

ORIGINAL

OPEN MEETING



0000104695

MEMORANDUM

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 4, 2009

RE: TUCSON ELECTRIC POWER COMPANY - APPLICATION FOR APPROVAL OF PRICING PLAN RIDER-4, NET METERING FOR CERTAIN PARTIAL REQUIREMENTS SERVICE (NM-PRS) TARIFF, AND PRICING PLAN RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION ("MCCCG") (DOCKET NO. RE-00000A 07-0608)

2009 NOV - 4 P 1:57
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

NOV - 4 2009

DOCKETED BY

Background

On September 21, 2009, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its Net Metering for Certain Partial Requirements Service ("NM-PRS") tariff, and its proposed pricing plan Rider-3 Market Cost of Comparable Conventional Generation ("Rider-3"). The Commission's Net Metering Rules became effective on May 23, 2009 and require each Electric Utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.

Net Metering allows electric utility consumers to be compensated for generating their own energy from renewable resources, fuel cells, or Combined Heat and Power (i.e., co-generation).

Partial requirements service is necessary for customers such as Net Metering customers who provide either all or a portion of their own generation. If the self-generation supplies less than 100 percent of the customer's load, utility generation must be purchased for the remainder. Even if the customer's generation is sufficient to serve the full load, utility service is needed as back-up during maintenance or other outage circumstances of the customer's generation.

Proposed Tariff

TEP's proposed NM-PRS tariff would apply to customers with any type of on-site generation using resources allowed by the Net Metering Rules, and would work in conjunction with the rate schedule from which the customer currently takes service. The proposed NM-PRS tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition of excess customer generation.

NM-PRS would provide for power sales beyond what the customer's on-site facilities supply, as well as replacement power if the on-site generation is out of service for maintenance or due to a forced outage. Charges under the NM-PRS tariff would be priced pursuant to the

Customer's standard offer Pricing Plan otherwise applicable under full requirements service. This would avoid additional charges such as standby or back-up charges.

In addition, as the Net Metering Rules require, if the Customer's generation facility's energy production exceeds the energy supplied by the Company during a billing period, the Customer's bill for the following billing period would be credited for the excess generation. That is, the excess kWh during the billing period would be used to reduce the kWhs (not kW or kVA demand, nor customer/facilities charges) billed by the Company during the following billing period. Customers taking service under a time-of-use rate would receive such credit in the next billing period for the on-peak, shoulder, or off-peak periods in which the kWhs were generated by the Customer.

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to the NM-PRS. Proposed Rider-3 shows the credit for excess generation to be 2.32¢ per kWh as of April 1, 2009. The proposed Rider-3 indicates that the Market Cost of Comparable Conventional Generation ("MCCCG") will be filed annually (by February 1) by TEP for approval by the Commission.

The Company would install a bi-directional meter at the point of delivery to the customer and would meter the points of output of each of the Customer's generators. At the Company's request, a dedicated phone line would be provided by the customer to allow remote interrogation of the meters. If, by agreement between Company and Customer, a phone line is impractical or cannot be provided, the Customer and TEP would work together to allow remote access to each meter. Any additional cost of communication would be the responsibility of the customer.

Staff Recommendations

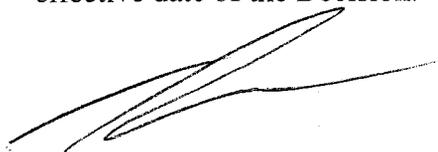
Staff recommends that TEP's proposed Pricing Plan Rider-3 (MCCCG) as Applicable to Pricing Plan Rider-4 NM-PRS, and its proposed Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service (NM-PRS) Tariff be approved.

THE COMMISSION

November 4, 2009

Page 3

Staff also recommends that TEP be ordered to file a revised NM-PRS tariff and a revised Pricing Plan Rider-3 in compliance with the decision in this matter within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:lhmkOT

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER)
COMPANY FOR APPROVAL OF ITS)
PRICING PLAN RIDER-4, NET METERING)
FOR CERTAIN PARTIAL)
REQUIREMENTS SERVICE TARIFF, AND)
PRICING PLAN RIDER-3 MARKET COST)
OF COMPARABLE CONVENTIONAL)
GENERATION)

DOCKET NO. RE-00000A 07-0608
DECISION NO. _____
ORDER

Open Meeting
November 19 and 20, 2009
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 service corporation in the State of Arizona.

2. On September 21, 2009, TEP filed an application for approval of its Net Metering for Certain Partial Requirements Service ("NM-PRS") tariff, and its proposed pricing plan Rider-3 Market Cost of Comparable Conventional Generation ("Rider-3"). The Commission's Net Metering Rules became effective on May 23, 2009 and require each Electric Utility to file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of the Rules.

...
...

