Tucson Electric Power Company ("TEP" or "Company"), through undersigned counsel, hereby submits this application requesting approval of revisions to the Company's Partial Requirements Service Rider-11 ("R-11"). R-11 currently provides the charges and purchase rates applicable to partial requirements customers, including those with qualifying facilities ("QFs"), as defined under 18 CFR, Chapter I, Part 292, Subpart B of the Federal Energy Regulatory Commission regulations ("PURPA"). The Company is proposing modifications to R-11 that would:

i. Clarify scope of partial requirements service to both QFs and to partial requirements customers with generating facilities that do not otherwise qualify as QF ("GFs");

ii. Clearly set forth the avoided cost rates that the Company will pay to a QF for purchased energy and/or firm capacity, as applicable, as required under PURPA and Commission Decision No. 52345 (July 27, 1981); and

iii. Set a limitation of two years on the term of a QF contract to ensure that the Company’s customers pay appropriate rates for QF purchases.

The revised R-11 is provided as Exhibit A, with a redlined copy provided as Exhibit B for the
Commission’s convenience.

TEP’s proposed revisions arise from its experiences with its potential partial requirements customers, including QFs. The Company believes it is necessary to revise R-11 to resolve potential confusion under the current form of R-11, to clearly state the terms for paying avoided cost rates to QFs and to be better able to respond to evolving wholesale and renewable energy markets.

A. Clarification of Applicability of R-11.

TEP is seeking to revise R-11 to clarify the terms and conditions relating to partial requirements service to QFs and GFs that are not taking service under net metered rates, including delineating which provisions are applicable to QFs, GFs or both. The revisions explain more clearly which customers qualify as a GF and what partial requirements services are available to GFs. The revisions also clarify additional requirements for service to QFs, including the purchase of energy from QFs.

B. Clarification of Avoided Cost Rates to be paid to QFs.

TEP also is requesting to clarify the rates the Company pays for energy and firm capacity (as applicable) purchased from QFs, including the timing of when the rates will be updated. The revision sets forth the avoided cost rates and provides that the rates will be updated every two years.

This request to clarify the avoided cost rates paid to QFs arises out of the significant changes that are underway within the wholesale power markets. As the Commission is aware, avoided generation costs are hitting historical lows at certain times (both seasonally and daily) due to the high penetration of solar resources within the Desert Southwest region and the abundance of low priced natural gas from low cost shale gas production. In fact, negative avoided costs are already experienced during some hours of the day and are occurring on a regular basis throughout certain times of the year. As more renewable resources are deployed, the frequency of such negative avoided costs may increase.

TEP’s proposed revisions to its avoided cost rate in R-11 are consistent with Decision No.
52345 wherein the Commission concluded that avoided cost was subject to change because of variations in fuel and purchased power:

    Rate and other contract provisions covering sales to and purchases from QF’s, including rates for supplementary, back-up, interruptible and maintenance power, shall be subject to changes from time to time as filed with and prescribed by the Arizona Corporation Commission. Adjustments to the purchase rates may be permitted as often as quarterly to reflect variations in fuel and purchased power costs.¹

The proposed revisions are in the public interest as they are designed to provide clarity and more frequent updates to the avoided cost rates, thereby ensuring that the Company’s ratepayers pay current, market-based prices for purchased power from QFs.

C. Adoption of a Two-Year Term for QF Contracts.

Presently, R-11 is silent regarding a particular length of term for a QF purchase contract. As noted above, TEP believes that it is critical to be able to react to and manage evolving wholesale market conditions. Although TEP is obligated under PURPA to purchase energy from QFs at an avoided cost rate, TEP is concerned about locking in a particular avoided cost rate for a long period of time. Given the changes in the wholesale market, the avoided cost rate is likely to change over a longer period of time. The Company wants to have its customers paying just and reasonable rates—not potentially overpaying (or underpaying) for QF energy. Therefore, TEP has included a two-year limitation on QF contracts. At the end of the two-year period, TEP will still have an obligation to purchase QF power, but the new contract would reflect an updated avoided cost rate.

