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1	BEFORE THE ARIZONA C	ORPORATION COMMISSION
2	DOUG LITTLE Chairman	Arizona Corporation Commission
3	BOB STUMP Commissioner	DOCKETED
4	BOB BURNS Commissioner	MAY 1 3 2016
5	TOM FORESE	DOCKETED BY
6	Commissioner ANDY TOBIN	12
7	Commissioner	
8	IN THE MATTER OF THE APPLICATION ) OF TUCSON ELECTRIC POWER	DOCKET NO. E-01933A-15-0239
9	COMPANY FOR APPROVAL OF ITS 2016	
10	TARIFF IMPLEMENTATION PLAN.	
11	IN THE MATTER OF THE APPLICATION	DOCKET NO. E-01933A-15-0322
12	OF TUCSON ELECTRIC POWER () COMPANY FOR THE ESTABLISHMENT ()	
13	OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A	
14	REASONABLE RATE OF RETURN ON $\langle$	
15	THE FAIR VALUE OF THE PROPERTIES          OF TUCSON ELECTRIC POWER	DECISION NO
16	COMPANY DEVOTED TO ITS ( OPERATIONS THROUGHOUT THE )	ORDER
17	STATE OF ARIZONA AND FOR RELATED APPROVALS	
18		
19	Open Meeting	
20	May 3 and 4, 2016 Phoenix, Arizona	
21	BY THE COMMISSION:	
22	FINDING	<u>GS OF FACT</u>
23	1. Tucson Electric Power Company	y ("TEP" or "Company") is engaged in providing
24	electric service within portions of Arizona, pursus	ant to authority granted by the Arizona Corporation
25	Commission ("ACC" or "Commission").	
26	2. On July 1, 2015, TEP filed for C	commission approval of its 2016 Renewable Energy
27	Standard and Tariff ("REST") Implementation Pla	an. On September 16, 2015, TEP filed a supplement
28	to its application reporting the results of its energy	v storage system solicitation and evaluation.

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Page 2

1	3. On January 6, 2016, a Procedural Order was issued, setting the entire proposed 2016							
2	TEP REST plan for	hearing. The	January 6, 2016	6 Procedural Or	der also stated	that "If Staff files	direct	
3	testimony in lieu of a Staff Report, Staff should include all information that it would otherwise include							
4	in a Staff Report when it prepares a Proposed Order." (Page 6, footnote 8) On March 11, 2016, Staff							
5	filed its Direct Tes	timony, which	h included a N	lemo as Exhit	oit 2 that reflee	cted Staff's review	w and	
6	recommendations o	n issues othe	er than the TE	P-Owned Resi	dential Solar p	rogram ("TORS'	), the	
7	Residential Commu	nity Solar pros	gram ("RCS") a	nd whether to	consider the RC	CS and similar pro	grams	
8	as distributed genera	ution ("DG").						
9	4. On .	April 6, 2016	, a Procedural	Order required	Staff to "prep	oare a Staff Repo	rt and	
10	Order for Commiss	ion considera	tion on the une	contested porti	on of the TEP	's 2016 REST Pla	in (i.e.	
11	the non-TORS and	non-RCS pros	grams)." (Page	4, lines 12-14).	This Memo is S	Staff's filing in res	ponse	
12	to this Procedural O	rder and refle	ects the same Sta	aff recommend	ations that were	e contained in Exl	hibit 2	
13	filed with Staff's Dir	ect Testimon	y on March 11,	2016.				
14	5. TEP	's initial filing	g requested app	roval of variou	s REST plan c	omponents, inclu	ding a	
15	budget, customer cla	ass caps, vario	ous program det	ails, approval o	f energy storage	e projects, waiver	of the	
16	2016 residential DG	REST requir	ement, and con	npliance matter	s.			
17	TEP's Five	Year Project	tion of Energy	, Capacity, an	d Costs			
18	6. The	table below s	hows TEP's for	recast for energ	gy and costs for	its annual REST	plans	
	87 F T							
19	from 2016 through 2	2020.						
19 20	from 2016 through 2							
	from 2016 through 2	T	EP Energy, Capa 2017	· · · · · · · · · · · · · · · · · · ·	·····	2020		
20	from 2016 through 2 Forecast Retail Sales		EP Energy, Capa 2017	acity, and Cost F 2018	orecast 2019	2020		
20 21	Forecast	T		· · · · · · · · · · · · · · · · · · ·	·····	<b>2020</b> 9.846,004		
20 21 22	Forecast Retail Sales MWh % Renewable Energy Required	T 2016	2017	2018	2019			
20 21 22 23	Forecast Retail Sales MWh % Renewable Energy Required Overall Renewable	<b>2016</b> 9,063,742	<b>2017</b> 9,113,176	<b>2018</b> 9.189,984	<b>2019</b> 9.381,001	9.846,004		
20 21 22 23 24	Forecast Retail Sales MWh % Renewable Energy Required Overall Renewable Requirement MWh	<b>2016</b> 9,063,742	<b>2017</b> 9,113,176	<b>2018</b> 9.189,984	<b>2019</b> 9.381,001	9.846,004		
<ol> <li>20</li> <li>21</li> <li>22</li> <li>23</li> <li>24</li> <li>25</li> </ol>	Forecast Retail Sales MWh % Renewable Energy Required Overall Renewable Requirement MWh Utility Scale Requirement	T           2016           9,063,742           6.0%           543,825	2017 9,113,176 7.0% 637,922	2018 9.189,984 8.0% 735,199	2019 9.381,001 9.0% 844,290	9.846,004 10.0% 984,600		
<ol> <li>20</li> <li>21</li> <li>22</li> <li>23</li> <li>24</li> <li>25</li> <li>26</li> </ol>	Forecast Retail Sales MWh % Renewable Energy Required Overall Renewable Requirement MWh Utility Scale	<b>2016</b> 9,063,742 6.0%	<b>2017</b> 9,113,176 7.0%	2018 9.189,984 8.0%	2019 9.381,001 9.0%	9.846,004		

