

OPEN MEETING



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ORIGINAL

MEMORANDUM

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TO: THE COMMISSION

2014 OCT 23 P 4:17

FROM: Utilities Division

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DATE: October 23, 2014

RE: IN THE MATTER OF TUCSON ELECTRIC POWER COMPANY'S APPLICATION FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN, DISTRIBUTED ENERGY ADMINISTRATIVE PLAN AND REQUEST FOR RESET OF ITS RENEWABLE ENERGY ADJUSTOR -- VOLUNTARY SOLAR CONTRIBUTION PROGRAM'S PLAN OF ADMINISTRATION (DOCKET NO. E-01933A-13-0224)

On October 10, 2014, Tucson Electric Power Company ("TEP" or "Company") filed its proposed Voluntary Solar Contribution Program ("VSC Program") Plan of Administration ("POA"). The VSC Program POA was filed in compliance with Decision No. 74165 (October 25, 2013).

Background

Decision No. 74165.

Decision No. 74165 orders as follows:

"IT IS FURTHER ORDERED that Tucson Electric Power Company shall file by January 7, 2014, a proposed plan or plans of administration for a voluntary contributions program consistent with the requirements set forth herein in the Commission's findings."

Plan of Administration Filing. The Company filed its initial proposed VSC Program POA on January 7, 2014. Subsequent to the filing, the Company communicated with Staff on finalizing the POA and identified a tax-exempt, third-party organization to partner with in administering the VSC Fund. The Company then filed its final proposed VSC POA on October 10, 2014.

Summary of Voluntary Solar Contribution Program Plan of Administration

General Description. The proposed POA includes a General Description for the VSC Program, stating that it would provide individuals and entities with an opportunity to support Arizona solar resources by voluntarily contributing funds to the Arizona Community Foundation ("ACF"), a tax-exempt third-party independent organization. The funds would be used to install solar panel systems on newly built residential single-family homes constructed by the Arizona

Arizona Corporation Commission
DOCKETED
OCT 23 2014

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chapter of Habitat for Humanity International ("Habitat"). The POA also indicates that VSC Program funds would be separate from those collected through the Commission's mandatory Renewable Energy Standard adjustor.

Eligibility and Contributions. With respect to eligibility and contributions the proposed POA provides the following:

- Eligibility to contribute would not be limited to TEP customers;
- Contributions would be made to the Arizona Community Foundation, either through its website or by check to ACF's address;
- Contributions would be held by ACF in a tax-exempt, irrevocable fund¹;
- Management and administration of the account, including investment, tax reporting, and auditing, will be the responsibility of ACF;
- ACF will provide regular reports to TEP;
- TEP will assume any administrative fees for the VSC Program fund; and
- ACF is a tax-exempt 501(c)(3) public charity, and any contributions to the VSC Program fund are tax deductible, subject to Internal Revenue Service limitations. (Contributors should consult a professional tax advisor.)

Distribution of Funds. With respect to the distribution of VSC Program funds, the POA proposes that ACF provide funding to Habitat under the following conditions:

- Any home receiving a solar rooftop system under the VSC Program must be located within the Company's service territory, but will be selected by Habitat without input from either ACF or TEP. The selected homeowners must also meet Habitat's requirements regarding home ownership and "sweat equity."
- Funds must be sufficient to purchase and/or install a system under warranty and to provide an initial five-year operation and maintenance contract for upkeep of the system.
- ACF would release funds to Habitat under the following conditions: (i) the system must be sized to produce no more than 50% of the expected total connected load of the home, or 3 kW, whichever is smaller; (ii) the roof must be structurally able to support a rooftop system and the system must be oriented south, southwest, or west; and (iii) Habitat must select an Arizona licensed and qualified solar installer to install and maintain the system.

Program Life. The TEP POA proposes that the VSC Program become effective as of January 1, 2015 and expire December 31, 2016, after 90 days prior notice to the Commission. TEP may seek successive one-year extensions of the program, also following 90 days prior notice to the Commission. The TEP POA also proposes that the Company contribute enough to fund one system through Habitat if it appears that contributions will not reach the level required to fund at least one system by the end of the two-year pilot period.

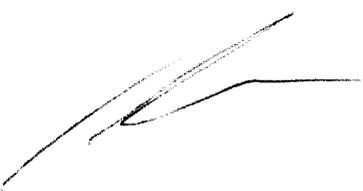
¹ ACF invests the funding it holds in a variety of investment vehicles, including equity funds and fixed income funds.