PURPA does not provide for a particular contract length for QF contracts; rather the states have the authority to specify the appropriate term of a QF contract. TEP submits that a two-year term for QF contracts is appropriate and is also consistent with the Commission’s decision to allow for the resetting of the avoided cost rate paid to QFs as often as quarterly—a recognition that utilities should not be required to lock in avoided cost rates to be paid to QFs for a significant length of time.² Other

¹ Decision No. 52345 at 9:15-21 (emphasis added).
² Arizona Public Service Company has raised similar public policy concerns and has a pending application seeking similar relief. See Docket No. E-01345A-16-0272.
state public utility commissions have limited the term of a QF contract to two years.\(^3\) TEP requests that this Commission do the same.\(^4\)

WHEREFORE, TEP respectfully requests the Commission approve the revisions to R-11 as set forth in this Application.\(^5\) TEP further hereby waives any requirement that the Commission take action on the Application within a thirty-day period as referenced in A.R.S. § 40-367 as may be deemed applicable.

RESPECTFULLY SUBMITTED this 5th day of December 2017.

TUCSON ELECTRIC POWER COMPANY

By

Bradley S. Carroll
Megan J. DeCorse
Tucson Electric Power Company
88 East Broadway, MS HQE910
P.O. Box 711
Tucson, Arizona 85702

and


\(^4\) Long term QF contracts also may create potential issues given recent developments regarding PURPA. PURPA was enacted initially in 1978. However, it appears that both Congress and FERC are considering modernization of PURPA and related regulations to address changed and current circumstances. A bill, H.R. 4476, was recently introduced in Congress to “modernize the Public Utility Regulatory Policy Act of 1978, and for other purposes.” See [https://www.congress.gov/115/bills/hr4476/BILLS-115hr4476ih.pdf](https://www.congress.gov/115/bills/hr4476/BILLS-115hr4476ih.pdf). FERC also has expressed a willingness to address PURPA reform, noting that “The energy landscape that existed today when PURPA was conceived was fundamentally different that it is today . . . .” See [https://elibrary.ferc.gov/idmws/common/downloadOpen.asp?downloadfile=20171201%2D0011%2832557664%29%2Epdf&folder=12195885&fileid=14769638&trial=1](https://elibrary.ferc.gov/idmws/common/downloadOpen.asp?downloadfile=20171201%2D0011%2832557664%29%2Epdf&folder=12195885&fileid=14769638&trial=1).

\(^5\) TEP’s sister company, UNS Electric, Inc., intends to file a similar request regarding its partial requirement service and QF tariffs.
Original and 13 copies of the foregoing
filed this 5th day of December, 2017, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing hand-delivered
this 5th day of December, 2017, to:

Elijah Abinah, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Andy Kvesic, Director/Chief-Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Jane Rodda, Acting Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

By: _______________________

-5-
Rider -11
Partial Requirements Service (PRS)
and Purchase Rates for Qualifying Facilities

AVAILABILITY
For Customers with Generating Facilities ("GF") or Qualifying Facilities ("QF") which take service from the Company in all territories served by the Company at all points where the adjacent facilities are adequate and suitable. This rate is not available for temporary or resale service. Customers eligible for taking service under Partial Requirements Service are those customers who are not otherwise subscribed to the Company's approved Rider-4 Net Metering for Certain Partial Requirements Service ("Net Metering Rider-4").

APPLICABILITY
To GF Customers who require supplemental power, stand-by power, interruptible service and/or maintenance power service, and QF Customers.

The QF Purchase Rates in this tariff rider are available for the purchase of Energy by the Company from a QF Customer. The QF Purchase Rates are not available to GF Customers, as the Company does not purchase Energy from GF Customers, other than as set forth in the Net Metering Rider-4.

