

0000153549

BEFORE THE ARIZONA CORPORATION COMMISSION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission

DOCKETED

MAY 23 2014

DOCKETED BY 

IN THE MATTER OF TUCSON ELECTRIC  
POWER COMPANY'S APPLICATION FOR  
APPROVAL OF A RESIDENTIAL SUPER-  
PEAK TIME-OF-USE TARIFF

DOCKET NO. E-01933A-12-0291  
DECISION NO. 74498  
ORDER

Open Meeting  
May 13, 2014 and May 14, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide electric service as a public service corporation in Arizona.

Background

2. In Decision No. 73912 (April 16, 2013), the Arizona Corporation Commission ("Commission") approved a settlement agreement in TEP's general rate case that provided for the establishment of new rates and charges. As part of that decision, the Commission ordered that TEP "...shall file on or before August 30, 2013, ...a Super-Peak Time-of-Use Tariff". On August 26, 2013, TEP docketed a request for a two month extension of time, seeking authority to provide the mandated new tariff(s) by October 30, 2013. On August 30, 2013, the Commission Utilities Staff ("Staff") docketed a Memorandum which, among other things, recommended approval of TEP's ...

1 requested time extension to file the mandated tariffs. The Staff Memorandum also recommended that  
2 the due date for the corresponding Staff Report and Recommended Order be extended to March 31,  
3 2014. The Commission approved and ordered the requested time extensions in Decision No. 74163  
4 (October 25, 2013).

5 3. On October 30, 2013, TEP submitted the instant application ("Application") that  
6 requests approval of the tariffs mandated by Decision No. 73912. Included in the Application is  
7 TEP's proposed Super-Peak, Time-of-Use Tariff that is the subject of the Staff Memorandum.

8 4. On March 27, 2014, Staff filed a motion for Extension of Time, until June 30, 2014, to  
9 file its Staff Report and Proposed Order. The Administrative Law Judge ordered that any party  
10 objecting to the Staff Motion shall file a Response no later than April 11, 2014. No objections have  
11 been filed.

#### 12 **Proposed Residential Super Peak Time-of-Use Tariff (R-8)**

13 5. TEP proposes a residential Super Peak Time-of-Use tariff that features a rate design  
14 whereby customers taking service under this tariff would pay a higher per kWh charge for electricity  
15 consumed during defined "super-peak" hours in exchange for a corresponding lower kWh charge  
16 during all other hours. Time-of-Use ("TOU") rates are typically designed to encourage and incent  
17 customers to shift load away from system peak load periods to other times of the day when the  
18 utility's marginal cost of generation is lower.

19 6. TEP presently offers two other residential TOU rates. The Residential TOU (R-80)  
20 tariff has a Summer On-Peak period from 2:00 p.m. until 8:00 p.m., Monday through Friday, and  
21 Winter On-Peak periods from 6:00 a.m. until 10:00 a.m. and 5:00 p.m. until 9:00 p.m., Monday  
22 through Friday. The Special Residential Electric Service TOU Program (R-201B) is a rate schedule  
23 provided under TEP's energy efficiency program and is only available to residences that meet specific  
24 energy efficiency criteria.<sup>1</sup> The R-201B rate has Summer and Winter On-Peak periods identical to the  
25 R-80 tariff.

26 \_\_\_\_\_  
27 <sup>1</sup> The R-201B rate schedule requires that the customer use exclusively the Company's service for all space heating and all  
28 water heating energy requirements. New homes must conform to the standards of the Company's approved efficiency  
program for new construction. Existing homes must conform to certain standards of the Company's approved efficiency  
program for existing homes.

7. In contrast to TEP's existing TOU rates, the TOU time periods specified in the Super Peak tariff are much more narrowly defined and are as follows:

- The Summer On-Peak period is 3:00 p.m. to 6:00 p.m., Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day).
- The Winter On-Peak period is 3:00 p.m. to 6:00 p.m., Monday through Friday (excluding Thanksgiving Day, Christmas Day, and New Year's Day)
- All other hours are Off-Peak. If a holiday falls on Saturday, the preceding Friday is designated Off-Peak; if a holiday falls on Sunday, the following Monday is designated Off-Peak.