Reporting. The POA proposes to provide VSC Program fund status reports to Commission Staff every six months. A stand-alone report would be provided on October 1, with another report provided on April 1, as part of the annual REST Compliance Report. Reports would include information regarding the number of participating customers, funds collected in the reporting period, the total funds held, any interest accrued and any expenses.

Promotional Materials. TEP has indicated that it will work with ACF "to create and distribute appropriate low- and no-cost promotional materials for the program."

Recommendations

- Staff recommends that the POA for the VSC Program be modified to reflect that the VSC Program will become effective as of January 1, 2015, and be continued until further action of the Commission.
- Staff recommends that the POA for the VSC Program be modified to reflect that the VSC Program will not terminate after two years, but that the Company will be allowed to file an application requesting to close the program after December 31, 2016.
- Staff recommends, with respect to reporting, that a stand-alone report be filed in Docket Control by October 1, with another report provided by April 1, as part of the annual REST Compliance Report, beginning October 1, 2015.
- Staff recommends that the POA for the VSC Program be modified to reflect a requirement to report on the following: program promotion, the number of customers and others making contributions during the reporting period, the number of system installations (total and during the reporting period), funds collected during the reporting period, the total funds held; any interest or earnings accrued; and any expenses. The reports should be filed while the VSC Program is in effect.
- Staff recommends that Tucson Electric Power Company shall file in Docket Control, within 15 days, a Plan of Administration for its Voluntary Solar Contribution that has been revised to comply with this Decision.



Steven M. Olea
Director
Utilities Division

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ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

- 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 ITS 2014 RENEWABLE
ENERGY STANDARD
IMPLEMENTATION PLAN, DISTRIBUTED
ENERGY ADMINISTRATIVE PLAN AND
REQUEST FOR RESET OF ITS
RENEWABLE ENERGY ADJUSTOR --
VOLUNTARY SOLAR CONTRIBUTION
PROGRAM'S PLAN OF
ADMINISTRATION

DOCKET NO. E-01933A-13-0224
DECISION NO. _____

ORDER

Open Meeting
November 5 and 6, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "the Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On October 10, 2014, TEP filed its proposed Voluntary Solar Contribution Program ("VSC Program") Plan of Administration ("POA"). The VSC Program POA was filed in compliance with Decision No. 74165 (October 25, 2013).

Background

3. Decision No. 74165. Decision No. 74165 orders as follows:

"IT IS FURTHER ORDERED that Tucson Electric Power Company shall file by January 7, 2014, a proposed plan or plans of administration for a voluntary contributions program consistent with the requirements set forth herein in the Commission's findings."

1 4. Plan of Administration Filing. The Company filed its initial proposed VSC Program
2 POA on January 7, 2014. Subsequent to the filing, the Company communicated with Staff on
3 finalizing the POA and identified a tax-exempt, third-party organization to partner with in
4 administering the VSC Fund. The Company then filed its final proposed VSC POA on October 10,
5 2014.

6 **Summary of Voluntary Solar Contribution Program Plan of Administration**

7 5. General Description. The proposed POA includes a General Description for the VSC
8 Program, stating that it would provide individuals and entities with an opportunity to support Arizona
9 solar resources by voluntarily contributing funds to the Arizona Community Foundation (“ACF”), a
10 tax-exempt third-party independent organization. The funds would be used to install solar panel
11 systems on newly built residential single-family homes constructed by the Arizona chapter of Habitat
12 for Humanity International (“Habitat”). The POA also indicates that VSC Program funds would be
13 separate from those collected through the Commission’s mandatory Renewable Energy Standard
14 adjustor.

15 6. Eligibility and Contributions. With respect to eligibility and contributions the
16 proposed POA provides the following:

- 17 • Eligibility to contribute would not be limited to TEP customers;
- 18 • Contributions would be made to the Arizona Community Foundation, either
19 through its website or by check to ACF’s address;
- 20 • Contributions would be held by ACF in a tax-exempt, irrevocable fund ¹
- 21 • Management and administration of the account, including investment, tax
22 reporting, and auditing, will be the responsibility of ACF.
- 23 • ACF will provide regular reports to TEP.
- 24 • TEP will assume any administrative fees for the VSC Program fund.

