

Before the Arizona Corporation Commission

COMMISSIONERS

TOM FORESE, CHAIRMAN

BOB BURNS

ANDY TOBIN

BOYD DUNN

JUSTIN OLSON

IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF REVISED TEP PARTIAL
REQUIREMENTS RATE SCHEDULE RIDER-11

Docket No. E-01933A-17-0360

Comments of Western Grid Group

This letter is to request that the Arizona Corporation Commission remove consideration of E-04204A-18-0087 IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF REVISED TEP PARTIAL REQUIREMENTS RATE SCHEDULE RIDER-11 from the December 11, 2018 Open Meeting agenda or reject the filing due to the fact there has been no opportunity for public comment on this issue and no demonstration of the need for changes proposed.

At issue is how Tucson Electric Power (TEP) complies with the Public Utility Regulatory Policies Act (PURPA). PURPA has been a major federal policy protecting the interest of private sector energy developers since it was passed by Congress in the National Energy Act of 1978. PURPA provides a guarantee that private sector developers of renewable energy projects (known as Qualifying Facilities) are allowed to interconnect to the electric system and will be paid for power produced, if they meet the utility's avoided cost rate. Without this act TEP could exercise its monopoly power and not allow developers of cost competitive generation sources access to the electric grid.

I. The need for such drastic changes has not been demonstrated.

TEP has not submitted any information on the number of PURPA projects they have purchased, if any. TEP has submitted no facts demonstrating that PURPA qualified projects are a problem, thus the request for changes should be denied until such time as a need for change can be demonstrated. Simply put, there are no facts supporting TEP's request for a change to PURPA.

II. There has been no opportunity for public comment on TEP's filing or the Proposed Order.

TEP filed its request April 18, 2018. The filing was not acted on until the Chairman's letter of September 26, 2018. TEP responded on October 12, 2018. The item was added to the December Open Meeting agenda on December 11, the same day the Utilities Division filed its Proposed Order. This timeline allows just three business days between the filing of the Proposed Order and the date of the Open Meeting where commissioners may vote on this item. Clearly, three days does not provide a reasonable amount of time for interested parties to review, let alone provide thoughtful comment on this major policy change.

III. The proposed contract period will not allow for financing of cost competitive energy projects.

WGG agrees with the concerns raised in the Chairman's letter to the docket¹ dated September 26, 2018, in which he posed the question: "Is investment likely to take any opportunity seriously unless there is a minimum 15-year contract offered by utilities?" The answer to this question is an unequivocal "No". It is not possible or reasonable to expect that an energy generation source can be financed on a two-year revenue stream - the contract period proposed by TEP. Contracts for energy resource purchases are typically 20-30 years; thus we recommend the Commission consider a longer contract period for QF facilities than what is proposed by TEP or in the Proposed Order².

IV. A fixed, paid rate for only three years will hinder development of cost-competitive energy projects.

The Proposed Order recommends that the "avoided cost rate paid to the QF from the utility will be fixed for the first three years of the contract term, with updates in the avoided costs every three years hereafter."³ This provision, if adopted, would have the same effect as a short contract term. Projects are not financeable based on a known three-year fixed payment and unknown payments after that period. Utilities are not expected to purchase energy resources with unknown contract terms. The same rules should apply to private sector developers as monopoly utilities.

Conclusion

The purpose of PURPA is to enable the development of projects that are at or below the avoided cost rate of a utility. Thus, by their very nature they bring lower cost resources to customers than what a utility provides. This forty year old federal policy has stood the test of time. Due consideration should be given to changes that will fundamentally alter its intent.

For the aforementioned reasons, we request the Commission remove this item from the December 11 Open Meeting agenda and delay hearing this item until such time as workshops or public meetings can be held to discuss the implications on cost competitive energy development in the state.

¹ <http://docket.images.azcc.gov/0000192481.pdf>

² <http://docket.images.azcc.gov/0000194323.pdf>

³ <http://docket.images.azcc.gov/0000194323.pdf>, page 7

RESPECTFULLY SUBMITTED this 14th day of December 2018.



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ORIGINAL and thirteen (13) copies
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