



0000156242

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUL 30 2014

DOCKETED BY [Signature]

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

IN THE MATTER OF TUCSON ELECTRIC
POWER COMPANY'S APPLICATION FOR
APPROVAL OF AN INTERRUPTIBLE
SERVICE TARIFF (RIDER R-12)

DOCKET NO. E-01933A-12-0291
DECISION NO. 74594
ORDER

Open Meeting
July 22 and 23, 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 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, ...an Interruptible Service 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 requested time extension to file the mandated tariffs.

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

4 3. On October 30, 2013, TEP submitted the instant application (“Application”) that
5 requests approval of the tariffs mandated by Decision No. 73912. Included in the Application is
6 TEP’s proposed Interruptible Service Tariff that is the subject of this document.

7 4. On January 29, 2014, Freeport-McMoRan Copper & Gold Inc. and Arizonans for
8 Electric Choice and Competition (collectively “Freeport/AECC”) filed comments on the proposed
9 Interruptible Service tariff.

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

14 Proposed Interruptible Service Tariff (Rider R-12)

15 6. TEP proposes an Interruptible Service tariff that offers customers taking service under
16 the proposed Rider credits in exchange for curtailing load at the request of the Company. The tariff
17 would be offered to customers taking electric service under pricing plans applicable to service over
18 3,000 kW (either Time-of-Use or Non-Time-of-Use) who are willing to subscribe to at least 1,000 kW
19 of interruptible load at a contiguous facility. The Rider is not available for standby, temporary, resale
20 or in conjunction with other interruptible rate schedules.

21 7. The subject tariff offers credits (“Interruptible Credits”) for curtailment of service
22 during the five summer months of May through September. This five-month period is defined as the
23 “Interruption Season”. Participating customers would nominate by service point the portion of their
24 load that is “Interruptible Load”. Nomination of the customer’s Interruptible Load (kW) would occur
25 annually before April 15 of the calendar year of each Interruption Season. Customers with multiple
26 service points may nominate different maximum load (kW) for different contiguous service points.
27 The minimum nomination of Interruptible Load summed over a participating customer’s contiguous
28 service points shall be 1,000 kW.

1 8. Customers wishing to take service under this Rider would be required to install, at
2 customer expense, all necessary communication, relay, and breaker equipment necessary at their
3 service location to allow the Company to provide interruption notification and to remotely interrupt
4 the customer from the Company's master control station. Participating customers would not be able
5 to override the Company's load interruption commands.

6 9. The participating customer's Interruptible Load may be curtailed upon 30-minute
7 notice from TEP. Interruptions could be called for economic or non-economic reasons and would be
8 called at the sole discretion of the Company. Interruptions would be limited to no more than two
9 interruptions per calendar day during the Interruption Season. Each interruption event would be no
10 longer than 6 hours. Participating customers would receive a 6-hour credit for each interruption,
11 even if the duration of the interruption event is less than 6 hours. The total of all interruption events
12 (excluding Emergency interruptions) would not exceed 120 hours per Interruptible Season each
13 calendar year.

14 10. TEP specifically states that none of the provisions of this tariff would prevent the
15 Company from interrupting service for emergency circumstances, determined at the Company's sole
16 discretion. Emergency interruptions, as defined by the Company's Rules and Regulations, would not
17 count as interruption events under this tariff.

18 11. Participating customers would receive a monthly Interruptible Credit for each of the
19 five months in the Interruption Season. The monthly credit would be calculated by taking the Market
20 Value Capacity Price applicable for the Interruptible Season times the customer's designated
21 Interruptible Load.

22 12. The Market Value Capacity Price ("MVCP") reflects opportunity cost of capacity as
23 revealed through the Company's resource procurement process, adjusted to reflect line losses, and
24 reserves avoided. The Company would post the MVCP for the coming Interruptible Season on its
25 website by March 15, prior to the start of the Interruptible Season. The Company would post both
26 the MVCP and the Interruptible Credits (\$/kW) based on the market value capacity for day-ahead
27 dispatch.

28 ...

1 13. TEP states that through the use of Interruptible Credits, the Company is effectively
2 purchasing capacity. Therefore, TEP intends to treat the Interruptible Credits as “Purchased Power”
3 with said costs being recovered through the Purchased Power and Fuel Adjustment Clause
4 (“PPFAC”), similar to any other prudent fuel or purchased power costs. The cost of the Interruptible
5 Credits would be recorded in FERC account 555.