CHARACTER OF SERVICE
Electric sales to or from the Company must be single-phase or three-phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF Customers have the option to sell energy to the Company at a voltage level different from that for purchases from the Company; however, such QF Customers are responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS
1. Commission – Arizona Corporation Commission which has jurisdiction over this Company.
2. Energy - Electric energy which is supplied by the QF and/or Company.
3. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the term covered by the contract with the QF that has an availability factor of at least 80%, as defined by the North American Electric Reliability Corporation.
4. Full Requirements Service - Any instance whereby the Company provides all the electric requirements.
5. Generating Facility(ies) ("GF") – Power production facilities that do not meet the Qualifying Facilities requirements, as defined herein, and do not meet the requirements of the Company’s approved Net Metering Rider-4.

Filed By: Kenton C. Grant
Title: Vice President of Rates and Planning
District: Entire Electric Service Area
Rate: R-11
Effective: Pending
Decision No.: 75975
Metering Rider-4. GFs are not required to be interconnected in “parallel mode” with the Company’s electric system to take service under this tariff rider.

6. **GF Customer(s)** - A Customer with a Generating Facility subject to rates, terms and conditions of this tariff rider.

7. **Maintenance Power** - Electric capacity and energy supplied by the Company during scheduled outages of the GF or QF.

8. **Partial Requirements Mode of Operation** – The Company supplies the Customer’s electric requirements not met by the Customer’s own GF or QF, as applicable. A Customer’s QF generation output may first go to supply the QF Customer’s own electric requirements with any excess energy (over and above its own requirements) then being sold to the Company. This also may be referred to as the “parallel mode” of operation. A GF Customer may elect to be interconnected in a parallel mode of operation, but is not be eligible to sell any excess energy to the Company.

9. **QF Purchase Rates** – The rates at which the Company may purchase Energy from a QF in accordance with this tariff rider.

10. **QF Customer(s)** – A Customer with a Qualifying Facility subject to the rates, terms and conditions of this tariff rider.

11. **Qualifying Facility(ies) ("QF")** - Cogeneration and small power production facilities where the facility’s generator(s) and load are located at the same premises and that otherwise meet the requirements under 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations and the requirements for qualifying status pursuant to the Arizona Corporation Commission’s Decision No. 52345 ("Decision No. 52345").

12. **Supplemental Power** - Electric capacity and energy supplied by the Company used by the GF Customer or QF Customer in addition to that which the facility generates itself.

13. **Stand-by Power** - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility’s own generation equipment during an unscheduled outage of the facility.

**RATES FOR SALES TO GF Customers and QF Customers**

**Supplemental Service:**
A. **Service Charge** - The service charge shall be the basic service charge using the otherwise applicable tariff but not to be less than $25.00 per month.

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Filed By: Kentton C. Grant  
Title: Vice President of Rates and Planning  
District: Entire Electric Service Area  
Rate: R-11  
Effective: Pending  
Decision No.: 75975
B. Energy Charge - The energy charge shall be the energy charge (including Base Power Fuel & Purchased Power) using the otherwise applicable tariff.

C. Demand Charge - The demand charge shall be the demand charge using the otherwise applicable tariff, or $14.00 per kW if none is specified in the tariff, times the higher of the current month's measured demand or the maximum measured Demand in the proceeding 23 months used to meet only supplemental power and is not applied to total requirements.

Standby Service:
A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable tariff but not to be less than $25.00 per month.

B. Energy Charge - The energy charge shall be the energy charge (including Base Fuel & Purchased Power) using the otherwise applicable tariff plus 50%.

C. Demand Charge - The demand charge shall be the 1.5 times the applicable tariff with a minimum of $21.00 per kW.

Maintenance Service:
A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable tariff but not to be less than $25.00 per month.

B. Energy Charge - The energy charge shall be the energy charge (including Base Fuel & Purchased Power) using the otherwise applicable tariff.

