

TEP Rate Rider 18
Market Pricing-Experimental (MP-EX)
Program Guidelines
Original March 31, 2021

1. Program Overview

- 1.1. The MP-EX Program will provide an opportunity for a limited number of Customers to arrange for market-based pricing alternatives in lieu of TEP's standard applicable Power Supply Charge. The Power Supply Charge is the sum of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC") as specified in the applicable TEP rate schedule.
- 1.2. The MP-EX Program consists of two separate programs. Program 1, General Service, is available to Customers taking service on any of TEP's Medium General Service ("MGS") or Large General Service ("LGS") rate schedules. Program 2, Large Power Service, is available to Customers taking service on TEP's Large Power Service ("LPS") or Large Power Service-High Voltage ("LPS-HV") rate schedules.¹
- 1.3. MP-EX Program Customer options are specified in TEP Rider 18, Market Pricing-Experimental ("Rider 18, MP-EX").
- 1.4. TEP will continue to provide generation,² transmission, delivery, and network services to the Customer in accordance with its applicable retail rate schedule.
- 1.5. The MP-EX Program will be limited to 75,000 kW of load, 25,000 kW of which will be reserved for Program 1 and 50,000 kW for Program 2.
- 1.6. The MP-EX Program will be available until further order of the Commission.

2. Customer Eligibility

- 2.1. 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 peak load of 3,000 kW or more and a minimum aggregated average monthly load factor of 60% based on energy delivered and billed by TEP for the previous 12 months.
- 2.2. A Service Account is a point of electric delivery including a service entrance section and a meter, which is used as a basis for billing. An Eligible Service Account is a Service Account that meets the eligibility requirements for Rider 18, MP-EX.
- 2.3. An Eligible Service Account may be located anywhere in the TEP service territory and must take service under one of the Company's MGS, LGS, LPS, or LPS-HV rate schedules.
- 2.4. For purposes of program eligibility, Eligible Service Accounts may be aggregated if they have the same corporate name, ownership, and identity.
 - 2.4.1. Eligible affiliate Customers may be aggregated if they are under the same corporate ownership even if they are operating under multiple trade names.

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

² Except in cases where the Customer arranges for procurement of 7x24 blocks of energy and capacity with a third-party Generation Service Provider.

- 2.4.2. 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.
- 2.5. 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.
- 2.6. 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.
- 2.7. Peak load for program eligibility purposes will be the maximum metered monthly demand for each Eligible Service Account for the previous twelve (12) months at the time of the MP-EX Program application. For the initial MP-EX Program subscription, the information period will be [mmm-yyyy] through [mmm-yyyy] billing cycles.
- 2.8. Service Accounts subject to contract under TEP Rate Rider 5, GoSolar Shares, may not be included in an application for participation in the MP-EX Program.
- 2.9. Service Accounts are assessed and reassigned annually by TEP to general service and large power service rate schedules based on their historic loads. A Service Account that is initially accepted on the MP-EX Program, but is subsequently reassigned to a different rate schedule, may continue on the MP-EX Program under the initial agreement, but will be billed under the new rate schedule for all charges other than Power Supply Charges.

3. Program Application

- 3.1. The MP-EX Program is limited to a total of 75,000 kW, with 25,000 kW allocated to Program 1 and 50,000 kW to Program 2. If interest in either Program 1 or Program 2 exceeds the specified allocation, TEP will conduct a lottery as described in Section 4.
- 3.2. If applications for either Program 1 or Program 2 are lower than the allocated load maximums, unused allocated load will not be shifted from one Program to the other.
- 3.3. A Customer wishing to participate in the program must submit its completed application form on or before the application deadline. Applications received after the application deadline will be added to the end of the list of applicants in the order received, or to the end of the wait list created from lottery selections (as further described in Section 4).
- 3.4. Each Customer application will be limited to 5,000 kW in size.
- 3.5. Customers may submit multiple applications as long as each application meets the minimum aggregated load requirement of 3,000 kW and the minimum aggregated average monthly load factor of 60% as specified in Section 2.1. An Eligible Service Account can only be used in one application unless the Service Account load exceeds 5,000 kW.
- 3.6. Upon request, TEP will assist a Customer in identifying its potentially Eligible Service Accounts, the associated peak kW, and the total kWh over the relevant twelve (12) months, from information in the Company's billing system. However, the Customer is solely responsible for determining the completeness and accuracy of the Service Account list to be included in the MP-EX Program application.
- 3.7. Upon request, TEP will provide the hourly load data for each Eligible Service Account for the relevant twelve (12) months, if available, to any Customer selected for participation in the MP-EX Program.

- 3.8. The Customer, whether a single Eligible Service Account or aggregated group of Eligible Service Accounts, must designate an authorized single point of contact for the MP-EX Program application, contracting and program subscription process. This point of contact must be authorized by the Customer (or aggregated group, if applicable) to submit an application and commit the listed Service Accounts to participate in the MP-EX Program.

