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Arizona Corporation Commission
DOCKETED

MAR 07 2014

Tucson Electric Power **RECEIVED**

88 East Broadway Blvd., Post Office Box 711
Tucson, AZ 85702 2014 MAR -1 P 2:17

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March 7, 2014

ACC CORP COMMISSION
DOCKET CONTROL

Robert G. Gray
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85001

ORIGINAL

Re: ACC Staff's Questions on TEP's Voluntary Solar Contributions Program – Tucson Electric Power Company 2014 RES Implementation Plan Docket No. E-01933A-13-0224, Decision No. 74165

Dear Mr. Gray,

Tucson Electric Power Company (“TEP” or “Company”) has received your February 26, 2014 letter requesting additional information setting forth eight questions about TEP’s Voluntary Contributions Program (“VSCP”) proposal that was submitted in compliance with Arizona Corporation Commission (“Commission”) Decision No. 74165 (October 25, 2013). Set forth below are TEP’s responses to the questions.

1. Will the VSCP funds established by TEP be interest bearing?

No, the funds collected by the VSCP will not be interest bearing. TEP proposes that the collected funds be treated the same as the annual REST surcharge. Currently, there is no Commission Order authorizing interest to be accrued on the funds collected through the surcharge. Additionally, it is cost prohibitive to establish and maintain a separate interest bearing account due to the high costs of fees required to maintain such segregated business transaction accounts.

2. How will the billing format be modified to allow for voluntary contributions from customers?

The billing format will be modified as shown on Attachment A to allow for voluntary contributions

3. The VSCP seems to exclude any person and/or entity that is not a TEP customer. Is this correct? If yes, why should non-TEP customers be excluded from making contributions?

The VSCP will only be available to existing TEP customers. The Company has the ability to provide TEP customers with verification of their contributions through the on-bill feature (see

response to Question No. 2). However, TEP does not have existing IT capability to either account for, or provide verification of, contributions made by non-TEP customers. In addition to the technological impediment, TEP is concerned that allowing non-TEP customers to make unregulated monetary contributions could lead to market manipulation. However, should the Commission order TEP to receive monetary contributions for the Program from non-TEP-customers, the Company strongly recommends that those contributions be limited for use in marketing efforts associated with the program, and not as Up Front Incentives (“UFIs”).

4. Section 8 includes reporting Marketing Expenses; will TEP also be reporting on the effectiveness of its marketing/promotional efforts?

TEP will report marketing expenses for the VSCP, along with quantitative data for program participation. However, in order to report on the effectiveness of the efforts, the Company will require additional guidance from Staff and the Commission on what metrics should be used in the evaluation of the effectiveness of TEP’s marketing and promotional efforts.

5. What is the purpose of the second paragraph under Section 8. Marketing?

The purpose of the second paragraph under “Section 8. Marketing”, is to clarify the source of funding for marketing the program. Marketing funds necessary for the residential program will be drawn from the monies contributed by residential customers; similarly, funds necessary for marketing to commercial customers will come from the funds contributed by the commercial customers. For marketing efforts associated with all customers (*i.e.*: billboards, radio advertisements, etc.) funds shall be drawn equally from both customer class contributions.

6. What level of funds in the VSCP accounts would TEP consider sufficient to implement UFIs?

Beyond initial marketing expenses, TEP does not believe that any specific level of funding is necessary to implement UFI’s (see response to Question No. 8). At this time, TEP does not have any Commission-approved UFIs for residential rooftop solar. TEP does not believe this VSCP is necessary at this time because residential installations are self-sustaining without utility incentives in TEP’s service area. In fact, the Company is compliant for non-residential DG through approximately 2020. Currently, TEP is on target to process 10 MW of residential solar applications in 2014, all of which is being installed with no utility incentives offered. This 10 MW represents an approximate 50% increase in applications over previous years when a Commission-approved incentive was in place.

7. What would TEP recommend as the appropriate levels of UFIs for each type of distributed generation (“DG”) installation once sufficient funds are available in the VSCP account?

TEP recommends that the UFIs in the VSCP be set at the current Commission-approved level; for TEP, that is \$0.00. Future incentives should be set to the equivalent value as approved in the Company’s annual implementation plan.