age 3			Doc	ket Nos. E-01933	3A-15-0239
DG		1			1
Requirement MWh	163,147	191,377	220,560	253,287	295,380
RES DG	105,147	191,577	220,500	255,267	295,580
Requirement MWh	81,574	95,688	110,280	126,644	147,690
Non-Res DG	81,574	95,688	110,280	126,644	147,690
Requirement MWh					
Total	\$47,836,529	\$47,790,347	\$45,638,92	9 \$43,868,828	\$41,224,021
Program Cost					
EP REST Experi	ence Under (	2015 REST	Plan		
7. The	- · ·		•	lan for 2015 conte	
\$40,118,385 and t	otal recoverie	s through the	REST surcha	rge of \$33,291,969	).
0 <b>D</b>	1: : . 11 .	• 1			11
8. Rega	rding installat	ions and rese	ervations, the t	table below summ	arizes installa
servations for insta	illations throu	gh June 30, 2	2015 by TEP.		
	Photovoltaics				
Residential		Photovolta	ics	Solar	Hot Water
Residential	Number	of		Number of	
	Systems	of k	W (kWh)	Number of Systems	kWh
Residential 2015 Installations		of k	<b>W (kWh)</b> 1,420	Number of	
\$2700-	Systems	of k 1 (.	W (kWh)	Number of Systems	kWh
2015 Installations	<b>Systems</b> 1,577	of k 1 (3 1	<b>W (kWh)</b> 1,420 3,984,159)	Number of Systems 9	<b>kWh</b> 24,750
2015 Installations Reservations	<b>Systems</b> 1,577	of k 1 ((	<b>W (kWh)</b> 1,420 3,984,159) 2,590 23,921,000)	Number of Systems9NA	<b>kWh</b> 24,750 NA
2015 Installations	<b>Systems</b> 1,577	of k 1 (( 1 (/ Photovolta	<b>W (kWh)</b> 1,420 3,984,159) 2,590 23,921,000)	Number of Systems9NA	<b>kWh</b> 24,750
2015 Installations Reservations <b>Commercial</b>	Systems           1,577           2,293	of k 1 (. 1 (. Photovolta of k	<b>W (kWh)</b> 1,420 3,984,159) 2,590 23,921,000) iics <b>W (kWh)</b>	Number of         Systems       9       9         NA       NA       Solar         Number of       Systems       Systems	kWh           24,750           NA           Hot Water           kW
2015 Installations Reservations	Systems           1,577           2,293           Number	of k 1 (( 1 (2 Photovolta of k 7	<b>W (kWh)</b> 1,420 3,984,159) 2,590 23,921,000) <b>iics</b> <b>W (kWh)</b> ,150	Number of Systems       9       NA       Solar       Number of	kWh           24,750           NA           Hot Water
2015 Installations Reservations <b>Commercial</b> 2015 Installations	Systems           1,577           2,293           Number           Systems           36	of k 1 (( 1 (2) Photovolta of k 7 ()	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) ics <b>W</b> (kWh) ,150 594,709)	Number of         Systems       9       9         NA       Solar         Number of       Systems         NA       NA	kWh           24,750           NA           Hot Water           kW           NA
2015 Installations Reservations <b>Commercial</b>	Systems           1,577           2,293           Number           Systems	of k 1 (. 1 (. 2 Photovolta of k 7 (. 3	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) iics <b>W</b> (kWh) ,150 594,709) 6,450	Number of         Systems       9       9         NA       NA       Solar         Number of       Systems       Systems	kWh           24,750           NA           Hot Water           kW
2015 Installations Reservations <b>Commercial</b> 2015 Installations	Systems           1,577           2,293           Number           Systems           36	of k 1 (. 1 (. 2 Photovolta of k 7 (. 3	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) ics <b>W</b> (kWh) ,150 594,709)	Number of         Systems       9       9         NA       Solar         Number of       Systems         NA       NA	kWh           24,750           NA           Hot Water           kW           NA
2015 Installations Reservations <b>Commercial</b> 2015 Installations Reservations	Systems           1,577           2,293           Number           Systems           36           165	of k 1 ((. 1 (. <b>Photovolta</b> of k 7 ((. 3 ((.	W (kWh)         1,420         3,984,159)         2,590         23,921,000)         iics         W (kWh)         ,150         594,709)         6,450         59,255,000)	Number of         Systems       9         NA       Solar         Number of       Systems         NA       NA	kWh           24,750           NA           Hot Water           kW           NA
2015 Installations Reservations <b>Commercial</b> 2015 Installations Reservations	Systems           1,577           2,293           Number           Systems           36           165	of k 1 ((. 1 (. <b>Photovolta</b> of k 7 ((. 3 ((.	W (kWh)         1,420         3,984,159)         2,590         23,921,000)         iics         W (kWh)         ,150         594,709)         6,450         59,255,000)	Number of         Systems       9         NA       Solar         Number of       Systems         NA       NA	kWh           24,750           NA           Hot Water           kW           NA
