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PIMA COUNTY

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Arizona Corporation Commission
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ARIZONA CORP. COMMISSION
CORPORATIONS DIVISION

May 19, 2016

Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007-2996

Dear Commissioners Little, Stump, Burns, Forese and Tobin:

Re: Cases E-04204A-15-0142, E-01933A-15-0322, and E-00000J-14-0023
E-01933A-15-0239

Our climate is changing rapidly and frighteningly, largely due to the burning of fossil fuels, and we must address that threat or risk a Pima County with a substantially reduced quality of life for our grandchildren. Power plants creating the energy that drives our economy and enhances our lives account for about 31 percent of the greenhouse gases accelerating climate change. We must move to cleaner sources of energy, and do so as swiftly as possible.

The two above-referenced utility-submitted rate cases, which UniSource Energy Services and Tucson Electric Power Company have pending before you, would slow and hinder this transition as they would discourage residents, businesses, and governments from installing solar panels. This is unacceptable and must be rejected.

The utilities come to you as profit-making corporations and understandably seek healthy profits with their existing power plants and corporate structures. However, as you know, they are regulated monopolies and you, as elected regulators, are charged with ensuring that their rates and rate structures serve the public interest, not their private interests. Profitability and the public interest are not mutually exclusive. My comments below apply also to the referenced Value of Solar case.

The utilities' claims that customers with their own solar-power installations should pay more and receive less in return than they have to date do not account for all the aspects of this positive and accelerating move to solar systems. Utility customers deserve "net metering," to be paid at least the utilities' retail price of electricity, for the following reasons:

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- This practice encourages customers to install solar panels, thus increasing our total investment in solar energy, despite the up-front costs associated with the panels and their installation because they will receive a significant long-term financial benefit in exchange.
- On-site solar-energy systems reduce utilities' requirements to incur capital and fuel costs to generate power in their fossil-fuel plants.
- On-site solar-energy systems reduce the amount utilities must pay for power distribution and reduce transmission-line losses.
- The proliferation of solar systems reduces utilities' needs to invest in costly power plants and transmission lines as electricity demand grows.

- The more electric power is generated with solar systems, the less power plants must operate, emitting climate-changing greenhouse gases and health-damaging toxins.
- A well-designed rate structure should take into account all of the benefits of distributed solar systems, including those mentioned above.
- Arizona continues to face economic difficulty and the growth of employment in the solar industry has been a much-needed economic boost.

Pima County has been operating under a Sustainable Action Plan since 2008 crafted to move the government away from its dependence on fossil-fuel-produced energy that, among other measures, includes energy conservation and installation of solar panels. At this point, 9.8 percent of the electricity the county consumes comes from renewable sources. Our 2014 Plan goal is to reach at least 15 percent by 2025, much of that based on plans to reach 4 million kWh of annual solar-system capacity by 2019. This will not be possible if the TEP submittal is approved as filed.

Most of Pima County's 19 solar installations, which produce more than 1 million kilowatt-hours of electricity per year, are financed with outside funding that is to be paid back over a long period, usually 20 years, with energy-cost savings. The county has approved five more of these installations. But these no longer will be possible if TEP's proposal is approved as submitted, reducing the credit for electricity created beyond a site's needs to 6 cents per kilowatt-hour from 11 cents. In the UniSource case, those figures would be 5.8 cents per kilowatt-hour, down from 10.5 cents, and the reduction would have a similar negative impact on its customers.

The county's inability to reach its renewable-energy goals as a result of the TEP rate case would have long-term negative implications for county taxpayers.

The two utility rate cases propose other negative changes that the commission should reject. These cases propose to create a "demand" charge for residential and all commercial customers, which would set a national precedent. Such a charge would be based on a customer's peak use of electricity over a fixed period of time.

Demand charges have been available to industries and large commercial customers for many years as their processes often can be adjusted to reduce peak electricity demands at their sites over a period of time. It is much more difficult for residential customers, small-business customers and government customers to adjust their schedules to reduce their peak electrical requirements during any fixed period of time.

In addition a demand charge would reduce the wise incentive for customers to reduce their overall electricity use, via conservation or use of solar or other renewable energy sources. This request of the two utility rate cases should be denied.

The two utility cases also propose to increase the fixed monthly residential-customer charge; in the UniSource case to $15 from $10 and in the TEP case to $20 from $10. These proposals would impact low-income and low-electricity-usage customers, who least can afford it, the most. Monthly bills for some of these customers would increase by 22 percent to 50 percent.

Increasing the fixed monthly charge, unconnected to the customer's energy usage, would be a further disincentive for customers to conserve or install solar or other alternative energy sources. The fixed charge should be no more than the cost of connecting an additional customer to the grid—the cost of the final segment of line to the customer's building, billing and collection and maintaining routine utility-wide customer services. The increases requested should be rejected.

Instead, utility revenue needs should be met using volumetric charges and time-of-use rates. Volumetric charges and time-of-use rates send clear price signals which all customers can understand and respond to. They better encourage efficiency, peak load reduction and increased investment in renewable energy while reducing the negative impact on low-income and low-usage customers.

These negative proposals and the impact they add to the overall increase in rates will have a ripple effect, increasing costs for the county's Regional Wastewater Reclamation Department and the City of Tucson's Tucson Water utility, both very heavy users of TEP electricity (Wastewater uses 57.7 million kilowatt-hours of TEP electricity a year). This will put added pressure on these two utilities to raise their rates more than otherwise would be necessary.

The overall effect of these proposed rate-design changes in the UniSource and TEP cases, and the impact they would have on other utilities' rates and the county's property tax levies, would discourage new businesses, smaller industries and talented professionals from moving to their services areas, including Pima County and the City of Tucson. Please reject them.

Sincerely,

Richard Elías
District Five Pima County Supervisor