6 Intervenor’s Comments

7 14. On January 29, 2014, Freeport/AECC filed comments on the proposed Interruptible
8 Service tariff. The Freeport/AECC comments centered on a comparison of the instant proposed
9 tariff with an interruptible service tariff previously proposed by TEP (“Rider 5”) filed by TEP with the
10 Commission on October 26, 2009), but never approved by the Commission. Freeport/AECC asserts
11 that certain terms of Rider 5 had been negotiated with TEP and are preferable to the terms contained
12 in the instant proposal. Tariff terms of concern to Freeport/AECC include use of market values to
13 determine the value of interruptible capacity; credit for avoided reserves and line losses; definition of
14 reasons for interruptions; duration and frequency of single and cumulative interruptions; inclusion of
15 Emergency interruptions as defined interruption events; nomination of interruptible loads by the
16 customer; and penalties for failure to interrupt.

17 15. Freeport/AECC notes that both the proposed Rider R-12 and the previously
18 proposed Rider 5 contemplate using market values to determine the value of interruptible capacity.
19 Freeport/AECC does not object to this basic approach.

20 16. Freeport/AECC states that the former Rider 5 provided a 16 percent credit for
21 avoided reserves and an additional 3 percent credit for avoided line losses attributable to the
22 interruptible capacity in the valuation of the capacity credit. Freeport/AECC asserts that the
23 proposed Rider R-12 provides no comparable credit.

24 17. Freeport/AECC states that service curtailments under the proposed Rider R-12 can be
25 called for economic or non-economic reasons. This is a departure from the previous language in
26 Rider 5 which stated that, “Interruptions called pursuant to the terms of this Rider will not be made
27 solely for economic reasons.” Freeport/AECC recommends that interruptions be limited to those
28 required to ensure system reliability as contemplated in the previous Rider 5.

1 18. Freeport/AECC states that the previous Rider 5 provided that a single interruption
2 would be four hours and that TEP could order up to three interruptions per day. The currently
3 proposed Rider R-12 proposes to increase the duration of an interruption to 6 hours and provides that
4 TEP can order up to two interruptions per day. Freeport/AECC recommends that the four hour
5 duration proposed in Rider 5 be retained, with up to two interruptions per day. This would mean that
6 participating customers would be committing to interrupt up to one eight-hour shift in a day.

7 19. Freeport/AECC further states that the previous Rider 5 provided three options for
8 cumulative annual interruptions: 20 hours, 40 hours and 80 hours. Each of these options offered
9 unique discounts applied to the market valuation of the capacity that corresponded to the amount of
10 annual availability. In contrast, the proposed Rider R-12 offers no comparable duration options but
11 has a single cumulative cap of 120 hours ("Maximum Annual Duration"). Freeport/AECC does not
12 object to the 120-hour cap, but states that having several duration options from which to choose is
13 likely to increase the attractiveness of the tariff to participants.

14 20. Section (8) of the proposed Rider R-12 specifies that "Emergency interruptions shall
15 not count as interruption events for the purposes of this Rider." Freeport/AECC believes that
16 emergency interruptions should count as interruption events, and that interruptible customers that
17 have already been subjected to the Maximum Annual Duration of interruptions should be treated in a
18 non-discriminatory basis relative to non-interruptible customers for the purposes of determining
19 whether to interrupt the customer's service.

20 21. With regard to the proposed Rider R-12 tariff section entitled "Nomination of
21 Interruptible Load By Customer", Freeport/AECC states that while it does not disagree with the basic
22 concepts outlined in the section of the proposed tariff, it believes that customers should specify their
23 firm load, as opposed to their interruptible load, as this is the operationally preferable method from a
24 customer's standpoint.

25 22. Finally, Freeport/AECC notes that the proposed Rider R-12 tariff does not specify a
26 penalty for a customer's failure to interrupt service.