4. Customer Selection

- 4.1. 25,000 kW of the total 75,000 kW will be reserved for Program 1 (Customers taking service on MGS and/or LGS rate schedules) and the remaining 50,000 kW for Program 2 (Customers taking service on LPS and/or LPS-HV rate schedules).
- 4.2. If the eligible application kW totals do not exceed the allocated kW capacity, eligible Customer applications will be reviewed and approved for participation in the appropriate program in the order submitted.
- 4.3. If the eligible application kW totals exceed allocated kW capacity, a lottery will be used to determine the relevant program participation.
- 4.4. TEP will determine if each application meets the MP-EX Program eligibility requirements ten (10) days prior to the lottery. The lottery will be held within 45 days of the application deadline.
- 4.5. Each application will be assigned a number which will constitute one lottery entry.
- 4.6. 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 program.
- 4.7. The lottery selection process will continue until the available kW allocations are depleted and a waiting list is established as further described in Section 4.9.
- 4.8. If the kW total in a selected lottery entry is greater than the remaining kW available in the program, the Customer can reduce the number of Eligible Service Accounts in its application to conform to the available kW, if the Customer maintains the required 3,000 kW minimum. If the Customer chooses not to, or cannot do so, selection will continue down the list until a conforming applicant is found. Any Customers passed over in this manner will keep their position in the waiting list for future openings.
- 4.9. A waiting list of Customers will be established, based on the order of selection in the initial lottery process. New Eligible Service Accounts may be added to the waiting list during the term of the MP-EX Program.
- 4.10. Beginning [mmm-yyyy], TEP will assess total kW participation in each program annually ("re-assessment"). If the program is 3,000 kW over or under the allocated program capacity, Customer eligibility will be assessed to identify Customers that have increased or decreased load as well as whether the increase/decrease is temporary in nature.
- 4.11. If a re-assessment results in less than 3,000 kW of aggregated load for a participant, the Customer may add Eligible Service Accounts, if available, to meet the 3,000 kW eligibility threshold. If unable to meet the 3,000 kW threshold, the Customer accounts will be removed from MP-EX Program participation on [mmm-yyyy] of each year.
- 4.12. If a re-assessment results in an increased load of a Customer's enrolled Eligible Service Accounts by more than 1,000 kW, the Customer may be asked to drop Eligible Service

Accounts such that the Customer does not exceed that Customer's original amount of enrolled load.

- 4.13. If the re-assessment of load shows that the aggregate amount of load enrolled in either MP-EX Program 1 or Program 2 has been reduced by 3,000 kW or more, the relevant waiting list will be evaluated to fill the available load.
- 4.14. Customers selected from the waiting list to replace departed or reduced load may reduce the Eligible Service Accounts in the application to conform to the available kW, if the Customer maintains the required 3,000 kW minimum. If the Customer chooses not to, or cannot do so, selection will continue down the list until a conforming applicant is found. Any Customers passed over in this manner will keep their position in the waiting list for future openings.
- 4.15. Customers selected in the lottery or from the waiting list have 90 days from the date of the acceptance to complete the contracting, metering, billing and other MP-EX Program requirements or be dropped from the program. TEP may extend the 90-day period on a case-by-case basis if reasonable progress is being made to finalize contractual arrangements with the Company.
- 4.16. 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.
- 4.17. Customers who enter the initial MP-EX Program will not be required to participate in a subsequent lottery to remain in the program.

5. Dropping or Swapping Service Accounts During the MP-EX Program

- 5.1. A Customer participating in the program may drop Eligible Service Accounts from the program, so long as it maintains the 3,000 kW minimum load and 60% load factor requirements.
- 5.2. A Customer participating in the program may swap an Eligible Service Account for a closed Service Account of similar size and characteristics, provided the new account meets Program requirements in Section 2 above. A Customer may not swap an Eligible Service Account for an account dropped pursuant to Section 5.1 above within any 12-month period.

6. Customer Billing

- 6.1. TEP will bill Customers for all charges according to the applicable retail rate schedule, riders, and the provisions of Rider 18, MP-EX, as well as line losses and costs related to a third-party Generation Service Provider's failure to deliver scheduled energy as set forth in Section 13 below. All other charges and provisions of the Customer's applicable retail rate schedule and riders will continue to apply under TEP Rider 18, MP-EX.
- 6.2. TEP will render a bill to the Customer by the seventeenth (17th) day of each month.
- 6.3. The Customer must remit payment to TEP within fifteen (15) days from the billing date.
- 6.4. The participating Service Account will be moved to a calendar month billing cycle prior to taking service under the MP-EX Program, unless TEP determines that it is not possible or practical.

