

**Market Pricing-Experimental (MP-EX)  
Plan of Administration**

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**1. General Description**

This document describes the plan for administering the Market Pricing-Experimental (“MP-EX”) Program approved for Tucson Electric Power Company (“TEP” or “Company”) in Arizona Corporation Commission (“Commission”) Decision No. 77856 (December 31, 2020). The MP-EX Program allows a limited number of Medium General Service (“MGS”), Large General Service (“LGS”), Large Power Service (“LPS”), and Large Power Service-High Voltage (“LPS-HV”) Customers to arrange for market-based pricing alternatives in lieu of TEP’s standard applicable Power Supply Charge. All other provisions, charges, and adjustments in the Customer’s applicable rate schedule and riders will continue to apply. The rates and charges specific to the MP-EX Program are stated in TEP Rider 18, Market Pricing-Experimental (“Rider 18, MP-EX”). Other requirements or procedures for the administration of the MP-EX Program not specifically addressed in this Plan of Administration are set forth in the MP-EX Program Guidelines.

**2. Definitions**

Aggregated Peak Load. The sum of the maximum metered kilowatts (“kW”) for each of the Customer’s aggregated Eligible Service Accounts over the previous 12 months.

Customer(s). For purposes of this Plan of Administration, any TEP Customer taking service under an eligible General Service or Large Power Service rate schedule.

Eligible Service Account. A point of retail electric delivery including a service entrance section and a meter, which is used as a basis for billing, and meets the eligibility requirements for Rider 18, MP-EX.

Generation Service Provider. A third-party entity that provides wholesale power to the Company on behalf of a Customer. This entity must be legally capable of selling and delivering wholesale power to TEP.

Power Supply Charge. The sum of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause (“PPFAC”) charge.

Program Guidelines. A TEP document that sets forth criteria, requirements, and procedures for operational and other aspects of the MP-EX Program. The Program Guidelines are subject to change by TEP from time to time to facilitate implementation and operation of the MP-EX Program.

### 3. Program Overview

The MP-EX Program consists of two separate programs. Program 1, General Service, is available to Customers taking service on any of TEP's MGS or LGS rate schedules. Program 2, Large Power Service, is available to Customers taking service on TEP's LPS or LPS-HV rate schedules.<sup>1</sup> Program subscription is limited to 75,000 kW of total Aggregated Peak Load, 25,000 kW of which will be reserved for Program 1 and 50,000 kW for Program 2. Customer options for each program are as follows:

- Program 1, General Service. For all energy delivered by TEP through the MP-EX Program, Customers will have the option to replace their existing Power Supply Charge with one of the following:
  - Option 1: A day-ahead or hourly market index price
  - Option 2: A 7x24 block of energy and capacity procured on a 12-month basis
- Program 2, Large Power Service. For all energy delivered by TEP through the MP-EX Program, Customers will have the option to replace their existing Power Supply Charge with one of the following:
  - Option 1: An hourly market index price
  - Option 2: A 7x24 block of energy and capacity procured on a 12-month basis
  - Option 3: A combination of Options 1 and 2 with an hourly market index price applied against remaining load not subscribed under Option 2.

Eligible Customers choosing Option 2 or Option 3 may procure 7x24 blocks of energy and capacity products either through bilateral arrangement with a third-party Generation Service Provider or through a competitive Request for Proposal ("RFP") process conducted by the Company. Requirements-Provisions for third-party Generation Service Providers are addressed in Section 7 below. The minimum 7x24 block purchase size is 1,000 kW and Customer block purchases may not displace more than 50% of a Customer's average monthly peak demand based on the months October through April.

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<sup>1</sup> All references to MGS, LGS, LPS, and LPS-HV rate schedules include the Time-of-Use ("TOU") variants.

TEP will continue to provide generation,<sup>2</sup> transmission, delivery, and network services to the Customer in accordance with the applicable retail rate schedule.

#### **4. MP-EX Charges to the Customer**

The Customer will be assessed ~~fees-charges~~ specific to MP-EX Program participation as set forth in Rider 18, MP-EX. The Customer will not be assessed the Power Supply Charge in the applicable retail rate schedule, but all other charges and provisions of the Customer's applicable retail rate schedule and riders will continue to apply.

#### **5. Customer Eligibility**

Rider 18, MP-EX is available to any TEP Customer taking service on a standard retail rate schedule that has a single Eligible Service Account or group of aggregated Eligible Service Accounts with a total Aggregated Peak Load of 3,000 kW or more and a minimum aggregated average monthly load factor of 60% ~~based on billing data~~ for the previous 12 months.