C. Demand Charge - The demand charge shall be the demand charge using the otherwise applicable tariff, or $14.00 per kW if none is specified in the tariff, times the maximum measured Demand.

D. Maintenance Service - Must be scheduled with and approved by the Company and may only be scheduled during the period October through April.

Interruptible Service:

See the Company's applicable Interruptible Service tariff.

Only one service charge will be applied for each billing period.
QF PURCHASE RATES

The Company shall only be obligated to purchase Energy from a QF Customer. Such purchases shall be at the rates, terms and conditions set forth below. The QF Purchase Rates will be updated and filed for Commission approval not less than every two years.

Minimum Basic Service Charge per month at $25.00 will be assessed to each QF Customer selling energy to the Company under this pricing plan. A service charge for purchases from the QF Customer will only be charged if a service charge was not assessed for sales to the QF Customer.

The summer season is for the May through September billing cycles, and the winter season is for the October through April billing cycles. The Summer On-Peak period is 2:00 p.m. to 8:00 p.m., Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day). The Winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m., Monday through Friday (excluding Thanksgiving Day, Christmas Day, and New Year’s Day). All other hours are Off-Peak. If a holiday falls on Saturday, the preceding Friday is designated Off-Peak; if a holiday falls on Sunday, the following Monday is designated Off-Peak. Mountain Standard Time shall be used in the application of this tariff rider. The export energy will be acquired by the Company based the interconnection voltage and on the rates below for summer and winter seasons.

To the extent a QF Customer may be able to provide Firm Capacity, the rates, terms and conditions for the purchase of such Firm Capacity will be addressed in the contract between the QF Customer and the Company and filed with the Commission. For those QFs 100kW or less and which are capable of delivering Firm Capacity, a provision shall be included in any such contract for payment of a reasonable credit of not less than 10% of the standard rate. An additional capacity credit shall be included when capacity deferrals, if any, could justify such credit.

A. RATES FOR PURCHASES FROM RENEWABLE QFs

Rates for Energy purchased from QF Customers with renewable QFs shall be priced at short-run avoided costs based on the Company’s avoided cost forecast and the applicable renewable technology generation profile.

<table>
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<tr>
<th>Distribution Voltage Interconnection</th>
<th>Summer</th>
<th>Winter</th>
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<tbody>
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<td>Fixed Tilt Solar</td>
<td>2.403</td>
<td>2.138</td>
</tr>
<tr>
<td>Single Axis Solar</td>
<td>2.474</td>
<td>2.143</td>
</tr>
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</tbody>
</table>

Filed By: Kentton C. Grant
Title: Vice President of Rates and Planning
District: Entire Electric Service Area
Rate: R-11
Effective: Pending
Decision No.: 75975
B. RATES FOR PURCHASES FROM COGENERATION QFs

Rates for Energy purchased from a QF Customers with a cogeneration QF shall be priced at short-run avoided costs based on the Company's avoided cost forecast and priced by the applicable time of use rate.

Cogeneration QF Energy Rates:

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<td>Off-Peak</td>
<td>2.189</td>
<td>2.135</td>
</tr>
</tbody>
</table>

ADJUSTMENTS

All other charges specified in the applicable tariff apply for all Energy purchased from the Company by the QF Customer.

Purchased Power Fuel Adjuster Clause ("PPFAC") for GF Customers or QF Customers is a per kWh monthly adjustment in accordance with the PPFAC Rider-1. The PPFAC reflects any increases or decreases in the cost to the Company of Energy either generated or purchased above or below the base cost per kWh sold. See Rider-1 for current rate.
METER CONFIGURATION
As provided for in the applicable contract. If not otherwise provided for in the applicable contract then as follows:

If in Partial Requirements Mode of Operation:

CONTRACT PERIOD
As provided for in the contract, as applicable, which shall not exceed two years.

