

ADOPTED BY THE  
MAYOR AND COUNCIL

July 6, 2016

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RESOLUTION NO. 22598

RELATING TO UTILITY RATES; AUTHORIZING AND APPROVING THE SUBMISSION OF COMMENTS IN CASES PENDING BEFORE THE ARIZONA CORPORATION COMMISSION; AND DECLARING AN EMERGENCY.

WHEREAS, on November 5, 2015, Tucson Electric Power (TEP) submitted an application to the Arizona Corporation Commission (ACC) requesting the approval of revised and redesigned electric rates for use beginning January 1, 2017; and

WHEREAS, on April 19, 2016, the Tucson-Pima County Metropolitan Energy Commission (TPCMEC) provided to the City Manager and the Mayor and Council the attached Memorandum documenting the TPCMEC's recommendations relating to three (3) cases pending before the Arizona Corporation Commission (ACC), namely the UniSource and TEP rate cases and the "Value of Solar" case, each of which has substantial implications for distributed solar installations in the City and region; and

WHEREAS, the Mayor and Council support the increased use of renewable energy, including solar energy, which can help reduce the burning of fossil fuels, reduce climate change, stimulate local jobs, and reduce the total costs of energy; and

WHEREAS, in the context of distributed solar installations, increases in the customer charge, the imposition of demand charges, and/or a reduction in the value of

net metering can have a significant negative impact on jobs and investment in Arizona's solar industry and curtail new installations of distributed solar; and

WHEREAS, Plan Tucson, the City's General and Sustainability Plan approved by the voters in 2013, incorporates policies that promote the use of solar power and other renewable energy sources, including the following:

#### Jobs and Workforce Development

- JW2 Recruit, retain, and expand businesses and industries within Tucson's key economic sectors, including but not limited to aerospace and defense, biosciences, renewable energy, astronomy, and optics to increase high-quality high-paying job opportunities.

- JW3 Increase and promote environmentally sensitive businesses, industries, and technologies, including desert adapted technologies and goods and services tailored to the special needs of Tucson as a desert community.

#### Energy and Climate Readiness

- EC1 Encourage new and existing City infrastructure, facilities, and operations to use best energy efficiency technologies and energy conservation practices and strive for net zero energy facilities.

- EC4 Increase the use of low carbon and renewable energy sources, high fuel efficiency vehicles, and non-motorized transportation.

- EC5 Develop community energy conservation education and energy efficiency retrofit programs and identify appropriate new financing opportunities for energy efficiency and solar energy installations.

- EC6 Increase the use of solar power and other renewable energy sources.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF TUCSON, ARIZONA, AS FOLLOWS:

SECTION 1. The Mayor and Council, having reviewed TPCMEC's recommendations relating to the described cases pending before the ACC as incorporated in the attached Memorandum, makes the following findings:

- 1) The UniSource and TEP rate proposals, if approved, may negatively impact the City through an increase in the City's energy costs, and reduce the City's ability to offset those costs by installing distributed solar systems. While City tax revenues will increase under the TEP proposal, the net impact of the proposal to the City remains unknown;
- 2) Reducing economic incentives for the installation of distributed solar systems will have a negative impact on efforts to achieve a reduction in carbon emissions;
- 3) The pending proposals may have a negative impact on jobs in the local solar installation industry;
- 4) The demand charge included in the rate cases appears to be a less effective rate design than the alternative approach of time of use (TOU) rates, specifically with respect to achieving the utilities' objective of reducing total system demand during peak periods. The proposed demand charge, as compared to TOU rates, is more difficult for residential customers to understand and less likely to cause those customers to shift demand to non-peak periods;
- 5) The proposed increase in the residential minimum monthly charge hurts poor and low consumption residential customers, reduces the value of energy efficiency and conservation and discourages distributed solar;

- 6) With respect to the Value of Solar case, the case should be used as an opportunity for the ACC to consider the full value and benefits of distributed solar, together with its costs, and to take into account those benefits in all rate cases involving a determination whether additional costs can be imposed on distributed solar customers;
- 7) In the TEP rate case, the proposed June 1, 2015 grandfather date appears to be unprecedented. If there is to be a grandfather date, it should be set as a date on or after the date of the final decision of the rate case, and not before.
- 8) In the pending rate cases, the proposed change to net metering, which would reduce by approximately ½ the rate at which distributed solar customers are credited for power they supply to the grid and eliminate monthly carryovers of surplus credit, will discourage future installation and does not accurately reflect the full value of distributed solar to the grid. The existing full retail net metering rate should remain unchanged.
- 9) TOU rates can be fair to distributed solar customers if they take advantage of smart meter technology to compensate them at retail peak period or full value of solar rates for power supplied to the grid during peak periods.

SECTION 2: The various City officers and employees are authorized and directed to perform all acts necessary or desirable to give effect to this Resolution; and specifically are authorized and directed to provide this Resolution and comments consistent with the findings articulated in Section 1 above in any relevant administrative proceedings relating to the described cases.


SECTION 3. WHEREAS, it is necessary for the preservation of the peace, health and safety of the City of Tucson that this Resolution become immediately effective, an emergency is hereby declared to exist and this Resolution shall be effective immediately upon its passage and adoption.

PASSED, ADOPTED AND APPROVED BY THE MAYOR AND COUNCIL OF THE CITY OF TUCSON, ARIZONA, July 6, 2016.

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MAYOR

ATTEST:

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CITY CLERK

APPROVED AS TO FORM  
  
\_\_\_\_\_  
CITY ATTORNEY

REVIEWED BY:  
\_\_\_\_\_  
CITY MANAGER

MR:dg  
6/29/16