2015 Installations Reservations Commercial 2015 Installations Reservations ystems That Do N	Systems           1,577           2,293           Number           Systems           36           165           Not Take a U	of k 1 (( 1 () Photovolta of k 7 () 3 () Vtility Incent	W (kWh)         1,420         3,984,159)         2,590         23,921,000)         iics         W (kWh)         ,150         594,709)         6,450         69,255,000)	Number of         Systems       9         NA       Solar         Number of       Systems         NA       NA	kWh           24,750           NA           Hot Water           kW           NA           NA
2015 Installations Reservations Commercial 2015 Installations Reservations ystems That Do P 9. The f	Systems         1,577         2,293         Number         Systems         36         165         Not Take a U         Following table	of k 1 (. 1 (. 2 Photovolta of k 7 (. 3 (() () () () () () () () () () () () ()	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) iics <b>W</b> (kWh) ,150 594,709) 6,450 59,255,000) iive umber, kW, an	Number of         Systems       9         NA       Solar         Number of       Systems         NA       NA         NA       NA         d kWh of systems       Systems	kWh         24,750         NA         Hot Water         kW         NA         NA         that have bee
2015 Installations Reservations Commercial 2015 Installations Reservations ystems That Do P 9. The f	Systems         1,577         2,293         Number         Systems         36         165         Not Take a U         Following table	of k 1 (. 1 (. 2 Photovolta of k 7 (. 3 (() () () () () () () () () () () () ()	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) iics <b>W</b> (kWh) ,150 594,709) 6,450 59,255,000) iive umber, kW, an	Number of         Systems       9         NA       Solar         Number of       Systems         NA       NA         NA       NA         d kWh of systems       Systems	kWh         24,750         NA         Hot Water         kW         NA         NA         that have bee
2015 Installations Reservations Commercial 2015 Installations Reservations ystems That Do N	Systems         1,577         2,293         Number of Systems         36         165         Not Take a U         Following table         citory that have	of k 1 (( 1 () 1 () () Photovolta of k 7 () () () () () () () () () () () () ()	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) iics <b>W</b> (kWh) ,150 594,709) 6,450 59,255,000) iive umber, kW, an an incentive free	Number of         Systems       9         NA       NA         Solar       Solar         Number of       Systems         NA       NA         NA       NA         om TEP and thus	kWh         24,750         NA         Hot Water         kW         NA         NA         that have bee         TEP has no
2015 Installations Reservations Commercial 2015 Installations Reservations ystems That Do N 9. The f TEP's service terr sociated renewable	Systems         1,577         2,293         Number of Systems         36         165         Not Take a U         Following table         citory that have	of k 1 (( 1 () 1 () () Photovolta of k 7 () () () () () () () () () () () () ()	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) iics <b>W</b> (kWh) ,150 594,709) 6,450 59,255,000) iive umber, kW, an an incentive free	Number of         Systems       9         NA       NA         Solar       Solar         Number of       Systems         NA       NA         NA       NA         om TEP and thus	kWh         24,750         NA         Hot Water         kW         NA         NA         that have bee         TEP has no
2015 Installations Reservations Commercial 2015 Installations Reservations ystems That Do N 9. The f	Systems         1,577         2,293         Number of Systems         36         165         Not Take a U         Following table         citory that have	of k 1 (( 1 () 1 () () Photovolta of k 7 () () () () () () () () () () () () ()	<b>W</b> (kWh) 1,420 3,984,159) 2,590 23,921,000) iics <b>W</b> (kWh) ,150 594,709) 6,450 59,255,000) iive umber, kW, an an incentive free	Number of         Systems       9         NA       NA         Solar       Solar         Number of       Systems         NA       NA         NA       NA         om TEP and thus	kWh         24,750         NA         Hot Water         kW         NA         NA         that have bee         TEP has no