1 **The Proposed Tariff**

2 3. TEP's proposed NM-PRS tariff would apply to customers with any type of on-site
3 generation using resources allowed by the Net Metering Rules, and would work in conjunction
4 with the rate schedule from which the customer currently takes service. The proposed NM-PRS
5 tariff follows the Net Metering Rules with respect to eligibility, metering, billing, and disposition
6 of excess customer generation.

7 4. Net Metering allows electric utility consumers to be compensated for generating
8 their own energy using renewable resources, fuel cells, or Combined Heat and Power (i.e., co-
9 generation).

10 5. Partial requirements service is necessary for customers such as Net Metering
11 customers who provide either all or a portion of their own generation. If the self-generation
12 supplies less than 100 percent of the customer's load, utility generation must be purchased for the
13 remainder. Even if the customer's generation is sufficient to serve the full load, utility service is
14 needed as back-up during maintenance or other outage circumstances of the customer's generation.

15 6. NM-PRS would provide for power sales beyond what the customer's on-site
16 facilities supply, as well as replacement power if the on-site generation is out of service for
17 maintenance or due to a forced outage. Charges under the NM-PRS tariff would be priced
18 pursuant to the Customer's standard offer Pricing Plan otherwise applicable under full
19 requirements service. This would avoid additional charges such as standby or back-up charges.

20 7. In addition, as the Net Metering Rules require, if the Customer's generation
21 facility's energy production exceeds the energy supplied by the Company during a billing period,
22 the Customer's bill for the following billing period would be credited for the excess generation.
23 That is, the excess kWh during the billing period would be used to reduce the kWhs (not kW or
24 kVA demand, nor customer/facilities charges) billed by the Company during the following billing
25 period. Customers taking service under a time-of-use rate would receive such credit in the next
26 billing period for the on-peak, shoulder, or off-peak periods in which the kWhs were generated by
27 the Customer.

28 ...

1 IT IS FURTHER ORDERED that Tucson Electric Power Company should file a revised
 2 NM-PRS tariff and a revised Pricing Plan Rider-3 consistent with this Decision within 15 days of
 3 the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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

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9 CHAIRMAN

COMMISSIONER

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12 COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
 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 _____, 2009.

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ERNEST G. JOHNSON
 EXECUTIVE DIRECTOR

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20 DISSENT: _____

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22 DISSENT: _____

23 SMO:JJP:lhmkOT

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1 SERVICE LIST FOR DOCKET NO. RE-00000A-07-0608

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		Mr. John Wallace
9	Mr. Dave Couture	GCSECA, Inc.
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20	Phoenix, Arizona 85004	Las Vegas, Nevada 89102
21	Mr. Brian Hageman	Mr. Gary Mirich
	Ms. Caren Peckerman	ENERGY STRATEGIES
22	Mr. Richard Briul	3033 North Central Avenue, No. 900
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23	8765 East Bell Road, Suite 210	
24	Scottsdale, Arizona 85260-1321	Mr. Michael Patten
		Ms. Laura Sixkiller
25	Mr. David Berry	Roshka DeWulf & Patten
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6	E-03660A KWH Metering, LLC 7409 Country Club Drive Pinetop, Arizona 85935	E-01773A Arizona Electric Power Cooperative, Inc. P.O. Box 670 Benson, Arizona 85602
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9	Mr. Adam Browning The Vote Solar Initiative 182-2 Street, Suite 400 San Francisco, California 94105	E-03614A Eastern Competitive Solutions, Inc. 2712 North 7 th Street Phoenix, Arizona 85006
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12	E-01049A Morenci Water & Electric Co. P.O. Box 68 Morenci, Arizona 85540	E-01851A Columbus Electric Cooperative, Inc. P.O. Box 631 Deming, New Mexico 88031
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15	E-01750A Mr. Aaron Stallings Mohave Electric Cooperative P.O. Box 1045 Bullhead City, Arizona 86430	E-01749A Graham County Electric Cooperative, Inc. P.O. Drawer B Pima, Arizona 85543
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18	E-03661A APS Energy Services Company, Inc. 400 East Van Buren Street, Suite 750 Phoenix, Arizona 85004	E-01703A Duncan Valley Electric Cooperative, Inc. P.O. Box 440 Duncan, Arizona 85534
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21	Ms. Valerie Rualuk Greater Tucson Coalition for Solar Energy P.O. Box 42708 Tucson, Arizona 85733	E-01891A Garkane Energy Cooperative, Inc. P.O. Box 465 Loa, Utah 84747
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24	E-01345A Arizona Public Service Cinoany P.O. Box 53999, Station 9905 Phoenix, Arizona 85072	E-03869A PDM Energy, L.L.C. One North Central Avenue Phoenix, Arizona 85004
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