For purposes of MP-EX Program eligibility, Eligible Service Accounts may be aggregated if they have the same corporate name, ownership, and identity. Eligible affiliated Customers may be aggregated if they are under the same corporate ownership even if they are operating under multiple names. An eligible franchisor Customer may be aggregated with those of eligible franchisees or associated corporate accounts. Under these multiple aggregation arrangements, the Customer would be responsible for secondary billing and settlement arrangements among the aggregated Eligible Service Accounts.

An aggregated group of Eligible Service Accounts for Program 1 may include a combination of service accounts that take service under MGS and LGS rate schedules. An aggregated group of Eligible Service Accounts for Program 2 may include a combination of service accounts that take service under LPS and LPS-HV rate schedules. Aggregation of MGS/LGS service accounts with LPS/LPS-HV service accounts is not allowed. ~~An Eligible Service Account may not participate in net metering in conjunction with the MP-EX Program.~~

MP-EX Program Customer eligibility criteria and requirements surrounding changing load and dropping and swapping Eligible Service Accounts are specified in more detail in the Program Guidelines, ~~Sections 2 and 5.~~

#### **6. Customer Selection**

Customers must submit a completed application for participation in the MP-EX Program in accordance with the requirements in ~~Section 3 of~~ the Program Guidelines. Each customer application is limited to a total load of 5,000 kW. Multiple Customer applications are allowed as long as each application meets the minimum 3,000 kW and 60% load factor thresholds. Eligible

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<sup>2</sup> Except in cases where the Customer arranges for procurement of 7x24 blocks of energy and capacity with a Generation Service Provider.

Service Accounts may not be split among Customer applications unless the ~~split is the result of the service account load exceeds~~ 5,000 kW ~~load size limit~~.

If the total applications for either Program 1 or Program 2 do not exceed the specified program load allocations (25,000 kW for Program 1 and 50,000 kW for Program 2), all Eligible Service Accounts with valid applications will be enrolled in the MP-EX appropriate Program.

If interest in either Program 1 or Program 2 exceeds the specified load allocation, TEP will conduct a lottery as described in ~~Section 4 of~~ the Program Guidelines. TEP will determine if each application meets MP-EX Program eligibility requirements ten (10) days prior to the lottery. Should one be necessary, the initial MP-EX Program lottery will be held within 45 days of the application deadline.

Lottery entries will be selected using a sufficiently acceptable random selection process. Only the Eligible Service Accounts selected in the lottery process will be able to participate in the MP-EX Program. The lottery selection process will continue until all the available Program 1 and Program 2 allocations are depleted and a waiting list will be established based on order of selection in the initial lottery process. Customers selected in the lottery or from the waiting list may participate once they complete the contracting, metering, billing, and other MP-EX Program requirements. Customers who enter the initial MP-EX Program by lottery will not be required to participate in a subsequent lottery to remain in the program.

### **7. Generation Service Provider Requirements Provisions**

MP-EX Program participants choosing Option 2 or Option 3 may procure 7x24 blocks of energy and capacity products either through bilateral arrangement with a third-party Generation Service Provider or through a competitive RFP process conducted by the Company. A Generation Service Provider must meet all legal and regulatory requirements to sell and deliver wholesale power to TEP. All requirements for Generation Service Providers are addressed in more detail in ~~Sections 9-13 of~~ the Program Guidelines.

If a Generation Service Provider fails to deliver the amount of energy it has scheduled each hour, TEP will use its best efforts to provide replacement power to the Customer, if available. In such event, the Customer will compensate TEP based on the cost of replacement power, plus administrative and other costs (e.g., reserves) equal to 10% of the replacement power cost. TEP's cost of replacement power will be based on the higher of the weighted average Palo Verde ICE Day Ahead Peak and Off-Peak Indices or the Hourly California Independent System Operator ("CAISO") Palo Verde Locational Marginal Price ("LMP"), with minimum index pricing not to be less than \$15 per MWh.

### **8. Premature Return to TEP Bundled Service**

If a Customer elects to return to its applicable retail rate without providing the required 12-month advance notice, TEP will use its best efforts to provide replacement power to the Customer, if available. In such event, the Customer will compensate TEP based on the cost of replacement power, plus administrative and other costs (e.g., reserves) equal to 10% of the replacement power

cost. TEP's cost of replacement power will be based on the higher of the weighted average Palo Verde ICE Day Ahead Peak and Off-Peak Indices or the Hourly CAISO Palo Verde LMP, with minimum index pricing not to be less than \$15 per MWh. This pricing will be effective until TEP can reasonably integrate the Customer back into its generation planning and provide power at the applicable retail rate, in no event more than one (1) year after request by the Customer.

The returning Customer must remain with its applicable retail rate for at least one (1) year thereafter. The Customer may subsequently be placed on the waiting list and return to the MP-EX Program according to the process detailed in Program Guidelines.

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