TERMS AND CONDITIONS
A Customer that desires to install a generator may do so under the applicable conditions of the tariff rider herein. The Company requires a written contract for QF Customers. For QF Customers with a QF that is over 100kW, such contract shall be filed for Commission approval in accordance with Decision No. 52345. The Company may require a written contract, at its discretion, for GF Customers. In addition to the requirements of any applicable contract, these conditions include:

1. A Customer must have a demand meter installed and operating before service will be allowed. Any equipment necessary to provide Partial Requirement Service, including equipment to measure the output of the generator(s), that would not otherwise be necessary for Full Requirements Service must meet all Company standards and will be installed at the Customer’s expense.

2. Primary Service and Metering is required for all services involving a certified kW output of the generating unit(s) greater than 300 kW.
3. Prior to construction, the Customer will contribute to the Company the total amount of the estimated interconnection construction costs directly related to distribution and transmission service. The Customer will furnish, install, and maintain incremental non-distribution system or non-transmission system equipment at their expense. The equipment must meet the standards of the Company's Electric Service Requirements.

4. Any unpaid balances will be subject to the standard late payment charges as provided for in the currently approved Rules and Regulations.

TAX CLAUSE
To the charges computed under the above rider, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS
The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this rider.

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Filed By: Kenton C. Grant
Title: Vice President of Rates and Planning
District: Entire Electric Service Area
Rate: R-11
Effective: Pending
Decision No.: 75975
Rider -11
Partial Requirements Service (PRS)
and Purchase Rates for Qualifying Facilities

AVAILABILITY
For all Customers with Generating Facilities ("GF") or Qualifying Facilities ("QF") that have entered into a Service Agreement with which take service from the Company in all territories served by the Company at all points where the adjacent facilities are adequate and suitable. This rate is not available for temporary or resale service. Customers eligible for taking service under Partial Requirements Service are those customers who are not otherwise subscribed to the Company’s approved Rider-4 Net Metering Rider-for Certain Partial Requirements Service ("Net Metering Rider-4").

APPLICABILITY
To QFs operating in Partial Requirements Mode for partial requirements including GF Customers who require supplemental power, stand-by power, interruptible service and/or maintenance power service, and QF Customers.

The QF Purchase Rates in this tariff rider are available for the purchase of Energy by the Company from a QF Customer. The QF Purchase Rates are not available to GF Customers, as the Company does not purchase Energy from GF Customers, other than as set forth in the Net Metering Rider-4.

CHARACTER OF SERVICE
Electric sales to or from the Company must be single-phase or three-phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will Customers have the option to sell energy to the Company at a voltage level different from that for purchases from the Company; however, the such QF will be Customers are responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS
1. Commission – Arizona Corporation Commission which has jurisdiction over this Company.
2. Energy - Electric energy which is supplied by the QF and/or Company.
3. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period of term covered by the Agreement from contract with the QF with that has an availability factor of at least 80%, as defined by the North American Electric Reliability Corporation.
4. Full Requirements Service - Any instance whereby the Company provides all the electric requirements.

Filed By: Kentton C. Grant
Title: Vice President of Finance Rates and Rates Planning
District: Entire Electric Service Area
Rate: R-11
Effective: February 27, 2017Pending
Decision No.: 75975
5. Generating Facility(ies) ("GF") - Power production facilities that do not meet the Qualifying Facilities requirements, as defined herein, and do not meet the requirements of the Company's approved Net Metering Rider-4. GFs are not required to be interconnected in "parallel mode" with the Company's electric system to take service under this tariff rider.

6. GF Customer(s) - A Customer with a Generating Facility subject to rates, terms and conditions of this tariff rider.

7. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the GF or QF.

8. Net Energy - The total kilowatt hours ("kWh") sold to the QF by the Company less the total kWhs purchased by the Company from the QF.

