

ORIGINAL

OPEN MEETING



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MEMORANDUM

REC  
AZ CORP COMMISSION  
DOCKET CONTROL

2017 MAR 23 P 4:32

Arizona Corporation Commission

DOCKETED

TO: THE COMMISSION

FROM: Utilities Division

MAR 23 2017

DATE: March 23, 2017

DOCKETED BY  
GB

RE: IN THE MATTER OF TUCSON ELECTRIC POWER COMPANY'S APPLICATION FOR APPROVAL OF THE BRIGHT TUCSON COMMUNITY SOLAR AGREEMENT WITH VENTANA MEDICAL SYSTEMS, INC. (E-01933A-17-0004)

INTRODUCTION

Enclosed are Commission Staff's memorandum and proposed order for IN THE MATTER OF TUCSON ELECTRIC POWER COMPANY'S APPLICATION FOR APPROVAL OF THE BRIGHT TUCSON COMMUNITY SOLAR AGREEMENT WITH VENTANA MEDICAL SYSTEMS, INC. (Docket No. E-01933A-17-0004). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before **April 3, 2017**.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled **April 5, 2017**, at 10:00 a.m. and **April 6, 2017**, at 10:00 a.m.

If you have any questions regarding matter, please contact Rick Lloyd, Commission Staff, at (602) 542-0819, or Elijah Abinah, Acting Director, at (602) 542-6935.

BACKGROUND

On January 5, 2017, Tucson Electric Power Company ("TEP") filed an application for approval of an agreement between TEP and Ventana Medical Systems, Inc. ("Ventana") that would allow Ventana to acquire a large number of blocks of solar energy from TEP under the Bright Tucson Community Solar Program at a lower premium than is provided in TEP's Pricing Plan Rider 5.

The Bright Tucson Community Solar Program ("Program") was approved by the Arizona Corporation Commission ("Commission") under Decision No. 71835, on August 10, 2010. The Program is designed to provide customers with access to solar distributed energy without requiring the customer to invest in a self-owned system, thereby avoiding large upfront costs and requiring a

long-term commitment. In addition, the Program provides customers with a hedge against future energy price increases and a means to promote solar energy at a nominal price.

Under the Program, one or more solar photovoltaic ("PV") power plants are either TEP-constructed and owned, or a private developer owns and operates the plant under a Power Purchase Agreement with TEP. A customer may participate in the Program by purchasing one or more blocks ("Solar Blocks") of solar capacity from these solar PV power plants. Each block of solar capacity is equal to one kilowatt and represents 150 kWh (per month) of electric energy. Participating customers pay a Solar Energy Premium of \$0.02 per kWh over the standard tariff Base Power Charge and this solar component of their bill is fixed at this rate for 20 years. All contracted Solar Block kWhs and associated charges in a billing month are excluded from the calculation of TEP's Purchased Power and Fuel Adjustor Clause ("PPFAC") and Renewable Energy Standard and Tariff ("REST") charges and/or credits.

TEP reports that as of January 31, 2017, 1,226 residential customers and 116 non-residential customers have purchased a total of 20,771 solar blocks under the Program, representing 20.771 MW of capacity and 3,115,650 kWh per month of energy.

#### **THE PROPOSED AGREEMENT**

TEP states that it has been approached by Ventana with a proposal whereby Ventana would agree to acquire a large number of Solar Blocks if TEP would agree to a smaller premium for the solar energy. TEP has signed similar agreements with other large customers. Accordingly, TEP and Ventana have signed an agreement dated December 8, 2016, entitled "Bright Tucson Community Solar Rider Agreement Between Tucson Electric Power Company and Ventana Medical Systems, Inc." ("Agreement").