28 . .

1	Residential	Number of Projects	kW	kWh
•	2012	2	4	7,465
2	2013	52	401	702,048
3	2014	1,875	13,461	21,743,879
5	2015	1,834	13,290	21,153,414
4	Non-Residential			
	2012	3	179	321,894
5	2013	8	5,011	9,020,250
۷	2014	37	8,000	14,399,640
6	2015	39	8,250	14,850,135

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## 8 Leased Versus Non-Leased Systems

9 10. TEP indicates that a significant majority of residential systems are leased in 2014 and 10 into August 2015 (2701 leased systems versus 1008 non-leased systems). TEP indicates that all 37 non-11 residential systems are non-leased in 2014 and all 39 non-residential systems so far in 2015 are non-12 leased.

### 13 Bright Tucson Solar Buildout Plan

14 11. In recent years the Commission has approved continuation of TEP's buildout program 15 at a rate of up to \$28 million annually. However, TEP has indicated that it will no longer seek approval 16 of Bright Tucson Solar Buildout Plan funding through the REST plan. Instead TEP will invest in 17 renewable energy projects and seek recovery of related costs via traditional methods, such as in a general 18 rate proceeding. Thus, TEP's buildout plan related costs the Company is seeking to recover through 19 the REST budget are costs related to projects from past years' REST plans that are not yet being 20 recovered through base rates.

21

Line Item	2016	2017	2018	2019
Carrying	\$4,085,866	\$531,329	\$475,422	\$310,061
Costs				~ 2
Book	\$4,388,532	\$600,000	\$600,000	\$600,000
Depreciation				" 2
Property Tax	\$392,960			\$65,013
Expense				
Operations	\$498,667	\$69,525	\$71,611	\$73,759
and			. ,	1, - <b>-</b>
Maintenance				
Total	\$9,366,025	\$1,200,854	\$1,147,033	\$1,048,833

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#### 1 Energy Storage Solicitation

2 In TEP's 2015 REST plan filing with the Commission on July 1, 2014, TEP sought 12. Commission guidance as to how costs for a potential energy storage project could be recovered, in 3 anticipation of an upcoming solicitation TEP would hold for a 10 MW energy storage system ("ESS"). 4 In Decision Number 74884, the Commission indicated that its preference at the time was for TEP to 5 recover such costs through TEP's Purchased Power and Fuel Adjustment Clause ("PPFAC"). TEP's 6 proposed 2016 REST plan filing indicated that TEP would update it with information on the ESS 7 solicitation when it was completed. TEP filed this update in its September 16, 2015 supplement to its 8 9 proposed 2016 REST plan.

10 13. TEP's supplemental filing indicates that TEP selected two 10 MW storage projects. 11 TEP indicated that the responses to the solicitation exceeded its expectations and that it would be able to do the two 10 MW projects for less cost than it expected to do the one 10 MW project it discussed 12 in its 2015 REST plan filing. The storage projects would involve two lithium battery variations, with 13 one including a 2 MW solar facility. TEP would contract with outside companies for the two storage 14 facilities for ten years of service from the facilities. TEP would pay fees to the two companies totaling 15 \$1,520,000 annually, or a total of \$15,200,000 over the ten year life of the agreements with the outside 16 17 companies.

18 14. TEP has indicated that the benefits of the project include providing frequency response at pre-determined set points, voltage and VAR support, ramp rate control, and energy storage as 19 required. TEP has also cited that the storage projects will help TEP avoid possible North American 20 Electric Reliability Corporation ("NERC") penalties. TEP has indicated in discussions with Staff that 21 22 pursuit of storage projects such as these is necessitated by the increasing deployment of renewable energy facilities on its grid and the concomitant grid support needs. Of note, TEP also indicated to 23 24 Staff that different renewable energy technologies require different type(s) of grid support, so, for example, the grid support requirements of wind would be different than the grid support requirements 25 of solar. 26

TEP's agreements with the two proposed storage projects include protection for
ratepayers by requiring the storage facilities to demonstrate on a quarterly basis that their facilities can

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perform up to the requirements of their contracts with TEP. Regarding the 2 MW solar facility, TEP 2 would own the associated RECs and be able to count them toward compliance.

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16. Regarding cost recovery, Staff does not see a reason to change the guidance that was 4 provided to TEP in Decision Number 74884, regarding the potential recovery of ESS related costs through the PPFAC. Staff recommends that TEP file a revised PPFAC Plan of Administration 5 consistent with the Decision in this case, in Docket Control, within 30 days of the effective date of the 6 7 Decision. The Plan of Administration should list the appropriate FERC account(s) in which the various 8 storage-related costs would be included.

9 17. Energy storage is often cited as one of the key expected developments in the electric utility industry in the coming years and deployment of these facilities on TEP's electric grid will provide 10 TEP with valuable experience in understanding the benefits and challenges of having storage assets 11 within its electric supply portfolio. Staff recommends approval, as a pilot program, of the proposed 12 13 energy storage facilities and recovery of prudently incurred costs through the PPFAC.

14

### **Residential DG Waiver Request**

15 18. TEP is requesting in its proposed 2016 REST plan to be granted a prospective annual 16 waiver of the 2016 residential DG REST incremental requirement. TEP has indicated that it projects 17 that it will not have enough RECs to demonstrate compliance with its residential DG requirement in 18 2016 given that it is not counting toward REST compliance any residential DG installations that it does not give an incentive to. In support of TEP's request TEP cited the following information in 19 20 communications with Staff:

21

22

a.

