

OPEN MEETING



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ORIGINAL

MEMORANDUM

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Arizona Corporation Commission

DOCKETED

MAY 12 2009

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 12, 2009

DOCKETED BY

RE: UNS ELECTRIC, INC. - APPLICATION FOR APPROVAL OF ITS BILL ESTIMATION METHODOLOGIES TARIFF (DOCKET NO. E-04204A-06-0783)

On December 15, 2006, UNS Electric, Inc. ("UNSE" or "Company") had filed an application with the Arizona Corporation Commission ("Commission") in the above captioned docket for an increase in its rates throughout its service area in the State of Arizona. On May 27, 2008, the Commission issued Decision No. 70360 which, in part, ordered UNSE to revise its tariffs to comply with Staff's recommendation to submit a separate tariff describing its bill estimation methodologies. On June 26, 2008, UNSE filed its Bill Estimation Methodologies tariff for Commission approval, in compliance with Decision No. 70360.

A utility needs to estimate a customer's usage when it cannot obtain a complete and valid meter read. For example, it can be impossible to obtain a meter read as a result of the customer not providing access to the meter, the meter being broken, or adverse weather conditions. A bill estimation tariff describes the methodologies that the utility uses to estimate the meter read so that the monthly bill can be calculated.

On March 4, 2009, UNSE responded to Staff's questions regarding proposed bill estimation methodology protocols, the derivation and application of UNSE's "Trend" formula (a methodology for estimating usage under certain circumstances) and the alignment of bill estimation protocols with the protocols contained in Arizona Administrative Code ("A.A.C.") R14-2-210. Staff's findings are discussed in more detail below.

Commission Decision No. 70360

Decision No. 70360 focuses on rate case-related topics such as revenue requirements, rate design, financing, and debt coverage ratios, but also addresses tariff matters such as bill estimation procedures. In Docket No. E-04204A-06-0783, Staff recommended that: (1) UNSE be required to submit a separate tariff that explicitly describes its usage estimation methodologies; and, (2) UNSE's proposed bill estimation procedures include, but not be limited to, methodologies for estimating energy usage (kWh), demand usage (kW), and time-of-use billing usage. Staff's recommendations were approved by the Commission in Decision No. 70360. The following table summarizes UNSE's proposed bill estimation protocols and methodologies:

Bill Estimation Methodologies
(when actual meter reads are unattainable)

Historical Meter Reading Conditions	kWh Method*	kW Method	TOU Method*
At least one year history, same customer at same premise	Same month, previous year	Same as kWh	Same as kWh
At least one year history, new customer at same premise	Customer Information System ("CIS") generates Trend estimated usage (**see below for more details)	Same year, previous month	Same as kWh
Less than one year history, same customer at same premise	same year, previous month; or, CIS Trend estimated usage	same year, previous month	Same as kWh
Less than one year history, new customer at same premise	CIS Trend estimated usage	same year, previous month	Same as kWh
No historical meter reading data	UNSE must obtain valid meter reads before rendering estimated previous and current actual billings	Same as kWh	Same as kWh

*Estimated energy usage is the product of (historical average daily usage) x (calendar days in current month) or CIS-generated Trend estimates (**see below for more details). Time-of use (TOU) on- and off-peak usage proportions are derived from historical data.

**CIS-Generated Consumption Using Trend Methodologies

1. Customers are grouped by geographic areas to identify changes in average usage levels associated with geographic locations.
2. Customers are assigned to Trend rate classes (i.e. residential, commercial or Industrial) to identify changes in average usage levels associated with respective rate classes.
3. All consumption is identified by usage codes (i.e. kWh, kW or TOU).
4. Consumption trends are identified by comparing usage from three prior bill cycles to the same cycle in the previous month. This trend, plus a tolerance, is used to create a usage amount for bill estimation.
5. The estimated consumption for a customer is defined by UNSE as follows:

$$[A / B] \times [C]$$

Where:

A = Customer's usage in a previous period

B = Average customer's usage in a previous period

C = Average customer's usage in the current period

Staff's Recommendations

Staff reviewed UNSE's proposed bill estimation methodologies as summarized in the above table and concludes that they are in compliance with Staff's recommendations. Staff therefore recommends approval of UNSE's Bill Estimation Methodologies tariff as filed. Furthermore, Staff believes that estimating energy usage using UNSE's Trend protocols and methodologies produces billing determinants (kWhs) that conform to the requirements contained in A.A.C. R14-2-210. Staff believes that UNSE's filing embodies all of Staff's recommendations as discussed above.

THE COMMISSION

May 12, 2009

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Staff recommends that UNSE implement the Bill Estimation Methodologies tariff, as approved, on the first day of the month following the effective date of the Decision in this matter. The Company should docket, as a compliance item in this matter, a letter within 15 days of implementation stating that the implementation is complete.

