

**ORIGINAL**

**OPEN MEETING**



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AZ CORP COMMISS  
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**MEMORANDUM**

TO: THE COMMISSION

FROM: Utilities Division

DATE: April 22, 2015

RE: IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR APPROVAL OF REVISED RIDER-3 MARKET COST OF COMPARABLE CONVENTIONAL GENERATION FOR NET METERED CUSTOMERS (DOCKET NO. E-04204A-15-0097)

**BACKGROUND**

On March 24, 2015, UNS Electric, Inc. ("UNS" or "Company") filed an application for approval of its revised Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). UNS' Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the UNS Statement of Charges. The last revision of the Rider-3 rate was approved by Arizona Corporation Commission ("Commission") Decision No. 74387 (March 19, 2014).

For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's final bill upon discontinuance of service, the Company credits the customer for the balance of any remaining excess kWh. 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 Rider-3 applicable to NM-PRS. Rider-3 indicates that the MCCCG will be filed annually (by April 1) by UNS for Commission approval.

**PROPOSED TARIFF**

UNS' proposed revision to Rider-3 would decrease the MCCCG and, therefore, decrease the avoided cost rate from \$0.03697 per kWh to \$0.03003 per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed UNS' hourly marginal costs that resulted in the \$0.03003 rate and finds the data and calculations to be reasonable.

**RECOMMENDATIONS**

Staff recommends that UNS' revised MCCCG as applicable to Rider-4 NM-PRS be approved.

Arizona Corporation Commission  
Rider-4 NM-PRS Be  
**DOCKETED**

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THE COMMISSION

April 22, 2015

Page 2

Staff further recommends that the avoided cost rate of \$0.03003 per kWh be effective with the first billing cycle in June 2015.

Staff further recommends that UNS file a Statement of Charges 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:red\BES

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

- SUSAN BITTER SMITH  
Chairman
- BOB STUMP  
Commissioner
- BOB BURNS  
Commissioner
- DOUG LITTLE  
Commissioner
- TOM FORESE  
Commissioner

IN THE MATTER OF THE APPLICATION )  
 OF UNS ELECTRIC, INC. FOR APPROVAL )  
 OF REVISED RIDER-3 MARKET COST OF )  
 COMPARABLE GENERATION FOR NET )  
 METERED CUSTOMERS. )

DOCKET NO. E-04204A-15-0097  
 DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
 May 12 and May 13, 2015  
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

Background

2. On March 24, 2015, UNS filed an application for approval of its revised Rider-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). UNS' Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the UNS Statement of Charges. The last revision of the Rider-3 rate was approved by Arizona Corporation Commission ("Commission") Decision No. 74387 (March 19, 2014).

3. For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's final bill upon discontinuance of service, the Company credits the customer for the balance of any remaining excess kWh. Payment for the purchase of these

1 excess kWhs is at the Company's applicable avoided cost. UNS has defined its avoided cost as the  
2 average hourly market cost of comparable conventional generation as specified on its proposed Rider-  
3 3 applicable to NM-PRS. Rider-3 indicates that the MCCCCG will be filed annually (by April 1) by  
4 UNS for Commission approval.

#### 5 Proposed Tariff

6 4. UNS' proposed revision to Rider-3 would decrease the MCCCCG and, therefore,  
7 decrease the avoided cost rate from \$0.03697 per kWh to \$0.03003 per kWh for purchases of excess  
8 energy from Net Metering Facilities.

9 5. Staff has reviewed UNS' hourly marginal costs that resulted in the \$0.03003 per kWh  
10 rate and finds the data and calculations to be reasonable.

#### 11 Recommendations

12 6. Staff has recommended that UNS' revised MCCCCG as applicable to Rider-4 NM-PRS  
13 be approved.

14 7. Staff has further recommended that the avoided cost rate of \$0.03003 per kWh should  
15 be effective with the first billing cycle in June 2015.

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

#### 18 CONCLUSIONS OF LAW

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

21 2. The Commission has jurisdiction over UNS and over the subject matter of the  
22 application.

23 3. The Commission, having reviewed the application and Staff's Memorandum dated  
24 April 22, 2015, concludes that the revised Rider-3 MCCCCG should be approved as discussed herein.

#### 25 ORDER

26 IT IS THEREFORE ORDERED that UNS Electric, Inc.'s revised MCCCCG as applicable to  
27 Rider-4 NM-PRS is approved as discussed herein.

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1 IT IS FURTHER ORDERED that the avoided cost rate of \$0.03003 per kWh is effective  
2 with the first billing cycle in June 2015.

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

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

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

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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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 \_\_\_\_\_, 2015.

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\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

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

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

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SMO:JJP:red\BES

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1 SERVICE LIST FOR: UNS Electric, Inc.  
2 DOCKET NO. E-04204A-15-0097

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