- In 2014, TEP installed or reserved 20.83 MW of non-incentivized residential solar PV of capacity.
- 23 b. Through August 28, 2015, TEP has installed or reserved 21.042 MW of non-incentivized 24 residential solar PV of capacity.
- Cumulatively, this additional 41.872 MW of residential solar capacity will produce, on 25 c. 26 average, an additional 78,510,000 kWh annually (based on 1,875 kWh per kW). 27 Although TEP does not own title to these REC's, nor can TEP claim these kWh or 28 REC's for RPS compliance purposes, they represent more than double the 62,947,000

	Page 7	Docket Nos. E-01933A-15-0239 et. al.
1		kWh the Company retired for compliance in 2014. Combined these values represent
2		more than 1.5 percent of TEP's annual retail sales - the equivalent of the Company's
3		projected compliance requirement for the year 2020.
4	d.	TEP indicated that as of the end of 2014 it had 62,947 MWh of residential DG RECs
5		and that it expects the 2016 residential DG compliance requirement to be approximately
6		81,600 MWh of residential DG RECs.
7	19.	If the 600 installations, with an average system size of 6 kW and generating 1,800
8	kWh/kW, the	total production of those installations for an entire year would be a little over 6,000 MWh.
9	Thus the REC	s from this program would not nearly fill the roughly 20,000 MWh gap TEP has identified.
10	20.	In essence TEP is citing a high level of non-incentived market activity in its service
11	territory in the	e past and present to justify the granting of a waiver. During the Commission's Track and
12	Record proce	eding and subsequent REST rulemaking dockets, market activity was a commonly cited
13	possible way f	or a utility to demonstrate that the granting of a waiver is warranted. From the information
14	provided by T	EP, Staff believes that it is highly likely TEP will need a waiver of the 2016 increment of
15	the residential	DG portion of its REST requirement and that the high level of market activity in the past
16	and present is	an acceptable way to demonstrate the reasonableness of granting such a waiver. TEP has
17	indicated that	RECs it receives from the 600 installations under the initial pilot phase of the TORS
18	program will r	ot result in it achieving compliance in 2016. Further, given the delays in this proceeding,
19	it appears unl	ikely that TEP would receive any RECs in 2016 from its proposed community solar
20	program if it is	s ultimately is approved by the Commission.
21	21.	This filing by TEP represents the first waiver request by TEP since the Commission's
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21 21. This hing by TEP represents the first waiver request by TEP since the Commission's 22 track and record proceeding concluded. Unlike typical REST plan filings which are acted on by the 23 Commission late in the previous calendar year or slightly into the year the plan is applicable to, this 24 REST plan is under consideration in a hearing process where TEP will not have an approved REST 25 plan for 2016 until well into 2016. Staff believes given the circumstances in this case that an annual 26 waiver of the 2016 increment of the residential DG compliance requirement under the REST rules is 27 warranted and Staff recommends approval of such a waiver. Under such an annual waiver, it would be 28 valid for the calendar year 2016.

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1	22. Given the high level of non-incentivized market activity in TEP's service territory in				
2	recent years and the lack of new RECs TEP is receiving for DG installations, Staff believes that there				
3	is a very high likelihood that TEP will need an additional waiver for the calendar year 2017. Such a				
4	waiver would include both the 2016 residential DG increment and the 2017 residential DG increment.				
5	Staff therefore recommends that a waiver also be granted to TEP for the 2017 calendar year for both				
6	the 2016 residential DG increment and the 2017 residential DG increment.				
7	2016 REST Budget Proposal				
8	23. The TEP and Staff REST plan budget proposal will be discussed in the remainder of				
9	this document.				
10	2014 Funds Carried Forward to 2016 REST Budget				
11	24. TEP's filing reflects the carryforward of \$8,809,321 in unspent funds from TEP's 2014				
12	REST budget. The table below accounts for what line items of TEP's 2014 REST budget those funds				
13	came from.				
14					
15	2014 Tariff Revenue \$390,856				
	Lower Cost Purchased Renewable Energy\$8,474,468Customer Sited Distributed Renewable Energy\$254,933				
16	Customer Sited Distributed Renewable Energy\$254,933Labor and Administration\$83,612				
17	Metering -\$393,981				
	Other Budget Items -\$567				
18	Total Unspent 2014 REST funds \$8,809,321				
19					
20	25. The TEP and Staff REST budget proposal discussed herein reflects this carryforward of				
21	unspent 2014 REST funds which reduce the amount of money required to be recovered through the				
22	2016 REST surcharge. This treatment is consistent with how the Commission has treated funds carried				
23	forward in the past.				
24	Proposed TEP and Staff Budget				
25	26. Staff has reviewed the budget proposal contained in TEP's proposed 2015 REST plan				
26	and agrees with TEP's proposed budget. The table below summarizes the budget being proposed by				
27	TEP and Staff.				
28					
	Decision No. <b>75560</b>				

