

ORIGINAL

OPEN MEETING



0000134926

MEMORANDUM

Arizona Corporation Commission

DOCKETED

MAR - 5 2012

RECEIVED

2012 MAR -5 P 3:39

AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 5, 2012

DOCKETED BY

RE: TUCSON ELECTRIC POWER COMPANY. - APPLICATION FOR APPROVAL OF REVISED PRICING PLAN RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION (DOCKET NO. E-01933A-12-0039)

Background

On February 1, 2012, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its revised Pricing Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") to be used in conjunction with Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities. The last revision of Pricing Plan Rider-3 was approved by the Commission's Decision No. 72241 (April 7, 2011).

For Net Metering customers, each calendar year, for the customer bills produced in October (September usage) or for a customer's "Final" bill, the Company credits the customer for any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is 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 NM-PRS. Rider-3 indicates that the MCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

TEP's proposed revision to Pricing Plan Rider-3 would decrease the MCCCG and therefore decreases the avoided cost rate from 3.0041¢ per kWh to 2.5854¢ per kWh for purchases of excess energy from Net Metering Facilities. Although Net Metering customers will be paid slightly less for their excess generation, other customers will benefit from lower TEP purchased power costs.

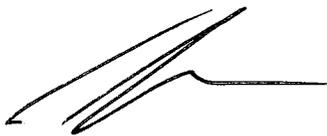
Staff has reviewed TEP's hourly marginal costs that resulted in the 2.5854¢ rate and finds the data and calculations to be reasonable.

Recommendations

Staff recommends that TEP's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that the avoided cost rate of 2.5854¢ per kWh should be effective as of April 1, 2012.

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



Steven M. Olea
Director
Utilities Division

SMO:JJP:lh\RM

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE
Chairman

3 BOB STUMP
Commissioner

4 SANDRA D. KENNEDY
Commissioner

5 PAUL NEWMAN
Commissioner

6 BRENDA BURNS
Commissioner

7

8	IN THE MATTER OF THE APPLICATION)	DOCKET NO. E-01933A-12-0039
	OF TUCSON ELECTRIC POWER)	
9	COMPANY FOR APPROVAL OF REVISED)	DECISION NO. _____
10	PRICING RIDER-3 MARKET COST OF)	ORDER
	COMPARABLE CONVENTIONAL)	
11	GENERATION)	

12 Open Meeting
13 March 27 and 28, 2012
14 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide
17 electric service as a public service corporation in the State of Arizona.

18 Background

19 2. On February 1, 2012, TEP filed an application for approval of its revised Pricing
20 Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") to be used in
21 conjunction with Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service
22 ("NM-PRS"). TEP's Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of
23 excess energy from Net Metering Facilities. The last revision of Pricing Plan Rider-3 was
24 approved by the Commission's Decision No. 72241 (April 7, 2011).

25 3. For Net Metering customers, each calendar year, for the customer bills produced in
26 October (September usage) or for a customer's "Final" bill, the Company credits the customer for
27 any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at
28 the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly

1 market cost of comparable conventional generation as specified on its proposed Pricing Plan
2 Rider-3 applicable to NM-PRS. Rider-3 indicates that the MCCCCG will be filed annually (by
3 February 1) by TEP for approval by the Commission.

4 **Proposed Tariff**

5 4. TEP's proposed revision to Pricing Plan Rider-3 would decrease the MCCCCG and
6 therefore decreases the avoided cost rate from 3.0041¢ per kWh to 2.5854¢ per kWh for purchases
7 of excess energy from Net Metering Facilities. Although Net Metering customers will be paid
8 slightly less for their excess generation, other customers will benefit from lower TEP purchased
9 power costs.

10 5. Staff has reviewed TEP's hourly marginal costs that resulted in the 2.5854¢ rate and
11 finds the data and calculations to be reasonable.

12 **Recommendations**

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

15 7. Staff has further recommended that the avoided cost rate of 2.5854¢ per kWh
16 should be effective as of April 1, 2012.

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

19 **CONCLUSIONS OF LAW**

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

22 2. The Commission has jurisdiction over TEP and over the subject matter of the
23 application.

24 3. Approval of the revised Pricing Plan Rider-3 does not constitute a rate increase as
25 contemplated by A.R.S. Section 40-250.

26 4. The Commission, having reviewed the application and Staff's Memorandum dated
27 March 5, 2012, concludes that the revised Pricing Plan Rider-3 should be approved as discussed
28 herein.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

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

IT IS FURTHER ORDERED that the avoided cost rate of 2.5854¢ per kWh shall be effective as of April 1, 2012.

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

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

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 _____, 2012.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:lhm\RM

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A 12-0039

3 Mr. Bradley S. Carroll
4 Tucson Electric Power Company
5 88 East Broadway Boulevard
6 Post Office Box 711
7 Tucson, Arizona 85702

8 Mr. Steven M. Olea
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward
14 Chief Counsel, Legal Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18
19
20
21
22
23
24
25
26
27
28