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FINAL

ANDY TOBIN'S PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: August 9, 2016, 11:05am

COMPANY: UNS Electric, Inc. Arizona Corporation Commission

AGENDA ITEM NO.: 22

DOCKETED

DOCKET NO.: E-04204A-15-0142 09 2016

OPEN MEETING DATE: August 9 & 10, 2016

DOCKETED BY [Signature]

On page 116, line 27, **INSERT** the following:

"To encourage a prompt resolution of these matters, we direct our Hearing Division to docket a recommended opinion and order in the Value of DG docket with sufficient time to be considered at the Commission's October 2016 Open Meeting."

On page 117, line 17, **INSERT** the following:

"We recognize that these issues will continue to persist for the foreseeable future, both in the second phase of this case and in other rate cases. We will therefore provide specific guidance in an effort to be helpful as we move forward through these issues.

In this Decision, we have rejected the Company's proposal to establish a grandfathering date that precedes the date of the Commission order. We emphasize that this result should be regarded as our default policy. Although we recognize that each unique rate case may warrant different results, we want to make our policy preference clear: the applicable grandfathering date should not generally precede the date of the relevant Commission Decision.

Furthermore, when implementing a new rate design or new net metering tariff for new DG customers, there should be a transition schedule so that changes are phased in, rather than implemented all at once. For example, in the upcoming second phase of this proceeding, parties should address how to phase in any changes to the export rate, to banking, to the implementation of demand charges, or to any other significant changes to net metering or rate design that would be applicable to new DG customers. This approach would be more consistent with traditional principles of regulatory gradualism.

Finally, we direct the parties in Phase Two to provide testimony evaluating 1) RUCO's rate options as discussed in pages 45-53 of this Order and 2) the following specific proposal, which would be intended to apply if the Value of DG were found to be less than the retail rate.

The Company will collect from all customers a system benefit charge, which will be assessed as a kWh charge across all customer classes. The system benefit charge will be calculated by multiplying the kWhs exported from new net metering customers by the retail rate. This calculation is intended to mirror the calculation that occurs now under the Company's current net metering tariff for existing DG customers.

The funds collected in the system benefit charge will be applied to compensate new DG customers for their net metering exports at the value of DG rate ultimately determined in the Commission's value of solar proceeding. If the value of DG rate is less than the retail rate, there will be remaining funds, which will be applied as follows:

- 1) One quarter of the funds will be used for the development of programs that support new energy efficiency and demand reduction technologies that are designed to reduce system peak demand.
- 2) One quarter of the funds will be used for the development of energy storage devices that can be applied to reduce system peak demand.

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3) One quarter of the funds will be credited to the Company's PPFAC to reduce the balance of fuel and purchased power costs to be collected from customers.

4) One quarter of the funds will be for the benefit of the Company's shareholders, and will be specifically applied to fixed cost recovery, and synchronized with the LFCR.

This system benefit charge shall remain in place for ten years. After the fifth year, the amount collected that exceeds the amount necessary to compensate new DG customers for their kWh exports at the Value of DG rate will be reduced by twenty percent every year, until these excess amounts are extinguished."

**** Add ordering paragraphs, and make all conforming changes**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____