ORIGINAL NEW APPLICATION

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TEP

Tucson Electric Power
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Tucson, Arizona 85702

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Senior Regulatory Attorney

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February 1, 2013

AZ CORP COMMISSION
DOCKET CONTROL
2013 FEB -1 A 11:39
RECEIVED

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

E-01933A-13-0020

Re: Tucson Electric Power Company
Docket No. E-01933A-13-______
Application for Approval of Revised Pricing Plan Rider – 3 for Net Metered Customers

Tucson Electric Power Company ("TEP" or the "Company") hereby submits a revised Pricing Plan Rider-3 for approval by the Arizona Corporation Commission ("Commission"). Pricing Plan Rider-3 was last approved by the Commission in Decision No. 73085 (April 5, 2012) and sets the 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 proposes to revise the MCCCG rate to update the anticipated avoided cost to be used for the Annual Credit for Excess Generation as defined in Pricing Plan Rider-4 NM-PRS. Clean and redlined versions of the revised Pricing Plan Rider-3 are attached.

The proposed revision *decreases* the MCCCG rate in Pricing Plan Rider-3, which will have the effect of decreasing the Credit for Excess Generation under the Company's Pricing Plan Rider-4 NM-PRS. This credit is calculated and applied in the customer bill produced in October (September usage) or on a customer's "Final" bill.

TEP requests that the Commission approve the revised Pricing Plan Rider-3. If you have any questions, please contact Jessica Bryne at (520) 884-3680.

Sincerely,

Bradley S. Carroll

Arizona Corporation Commission
DOCKETED
FEB - 1 2013
DOCKETED BY

cc: Steve Olea, Director, Utilities Division

CLEAN

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.

<u>**Credit for Excess Generation as of April 1, 2013**</u>

$0.025240 per kWh

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

MCCCG Cost Determination Matrix

<table>
<tr><td colspan="3"></td></tr>
<tr><td rowspan="5">Market Condition and Dispatch Type</td><td></td><td></td></tr>
<tr><td>Selling to Market from In House Real and Contracted Generation Sources</td><td rowspan="2">MCCCG Cost Based on Incremental Production/Purchase Cost of Base Load Generation for that hour</td></tr>
<tr><td>No Market Transactions from/to In House and Contracted Generation Sources</td></tr>
<tr><td>Purchasing from Day Ahead Market, but not Spot Market, to meet Native Load Requirements</td><td>MCCCG Cost Based on Average Day Ahead Market Price of Purchased Power for that hour</td></tr>
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</table>

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.

REDLINED

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

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Credit for Excess Generation as of April 1, 201~~2~~3

~~$0.025854~~$0.025240 per kWh

Tucson Electric Power

A UniSource Energy Company

Pricing Plan Rider-3
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as Applicable to Pricing Plan Rider-4 NM-PRS

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