27 Staff's Analysis

28

1 23. Staff has reviewed the proposed Interruptible Service tariff and the MVCP calculation
2 by TEP. Staff notes that the Company considers the MVCP calculation to be competitively
3 confidential and has provided the information to Staff under a Protective Agreement. Staff finds that
4 the proposed tariff comports with the Commission's directives in Decision No. 73912. Further, Staff
5 believes that the Interruptible Service tariff may appeal to large industrial and commercial customers
6 who have scheduling or production flexibility to allow unscheduled service interruptions.

7 24. Since the calculation of the MVCP is considered competitively confidential by the
8 Company, Staff believes that requiring the Company to provide the confidential calculation to Staff
9 under a Protective Agreement offers a reasonable level of oversight. Therefore, Staff recommends
10 that the MVCP calculation be supplied to Staff by March 1, for Staff review, each time the Company
11 intends to re-set the MVCP to a new value.

12 25. During the course of Staff's review of the instant application, and in consultation with
13 TEP, Staff recommended clarifications to two of the Terms and Conditions of Service ("Terms")
14 contained on the first page of the proposed tariff. Accordingly, TEP provided Staff with revised
15 language for Terms numbers 2, 5 and 10. TEP's proposed revisions are as follows with the revised
16 language underlined:

17 2. "Interruptions can be called for economic or non-economic reasons and are to
18 be called at the sole discretion of the Company."

19 5. "A customer will be limited to no more than two interruptions in a day during
20 the five summer months for a maximum of six (6) hours for each daily interruption
21 event, even if the duration per event is less than 6 hours."

22 10. "The total of all interruption events (excluding Emergency interruptions) will
23 not exceed 120 hours per year."

24 26. Staff finds TEP's revised language to be satisfactory, with one exception. Staff believes
25 that under item number 5, the word "daily" should be eliminated. Staff recommends that TEP's
26 revised language, with Staff's correction, be incorporated into the proposed Interruptible tariff.

27 ...

28

1 27. TEP states that through the use of Interruptible Credits, the Company is effectively
2 purchasing capacity and, therefore, should treat the recovery of costs as though the credits were
3 “Purchased Power” with said costs being recovered through the PPFAC, similar to any other prudent
4 fuel or purchased power costs. Although Staff understands TEP’s reasoning, Staff believes that a
5 more appropriate recovery mechanism would be through TEP’s approved Demand Side Management
6 (“DSM”) Surcharge. However, we believe that the PPFAC is the appropriate recovery mechanism of
7 the costs of the Interruptible Credits.

8 28. With regard to the concerns expressed by Freeport/AECC, Staff notes that the tariff
9 proposed in the instant application (Rider R-12) is markedly different in design than the previously
10 considered R-5 tariff. TEP’s current proposal offers a tariff design whereby participating customers
11 will nominate specific load for which the customer will install equipment that allows TEP to remotely
12 interrupt the customer’s nominated load. Participating customers will be paid an interruptible credit
13 for allowing TEP to have this operational control during the defined five-month interruption season.
14 The participating customer will receive the interruptible credit whether or not the customer’s load is
15 actually interrupted.

16 29. As the formerly proposed R-5 tariff was never presented to or acted on by the
17 Commission, Staff presently views the R-5 tariff construct as merely an evolutionary step in TEP’s
18 tariff design process. Under TEP’s present proposal (Rider R-12), TEP is proffering a simplified tariff
19 design that offers a single interruption credit based on market values for a maximum number of
20 interruption hours over the course of the defined five-month interruption season. The present
21 proposal eliminates multiple cumulative interruption duration options, and the need for a penalty for
22 the customer’s failure to interrupt (because TEP would remotely control the interruption of the
23 customer’s load).

24 30. Although Freeport/AECC states that permissible interruptions should only be for
25 reasons related to system reliability, Staff believes that under the proposed tariff construct, TEP
26 should be afforded the ability to make interruption decisions with a wide degree of latitude, including
27 both economic and non-economic reasons. Staff further believes that emergency interruptions should
28 not be considered as an interruptible event for purposes of this tariff. Finally, Staff believes TEP’s

1 operational considerations under this tariff require that participating customers nominate their
2 interruptible load rather than their firm load.

3 Staff's Recommendations

4 31. Staff has recommended that TEP be required to submit its MVCP calculation by
5 March 1 to Staff for review, each time the Company intends to re-set the MVCP to a new value.