8. In exchange for the shorter On-Peak periods offered under the proposed Super Peak rate, customers would pay relatively higher energy charges for On-Peak and Off-Peak consumption. In the proposed Super Peak rate, both On-Peak and Off-Peak rates are calculated using an inclining-block rate design. Table I below compares the customer charges and energy charges between the existing R-80 TOU rate and the proposed Super Peak R-8 rate:

**Table I**  
**TEP Residential TOU Rates Comparison<sup>2</sup>**

	<b>Existing Residential TOU R-80</b>	<b>Proposed Super Peak TOU R-8</b>
Monthly Customer Charge	\$11.50	\$11.50
<b>Delivery Services – Energy<sup>3</sup> (\$/kWh)</b>		
Summer On-Peak	\$0.066800	First 1,000 kWh <sup>4</sup> : \$0.0971 Over 1,000 kWh: \$0.1201

<sup>2</sup> TEP's existing Special Residential Electric Service TOU Program (R-201B) is not included in this comparison because the energy efficiency requirements and resultant consumption patterns for customers taking service under the R-201B rate do not allow a direct comparison with the R-80 and proposed Super Peak R-8 rates.

<sup>3</sup> Delivery Services – Energy is a bundled charge that includes: Local Delivery – Energy (Local Delivery and/or Distribution exclusive of Transmission / Ancillaries), Generation Capacity, Fixed Must-Run, Transmission and Ancillary Services.

<sup>4</sup> Based on total monthly metered kWh.

1	Summer Off-Peak	\$0.051800	First 1,000 kWh: \$0.0485 Over 1,000 kWh: \$0.0715
2			
3			
4	Winter On-Peak	\$0.056800	First 1,000 kWh: \$0.0891 Over 1,000 kWh: \$0.1121
5			
6	Winter Off-Peak	\$0.041800	First 1,000 kWh: \$0.0385 Over 1,000 kWh: \$0.0615
7			
8			
9	<b>Base Power (\$/kWh)</b>		
10	Summer On-Peak	\$0.050669	First 1,000 kWh: \$0.0801 Over 1,000 kWh: \$0.0801
11			
12	Summer Off-Peak	\$0.026679	First 1,000 kWh: \$0.0222 Over 1,000 kWh: \$0.0222
13			
14	Winter On-Peak	\$0.032893	First 1,000 kWh: \$0.0402 Over 1,000 kWh: \$0.0402
15			
16	Winter Off-Peak	\$0.027092	First 1,000 kWh: \$0.0205 Over 1,000 kWh: \$0.0205
17			
18			
19	PPFAC	Varies <sup>5</sup>	Varies
20	<b>Total Energy Rate<sup>6</sup> (\$/kWh)</b>		
21	Summer On-Peak	\$0.117469	First 1,000 kWh: \$0.1772 Over 1,000 kWh: \$0.2002
22			
23	Summer Off-Peak	\$0.078479	First 1,000 kWh: \$0.0707 Over 1,000 kWh: \$0.0937
24			
25			
26			

<sup>5</sup> The Purchased Power and Fuel Adjustment Clause ("PPFAC") reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC varies over time pursuant to Rider-1 PPFAC.

<sup>6</sup> The Total Energy Cost is presented for illustrative purposes and does not include the PPFAC.

Winter On-Peak	\$0.089693	First 1,000 kWh: \$0.1293 Over 1,000 kWh: \$0.1523
Winter Off-Peak	\$0.068892	First 1,000 kWh: \$0.0590 Over 1,000 kWh: \$0.0820

9. The proposed Super Peak TOU tariff would be applicable to all single-phase residential electric service in individual dwellings and individually metered apartments when all service is supplied at one point of delivery and energy is metered through one meter. TEP proposes that a customer electing to take service under this tariff must remain on the tariff's rate schedule for a minimum of one year.

10. As with TEP's existing R-80 TOU rate, the proposed Super Peak TOU tariff offers a discount to customers that own and operate electric vehicles. The discount is calculated as 5 percent of the Base Power Charge<sup>7</sup> during the Off-Peak period and the Purchased Power and Fuel Adjustment Clause. Customers must provide documentation that verifies the electric vehicle is approved for operation on public streets and highways.

