

ORIGINAL

OPEN MEETING

MEMORANDUM



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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

2016 MAY 31 PM 3 36

DATE: May 31, 2016

RE: IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR APPROVAL OF REVISED RIDER R-3 FOR NET METERED CUSTOMERS (DOCKET NO. E⁰4204A-16-0115)

BACKGROUND

On April 1, 2016, UNS Electric Inc. ("UNS" or "Company") 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"). UNS' 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 UNS Statement of Charges. The last revision of the Rider R-3 rate was approved by the Commission's Decision No. 75090 (May 19, 2015).

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 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 Rider R-3 applicable to NM-PRS. Rider R-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 the Rider R-3 rate reflects a lower MCCCG and therefore decreases the avoided cost rate from \$0.03003 per kWh to \$0.0248272 per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed UNS' hourly marginal costs that resulted in the \$0.0248272 rate and finds the data and calculations to be reasonable.

Arizona Corporation Commission

DOCKETED

MAY 31 2016

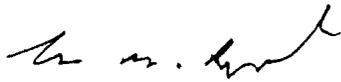
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RECOMMENDATIONS

Staff recommends that UNS' revised R-3 MCCCCG as applicable to Rider R-4 NM-PRS be approved.

Staff further recommends that the avoided cost rate of \$0.0248272 per kWh should be effective as of June 1, 2016.

Staff further recommends that UNS file a Statement of Charges consistent with the Decision in this case within 30 days of the effective date of the Decision.



Thomas M. Broderick
Director
Utilities Division

TMB:JJP:red\BES

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

- DOUG LITTLE
Chairman
- BOB STUMP
Commissioner
- BOB BURNS
Commissioner
- TOM FORSEE
Commissioner
- ANDY TOBIN
Commissioner

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

DOCKET NO. E-04204A-16-0115

DECISION NO. _____

ORDER

Open Meeting
 June 14, 2016 and June 15, 2016
 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 April 1, 2016, UNS 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"). UNS' 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 UNS Statement of Charges. The last revision of the Rider R-3 rate was approved by the Commission's Decision No. 75090 (May 19, 2015).

...

...

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 upon discontinuance of service, the Company
3 credits the customer for any balance of excess kWhs remaining. The payment for the purchase of
4 these excess kWhs is at the Company's applicable avoided cost. UNS has defined its avoided cost as
5 the average hourly market cost of comparable conventional generation as specified on its Rider R-3
6 applicable to NM-PRS. Rider R-3 indicates that the MCCCCG will be filed annually (by April 1) by
7 UNS for approval by the Commission.

8 **Proposed Tariff**

9 4. UNS' proposed revision to the Rider R-3 rate reflects a lower MCCCCG and therefore
10 decreases the avoided cost rate from \$0.03003 per kWh to \$0.0248272 per kWh for purchases of
11 excess energy from Net Metering Facilities.

12 5. Staff has reviewed UNS' hourly marginal costs that resulted in the \$0.0248272 rate and
13 finds the data and calculations to be reasonable.

14 **Recommendations**

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

17 7. Staff has further recommended that the avoided cost rate of \$0.0248272 per kWh
18 should be effective as of June 1, 2016.

19 8. Staff has further recommended that UNS file a Statement of Charges consistent with
20 the Decision in this case within 30 days of the effective date of the Decision.

21 CONCLUSIONS OF LAW

22 1. UNS Electric, Inc. is an Arizona public service corporation within the meaning of
23 Article XV, Section 2, of the Arizona Constitution.

24 2. The Commission has jurisdiction over UNS and over the subject matter of the
25 application.

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

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IT IS FURTHER ORDERED that UNS Electric, Inc. shall file in Docket Control a Statement of Charges consistent with the Decision in this case within 30 days of the effective date of the 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 _____, 2016.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:JJP:red/BES

1 SERVICE LIST FOR: UNS Electric, Inc.
2 DOCKET NO. E-04204A-16-0115

3 Ms. Melissa Morales
4 UNS Electric, Inc.
5 88 East Broadway Blvd.
6 P.O. Box 711
7 Tucson, Arizona 85702-1720

8 Mr. Thomas M. Broderick
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 Mr. Dwight Nodes
19 Chief Administrative Law Judge, Hearing Division
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

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