- 6.5. The Customer will be assessed a final bill at the end of the month prior to beginning service under the MP-EX Program if its billing cycle will change as a result of its participation in the MP-EX Program.
- 6.6. Customer bill disputes will be handled by TEP through TEP's applicable retail dispute resolution process.
- 6.7. TEP will bill any additional metering communication charges associated with the MP-EX Program periodically in a separate invoice.
- 6.8. TEP and Customer will coordinate data transfer and security issues for handling Customer billing information and other sensitive information.
- 6.9. Specialty billing services such as summary billing and Budget Billing will not be available for Service Accounts participating in the MP-EX Program.
- 6.10. Customer billing may be subject to annual true-ups based on data corrections or billing dispute resolutions.

7. Customer Credit Requirements

- 7.1. Customers choosing service under Option 2 or Option 3 must have an investment grade credit rating or demonstrate creditworthiness in the form of a 3rd-party guarantee from an investment grade rated company, surety bond, letter of credit, or cash in accordance with the Company's standard credit support rules.

8. Customer Metering Requirements

- 8.1. Customer must have interval metering or Advanced Metering Infrastructure capable of remote access for reads in place at time of service under Rider 18, MP-EX.
- 8.2. If the Customer does not have such metering, TEP will install the metering equipment at no additional charge, except for the necessary monthly communication costs.
- 8.3. Customers will be responsible for providing and paying for any metering communication requirements, such as a phone line, according to TEP's specifications for each Service Account.

9. Third-Party Generation Service Provider ("GSP") Scheduling Requirements

- 9.1. MP-EX Program participants choosing Option 2 or Option 3 may procure 7x24 blocks of energy and capacity products either through a third-party GSP or through a competitive procurement process conducted by the Company.
- 9.2. A third-party GSP must meet all legal and regulatory requirements to sell and deliver wholesale power to TEP.
- 9.3. A GSP must provide hourly schedules for the 7x24 blocks of energy and capacity to TEP. The hourly schedules must be submitted to TEP's Preschedule Desk in the required format via e-mail by 11:00 a.m. on the last preschedule day prior to the scheduled energy flow day (as determined by the WECC Preschedule Calendar guidelines).
- 9.4. All hourly schedules must be stated in whole megawatts ("MW") and must be at least 1 MW.

10. Third-Party Generation Service Provider Delivery Requirements

- 10.1. GSP must provide firm power (“WSPP Schedule C”) delivered to TEP at Palo Verde (the “Delivery Point”), or other point of delivery as agreed to by TEP.
- 10.2. A GSP must provide physical path information in the required format via e-mail to TEP’s Preschedule Desk by 11:00 a.m. on the last preschedule day prior to the scheduled energy flow day (as determined by the WECC Preschedule Calendar guidelines. The physical path information must include all upstream information relative to the agreed upon Delivery Point on the TEP system.
- 10.3. A GSP may provide revised physical path information for a particular hour in the required format via e-mail to the TEP Real-Time Desk no less than one hundred (120) minutes prior to the beginning of the operating hour in an emergency situation where the initial firm generation source or transmission path is cut or interrupted. In addition, the GSP must confirm e-mail information with the TEP Real-Time Desk no less than ninety (90) minutes prior to the beginning of the operating hour in an emergency situation where the initial firm generation source or transmission path is cut or interrupted.
- 10.4. If an Uncontrollable Force or system emergency (as determined by TEP in its reasonable discretion) occurs, and TEP is unable to take delivery of the scheduled power at the designated Delivery Point, then TEP may request delivery at an alternate delivery point, subject to consent by GSP, which may not be unreasonably withheld.
- 10.5. GSP is responsible for the cost of transmission service to deliver the power to the TEP Delivery Point.

11. Monthly Checkout Between TEP and GSP

- 11.1. TEP’s After-the-Fact Desk will checkout with the GSP on a monthly basis. TEP will provide preliminary information to the GSP by the seventh (7th) day of each month. The file will include the hourly schedules and any hourly deviations between the schedules.
- 11.2. GSP must validate the information with TEP and send it back to TEP with any agreed upon modifications, with receipt by TEP no later than the tenth (10th) day of each month.
- 11.3. Upon completion of the final checkout and of each month, TEP will provide the GSP with a summary of the deviations along with the costs of any liquidated damages that will be billed to the Customer.

12. Line Loss Charges

- 12.1. Applicable line loss charges will be applied to the GSP hourly scheduled energy. The charge will be based on the Company’s monthly line loss factor and priced at the Palo Verde ICE Peak and Off-Peak Day-Ahead Indices for the power delivery date. Index pricing will not be less than \$15 per MWh. Line losses will be modified to reflect Customer’s delivered service voltage levels at the point of delivery. Line losses can range from 3.44% to 9.94% depending on the delivered service voltage levels at the point of delivery. The Company will work with MP-EX customers to identify line losses for each eligible service account.