#### Staff's Analysis

11. Staff has reviewed the proposed Super Peak TOU tariff, the bill impact analysis, and associated work papers supplied by TEP. Staff finds that the proposed tariff comports with the Commission's directives in Decision No. 73912. Staff further finds that the proposed Super Peak TOU will be cost effective immediately for residential customers with very low consumption. Residential customers with average and slightly higher than average consumption would find the proposed rate cost effective, providing that they shift 2 to 8 percent of their consumption to off-peak hours. Above-average use customers shifting a larger portion of their consumption to off-peak periods could experience substantial savings. The proposed tariff is revenue neutral, providing ...

<sup>7</sup> Both TEP's existing R-80 TOU tariff and the proposed R-8 Super Peak TOU tariff incorrectly state that the discount offered to owners of electric vehicles is a fraction of the "Base Fuel Charge". The correct statement should be that the discount is a fraction of the "Base Power Charge".

1 customers do indeed shift a portion of their consumption to off-peak hours. In this way, the  
2 proposed Super Peak TOU tariff properly incents customer behavior.

3 12. Based on the Residential Load Shape information supplied by TEP, Staff has  
4 recommended that the Super Peak period be from 4:00 pm to 7:00 pm, year-round, to provide  
5 customers an opportunity to shift consumption away from the highest peak times, while not  
6 penalizing usage during the later evening hours.

7 13. The instant application represents the first introduction of a Super Peak TOU tariff to  
8 TEP's rate schedule. Therefore, Staff has recommended that customers be offered a 3-month trial  
9 period in which the customer can test the Super Peak TOU tariff to ensure that anticipated bill savings  
10 actually occur.

11 14. Similarly, TEP may wish to adjust the Super Peak period hours based on the level of  
12 customer participation. Such adjustment of the Super Peak period hours shall require approval of the  
13 Commission.

#### 14 Staff's Recommendations

15 15. Staff has recommended that TEP be directed to change the term "Base Fuel Charge"  
16 to "Base Power Charge" in the "Electric Vehicles" section of the tariff.

17 16. Staff has further recommended that the Super Peak period be defined as being from  
18 4:00 pm to 7:00 pm, year-round.

19 17. Staff has further recommended that customers be offered a 3-month trial period in  
20 which to test the efficacy of the Super Peak TOU tariff, based on the customer's consumption  
21 patterns.

22 18. Staff has further recommended that TEP be allowed to adjust the Super Peak period  
23 based on the level of customer participation, subject to approval by the Commission.

24 19. Staff has further recommended that TEP's Residential Super Peak TOU Tariff (R-8)  
25 be approved as discussed herein.

#### 26 CONCLUSIONS OF LAW

27 1. Tucson Electric Power Company is an Arizona public service corporation within the  
28 meaning of Article XV, Section 2, of the Arizona constitution.



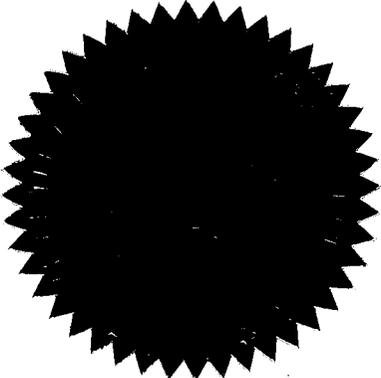
1 IT IS FURTHER ORDERED that Tucson Electric Power Company be allowed to adjust the  
2 Super Peak period based on the level of customer participation, subject to approval by the  
3 Commission.

4 IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a  
5 revised Residential Super-Peak Time-of-Use Tariff (R-8) consistent with the Decision in this case  
6 within 15 days of the effective date of the Decision.

7 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

8  
9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN	COMMISSIONER	
COMMISSIONER	COMMISSIONER	COMMISSIONER



16 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
17 Director of the Arizona Corporation Commission, have  
18 hereunto, set my hand and caused the official seal of this  
19 Commission to be affixed at the Capitol, in the City of  
20 Phoenix, this 23rd day of May, 2014.