In addition, Staff recommends that UNSE file tariff pages for the approved Bill Estimation Methodologies tariff consistent with the Decision in this matter within 15 days from the effective date of the Decision.

A handwritten signature in black ink, appearing to read 'EGJ', followed by a long horizontal line extending to the right.

Ernest G. Johnson
Director
Utilities Division

EGJ:WHM:lhm\MAS

ORIGINATOR: William H. Musgrove

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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

IN THE MATTER OF THE APPLICATION)
 OF UNS ELECTRIC, INC. FOR APPROVAL)
 OF ITS BILL ESTIMATION)
 METHODOLOGIES TARIFF)

DOCKET NO. E-04204A-06-0783
 DECISION NO. _____
ORDER

Open Meeting
 May 27 and 28, 2009
 Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNSE" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On December 15, 2006, UNSE had filed an application with the Arizona Corporation Commission ("Commission") in the above captioned docket for an increase in its rates throughout its service area in the State of Arizona.
3. On May 27, 2008, the Commission issued Decision No. 70360 which, in part, ordered UNSE to revise its tariffs to comply with Staff's recommendation to submit a separate tariff describing its bill estimation methodologies.
4. On June 26, 2008, UNSE filed its Bill Estimation Methodologies tariff for Commission approval, in compliance with Decision No. 70360.
5. A utility needs to estimate a customer's usage when it cannot obtain a complete and valid meter read. For example, it can be impossible to obtain a meter read as a result of the customer not providing access to the meter, the meter being broken, or adverse weather conditions.

1 A bill estimation tariff describes the methodologies that the utility uses to estimate the meter read
2 so that the monthly bill can be calculated.

3 6. On March 4, 2009, UNSE responded to Staff's questions regarding proposed bill
4 estimation methodology protocols, the derivation and application of UNSE's "Trend" formula (a
5 methodology for estimating usage under certain circumstances) and the alignment of bill
6 estimation protocols with the protocols contained in Arizona Administrative Code ("A.A.C.")
7 R14-2-210. Staff's findings are discussed in more detail below.

8 **Commission Decision No. 70360**

9 7. Decision No. 70360 focuses on rate case-related topics such as revenue
10 requirements, rate design, financing, and debt coverage ratios, but also addresses tariff matters
11 such as bill estimation procedures. In Docket No. E-04204A-06-0783, Staff recommended that:
12 (1) UNSE be required to submit a separate tariff that explicitly describes its usage estimation
13 methodologies; and, (2) UNSE's proposed bill estimation procedures include, but not be limited to,
14 methodologies for estimating energy usage (kWh), demand usage (kW), and time-of-use billing
15 usage. Staff's recommendations were approved by the Commission in its Decision No. 70360.
16 The following table summarizes UNSE's proposed bill estimation protocols and methodologies:

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Bill Estimation Methodologies
(when actual meter reads are unattainable)

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*Estimated energy usage is the product of (historical average daily usage) x (calendar days in current month) or CIS-generated Trend estimates (**see below for more details). Time-of use (TOU) on and off-peak usage proportions are derived from historical data.

**CIS-Generated Consumption Using Trend Methodologies

1. Customers are grouped by geographic areas to identify changes in average usage levels associated with geographic locations.
2. Customers are assigned to Trend rate classes (i.e. residential, commercial or Industrial) to identify changes in average usage levels associated with respective rate classes.
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4. Consumption trends are identified by comparing usage from three prior bill cycles to the same cycle in the previous month. This trend, plus a tolerance, is used to create a usage amount for bill estimation.
5. The estimated consumption for a customer is defined by UNSE as follows:

$$[A / B] X [C]$$

Where:

A = Customer's usage in a previous period

B = Average customer's usage in a previous period

C = Average customer's usage in the current period

Staff's Recommendations

8. Staff reviewed UNSE's proposed bill estimation methodologies as summarized in the above table and concluded that they are in compliance with Staff's recommendations.

9. Staff has recommended approval of UNSE's Bill Estimation Methodologies tariff as filed.

10. Furthermore, Staff concluded that estimating energy usage using UNSE's Trend protocols and methodologies produce billing determinants (kWhs) that conform to the requirements contained in A.A.C. R14-2-210.

1 IT IS FURTHER ORDERED that UNS Electric, Inc. shall file tariff pages for the approved
2 Bill Estimation Methodologies tariff consistent with the Decision in this matter within 15 days
3 from the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 _____
9 CHAIRMAN

COMMISSIONER

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11 _____
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2009.

18 _____
19 MICHAEL P. KEARNS
20 INTERIM EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 EGJ:WHM:lhM\MAS
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