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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman

GARY PIERCE
Commissioner

PAUL NEWMAN
Commissioner

SANDRA D. KENNEDY
Commissioner

BOB STUMP
Commissioner

Arizona Corporation Commission

DOCKETED

APR - 7 2009

DOCKETED BY 

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY TO RESET THE PPFAC RATE
FOR APRIL 2009 THROUGH MARCH 2010

DOCKET NOS. E-01933A-07-0402
E-01933A-05-0650

DECISION NO. 70958

ORDER

Open Meeting
March 31 and April 1, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On December 24, 2008, TEP filed its Preliminary Calculation of the PPFAC Rate for the first Purchased Power and Fuel Adjustment Clause ("PPFAC") year that runs from April 1, 2009, through March 31, 2010, pursuant to Decision No. 70628. On February 2, 2009, TEP filed its updated calculations. On March 9, 2009, TEP filed a revised update to the calculations, after discussion with Staff's consultants.

3. Commission Decision No. 70628 (December 1, 2008) approved the creation of the PPFAC through which TEP is to recover its purchased power and fuel expenses. The PPFAC consists of a Forward Component and a True-up Component. The Forward Component consists of the forecasted fuel and purchased power costs for the year commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of Fuel and Purchased Power reflected in

1 base rates (\$0.028896 per kWh). The True-up Component reconciles any over-recovered or
2 under-recovered amounts from the preceding PPFAC year to be credited to, or recovered from,
3 customers in the next PPFAC year. The PPFAC rate was initially set at zero.

4 4. Decision No. 70628 provides for TEP to file the PPFAC rate for the upcoming year
5 by October 31 of each year and to file an update to the filing by February 1 of the next year. The
6 new rate would go into effect on April 1, but only after Commission approval. Low-income
7 customers are not subject to the PPFAC.

8 5. In Decision No. 69568, the Commission allowed the Fixed Competition Transition
9 Charge ("Fixed CTC") to continue pending the outcome of the rate case instead of terminating
10 when anticipated by Decision No. 62103. Decision No. 70628 ordered the Fixed CTC True-up
11 Revenues ("True-up Revenues") to be credited against the PPFAC in a manner that keeps the
12 PPFAC rate at zero until the True-up Revenues are fully credited.

13 6. Although Decision No. 70628 included a reference to a TEP estimate of \$66 million
14 for True-up Revenues expected to be collected from customers by December 31, 2008, the actual
15 amount of True-up Revenues is \$58,779,329.02, with interest to be applied each month on the
16 balance. Since new rates went into effect on December 1, 2008, True-up Revenues were not
17 collected from customers during the month of December, resulting in the lower number.

18 7. TEP's March 9, 2009, filing requests a Forward Component rate of \$0.001758 per
19 kWh to be offset by Fixed CTC True-up Revenue, resulting in a zero PPFAC rate on customer
20 bills for the April 1, 2009 through March 31, 2010, PPFAC year. Although it may seem unusual
21 for the Commission to take action on a request to maintain the PPFAC rate at zero, it is important
22 for the Commission to determine that the amount of the Forward Component rate is appropriate.
23 The amount of Fixed CTC True-up Revenue that is used to offset the Forward Component rate will
24 affect the balance of the Fixed CTC True-up Revenue available to be used in future PPFAC rate
25 resets.

26 8. Staff, through its consultants, has reviewed TEP's calculations of the Forward
27 Component. TEP's March 9, 2009, filing has incorporated all identified corrections. Staff has also

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1 reviewed TEP's assumptions used in developing the forecast of fuel and purchased power
2 expenses, and Staff finds the assumptions to be reasonable.

3 9. Staff has recommended that Tucson Electric Power Company's Forward
4 Component rate be set at \$0.001758 per kWh and be offset by Fixed CTC True-up Revenue,
5 resulting in a zero PPFAC rate on customer bills for the April 1, 2009 through March 31, 2010,
6 PPFAC year.

7 CONCLUSIONS OF LAW

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

10 2. The Commission has jurisdiction over TEP and over the subject matter of the
11 application.

12 3. The Commission, having reviewed TEP's application and Staff's Memorandum
13 dated March 17, 2009, concludes that it is in the public interest that TEP's Forward Component
14 rate be set at \$0.001758 per kWh and be offset by Fixed CTC True-up Revenue, resulting in a zero
15 PPFAC rate on customer bills for the April 1, 2009 through March 31, 2010, PPFAC year.

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ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's Forward Component rate be set at \$0.001758 per kWh and be offset by Fixed CTC True-up Revenue, resulting in a zero PPFAC rate on customer bills for the April 1, 2009 through March 31, 2010, PPFAC year.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

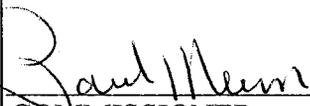
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN



COMMISSIONER



COMMISSIONER

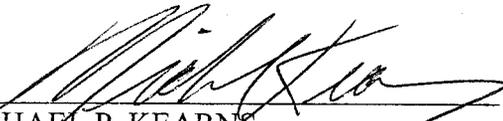


COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim 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 7th day of APRIL, 2009.



MICHAEL P. KEARNS
INTERIM EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EGJ:BEK:ihm\JFW

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