

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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2016 APR -8 P 4:43

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF TUCSON ELECTRIC)
POWER COMPANY FOR APPROVAL OF)
A CREDITING MECHANISM RELATIVE)
TO GENERATION CHARGES FOR)
SEVERAL CUSTOMERS RECEIVING AN)
ALLOCATION FROM THE ARIZONA)
POWER AUTHORITY.)

DOCKET NO. E-01933A-16-0122

APPLICATION

Tucson Electric Power Company, ("TEP" or the "Company"), through undersigned counsel, hereby submits its application to the Arizona Corporation Commission ("Commission") for approval for TEP to provide a bill credit for customers who have received an allocation of hydro power from the Arizona Power Authority ("Authority"). These credits are necessary to accommodate a new and existing allocations of preference power made available from Hoover Dam and Power Plant ("Hoover Dam"). While deliveries of the new preference power will not begin until October 2017, the participants are required to complete their contractual and bill crediting arrangements in October 2016. Therefore, TEP is requesting that the Commission approve the proposed bill credits at this time so that the participants can be informed of the changes as they are completing their delivery arrangements with the Authority.

Arizona Corporation Commission

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1 **I. BACKGROUND**

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3 The Authority is the state agency accountable for coordinating the preference power for the
4 state.¹ The Hoover Power Plant Act of 1984 (Pub. L. No. 98-381, 98 Stat 1333) (“1984 Hoover
5 Act”) statutorily allocated pools of capacity and energy (“Hoover Capacity and Energy”) to the
6 Authority for the period commencing June 1, 1987 through September 30, 2017. In 2014, the
7 Western Area Power Administration (“WAPA”) awarded additional allocations of preference
8 power from the Hoover Dam directly to various wholesale and retail customers (“Post-2017
9 Allocation Process”). Oro Valley Water Utility (“OVW”) and Metropolitan Domestic Water
10 Improvement District (“MDWID”), two existing TEP customers, did not have prior allocations but
11 were awarded allocations in the Post-2017 Allocation Process. In order to finalize their allocations
12 with the Authority, these customers must validate that they can utilize their allocations for load.

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14 **II. PROPOSED BILL CREDIT MECHANISM**

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16 In order for the Authority to finalize its allocations it must have the delivery commitments
17 from its participants by October of 2016. OVW and MDWID approached TEP in conjunction with
18 Authority representatives to determine how they would be able to take advantage of their
19 allocation in TEP’s service territory. The parties determined that the crediting mechanism
20 proposed herein would work for all parties.

21 Under the proposed bill credit, TEP would provide monthly bill credits for the kilowatt
22 hours (“kWh”) received under these allocations at the Company’s base power supply charge
23 (“Base Power Supply Charge”) pursuant to TEP’s water pumping tariff in effect at the time of the
24 bill.² As a result, the participants will not pay TEP’s Base Power Supply Charge for the portion of
25 energy allocated from the Authority.

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¹ Created pursuant to A.R.S. Section 30-101 et seq. (“Title 30”).

² Currently Water Pumping Service (GS-43); new proposed Water Pumping Service (GS-WP).

1 The Authority's letter of support dated March 18, 2016, and MDWID's letter of support
2 dated March 21, 2016, are attached as Exhibit 1 and Exhibit 2 respectively. It is TEP's
3 understanding that OVW intends to submit its letter of support directly to the Commission this
4 month.

6 **III. IMPACT OF THE PROPOSED CREDITING MECHANISM**

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8 The impact on TEP retail revenues from offering this credit to the Base Power Supply
9 Charge will be revenue neutral. The credit will only impact the Base Power Supply Charge that
10 the participant is normally invoiced. When the participant receives energy from the Authority in a
11 given month, TEP will in effect substitute the participant's allocated energy in place of energy that
12 TEP would otherwise generate or procure. The allocations to each participant will only meet a
13 small portion of their individual generation purchases each month.

15 **IV. CREDITING MECHANISM**

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17 TEP requests that the proposed crediting mechanism become effective on the first month in
18 which the participants receive their allocations from the Authority. For OVW and MDWID the
19 allocations are not expected to occur until 2017 when the Post-2017 Allocation Process becomes
20 effective. In order for the participants to be able to finalize their agreements with the Authority
21 prior to October of this year, TEP requests that the Commission approve this Application by
22 August 1, 2016.

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V. CONCLUSION

WHEREFORE, TEP requests that the Commission issue an order on or before August 1, 2016 that:

1. Authorizes TEP to provide a direct bill credit to OVW and MDWID to the Base Power Supply Charge on a kwh per kwh basis for their respective allocations under the Post 2017 Allocation Process as set forth in this Application; and
2. Grants TEP whatever other relief the Commission deems necessary and appropriate.

