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**BEFORE THE ARIZONA CORPORATION COMMISSION**

TOM FORESE  
Chairman  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
ANDY TOBIN  
Commissioner  
BOYD DUNN  
Commissioner

Arizona Corporation Commission

**DOCKETED**

**APR 11 2017**

**DOCKETED BY**  
GB

IN THE MATTER OF THE APPLICATION )  
OF TUCSON ELECTRIC POWER )  
COMPANY FOR APPROVAL OF A )  
REVISED RIDER R-3 FOR NET METERED )  
CUSTOMERS )

DOCKET NO. E-01933A-17-0030  
DECISION NO. 76066  
ORDER

Open Meeting  
April 5 and 6, 2017  
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 2, 2017, 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. 75511 (April 22, 2016).

3. For Net Metering customers, each calendar year, for 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

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

#### 5 **Analysis and Recommendations**

6 4. TEP's proposed revision to the Rider R-3 rate reflects a higher MCCCCG and therefore  
7 increases the avoided cost rate from \$0.025204 per kWh to \$0.026258 per kWh for purchases of  
8 excess energy from Net Metering Facilities.

9 5. Staff has reviewed TEP's hourly marginal costs that resulted in the \$0.026258 rate and  
10 finds the data and calculations to be reasonable.

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

13 7. Staff has further recommended that TEP's revised Rider R-3 MCCCCG as applicable to  
14 Rider R-4 NM-PRS be approved.

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

#### 17 CONCLUSIONS OF LAW

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

20 2. The Commission has jurisdiction over TEP and over the subject matter of the  
21 application.

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

24 4. The Commission, having reviewed the application and Staff's Memorandum dated  
25 March 22, 2017, concludes that the revised Rider R-3 MCCCCG should be approved as discussed  
26 herein.

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ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's revised Rider R-3 Market Cost of Comparable Conventional Generation as applicable to Rider R-4 is approved as discussed herein.

IT IS FURTHER ORDERED that the avoided cost rate of \$0.026258 per kWh should be effective as of April 1, 2017.

IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a Statement of Charges consistent with the Decision in this case within 15 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**

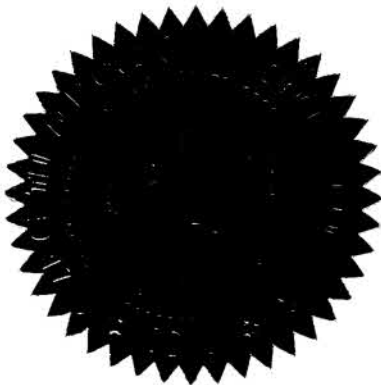
  
CHAIRMAN FORESE

  
COMMISSIONER DUNN

  
COMMISSIONER TOBIN

  
COMMISSIONER LITTLE

  
COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, 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 11<sup>th</sup> day of April, 2017.

  
TED VOGT  
EXECUTIVE DIRECTOR

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

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

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Tucson Electric Power Company  
Docket No. E-01933A-17-0030

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