Under terms of the Agreement, Ventana would purchase between six and ten megawatts of generating capacity from the Program. Ventana would pay a Solar Energy Premium of \$0.010 per kWh. The Base Power Contract Rate would be based on either the General Service GS-10 standard tariff rate, or the Large General Service LGS-13 tariff rate. The standard tariff Base Power rates will be a blend of the tariffed Winter and Summer rates to provide a whole-year Base Power Contract Rate. The Solar Block Energy Rate would be \$0.043274 per kWh for Ventana facilities supplied under the GS-10 rate, and \$0.043227 per kWh for facilities supplied under the LGS-13 rate. The Solar Energy Premium and the Base Power Contract Rate (collectively the "Solar Block Energy Rate") would be fixed for 20 years under the Agreement.

**Table I**  
**Special Contract Rates**

<b>Rate Schedule</b>	<b>Base Power Contract Rate</b>	<b>Solar Energy Premium</b>	<b>Solar Block Energy Rate</b>
General Service GS-10	\$0.033274/kWh	\$0.010000/kwh	\$0.043274/kWh
Large General Service LGS-13	\$0.033227/kWh	\$0.010000/kWh	\$0.043227/kWh

The Agreement has a term of 20 years commencing on the date of an Order by the Commission approving the Agreement.

Solar Blocks purchased by Ventana would be applied to the actual energy usage each month. Electricity used in excess of the purchased Solar Blocks will be billed at the applicable standard offer tariff energy rate. If electricity usage is below the amount covered by the Solar Blocks, then the excess kWhs will be rolled forward and credited against Ventana's usage in the following month(s). Ventana would still be responsible for the full monthly cost of the contracted Solar Blocks.

Each year, for the bills produced in October (September usage), TEP would credit any excess kWhs, after netting, at the energy rate of the Solar Blocks and reset the balance to zero. All contracted Solar Block kWhs and associated charges in a billing month will be excluded from the calculation of PPFAC and REST charges and/or credits.

The Agreement contains provisions for termination for cause based on specific material default situations defined in the Agreement. The Termination for Cause paragraph states that if either party materially defaults in its performance under the Agreement and fails to cure such default for 30 days, the non-defaulting party may immediately terminate the Agreement.

The Agreement contains provisions for termination for convenience wherein either party may terminate the agreement by providing 90-day written notice to the counter-party. However, TEP shall not terminate the Agreement solely to capture any REST or PPFAC charges in excess of the premium paid by Ventana.

If Ventana terminates the Agreement for convenience, Ventana would pay TEP an early termination fee equal to the sum of the avoided REST surcharges plus any net differences in power supply charges that would have been charged to the customer, less the sum of premiums paid. "Power Supply" charges are defined as including Base Power Supply and PPFAC charges. The early termination fee would be due thirty days after the date of TEP's invoice thereof following such termination by Ventana.

## STAFF ANALYSIS AND RECOMMENDATIONS

Staff believes that the proposed reduction in the Solar Energy Premium is reasonable in light of the magnitude of Ventana's intended Solar Block purchases, and the fact that the beneficiary of the Agreement will be a local business entity. Staff further believes that the other terms and conditions of the Agreement are reasonable. Staff further believes that large Solar Block purchases will enhance and promote the continued success of community solar programs in general and the Program specifically. Finally, for the purposes of evaluating this special contract, any impact to TEP's fair value rate of return would likely be de minimus.

Based on the above analysis, Staff recommends approval of the Agreement.



Elijah O. Abinah  
Acting Director  
Utilities Division

EOA:RBL:red\RRM

ORIGINATOR: Rick Lloyd

THE COMMISSION

March 23, 2017

Page 5

On this 23rd day of March, 2017, the foregoing document was filed with Docket Control as a **Utilities Division Memorandum & Proposed Order**, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

Mr. Michael Patten  
Snell & Wilmer, LLP  
One Arizona Center  
Phoenix, AZ 85004

Mr. Timothy La Sota  
Acting General Counsel/Acting Director, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Mr. Elijah O. Abinah  
Acting Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

By: Ross for  
Renee de la Fuente  
Administrative Support Specialist

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

TOM FORESE  
Chairman  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
ANDY TOBIN  
Commissioner  
BOYD DUNN  
Commissioner

IN THE MATTER OF TUCSON ELECTRIC  
POWER COMPANY'S APPLICATION FOR  
APPROVAL OF THE BRIGHT TUCSON  
COMMUNITY SOLAR AGREEMENT  
WITH VENTANA MEDICAL SYSTEMS,  
INC.