Budget Components	2015 Approved Budget	2016 TEP and Staff Proposal
Purchased Renewable Energy		
Above market cost of conventional generation	\$22,971,774	\$38,002,919
TEP Owned	\$8,022,530	\$9,366,025
Subtotal	\$30,994,304	\$47,368,944
Customer Sited Distributed Renewable Energy		
Non-Residential PBI On-Going Commitments	\$7,214,196	\$7,192,720
Meter Reading	\$35,363	\$35,363
Customer Education and Outreach	\$100,000	\$100,000
Subtotal	\$7,349,559	\$7,328,083
Internal and Contractor Training		
Subtotal	\$85,000	\$85,000
Information Systems		
Subtotal	\$100,000	\$75,000
Metering		
Subtotal	\$501,680	\$697,975
Labor and Administration		
Internal Labor	\$468,442	\$556,944
External Labor	\$302,401	\$216,903
Materials, Fees, Supplies	\$60,000	\$60,000
AZ Solar Website	\$4,000	\$4,000
Subtotal	\$834,843	\$837,847
Research and Development		
Renewable Integration and Operations Study	\$38,000	\$38,000
Solar and Wind Forecast Integration Portal	\$100,000	\$100,000
Solar Test Yard	\$50,000	\$50,000
Field and Lab Degradation Analysis	\$50,000	\$50,000
Dues and Fees	\$15,000	\$15,000
Subtotal	\$253,000	\$253,000
Total Spending	\$40,118,386	\$56,645,849
Carryover of Previous Year's Funds	-\$6,826,417	-\$8,809,321
Total Amount for Recovery	\$33,291,969	\$47,836,529

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## 19 Recovery of Funds through 2016 REST Charge

20 27. TEP's proposed caps and per kWh charge are designed to recover TEP's proposed 21 spending and recovery levels in 2016 and Staff's proposed caps and per kWh charge are designed to 22 recover TEP and Staff's proposed budget of \$56.6 million and recovery level of \$47.8 million.

- 23 28. The table below shows the proposed surcharge per kWh for the TEP and Staff options
  24 as well as the proposed caps under each option, in comparison to what is currently in effect for 2015.
  25 ...
  26 ...
  27 ...
- 28 ...

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		2015 Approved	2016 T	<b>TEP Proposal</b>	2016 Staff Proposa
REST Charge		\$0.008	\$0.013		\$0.013
(per kWh)					
Class Caps					
Residential		\$3.83	\$4.56		\$4.76
Commercial)	Service (Small	\$100.00	\$150.0	0	\$130.00
Large Genera Commercial)	Service (Large	\$1,015.00	\$1,500	0.00	\$1,300.00
Industrial and	Mining	\$8,000.00	\$12,00	0.00	\$15,000.00
Lighting		\$100.00	\$150.0		\$130.00
ut adjusts the o n the small ge asses contribu nd even with S	customer class neral service a te a much hig taff's proposal	s caps differently and large geners ther percentage l would continue	y than TEP did al service custo of REST reven e to do so.	. Staff's prop omers, reflect tue than their	arge as TEP's propositions posed caps reduce the ing that these two c share of TEP's MW f options for the 201
lan are shown i	n the table be		arison purposes	s, the table be	low also shows the p
lan are shown i	n the table be sustomer class	for 2016.			
plan are shown i MWH sales by c	n the table be sustomer class 2016 Projecto (MWH)	for 2016.	2016 TEP Propo	osal :	2016 Staff Proposal
lan are shown i	n the table be sustomer class 2016 Projecte (MWH) 3,690,752	for 2016.	<b>2016 TEP Propo</b> \$18,677,315	osal i	<b>2016 Staff Proposal</b> \$19,361,633
olan are shown i AWH sales by c Residential	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%)	for 2016.	<b>2016 TEP Propo</b> \$18,677,315 (39.1%)	osal .	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%)
lan are shown i IWH sales by c Residential Small General	n the table be sustomer class 2016 Projecte (MWH) 3,690,752 (40.7%) 2,166,759	for 2016.	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080	osal	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114
lan are shown i IWH sales by c Residential Small General Service	n the table be sustomer class 2016 Project (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%)	for 2016.	<b>2016 TEP Propo</b> \$18,677,315 (39,1%) \$16,265,080 (34.0%)	osal :	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%)
Ilan are shown in AWH sales by c Residential Small General Service Large General	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502	for 2016.	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389	osal :	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677
Plan are shown in AWH sales by c Residential Small General Service Large General Service	n the table be sustomer class 2016 Projecte (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%)	for 2016.	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%)		<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%)
Plan are shown in AWH sales by controls Residential Small General Service Large General Service Industrial and	n the table be sustomer class 2016 Projecte (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188	for 2016.	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236		<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545
MWH sales by c MWH sales by c Residential Small General Service Large General Service Industrial and Mining	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188 (22.3%)	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%)	•sal	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%)
lan are shown i IWH sales by c Residential Small General Service Large General Service Industrial and	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188 (22.3%) 32,541	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386	•sal	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891
an are shown i WH sales by c Residential Small General Service Large General Service Industrial and Mining Lighting	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188 (22.3%) 32,541 (0.4%)	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386 (0.9%)	•sal	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891 (0.9%)
an are shown i WH sales by c Residential Small General Service Large General Service Industrial and Mining	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188 (22.3%) 32,541	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386	•sal	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891
MWH sales by c MWH sales by c Residential Small General Service Large General Service Industrial and Mining Lighting Total 31. 7	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188 (22.3%) 32,541 (0.4%) 9,063,742 The table belo	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386 (0.9%) \$47,825,407 werage REST	osal :	<b>2016 Staff Proposal</b> \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891 (0.9%)
lan are shown i IWH sales by c Residential Small General Service Large General Service Industrial and Mining Lighting Total 31. 7	n the table be sustomer class 2016 Projecto (MWH) 3,690,752 (40.7%) 2,166,759 (23.9%) 1,149,502 (12.7%) 2,024,188 (22.3%) 32,541 (0.4%) 9,063,742 The table belo	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386 (0.9%) \$47,825,407 werage REST	osal	2016 Staff Proposal \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891 (0.9%) \$47,832,860 Istomer class as wel
lan are shown i IWH sales by c Residential Small General Service Large General Service Industrial and Mining Lighting Total 31. T ercentage of cu	n the table be customer class $ \begin{array}{r} 2016 \operatorname{Projecto}\\(MWH) \\ 3,690,752 \\ (40.7\%) \\ 2,166,759 \\ (23.9\%) \\ 1,149,502 \\ (12.7\%) \\ 2,024,188 \\ (22.3\%) \\ 32,541 \\ (0.4\%) \\ 9,063,742 \\ \end{array} $ The table belows to mers at the set of the table belows the set of	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386 (0.9%) \$47,825,407 werage REST	osal	2016 Staff Proposal \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891 (0.9%) \$47,832,860 Istomer class as wel
lan are shown i IWH sales by c Residential Small General Service Large General Service Industrial and Mining Lighting Total 31. T ercentage of cu	n the table be customer class $ \begin{array}{r} 2016 \operatorname{Projecto}\\(MWH) \\ 3,690,752 \\ (40.7\%) \\ 2,166,759 \\ (23.9\%) \\ 1,149,502 \\ (12.7\%) \\ 2,024,188 \\ (22.3\%) \\ 32,541 \\ (0.4\%) \\ 9,063,742 \\ \end{array} $ The table belows to mers at the set of the table belows the set of	for 2016. ed Sales	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386 (0.9%) \$47,825,407 werage REST	osal	2016 Staff Proposal \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891 (0.9%) \$47,832,860 Istomer class as wel
MWH sales by c MWH sales by c Residential Small General Service Large General Service Industrial and Mining Lighting Total 31. T percentage of cu	an the table be         customer class         2016 Projected $(MWH)$ 3,690,752 $(40.7\%)$ 2,166,759 $(23.9\%)$ 1,149,502 $(12.7\%)$ 2,024,188 $(22.3\%)$ 32,541 $(0.4\%)$ 9,063,742	for 2016. ed Sales by shows the a cap for each cu 6 TEP Proposal 2	<b>2016 TEP Propo</b> \$18,677,315 (39.1%) \$16,265,080 (34.0%) \$8,646,389 (18.1%) \$3,813,236 (8.0%) \$423,386 (0.9%) \$47,825,407 werage REST	osal	2016 Staff Proposal \$19,361,633 (40.5%) \$15,397,114 (32.2%) \$7,888,677 (16.5%) \$4,766,545 (10.0%) \$418,891 (0.9%) \$47,832,860 Istomer class as wel

