

ORIGINAL

OPEN MEETING



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MEMORANDUM

AZ CORP COMMISSION
DOCKET CONTROL

2013 MAY 14 PM 3 20

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 14, 2013

RE: UNS ELECTRIC, INC. - APPLICATION FOR APPROVAL OF REVISED PRICING PLAN RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION (DOCKET NO. E-04204A-13-0077)

Background

On March 27, 2013, UNS Electric, Inc. ("UNS" 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"). UNS' 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. 73159 (May 18, 2012).

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. UNS 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 April 1) by UNS for approval by the Commission.

Proposed Tariff

UNS' proposed revision to Pricing Plan Rider-3 would increase the MCCCG and therefore increases the avoided cost rate from 2.9003¢ per kWh to 3.6653¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed UNS' hourly marginal costs that resulted in the 3.6653¢ rate and finds the data and calculations to be reasonable.

Arizona Corporation Commission
DOCKETED

MAY 14 2013

DOCKETED BY

Recommendations

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

Staff further recommends that UNS 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:\

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **BOB STUMP**
Chairman
3 **GARY PIERCE**
Commissioner
4 **BRENDA BURNS**
Commissioner
5 **BOB BURNS**
Commissioner
6 **SUSAN BITTER SMITH**
Commissioner

7
8 **IN THE MATTER OF THE APPLICATION)**
OF UNS ELECTRIC, INC. FOR APPROVAL)
9 **OF REVISED PRICING RIDER-3 MARKET)**
10 **COST OF COMPARABLE)**
CONVENTIONAL GENERATION)

DOCKET NO. E-04204A-13-0077
DECISION NO. _____
ORDER

11
12 **Open Meeting**
June 11 and 12, 2013
13 **Phoenix, Arizona**

14 **BY THE COMMISSION:**

15 **FINDINGS OF FACT**

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

18 2. On March 27, 2013, UNS filed an application for approval of its revised Pricing
19 Plan Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") to be used in
20 conjunction with Pricing Plan Rider-4, Net Metering for Certain Partial Requirements Service
21 ("NM-PRS"). UNS' Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of
22 excess energy from Net Metering Facilities. The last revision of Pricing Plan Rider-3 was
23 approved by the Commission's Decision No. 73159 (May 18, 2012).

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

1 Rider-3 applicable to NM-PRS.

2 4. Rider-3 indicates that the MCCCCG will be filed annually (by April 1) by UNS for
3 approval by the Commission.

4 **Proposed Tariff**

5 5. UNS' proposed revision to Pricing Plan Rider-3 would increase the MCCCCG and
6 therefore increases the avoided cost rate from 2.9003¢ per kWh to 3.6653¢ per kWh for purchases
7 of excess energy from Net Metering Facilities.

8 6. Staff has reviewed UNS' hourly marginal costs that resulted in the 3.6653¢ rate and
9 finds the data and calculations to be reasonable.

10 **Recommendations**

11 7. Staff has recommended that UNS' revised Pricing Plan Rider-3 (MCCCCG) as
12 applicable to Pricing Plan Rider-4 NM-PRS be approved.

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

15 **CONCLUSIONS OF LAW**

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

18 2. The Commission has jurisdiction over UNS and over the subject matter of the
19 application.

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

22 4. The Commission, having reviewed the application and Staff's Memorandum dated
23 May 14, 2013, concludes that Pricing Plan Rider-3 should be approved as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised Pricing Plan Rider-3 in the amount of 3.6653¢ per kWh be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that UNS Electric, Inc. 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, Jodi Jerich, 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 _____, 2013.

Jodi Jerich
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:sms\CHH

1 SERVICE LIST FOR: UNS Electric, Inc.
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