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¹ ACF invests the funding it holds in a variety of investment vehicles, including equity funds and fixed income funds.

- 1 • ACF is a tax-exempt 501(c)(3) public charity, and any contributions to the VSC
2 Program fund are tax deductible, subject to Internal Revenue Service limitations.
3 (Contributors should consult a professional tax advisor.)

4 7. Distribution of Funds. With respect to the distribution of VSC Program funds, the
5 POA proposes that ACF provide funding to Habitat under the following conditions:

- 6 • Any home receiving a solar rooftop system under the VSC Program must be
7 located within the Company's service territory, but will be selected by Habitat
8 without input from either ACF or TEP. The selected homeowners must also meet
9 Habitat's requirements regarding home ownership and "sweat equity."
10 • Funds must be sufficient to purchase and/or install a system under warranty and
11 to provide an initial five-year operation and maintenance contract for upkeep of
12 the system.
13 • ACF would release funds to Habitat under the following conditions: (i) the system
14 must be sized to produce no more than 50% of the expected total connected load
15 of the home, or 3 kW, whichever is smaller; (ii) the roof must be structurally able
16 to support a rooftop system and the system must be oriented south, southwest, or
17 west; and (iii) Habitat must select an Arizona licensed and qualified solar installer
18 to install and maintain the system.

19 8. Program Life. The TEP POA proposes that the VSC Program become effective as of
20 January 1, 2015 and expire December 31, 2016, after 90 days prior notice to the Commission. TEP
21 may seek successive one-year extensions of the program, also following 90 days prior notice to the
22 Commission.

23 9. The TEP POA also proposes that the Company contribute enough to fund one
24 system through Habitat if it appears that contributions will not reach the level required to fund at least
25 one system by the end of the two-year pilot period.

26 ...

27 10. Reporting. The POA proposes to provide VSC Program fund status reports to
28 Commission Staff every six months. A stand-alone report would be provided on October 1, with

1 another report provided on April 1, as part of the annual REST Compliance Report. Reports would
2 include information regarding the number of participating customers, funds collected in the reporting
3 period, the total funds held, any interest accrued and any expenses.

4 11. Promotional Materials. TEP has indicated that it will work with ACF “to create and
5 distribute appropriate low- and no-cost promotional materials for the program.”

6 Recommendations

- 7
- 8 • Staff has recommended that the POA for the VSC Program be modified to reflect
9 that the VSC Program will become effective as of January 1, 2015, and be
10 continued until further action of the Commission.
 - 11 • Staff has recommended that the POA for the VSC Program be modified to reflect
12 that the VSC Program will not terminate after two years, but that the Company
13 will be allowed to file an application requesting to close the program after
14 December 31, 2016.
 - 15 • Staff has recommended, with respect to reporting, that a stand-alone report be
16 filed in Docket Control by October 1, with another report provided by April 1, as
17 part of the annual REST Compliance Report, beginning October 1, 2015.
 - 18 • Staff has recommended that the POA for the VSC Program be modified to reflect
19 a requirement to report on the following: program promotion, the number of
20 customers and others making contributions during the reporting period, the
21 number of system installations (total and during the reporting period), funds
22 collected during the reporting period, the total funds held; any interest or earnings
23 accrued; and any expenses. The reports should be filed while the VSC Program is
24 in effect.
 - 25 • Staff has recommended that Tucson Electric Power Company shall file in Docket
26 Control, within 15 days, a Plan of Administration for its Voluntary Solar
27 Contribution that has been revised to comply with this Decision.

28 CONCLUSIONS OF LAW

1 IT IS FUTHER ORDERED that Tucson Electric Power Company shall file in Docket
 2 Control, within 15 days of the date of this decision, a Plan of Administration for its Voluntary Solar
 3 Contribution that has been revised to comply with this Decision.

4 IT IS FURTHER ORDERED that this Order become effective immediately.

5
 6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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 8 _____
 9 CHAIRMAN

COMMISSIONER

10
 11 _____
 12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
 14 Director of the Arizona Corporation Commission, have
 15 hereunto, set my hand and caused the official seal of this
 16 Commission to be affixed at the Capitol, in the City of
 17 Phoenix, this _____ day of _____, 2014.

18 _____
 19 JODI JERICH
 20 EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 SMO:JMK:sms\CHH

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