DOCKET NO. (E-01933A-17-0004)  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
April 5 and 6, 2017  
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 utility in Arizona.

**Background**

2. On January 5, 2017, TEP filed an application for approval of an agreement between TEP and Ventana Medical Systems, Inc. ("Ventana") that would allow Ventana to acquire a large number of blocks of solar energy from TEP under the Bright Tucson Community Solar Program at a lower premium than is provided in TEP's Pricing Plan Rider 5.

3. The Bright Tucson Community Solar Program ("Program") was approved by the Commission under Decision No. 71835, on August 10, 2010. The Program is designed to provide customers with access to solar distributed energy without requiring the customer to invest in a self-owned system, thereby avoiding large upfront costs and requiring a long-term commitment. In

1 addition, the Program provides customers with a hedge against future energy price increases and a  
2 means to promote solar energy at a nominal price.

3 4. Under the Program, one or more solar photovoltaic ("PV") power plants are either  
4 TEP- constructed and owned, or a private developer owns and operates the plant under a Power  
5 Purchase Agreement with TEP. A customer may participate in the Program by purchasing one or  
6 more blocks ("Solar Blocks") of solar capacity from these solar PV power plants. Each block of solar  
7 capacity is equal to one kilowatt and represents 150 kWh (per month) of electric energy. Participating  
8 customers pay a Solar Energy Premium of \$0.02 per kWh over the standard tariff Base Power Charge  
9 and this solar component of their bill is fixed at this rate for 20 years. All contracted Solar Block  
10 kWhs and associated charges in a billing month are excluded from the calculation of TEP's Purchased  
11 Power and Fuel Adjustor Clause ("PPFAC") and Renewable Energy Standard and Tariff ("REST")  
12 charges and/or credits.

13 5. TEP reports that as of January 31, 2017, 1,226 residential customers and 116 non-  
14 residential customers have purchased a total of 20,771 solar blocks under the Program, representing  
15 20.771 MW of capacity and 3,115,650 kWh per month of energy.

#### 16 **The Proposed Agreement**

17 6. TEP states that it has been approached by Ventana with a proposal whereby Ventana  
18 would agree to acquire a large number of Solar Blocks if TEP would agree to a smaller premium for  
19 the solar energy. TEP has signed similar agreements with other large customers. Accordingly, TEP  
20 and Ventana have signed an agreement dated December 8, 2016, entitled "Bright Tucson Community  
21 Solar Rider Agreement Between Tucson Electric Power Company and Ventana Medical Systems,  
22 Inc." ("Agreement").

23 7. Under terms of the Agreement, Ventana would purchase between six and ten  
24 megawatts of generating capacity from the Program. Ventana would pay a Solar Energy Premium of  
25 \$0.010 per kWh. The Base Power Contract Rate would be based on either the General Service GS-10  
26 standard tariff rate, or the Large General Service LGS-13 tariff rate. The standard tariff Base Power  
27 rates will be a blend of the tariffed Winter and Summer rates to provide a whole-year Base Power  
28 Contract Rate. The Solar Block Energy Rate would be \$0.043274 per kWh for Ventana facilities

1 supplied under the GS-10 rate, and \$0.043227 per kWh for facilities supplied under the LGS-13 rate.  
 2 The Solar Energy Premium and the Base Power Contract Rate (collectively the "Solar Block Energy  
 3 Rate") would be fixed for 20 years under the Agreement.