9. Partial Requirements Mode of Operation - The Company supplies the Customer's electric requirements not met by the Customer's own GF or QF, as applicable. A QF's Customer's QF generation output may first be sold to the QF Customer's own electric requirements with any excess energy (over and above its own requirements) then being sold to the Company. This company supplies the QF's electric requirements not met by the QF's own generating facilities. This also may be referred to as the "parallel mode" of operation. A GF Customer may elect to be interconnected in a parallel mode of operation, but is not eligible to sell any excess energy to the Company.

10. QF Purchase Agreement - Agreements for the rates - The rates at which the Company may purchase electric energy and capacity from and the sale of power to the QF entered into between the Company and a QF in accordance with this tariff rider.

11. Qualifying Facility(ies) ("QF") - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premises and that otherwise meet qualifying criteria for size, fuel use, efficiency, and ownership as promulgated in the requirements under 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations, and the requirements for qualifying status pursuant to the Arizona Corporation Commission's Decision No. 52345 ("Decision No. 52345").

12. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF, GF Customer or QF Customer in addition to that which the facility generates itself.
Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.

RATES FOR SALES TO QFSGF Customers and QF Customers

Supplemental Service:
A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable tariff but not to be less than $25.00 per month.
B. Energy Charge - The energy charge shall be the energy charge (including Base Power Fuel & Purchased Power) using the otherwise applicable tariff.
C. Demand Charge - The demand charge shall be the demand charge using the otherwise applicable tariff, or $14.00 per kW if none is specified in the tariff, times the higher of the current month's measured demand or the maximum measured Demand in the proceeding 23 months used to meet only supplemental power and is not applied to total requirements.

Standby Service:
A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable tariff but not to be less than $25.00 per month.
B. Energy Charge - The energy charge shall be the energy charge (including Base Fuel & Purchased Power) using the otherwise applicable tariff plus 50%.
C. Demand Charge - The demand charge shall be the 1.5 times the applicable tariff with a minimum of $21.00 per kW.

Maintenance Service:
A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable tariff but not to be less than $25.00 per month.
B. Energy Charge - The energy charge shall be the energy charge (including Base Fuel & Purchased Power) using the otherwise applicable tariff.
C. Demand Charge - The demand charge shall be the demand charge using the otherwise applicable tariff, or $14.00 per kW if none is specified in the tariff, times the maximum measured Demand.
D. Maintenance Service - Must be scheduled with and approved by the Company and may only be scheduled during the period October through April.

Interruptible Service:

See the Company's applicable Interruptible Service tariff.

Only one service charge will be applied for each billing period.

QF PURCHASE RATES FOR PURCHASES FROM QFs

The Company shall only be obligated to purchase Energy from a QF Customer. Such purchases shall be at the rates, terms and conditions set forth below. The QF Purchase Rates will be updated and filed for Commission approval not less than every two years.

Minimum Basic Service Charge per month at $25.00 will be assessed to each QF Customer selling energy to the Company under this pricing plan. A service charge for purchases from the QF Customer will only be charged if a service charge was not assessed for sales to the QF Customer.

The summer season is for the May through September billing cycles, and the winter season is for the October through April billing cycles. The Summer On-Peak period is 2:00 p.m. to 8:00 p.m., Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day). The Winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m., Monday through Friday (excluding Thanksgiving Day, Christmas Day, and New Year's Day). All other hours are Off-Peak. If a holiday falls on Saturday, the preceding Friday is designated Off-Peak; if a holiday falls on Sunday, the following Monday is designated Off-Peak. Mountain Standard Time shall be used in the application of this tariff rider. The export energy will be acquired by the Company based on the interconnection voltage and on the rates below for summer and winter seasons.

