



BEFORE THE ARIZONA CORPORATI

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KRISTIN K. MAYES
Chairman

GARY PIERCE
Commissioner

SANDRA D. KENNEDY
Commissioner

PAUL NEWMAN
Commissioner

BOB STUMP
Commissioner

Arizona Corporation Commission

DOCKETED

AUG 10 2010

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IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER)
COMPANY FOR APPROVAL OF PRICING)
RIDER-3 MARKET COST OF)
COMPARABLE CONVENTIONAL)
GENERATION)

DOCKET NO. E-01933A-10-0161

DECISION NO. 71822

ORDER

Open Meeting
July 27 and 28, 2010
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 April 28, 2010, TEP filed an application for approval of its revised Pricing Plan Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to update its avoided cost rate. TEP's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.

3. The Commission's Decision No. 71411 approving TEP's Net Metering tariff (NM-PRS) stated:

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.

1 4. The proposed Rider-3 indicated that the MCCCCG will be filed annually by TEP for
2 approval by the Commission.

3 **Proposed Tariff**

4 5. TEP's proposed revision to pricing plan Rider-3 would increase the MCCCCG and
5 therefore the avoided cost rate for purchases of excess energy from Net Metering Facilities.

6 6. The revised Rider-3 shows the credit for excess generation to be 3.291¢ per kWh.

7 7. Staff has reviewed TEP's hourly marginal costs that resulted in the 3.291¢ rate and
8 finds the data and calculations to be reasonable.

9 **Recommendations**

10 8. Staff has recommended that TEP's revised Pricing Plan Rider-3 (MCCCCG) as
11 applicable to Pricing Plan Rider-4 NM-PRS be approved.

12 9. Staff has further recommended that TEP file a Pricing Plan Rider-3 consistent with
13 the Decision in this case within 15 days of the effective date of the Decision.

14 **CONCLUSIONS OF LAW**

15 1. TEP is an Arizona public service corporation within the meaning of Article XV,
16 Section 2, of the Arizona Constitution.

17 2. The Commission has jurisdiction over TEP and over the subject matter of the
18 application.

19 3. Approval of Pricing Plan Rider-3 does not constitute a rate increase as
20 contemplated by A.R.S. Section 40-250.

21 4. The Commission, having reviewed the application and Staff's Memorandum dated
22 July 14, 2010, concludes that Pricing Plan Rider-3 should be approved as discussed herein.

23 **ORDER**

24 IT IS THEREFORE ORDERED that the Tucson Electric Power Company's revised
25 Pricing Plan Rider-3 be and hereby is approved as discussed herein.

26 IT IS THEREFORE ORDERED that the avoided cost rate of 3.291¢ per kWh shall be
27 effective as of August 1, 2010.

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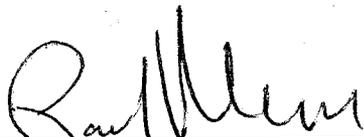
1 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a revised
2 tariff consistent with this Decision, with Docket Control as a compliance matter to this docket,
3 within 15 days of the effective date of this Decision.

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

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7 
8 CHAIRMAN

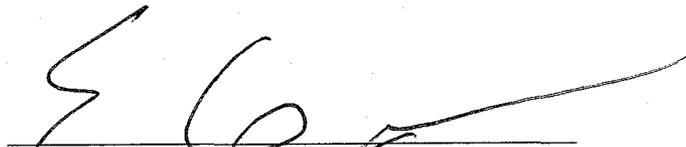

COMMISSIONER

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11 COMMISSIONER


COMMISSIONER


COMMISSIONER

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13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of
16 this Commission to be affixed at the Capitol, in the City of
17 Phoenix, this 10th day of August, 2010.

18 
19 ERNEST G. JOHNSON
20 EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 SMO:JJP:lhmlJMA
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2 DOCKET NO.: E-01933A 10-0161

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