RESPECTFULLY SUBMITTED this 8th day of April, 2016.

Tucson Electric Power Company

By 
Bradley S. Carroll
Tucson Electric Power Company
88 East Broadway Blvd., MS HQE910
P. O. Box 711
Tucson, Arizona 85702

and

Michael W. Patten
SNELL & WILMER L.L.P
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004

Attorneys for
Tucson Electric Power Company

1 Original and thirteen copies of the foregoing
2 filed this 8th day of April, 2016, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copies of the foregoing hand-delivered/mailed
8 this 8th day of April, 2016, to:

9 Mr. Thomas M. Broderick, Director
10 Utilities Division
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 Ms. Janice M. Alward
15 Chief Counsel
16 Legal Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Mr. Dwight Nodes
21 Chief Administrative Law Judge
22 Hearing Division
23 Arizona Corporation Commission
24 1200 West Washington
25 Phoenix, Arizona 85007

26 By: *Jaclyn Howard*
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EXHIBIT 1

Authority Letter of Support dated March 18, 2016

COMMISSION

Joe A. Albo
Chairman
Dalton H. Cole
Vice Chairman
Stephen M. Brophy
Russell L. Jones
Richard S. Walden



Arizona Power Authority
1810 W. Adams St. Phoenix, AZ 85007
Tel (602) 368-4265 Fax (602) 253-7970

STAFF

Robert W. Johnson
Interim Executive Director
John T. Underhill, Jr.
Interim Deputy Director
and Chief Engineer
Heather J. Cole
Executive Secretary

March 18, 2016

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Dear ACC Staff:

The Arizona Power Authority (APA) is the state agency accountable for coordinating the delivery of Hoover Dam power to customers in Arizona. A critical component for the delivery of this power to APA allottees, many who are retail customers, is the implementation of a "bill-crediting program" by host utilities such as Tucson Electric Power Company (TEP).

Of the 69 APA allottees, Oro Valley Water Utility and Metropolitan Domestic Water Improvement District are two existing TEP customers who each received allocations of Post-2017 Hoover Dam power. The bill crediting programs are intended to allow the TEP customer to receive their allotment of Hoover Dam power while effectively reducing the amount of energy purchase from the host utility saving that customer the difference in prices for host utility energy versus the price for Hoover Dam power.

The APA encourages the Arizona Corporation Commission to approve the TEP bill crediting program to be effective no later than October 1, 2016.

Sincerely,

Handwritten signature of John T. Underhill, Jr.

John T. Underhill, Jr.
Interim Deputy Director & Chief Engineer

Cc: Oro Valley Water Utility
Metropolitan Domestic Water Improvement District

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EXHIBIT 2

MDWID Letter of Support dated March 21, 2016



March 21, 2016

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Support of Tucson Electric Power Request for Bill Crediting Mechanism Relative to Generation Charges for Oro Valley Water Utility and Metropolitan Domestic Water Improvement District Receiving a Hoover Power Allocation from the Arizona Power Authority

Dear Commissioners:

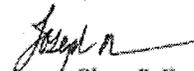
Metropolitan Domestic Water Improvement District (Metro) is a public water utility serving 50,000 customers in six service areas within the Tucson metropolitan area and has a 50-year Central Arizona Project (CAP) water allocation of 13,460 acre-feet per year. Metro as part of its water sustainability efforts to achieve groundwater safe yield in the Tucson Active Management Area is embarking next fiscal year on the design of a CAP water recharge and recovery delivery system in an effort to balance to groundwater levels in its main service area. This infrastructure project includes three recovery wells, a booster station and 13 miles of pipeline. The elevation from the recovery wells to Metro's drinking water reservoir is 800 feet. Thus, the District applied for a Hoover Power allocation to partially mitigate the extra energy required to lift the recovered CAP water and received an allocation from Western Area Power Administration.

Metro strongly supports the request by Tucson Electric Power Company (TEP) to provide bill crediting mechanism on generation charges for Oro Valley Water Utility and Metro. As explained in TEP's filing with the Arizona Corporation Commission, the Arizona Power Authority requires Hoover Power allottees with retail electric service to have an approved bill crediting mechanism so to be eligible to execute a 50-year Hoover Power contract. The Arizona Power Authority's Commission has set an execution deadline of September 1, 2016.

If TEP is not granted bill crediting for these two public utilities, APA's Commission will not execute a Hoover Power contract with either party and will have to forfeit its allocation and incur higher energy costs.

Please feel free to call me at (520) 575-8100, if you have questions.

Sincerely,


Joseph Olsen, P. E.
General Manager

Metropolitan Domestic Water Improvement District
P.O. Box 36870 Tucson, Arizona 85740 (520) 575-8100 (520) 575-8454 FAX www.metrowater.com