To the extent a QF Customer may be able to provide Firm Capacity, the rates, terms and conditions for the purchase of such Firm Capacity will be addressed in the contract between the QF Customer and the Company and filed with the Commission. For those QFs 100kW or less and which are capable of delivering Firm Capacity, a provision shall be included in any such contract for payment of a reasonable credit of not less than 10% of the standard rate. An additional capacity credit shall be included when capacity deferrals, if any, could justify such credit.
A. RATES FOR PURCHASES FROM RENEWABLE QFs

Rates for Energy purchased from the QFQF Customers with renewable QFs shall be priced at short-run avoided costs based on the Company's avoided cost as provided in forecast and the Service Agreement applicable herein and approved by the Commission-renewable technology generation profile.

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B. RATES FOR PURCHASES FROM COGENERATION QFs

Rates for Firm-Capacity Energy purchased from the a QF Customers with a cogeneration QF shall be priced at long short-run avoided costs based on the Company's avoided cost based upon deferral of capacity additions indicated in Company's resource plan as provided in the Service Agreement applicable herein and approved forecast and priced by the Commission applicable time of use rate.

Cogeneration QF Energy Rates:

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</table>

ADJUSTMENTS

All other charges specified in the applicable tariff apply for all Energy purchased from the Company by the QF Customer.

Purchased Power Fuel Adjuster Clause ("PPFAC") for GF Customers or QF Customers is a per kWh monthly adjustment in accordance with the PPFAC Rider-1. The PPFAC reflects any increases or decreases in energy or fuel costs associated with the purchase of energy from the QF Customer.

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decreases in the cost to the Company of Energy either generated or purchased above or below the base cost per kWh sold. See Rider-1 for current rate.

METER CONFIGURATION
As provided for in the Service Agreement applicable contract. If not otherwise provided for in the Service Agreement applicable contract then as follows:

If in Partial Requirements mode Mode of Operation:

![Diagram of QF's Generator connected to TEP with meters]

CONTRACT PERIOD
As provided for in the Service Agreement contract, as applicable, which shall not exceed two years.

TERMS AND CONDITIONS
A Customer that qualifies for service for their full requirements, but now desires to install a generator shall take partial requirements service may do so under the applicable conditions of the tariff rider herein. The Company requires a written contract for QF Customers. For QF Customers with a QF that is over 100kW, such contract shall be filed for Commission approval in accordance with Decision No. 52345. The Company may require a written contract, at its discretion, for GF Customers. In addition to the requirements of the Service Agreement applicable contract, these conditions include:

1. A Customer must have a demand meter installed and operating before service will be allowed. Any equipment necessary to provide partial requirement service Partial Requirement Service, including equipment to measure the output of the generator(s), that would not otherwise be necessary for full

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requirements service Full Requirements Service must meet all Company standards and will be installed at the Customer's expense.

2. The Capacity of the Customer's installed generator(s) must be certified by the Company prior to the receipt of any partial requirements service. This certification will be done by the Company at the Customer's expense. The generating unit cannot be sized at more than 125% of the Customer's connected Capacity. If output of the Customer's generator(s) appears to increase above the certified level, the Company, at its discretion, may require recertification of the equipment. If it is confirmed that the equipment has been expanded or otherwise modified to increase its production ability, the cost of the recertification will be at the Customer's expense. If no changes were found there will be no cost to the Customer for the recertification.

3. Any unpaid balances will be subject to the standard late payment charges as provided for in the currently approved Rules and Regulations.

4. Primary Service and Metering is required for all services that involve a certified kW output of the generating unit(s) greater than 300 kW.

5. The Company may require a written contract and a minimum term of contract, at its discretion.

6. Prior to construction, the Customer will contribute to the Company the total amount of the estimated interconnection construction costs directly related to distribution and transmission service. The Customer will furnish, install, and maintain incremental non-distribution system or non-transmission system equipment at their expense. The equipment must meet the standards of the Company's Electric Service Requirements.

4. Any unpaid balances will be subject to the standard late payment charges as provided for in the currently approved Rules and Regulations.

TAX CLAUSE
To the charges computed under the above rider, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS
The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this rider.