared Savings. Multiply by 1 (no change) for Notice Factor. The resulting Demand Charge Credit for this example is $0.896 per kW month.

The Demand Charge Credit is rounded to the nearest mill (1/10 cent).

MARKET BASED CAPACITY PRICE (MBCP)
The Market Based Capacity Price (MBCP) reflects opportunity cost of capacity as revealed through the Company's resource procurement process. Resource prices are sensitive and confidential information based on competitive bids; however this information will be made available to the Commission Staff and/or an Independent Monitor(s) for review. The MBCP is a price applicable to six summer months only.

PENALTY FOR FAILURE TO INTERRUPT
Customers failing to interrupt contract interruptible load for any interruption event during the billing month forfeits the discount for that billing month. A second failure of the Customer to comply with any mandated Interruption for capacity constraints may, in the Company's sole discretion, result in the Customer being removed from this Pricing Plan for up to a twenty-four month period.

Additionally, a Customers failing to interrupt contract interruptible load for any interruption event shall purchase interruptible power taken during the event at a penalty price calculated as ten (10) times the incremental cost of power (higher of generated cost or market cost) taken in violation of the interruption order. The Customer's penalty payment shall be credited to the PPFAC.

These penalties shall not apply in instances in which the failure to interrupt is due to the failure of the Company or its equipment to communicate or implement the interruption properly.

RECOVERY OF PROGRAM COSTS

ISCC Customers' bills will be credited on a demand basis ($/kW). Recovery of the credits – the cost of the interruptible resource under this Rider - shall be on an energy basis ($/kWh) through the Purchased Power and Fuel Adjustment Clause (PPFAC). The credits shall be treated in the same manner as any other prudent fuel / purchase power cost.

TERMS AND CONDITIONS OF SERVICE

1. The Customer must have sufficient load to qualify for Large Light & Power service (either Time-of-Use or Non-Time-of-Use).

2. The Customer must designate for each service point its choice for the Notice Requirement option among available posted options (typical options that may be available, at the Company's discretion: Less than or Equal to 10 Minutes OR Less Than or Equal to 30 Minutes.)

3. Ten-Minute Notice Provision - Upon receiving an interruption notice, a Customer providing Interruptible Load at a subscribed service point shall reduce its load to a level no greater than its Firm Load. This reduction must occur within ten minutes or Customer will be subject to the Penalty for Failure to Interrupt.

Tucson Electric Power
The Energy People

Rider-5 ISCC
Experimental Interruptible Service Capacity Constraint

4. Thirty-Minute Notice Provision - Upon receiving an interruption notice, a Customer providing Interruptible Load at a subscribed service point shall reduce its load to a level no greater than its Firm Load. This reduction must occur within thirty minutes or Customer will be subject to the Penalty for Failure to Interrupt.

5. The Customer shall contract for Interruptible Load (sum of all notice options at Customer's contiguous facility) of not less than 1,000 kW.

6. A single interruption event is limited to no more than 4 hours in duration.

7. A Customer receives 4 hours credit for any single interruption event to apply toward the Maximum Annual Duration, even if the duration of the event is less than 4 hours.

10. The Company may call two consecutive interruption events in calendar day (midnight to midnight). The maximum number of back-to-back interruption events over any time period is two. For example, if the Company calls Event 1 from 4 p.m. to 8 p.m. on Day 1, it may also call Event 2 starting at 8 p.m. on Day 1 and continuing for four hours to midnight. However, Company may not call another back-to-back third event staring at the beginning of Day 2 (midnight) and continuing to 4 a.m. on Day 2. This would result in three consecutive back-to-back interruption events, which is not allowed hereunder.

11. The maximum number of interruption events in any calendar day is three.

12. The Customer will provide communication equipment (e.g., telephone line, paging, or wireless service, relays, RTU's (remote transmitting units), meters, recorders, and related software and hardware infrastructure) necessary to-comply with data requirements including verification. The Customer must furnish, install, own, and maintain all Company-approved equipment necessary for the Company to provide interruption notification to the Customer from its master control station.

13. Company shall not be liable for any loss or damage caused by or resulting from any interruption of service.

14. Nothing herein prevents the Company from interrupting service for emergency circumstances, determined in the Company's sole discretion. Emergency interruptions shall not count as interruption events for purposes of this Rider.

15. The standard Rules and Regulations of the Company, as on file with the Arizona Corporation Commission, shall apply where not inconsistent with this rate schedule.