21   
22 JODI JERICH  
23 EXECUTIVE DIRECTOR

24 DISSENT: \_\_\_\_\_

25 DISSENT: \_\_\_\_\_

26 SMO:RBL:sms\RRM

- 1 SERVICE LIST FOR: Tucson Electric Power Company  
DOCKET NO. E-01933A-12-0291
- 2
- 3 Jessica Bryne  
Tucson Electric Power Company  
88 E. Broadway Blvd., P.O. Box 711  
4 Tucson, Arizona 85702
- 5
- 6 Bradley Carroll  
Tucson Electric Power Company  
88 E. Broadway Blvd. MS HQE910  
7 P.O. Box 711  
8 Tucson, Arizona 85702
- 9 Warren Woodward  
55 Ross Circle  
10 Sedona, Arizona 86336
- 11 Karen White  
U. S. Air Force Utility Law Field  
12 Support Center  
13 139 Barnes Dr.  
Tyndall AFB, Florida 32403
- 14
- 15 Kyle Smith  
U.S. Army Legal Services  
9275 Gunston Rd  
16 Fort Belvoir, Virginia 22060
- 17
- 18 C. Webb Crockett  
Fennemore Craig, P.C  
2394 E. Camelback Rd, Ste 600  
19 Phoenix, Arizona 85016
- 20 Rachel Gold  
642 Harrison ST, FL 2  
21 San Francisco, California 94110
- 22
- 23 Robert Metli  
2398 E. Camelback Rd., Ste. 240  
Phoenix, Arizona 85016
- 24
- 25 Michael Neary  
111 W. Renee Dr.  
26 Phoenix, Arizona 85027
- 27
- 28 Court Rich  
Rose Law Group  
6613 N. Scottsdale Rd., Ste. 200

- 1 Scottsdale, Arizona 85250
- 2 Annie Lappe  
3 Rick Gilliam  
4 The Vote Solar Initiative  
5 1120 Pearl St. - 200  
6 Boulder, Colorado 80302
- 7 Cynthia Zwick  
8 1940 E. Luke Avenue  
9 Phoenix, Arizona 85016
- 10 Gary Yaquinto  
11 Arizona Utility Investors Association  
12 2100 North Central Avenue, Suite 210  
13 Phoenix, Arizona 85004
- 14 Michael Grant  
15 Gallagher & Kennedy  
16 2575 E. Camelback Rd.  
17 Phoenix, Arizona 85016-9225
- 18 Terrance Spann  
19 U. S. Army Legal Services  
20 9275 Gunston Rd.  
21 Fort Belvoir, Virginia 22060
- 22 Travis Ritchie  
23 85 Second St., 2nd Floor  
24 San Francisco, California 94105
- 25 Nicholas Enoch  
26 349 N. Fourth Ave.  
27 Phoenix, Arizona 85003
- 28 Jeff Schlegel  
SWEEP  
1167 W. Samalayuca Dr.  
Tucson, Arizona 85704-3224
- Timothy Hogan  
202 E. McDowell Rd. - 153  
Phoenix, Arizona 85004
- Leland Snook  
Arizona Public Service  
P.O. Box 53999, Mail Station 9708  
Phoenix, Arizona 85072

- 1 Thomas Mumaw  
Pinnacle West  
2 P.O. Box 53999, Station 8695  
Phoenix, Arizona 85072-3999  
3
- 4 Stephen Baron  
570 Colonial Park Dr. Ste 305  
5 Roswell, Georgia 30075
- 6 John Moore, Jr.  
7321 N. 16th Street  
7 Phoenix, Arizona 85020
- 8 Kurt Boehm  
9 Boehm, Hurtz & Lowry  
36 E. Seventh St. Suite 1510  
10 Cincinnati, Ohio 45202
- 11 Kevin Higgins  
215 South State Street, Ste. 200  
12 Salt Lake City, Utah 84111
- 13 Daniel Pozefsky  
14 RUCO  
1110 West Washington, Suite 220  
15 Phoenix, Arizona 85007
- 16 Lawrence Robertson, Jr.  
PO Box 1448  
17 Tubac, Arizona 85646
- 18 Michael Patten  
19 Roshka DeWulf & Patten, PLC  
One Arizona Center  
20 400 E. Van Buren St. - 800  
Phoenix, Arizona 85004  
21
- 22 Mr. Steven M. Olea  
Director, Utilities Division  
23 Arizona Corporation Commission  
1200 West Washington Street  
24 Phoenix, Arizona 85007
- 25 Ms. Janice M. Alward  
Chief Counsel, Legal Division  
26 Arizona Corporation Commission  
1200 West Washington Street  
27 Phoenix, Arizona 85007  
28