13. GSP Failure to Deliver Energy

- 13.1. If the GSP fails to deliver the amount of energy and capacity it has scheduled on behalf of the Customer during an hour, TEP will charge the Generation Service Provider the cost to replace this energy and capacity based upon the liquidated damages provisions within the WSPP Agreement.

14. Customer Site Outages

- 14.1. In the event of an unplanned outage at the Customer site under Option 2, Customers will be credited for hours when their load is less than the hourly scheduled energy at the lesser of the weighted average Palo Verde ICE Peak and Off-Peak Day-Ahead Indices or the hourly CAISO Palo Verde LMP pricing for the power delivery date. Credit for unplanned outages will be limited to 2% of the total energy for the year. Index pricing will not be greater than \$100 per MWh and will not be less than \$0 per MWh.
- 14.2. In the event of a planned outage under Option 2, Customers may request the Company to sell off their excess hourly scheduled energy for a planned outage event. Requests must be submitted to the TEP Prescheduling Desk in the required format via email by 5:00 a.m. no less than fourteen (14) business days prior to the first day of the planned outage. TEP will work with the Customer to determine any viable market sale options and establish the pricing for the sale of any excess scheduled energy. However, TEP is not required to sell excess power or otherwise compensate Customer if this occurs.

15. Customers Returning to TEP Bundled Generation Service

- 15.1. The Customer may return to its applicable retail rate without charge if: (a) it elects to do so and provides at least 1-year advance notice to TEP; or (b) the MP-EX Program is terminated by the Arizona Corporation Commission ("ACC").
- 15.2. If a Customer elects to return to its applicable retail rate without providing the required advance notice, TEP will charge the Customer a market based rate for the cost of replacement energy and capacity.³ 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 LMP⁴, plus 10% 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.
- 15.3. The returning Customer must remain with its applicable retail rate for at least one (1) year thereafter. If permitted by these Program Guidelines, the Customer may subsequently be placed on the waiting list and return to the MP-EX Program according to the process detailed in Section 4.

³ This market-based rate will be in lieu of the Company's Base Power Supply Charge and PPFAC Rider charge.

⁴ The hourly data can be found on the CAISO OASIS website under the locational marginal price for node: PALOVRDE_ASR-APND.

16. Time

- 16.1. All time references specified in the Program Guidelines are Mountain Standard Time. All daily references to time will be 5:00 p.m. if the time of day is not otherwise designated.

17. Definitions

Arizona Corporation Commission (“ACC”) – The governmental entity that regulates the retail sale of electricity by investor-owned utilities in the state of Arizona.

Base Power Charge – A per kWh charge calculated to collect the fuel and purchased power costs embedded in the retail rates as approved by the ACC in TEP's most recent rate case.

Budget Billing – A specialty bill payment plan where customers are billed the same amount each month for a specified period. The monthly amount billed is based on actual or estimated usage and TEP's effective applicable rates and is subject to periodic true up.

Customer(s) – For purposes of these Program Guidelines, any TEP Customer taking service under an eligible General Service or Large Power Service rate schedule.

Eligible Service Account -- A Service Account that 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.

Large General Service (“LGS”) – TEP rate plans Large General Service (TILGS) and Large General Service Time-of-Use (TILGST).

Large Power Service (“LPS”) – TEP rate plan Large Power Service Time-of-Use (TILPST).

Large Power Service-High Voltage (“LPS-HV”) – TEP rate plan Large Power Service Time-of-Use – High Voltage (TILPSTHV).

Medium General Service (“MGS”) – TEP rate plans Medium General Service (TGMGS) and Medium General Service Time-of-Use (TGMGST).

MP-EX Program – A TEP program that allows a limited number of qualified MGS, LGS, LPS, and LPS-HV Customers an opportunity to arrange for market-based pricing alternatives in lieu of TEP's standard applicable Power Supply Charge.

Power Supply Charge – The sum of the Base Power Charge and PPFAC.

Program Guidelines – This document. The Program Guidelines set forth the 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.

Purchased Power and Fuel Adjustment Clause (“PPFAC”) – The PPFAC charge is a per kWh charge approved by the ACC that provides for periodic reconciliation of TEP’s actual and estimated cost of fuel and purchased power between rate cases. TEP’s PPFAC is described further in TEP Rider 1 and the TEP PPFAC Plan of Administration. The current PPFAC charge is listed in the TEP Statement of Charges.

Service Account – A point of retail electric delivery including a service entrance section and a meter, which is used as a basis for billing.

WSPP Agreement – A standardized power agreement developed and utilized by WSPP Inc., an organization of electric wholesale market entities, to execute trading opportunities, allowing WSPP members to manage power delivery and price risk. The WSPP Agreement represents a default standardized contract for electric power sales and physical options. See <https://www.wspp.org/pages/Agreement.aspx> for more information.