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# Tucson Electric Power Company

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AZ CORP COMMISSION
DOCKET CONTROL

September 21, 2009

Mr. Steven Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

**Re: Tucson Electric Power Company's Proposed Net Metering Tariffs**
**Docket No. RE-00000A-07-0608**

Mr. Olea,

Pursuant to Arizona Administrative Code R14-2-2307 A. "Net Metering Tariff", approved by the Arizona Corporation Commission ("Commission") Decision No. 70567 (October 28, 2008), Tucson Electric Power Company hereby submits the following Net Metering Tariffs for Commission approval:

- Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") Calculation as Applicable to Pricing Plan Rider-4 NM-PRS; and
- Pricing Plan Rider-4 Net Metering for Certain Partial Requirements Service ("NM-PRS").

If you have any questions or require further information, please do not hesitate to contact me at (520) 884-3680.

Sincerely,

Jessica Bryne

Jessica Bryne
Regulatory Services

Enclosure: Proposed Net Metering Tariffs

cc: Docket Control, ACC
Compliance Section, ACC

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Tucson Electric Power

A UniSource Energy Company

# Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation (MCCCG) Calculation as Applicable to Pricing Plan Rider-4 NM-PRS

## AVAILABILITY

The Market Cost of Comparable Conventional Generation (MCCCG) calculation, Rider-3, is restricted solely to Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service (NM-PRS). If for a billing month a Pricing Plan Rider-4 NM-PRS Customer's generation facility's energy production exceeds the energy supplied by the Company, the Customer's bill for the next billing period shall be credited for the excess generation as described in Pricing Plan Rider-4 NM-PRS. The excess kWh during the billing period shall be used to reduce the kWh supplied (not kW or kVA demand or customer/facilities charges) and billed by the Company during the following billing period. Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill - the Company shall credit the Customer for the positive balance of excess kWhs (if any) after netting against billing period usage. The payment for the purchase of the excess kWhs will be at the Company's applicable avoided cost, which for purposes of Pricing Plan Rider-4 NM-PRS shall be the simple average of the hourly MCCCG as described below for the applicable year.

The Commission provided guidance on defining MCCCG in the context of its REST Rules and identified the MCCCG as "the Affected Utility's energy and capacity cost of producing or procuring the incremental electricity that would be avoided by the resources used to meet the Annual Renewable Energy Requirement, taking into account hourly, seasonal and long term supply and demand circumstances. Avoided costs include any avoided transmission and distribution costs and any avoided environmental compliance costs." R14-2-1801.11.

## CALCULATION/METHODOLOGY

For purposes of calculating credits to the Customer for Excess Generation, the unit price paid (Credit for Excess Generation) shall be the simple average of the MCCCG over the 8,760 hours (8,784 in a leap year) hours in the forecasted year. The MCCCG in each hour is based on whether native load requirements will be met by internally owned or contracted generation resources or if market purchases will be required to meet native load requirements. The following table provides a description of the MCCCG methodology. The hourly MCCCG cost determination criteria is based on the Market Condition and Dispatch Type. This method of cost determination is very data intensive and will be calculated annually by running TEP's "Planning and Risk" modeling software, and the rate will be filed with the Commission by February 1 of each year and its applicability will coincide with the next Purchased Power and Fuel Adjustment Clause ("PPFAC") rate effective period.

## RATE

The customer monthly bill shall consist of the applicable Pricing Plan charges and adjustments in addition to the Credit for Excess Generation based on the MCCCG. The MCCCG is an amount expressed as a rate per kWh charge that is approved by the Arizona Corporation Commission on or before April 1 of each year and effective with the first billing cycle in April.

**Credit for Excess Generation as of April 1, 2009**

**$0.023200 per kWh**

A UniSource Energy Company

# Pricing Plan Rider-3
# Market Cost of Comparable Conventional Generation (MCCCG) Calculation
# as Applicable to Pricing Plan Rider-4 NM-PRS

**MCCCG Cost Determination Matrix**

| Market Condition and Dispatch Type | | |
|---|---|---|
| | Selling to Market from In House Real and Contracted Generation Sources | MCCCG Cost Based on Incremental Production/Purchase Cost of Base Load Generation for that hour |
| | No Market Transactions from/to In House and Contracted Generation Sources | |
| | Purchasing from Day Ahead Market, but not Spot Market, to meet Native Load Requirements | MCCCG Cost Based on Average Day Ahead Market Price of Purchased Power for that hour |
| | Purchasing from Spot Market to meet Native Load Requirements | MCCCG Cost Based on Average Spot Market Price of Purchased Power for that hour |

Incremental Production / Purchase of Base Load - The cost of the next kWh (incremental) amount of load that has to be provided by TEP generation sources and/or purchased power. This will be dependent on the season, month and time of day.