8. How and when would the UFI's from the VSCP program be made available?

UFIs under the VSCP would be made available on a first come, first served basis. For example, if the VSCP UFI was set at \$0.10 per watt, TEP would collect and distribute funds as they were received and available to fund projects with submitted reservations. Should the first reserved project request funding for a 7 kW system, the project would be held in pending status until \$700 has been collected. At that time, the project would receive notification of funding and permission to proceed. Subsequent projects would be funded in a similar fashion in the order the reservations are received.

Please feel free to contact me at (520) 745-7108 or email me at CTilghman@tep.com should you have any further questions.

Sincerely,



Carmine Tilghman
Senior Director of Wholesale, Fuels
& Renewable Resources

Cc: Docket Control (Original and 13 copies)

ATTACHMENT A

PO Box 80077
Prescott AZ 86304-8077

Account: [REDACTED]
Bill Date: 3-03-2014
Due Date: 3-17-2014

Previous Balance 51.06
Payments 0.00
Pledged Contributions 0.00
Current Charges 50.49
Adjustments (Refunds & Fees) 0.00
AMOUNT DUE 101.55

R-01-Residential Service (Service No. [REDACTED]) 01/28/2014 to 02/26/2014

DELIVERY SERVICES

Customer Charge 10.00
Winter - 1st 500 kWh 267.00 @ \$0.0562 15.01

POWER SUPPLY CHARGES

Winter - kWh 267.00 @ \$0.031532 8.42
PPFAC - kWh 267.00 @ \$-0.001388 0.37 CR

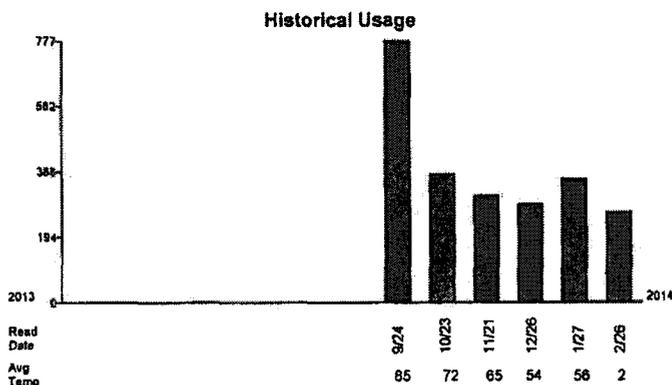
GREEN ENERGY CHARGES

Renewable Energy Standard Tariff 2.14
DSM Surcharge - kWh 267.00 @ \$0.002232 0.60
ECA Surcharge - kWh 267.00 @ \$0.00004 0.01
LFCR EE 0.3714% of \$33.06 0.12
LFCR DG 0.1073% of \$33.06 0.04

TAXES AND ASSESSMENTS

ACC Assessment 0.07
RUCO Assessment 0.01
City Franchise Fee 0.81
State Sales Tax 2.09
County Sales Tax 0.19
City Sales Tax 0.72
City Public Utility Tax 0.63

TOTAL CURRENT CHARGES - Electric Service 40.49



Meter	Unit of Measure	Next Read Date	Current Read Date	Prior Read Date	Days	Current Reading	- Prior Reading	= Reading Difference	x Multiplier	= Usage
AMRS-231473	KWH	3-26	2-26	1-27	30	5398	5131	267	1	267

Solar Contribution (Service No. [REDACTED]) 01/28/2014 to 02/26/2014

Voluntary Solar Contribution 10.00

Para asistencia en Español, el número de teléfono se encuentra al reverso de esta pagina.

Account	DUE DATE	AMOUNT DUE	+ Contribution =	Amount Paid
[REDACTED]	03-17-2014	\$101.55		

HEERO* Contribution

* Help with Emergency Energy Relief Operation
Add a one-time amount or visit tep.com for monthly enrollment details.

Mail stub with payment to:

PO BOX 80077
PRESCOTT AZ 86304-8077

N 01 3755391542 000005106 D 000010155 D 0



Print address or telephone corrections on reverse side.