6 32. Staff has further recommended that the clarification language proposed by TEP for
7 Terms and Conditions of Service Numbers 2, 5, and 10, with Staff's correction to number 5, be
8 incorporated in the final tariff.

9 33. Staff has further recommended that TEP's costs of the Interruption Credits under this
10 tariff be collected through TEP's DSM Surcharge.

11 34. Staff has further recommended that TEP's Interruptible Service Tariff (Rider R-12) be
12 approved as discussed herein.

13 35. Staff has further recommended that the Interruptible Service Tariff (Rider R-12) be
14 effective immediately upon approval of the Commission.

15 36. Staff has further recommended that TEP be required to file a tariff in compliance with
16 this Decision within 15 days of the effective date of the Decision.

17 CONCLUSIONS OF LAW

18 1. Tucson Electric Power Company is an Arizona public service corporation within the
19 meaning of Article XV, Section 2, of the Arizona constitution and A.R.S. §§ 40-250, 40-251, 40-367,
20 40-202, 40-321 and 40-361.

21 2. The Commission has jurisdiction over Tucson Electric Power Company and over the
22 subject matter of the Application.

23 3. Tucson Electric Power Company's Application herein is in compliance with the
24 Commission's order in Decision No. 73912 and the Application satisfies the requirements set forth in
25 that order.

26 ...

27 ...

28 ...

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

IT IS FURTHER ORDERED that Tucson Electric Power Company's Interruptible Service Tariff (Rider R-12) is approved as discussed herein.

IT IS FURTHER ORDERED that the Interruptible Service Tariff (Rider R-12) be effective immediately upon approval of the Commission.

IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a tariff in compliance with this Decision within 15 days of the effective date of the Decision.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

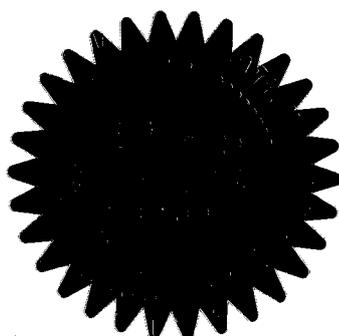

COMMISSIONER


COMMISSIONER

EXCUSED
COMM. BURNS

COMMISSIONER


COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 30th day of July, 2014.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RBL:sms/RRM

1 SERVICE LIST FOR: TUSON ELECTRIC POWER COMPANY
2 DOCKET NO. E-01933A-12-0291

3 Jessica Bryne
4 Tucson Electric Power Company
5 88 E. Broadway Blvd., P.O. Box 711
6 Tucson, Arizona 85702

7 Bradley Carroll
8 Tucson Electric Power Company
9 88 E. Broadway Blvd. MS HQE910
10 P.O. Box 711
11 Tucson, Arizona 85702

12 Warren Woodward
13 55 Ross Circle
14 Sedona, Arizona 86336

15 Karen White
16 U. S. Air Force Utility Law Field
17 Support Center
18 139 Barnes Dr.
19 Tyndall AFB, Florida 32403

20 Kyle Smith
21 U.S. Army Legal Services
22 9275 Gunston Rd
23 Fort Belvoir, Virginia 22060

24 C. Webb Crockett
25 Fennemore Craig, P.C
26 2394 E. Camelback Rd, Ste 600
27 Phoenix, Arizona 85016

28 Rachel Gold
642 Harrison ST, FL 2
San Francisco, California 94110
Robert Metli
2398 E. Camelback Rd., Ste. 240
Phoenix, Arizona 85016

Michael Neary
111 W. Renee Dr.
Phoenix, Arizona 85027

Court Rich
Rose Law Group
6613 N. Scottsdale Rd., Ste. 200
Scottsdale, Arizona 85250

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

- 1 Thomas Mumaw
Pinnacle West
2 P.O. Box 53999, Station 8695
3 Phoenix, Arizona 85072-3999
- 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.
17 PO Box 1448
Tubac, Arizona 85646
- 18 Michael Patten
19 Roshka DeWulf & Patten, PLC
One Arizona Center
20 400 E. Van Buren St. - 800
21 Phoenix, Arizona 85004
- 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
26 Chief Counsel, Legal Division
Arizona Corporation Commission
27 1200 West Washington Street
Phoenix, Arizona 85007
28