4 **Table I**  
 5 **Special Contract Rates**

6 <b>Rate Schedule</b>	<b>Base Power Contract Rate</b>	<b>Solar Energy Premium</b>	<b>Solar Block Energy Rate</b>
7 General Service GS-10	\$0.033274/kWh	\$0.010000/kwh	\$0.043274/kWh
8 Large General Service LGS-13	\$0.033227/kWh	\$0.010000/kWh	\$0.043227/kWh

10  
 11 8. The Agreement has a term of 20 years commencing on the date of an Order by the  
 12 Commission approving the Agreement.

13 9. Solar Blocks purchased by Ventana would be applied to the actual energy usage each  
 14 month. Electricity used in excess of the purchased Solar Blocks will be billed at the applicable  
 15 standard offer tariff energy rate. If electricity usage is below the amount covered by the Solar Blocks,  
 16 then the excess kWhs will be rolled forward and credited against Ventana's usage in the following  
 17 month(s). Ventana would still be responsible for the full monthly cost of the contracted Solar Blocks.

18 10. Each year, for the bills produced in October (September usage), TEP would credit any  
 19 excess kWhs, after netting, at the energy rate of the Solar Blocks and reset the balance to zero. All  
 20 contracted Solar Block kWhs and associated charges in a billing month will be excluded from the  
 21 calculation of PPFAC and REST charges and/or credits.

22 11. The Agreement contains provisions for termination for cause based on specific  
 23 material default situations defined in the Agreement. The Termination for Cause paragraph states that  
 24 if either party materially defaults in its performance under the Agreement and fails to cure such default  
 25 for 30 days, the non-defaulting party may immediately terminate the Agreement.

26 12. The Agreement contains provisions for termination for convenience wherein either  
 27 party may terminate the agreement by providing 90-day written notice to the counter-party. However,  
 28



1 TEP shall not terminate the Agreement solely to capture any REST or PPFAC charges in excess of  
2 the premium paid by Ventana.

3 13. If Ventana terminates the Agreement for convenience, Ventana would pay TEP an  
4 early termination fee equal to the sum of the avoided REST surcharges plus any net differences in  
5 power supply charges that would have been charged to the customer, less the sum of premiums paid.  
6 "Power Supply" charges are defined as including Base Power Supply and PPFAC charges. The early  
7 termination fee would be due thirty days after the date of TEP's invoice thereof following such  
8 termination by Ventana.

9 **Staff Analysis and Recommendations**

10 14. Staff believes that the proposed reduction in the Solar Energy Premium is reasonable  
11 in light of the magnitude of Ventana's intended Solar Block purchases, and the fact that the  
12 beneficiary of the Agreement will be a local business entity. Staff further believes that the other terms  
13 and conditions of the Agreement are reasonable. Staff further believes that large Solar Block  
14 purchases will enhance and promote the continued success of community solar programs in general  
15 and the Program specifically. Finally, for the purposes of evaluating this special contract, any impact  
16 to TEP's fair value rate of return would likely be de minimus.

17 15. Based on the above analysis, Staff has recommended approval of the Agreement.

18 CONCLUSIONS OF LAW

19 1. Tucson Electric Power Company is an Arizona public service corporation within the  
20 meaning of Article XV, Section 2, of the Arizona Constitution.

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

23 3. The Commission, having reviewed the application and Staff's Memorandum dated  
24 March 23, 2017, concludes that it is in the public interest to approve Tucson Electric Power  
25 Company's Community Solar Agreement with Ventana Medical Systems, Inc.

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ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's Community Solar Agreement with Ventana Medical Systems, Inc. is hereby approved.

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

CHAIRMAN FORESE

COMMISSIONER DUNN

COMMISSIONER TOBIN

COMMISSIONER LITTLE

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, TED VOGT, 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 \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
TED VOGT  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EOA:RBL:red/RRM

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Tucson Electric Power Company  
Docket No. E-01933A-17-0004

Mr. Michael Patten  
Snell & Wilmer, LLP  
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Phoenix, AZ 85004

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