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1	Industrial and Mining - Average Bill	\$12,000	\$15,000		
2	Lighting - Average Bill	\$19.05	\$18.85		
3	Residential – Percent at Cap	75.1%	73.5%		
	Small Commercial – Percent at Cap	8.2%	9.3%		
4	Large Commercial – Percent at Cap	50.6%	57.0%		
5	Industrial and Mining – Percent at Cap	100.0%	100.0%		
6	Lighting – Percent at	0.7%	1.3%		
7	Сар	I			
8	32. Staff record	mmends approval of the	Staff proposal.		
9	Compliance Issues				
10	33. Having re	viewed the Company's co	ompliance report filed with the Commission in April		
11	2015, the proposed REST	plan filed in July 2015, a	nd other applicable information, Staff concludes that		
12	TEP has not used any RE	Cs not owned by the uti	lity to comply with the Commission's REST rules in		
13	2014.				
14	34. Per Arizo	na Administrative Code	("A.A.C.") R14-2-1812, UNS is required to file an		
15	annual compliance report	. Staff recommends that	t, TEP file its annual REST compliance reports in a		
16	docket to be opened by S				
17	Staff Recommendations	5			
18	35. Staff has 1	ecommended that the C	ommission approve the Staff budget option for the		
19			\$0.01300 per kWh, and related caps of \$4.76 for the		
20			ce class, \$1,300.00 for the large general service class,		
21			d \$130.00 for the lighting class. This includes total		
22			o be recovered through the REST surcharge of		
23	\$47,836,529.		0 0		
24	36. Staff has f	urther recommended ap	proval, as a pilot program, of the proposed energy		
25	storage facilities and recovery of prudently incurred costs through the Purchased Power and Fuel				
26	Adjustment Clause.				
27		further recommended th	at Tucson Electric Power file a revised Purchased		
28			istration consistent with the Decision in this case, in		
			Decision No		