If Day Ahead Market or Spot Market purchases are being used to provide for reliability support capacity to meet native load requirements by freeing up in house or contracted generation resources for regulation or spinning reserve purposes for support of native load requirements, that would still represent a Market Purchase for purposes of determining which matrix box is applicable.

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# Pricing Plan Rider-4
# Net Metering for Certain
# Partial Requirements Service (NM-PRS)

AVAILABILITY
Available throughout the Company's entire electric service area to any Customer with a facility for the production of electricity on its premises using Renewable Resources [1], a Fuel Cell [2] or Combined Heat and Power (CHP) [3] to generate electricity, which is operated by or on behalf of the Customer, is intended to provide all or part of the Customer's electricity requirements, has a generating capacity less than or equal to 125% of the Customer's total connected load at the metered premise, or in the absence of load data, has capacity less than the Customer's electric service drop capacity, and is interconnected with and can operate in parallel and in phase with the Company's existing distribution system. Customer shall comply with all applicable federal, state, and local laws, regulations, ordinances and codes governing the production and/or sale of electricity.

For purposes of this Pricing Plan, the following notes and/or definitions apply:

[1] Renewable Resources means natural resources that can be replenished by natural process. Renewable Resources include biogas, biomass, geothermal, hydroelectric, solar, or wind.

[2] Fuel Cell means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. The source of the chemical reaction must be derived from Renewable Resources.

[3] Combined Heat and Power (CHP) also known as cogeneration means a system that generates electricity and useful thermal energy in a single integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility.

CHARACTER OF SERVICE
The service shall be single- or three-phase, 60 Hertz, at one standard nominal voltage as mutually agreed and subject to availability at the point of delivery. Primary metering will be used by mutual agreement between the Company and the Customer.

RATE
Customer Charges shall be billed pursuant to the Customer's standard offer Pricing Plan otherwise applicable under full requirements of service.

Power sales and special services supplied by the Company to the Customer in order to meet the Customer's supplemental or interruptible electric requirements will be priced pursuant to the Customer's standard offer Pricing Plan otherwise applicable under full requirements service.

Non-Time-of-Use Rates: For Customers taking service under a Standard Retail Rate that is not a time-of-use rate, the Customer Supplied kWh shall be credited against the Company Supplied kWh. The Customer's monthly bill shall be based on this net kWh amount. Any monthly Excess Generation will be treated in accordance with the provisions outlined below.

Time-of-Use Rates: For Customers taking service under a Standard Retail Rate that is a time-of-use rate, the Customer Supplied kWh during on-peak hours shall be credited against the Company Supplied kWh during on-peak hours. All Customer Supplied kWh during off-peak hours shall be credited against the Company Supplied kWh during off-peak hours. And all Customer Supplied kWh during the shoulder hours shall be credited against the Company Supplied kWh during the shoulder hours. The Customer's monthly bill shall be based on this net kWh amount. Any monthly Excess Generation will be treated in accordance with the provisions outlined below.

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# Pricing Plan Rider-4
# Net Metering for Certain
# Partial Requirements Service (NM-PRS)

EXCESS GENERATION
If for a billing month the Customer's generation facility's energy production exceeds the energy supplied by the Company, the Customer's bill for the next billing period shall be credited for the excess generation. That is, the excess kWh during the billing period shall be used to reduce the kWh supplied (not kW or kVA demand or customer/facilities charges) and billed by the Company during the following billing period. Customers taking service under a time-of-use rate who are to receive credit in a subsequent billing period for excess kWh generated shall receive such credit in the next billing period for the on-peak, shoulder, or off-peak periods in which the kWh were generated by the Customer. Time-of-Use Customer's taking service in the billing month of April shall receive a credit to summer on-peak and summer off-peak usage in the billing month of May for any winter on-peak and/or winter off-peak excess generation for April.

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill - the Company shall credit the Customer for the balance of excess kWhs after netting. The payment for the purchase of the excess kWhs will be at the Company's applicable avoided cost, which for purposes of this pricing plan shall be the simple average of the hourly Market Cost of Comparable Conventional Generation (MCCCG) Rider-3 for the applicable year. The MCCCG, as it applies to this pricing plan, is specified in Rider-3 MCCCG - Market Cost of Comparable Conventional Generation (MCCCG) Calculation as Applicable to Pricing Plan Rider-4 NM-PRS (Net Metering for Certain Partial Requirements Service).

METERING
The Company will install a bi-directional meter at the point of delivery to the customer and meter at the point of output from each of the Customer's generators. At the Company's request a dedicated phone line will be provided by the customer to the metering to allow remote interegation of the meters at each site. If by mutal agreement between company and customer that a phone line is impractical or can not be provided - the customer will work with company to allow for the installation of equipment, on or with customer facilities or equipment to allow remote acces to each meter. Any additional cost of communication, such as but not limited too, cell phone service fees will be the responsibility of the customer.

TAX CLAUSE
To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS
The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this Pricing Plan.