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**BEFORE THE ARIZONA CORPORATION COMMISSION**

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission

**DOCKETED**

MAR 19 2014

DOCKETED BY	nr
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IN THE MATTER OF TUCSON ELECTRIC )  
POWER COMPANY'S APPLICATION FOR )  
APPROVAL OF REVISED RIDER R-3 )  
MARKET COST OF COMPARABLE )  
CONVENTIONAL GENERATION. )

DOCKET NO. E-01933A-14-0032

DECISION NO. 74396

ORDER

Open Meeting  
March 11 and 12, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Background

2. On February 3, 2014, TEP filed an application for approval of its revised Rider R-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider R-3 specifies the methodology for calculating the rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the TEP Statement of Charges. The last revision of the Rider R-3 rate was approved by the Commission's Decision No. 73771 (March 21, 2013).

...

1           3.       For Net Metering customers, each calendar year, for customer bills produced in  
2 October (September usage) or for a customer's "final" bill, the Company credits the customer for  
3 any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at  
4 the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly  
5 market cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-  
6 PRS. Rider R-3 indicates that the MCCCCG will be filed annually (by February 1) by TEP for  
7 approval by the Commission.

#### 8 **Proposed Tariff**

9           4.       TEP's proposed revision to the Rider R-3 rate reflects a higher MCCCCG and  
10 therefore increases the avoided cost rate from 2.524¢ per kWh to 2.666¢ per kWh for purchases of  
11 excess energy from Net Metering Facilities.

12           5.       Staff has reviewed TEP's hourly marginal costs that resulted in the 2.666¢ rate and  
13 finds the data and calculations to be reasonable.

#### 14 **Recommendations**

15           6.       Staff has recommended that TEP's revised Rider R-3 MCCCCG as applicable to  
16 Rider R-4 NM-PRS be approved.

17           7.       Staff has further recommended that the avoided cost rate of 2.666¢ per kWh should  
18 be effective as of April 1, 2014.

19           8.       Staff has further recommended that TEP file a Statement of Charges consistent with  
20 the Decision in this case within 15 days of the effective date of the Decision.

#### 21 22 **CONCLUSIONS OF LAW**

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

25           2.       The Commission has jurisdiction over TEP and over the subject matter of the  
26 application.

27           3.       Approval of the revised Rider R-3 MCCCCG does not constitute a rate increase as  
28 contemplated by A.R.S. Section 40-250.

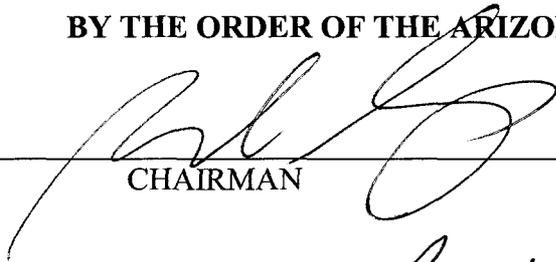


1 IT IS FURTHER ORDERED that the avoided cost rate of 2.666¢ per kWh should be  
2 effective as of April 1, 2014.

3 IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a  
4 Statement of Charges consistent with the Decision in this case within 15 days of the effective date  
5 of the Decision.

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

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

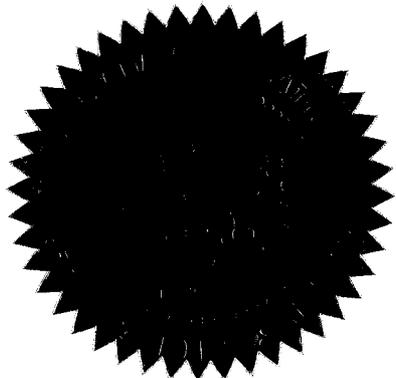
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11 CHAIRMAN

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11 COMMISSIONER

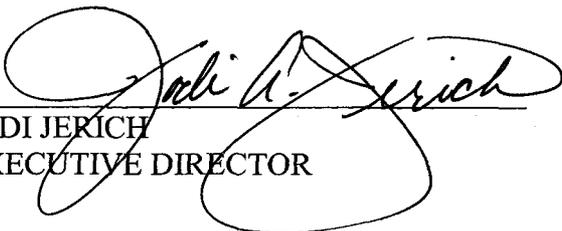
12   
13 COMMISSIONER

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14 COMMISSIONER

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15 COMMISSIONER



15 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
16 Director of the Arizona Corporation Commission, have  
17 hereunto, set my hand and caused the official seal of this  
18 Commission to be affixed at the Capitol, in the City of  
19 Phoenix, this 19<sup>th</sup> day of March, 2014.

20   
21 JODI JERICH  
22 EXECUTIVE DIRECTOR

22 DISSENT: \_\_\_\_\_

24 DISSENT: \_\_\_\_\_

25 SMO:JJP:sms/CHH

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2 DOCKET NO. E-01933A-14-0032

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