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1	Docket Control, within 30 days of the effective date of the Decision. The Plan of Administration should						
2	list the appropriate Federal Energy Regulatory Commission account(s) in which the various storage						
3	related costs would be included.						
4	38. Staff has further recommended approval of the waiver requested by Tucson Electric						
5	Power for the 2016 increment for the residential DG requirement in the REST rules.						
6	39. Staff has further recommended that Tucson Electric Power file its annual REST						
7	compliance reports in a docket to be opened by Staff.						
8	40. Staff has further recommended that Tucson Electric Power file the REST-TS1,						
9	consistent with the Decision in this case, within 15 days of the effective date of the Decision.						
10	41. Staff further recommends that a waiver also be granted to TEP for the 2017 calendar						
11	year for both the 2016 residential DG increment and the 2017 residential DG increment.						
12	CONCLUSIONS OF LAW						
13	1. Tucson Electric Power Company is an Arizona public service corporation within the						
14	meaning of Article XV, Section 2 of the Arizona Constitution.						
15	2. The Commission has jurisdiction over Tucson Electric Power Company and over the						
16	subject matter of the application.						
17	3. The Commission, having reviewed the application and Staff's Memorandum dated April						
18	19, 2016, concludes that it is in the public interest to approve Tucson Electric Power Company's 2016						
19	Renewable Energy Standard and Tariff Implementation Plan, as discussed herein.						
20	<u>ORDER</u>						
21	IT IS THEREFORE ORDERED that the Staff budget option for the 2016 REST plan,						
22	reflecting a REST surcharge of \$0.01300 per kWh, and related caps of \$4.76 for the residential class,						
23	\$130.00 for the small general service class, \$1,300.00 for the large general service class, \$15,000.00 for						
24	the industrial and mining class, and \$130.00 for the lighting class, be and hereby is approved. This						
25	includes total spending of \$56,645,849 and a total amount to be recovered through the REST surcharge						
26	of \$47,836,529.						
27							
28							
	Decision No. <b>75560</b>						

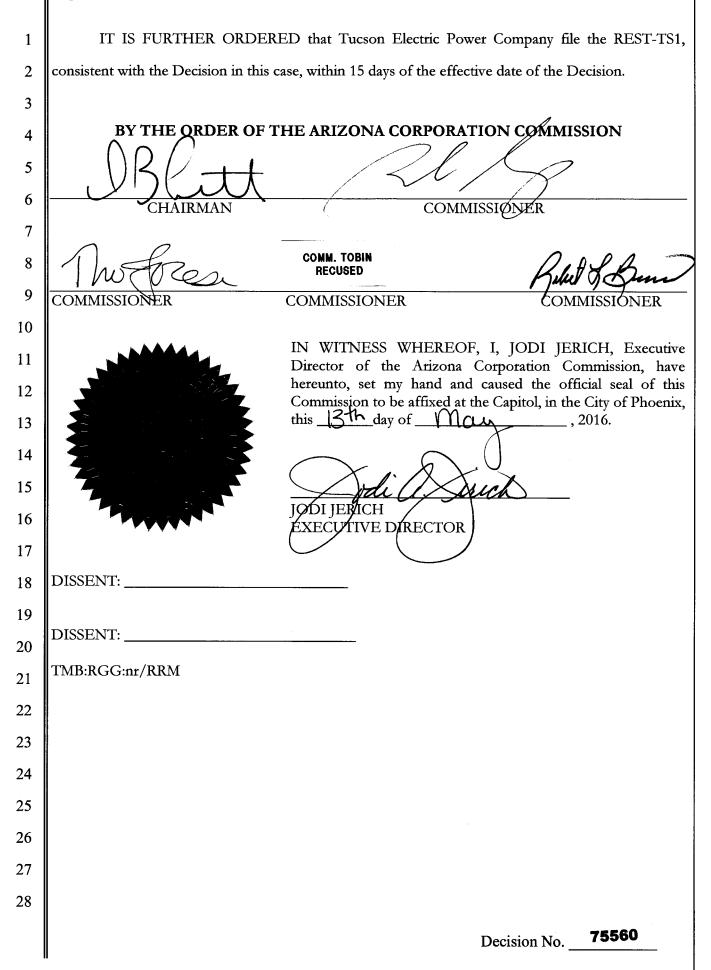
75560

Decision No.

1 IT IS FURTHER ORDERED that the proposed energy storage facilities be and hereby is approved including recovery of prudently incurred costs through the Purchased Power and Fuel 2 3 Adjustment Clause. IT IS FURTHER ORDERED that Tucson Electric Power Company file a revised Purchased 4 5 Power and Fuel Adjustment Clause Plan of Administration consistent with the Decision in this case, in Docket Control, within 30 days of the effective date of the Decision. The Plan of Administration should 6 list the appropriate Federal Energy Regulatory Commission account(s) in which the various storage-7 8 related costs would be included. 9 IT IS FURTHER ORDERED that the waiver requested by Tucson Electric Power Company for the 2016 increment for the residential DG requirement in the REST rules be and hereby is approved. 10 IT IS FURTHER ORDERED that a waiver be granted to TEP for the 2017 calendar year for 11 12 both the 2016 residential DG increment and the 2017 residential DG increment. 13 IT IS FURTHER ORDERED that Tucson Electric Power Company file its annual REST compliance reports in a docket to be opened by Staff. 14 15 . . . 16 . . . 17 . . . 18 . . . 19 . . . 20 . . . 21 . . . 22 . . . 23 . . . 24 . . . 25 . . . 26 . . . 27 28



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1 2	SERVICE LIST FOR: TUCSON ELECTRIC PO DOCKET NO. E-01933A-15-0239 and E-01933A	
3		
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	Page 16	Docket Nos. E-01933A-15-0239 et. al.
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25		Division
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