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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2009 SEP 14 P 3:47
CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-0206
UNS ELECTRIC, INC. FOR THE)
ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES) **NOTICE OF ERRATA**
DESIGNED TO REALIZE A REASONABLE)
RATE OF RETURN ON THE FAIR VALUE OF)
THE PROPERTIES OF UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA.)

UNS Electric, Inc., through undersigned counsel, hereby files corrected pages 5, 6 and 7 to the Direct Testimony of Dallas J. Dukes filed on April 30, 2009. These pages correct certain numbers in Table 1 and the text and should replace the corresponding pages in the original filing.

RESPECTFULLY SUBMITTED this 14th day of September 2009.

UNS Electric, Inc.

By
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Arizona Corporation Commission
DOCKETED
SEP 14 2009
DOCKETED BY

1 Original and thirteen copies of the foregoing
2 filed this 14th day of September 2009, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered
8 this 14th day of September 2009, to:

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By 

Table 1

UNS Electric, Inc.
Average Retail Rate Impact Comparisons
in Cents per kWh
REVISED

	Present	Rates To Be In Effect June 09 - May 10	% Change From Present	Requested Rates If Put Into Effect Prior To June 2010	% Change From June 09 - May 10	Requested Rates If Put Into Effect On or After June 1, 2010	% Change From June 09 - May 10	% Change From Present
Delivery & Customer Charge	3.00	3.00	0.0%	3.74	24.7%	3.74	24.7%	24.7%
Average Base Power Supply Rate *	7.00	7.00	0.0%	6.77	-3.3%	6.77	-3.3%	-3.3%
PPFAC Forward Component **	1.73	-0.30	-117.5%	0.00	N/M	0.00	N/M	-100.0%
PPFAC True-up Component **	-0.26	-0.75	N/M	-0.75	N/M	0.00	N/M	N/M
Total Average Retail Rate ***	11.47	8.94	-22.0%	9.76	9.1%	10.51	17.6%	-8.3%

N/M = Not Meaningful; % Change is not meaningful if the initial value is negative.

Note * = Based on Billed Sales Mix in Test Year

Note ** = PPFAC Forward and True-up Components will be re-set in June 2010 based on market conditions and sales mix changes at that time. These estimates assume no material change in these conditions.

Note *** = Excluding REST, DSM and applicable taxes and fees

As can be seen in that table, UNS Electric currently has a total Average Retail Rate (the average rate customers pay excluding REST, DSM and applicable taxes and fees) of 11.47 cents per kWh. This includes a PPFAC Forward Component of 1.73 cents per kWh and a PPFAC True-Up Component of -0.26 cents per kWh – for a total PPFAC rate of 1.47 cents per kWh.

Starting June 1, 2009, UNS Electric anticipates a substantial decrease to its PPFAC rates. In fact, the total PPFAC rate is expected to be -1.05 cents per kWh (a PPFAC Forward Component of -0.30 cents per kWh and a PPFAC True-Up Component -0.75 cents per kWh). This drops the total Average Retail Rate of 8.94 cents per kWh – an approximate 22.1% decline in the average retail rate. In short, there are multiple moving parts at work: (1) the requested base rate increase here; and (2) the annual PPFAC adjustments. That is what makes describing this increase more complicated.

1 **Q. So, Mr. Dukes, what would be the impact if rates go into effect between June 1, 2009**
2 **and May 31, 2010 – the duration of the next annual PPFAC rate?**

3 A. If the requested rates go into effect between June 1, 2009 and May 31, 2010, the average
4 retail rate would increase by approximately 9.1% from the rates in effect at that time.
5 This is because: (1) the Delivery and Customer charge would increase to 3.74 cents per
6 kWh from 3.00 cents per kWh; and (2) the Average Base Power Supply Rate would drop
7 to 6.77 cents per kWh from 7.00 cents per kWh; and (3) the PPFAC Forward Component
8 would re-set to 0.00 cents per kWh from -0.30 cents per kWh – resulting in a Total
9 Average Retail Rate of 9.76 cents per kWh or an 9.1% increase from 8.94 cents per kWh
10 (Total Average Retail Rate in effect after June 1, 2009 when the PPFAC Rate drops to a
11 negative 1.05 cents per kWh.)
12

13 **Q. What happens June 1, 2010?**

14 A. UNS Electric expects making a subsequent increase in PPFAC rates on June 1, 2010,
15 when the proposed 2009 True-Up Component is re-set. In fact, UNS Electric anticipates
16 that the PPFAC True-Up Component will be re-set to 0.00 cents per kWh from -0.75
17 cents per kWh. This results in the Total Average Retail Rate of 10.51 cents per kWh or a
18 17.6% increase from 8.94 cents per kWh (Total Average Retail Rate in effect after June
19 1, 2010 when the PPFAC True-Up Component re-sets to 0.00 cents per kWh from -0.75
20 cents per kWh). So, the Total Average Retail Rate after June 1, 2010 reflects: (1) the
21 requested base rate increase; and (2) the increase in the PPFAC True-Up Component.
22

23 In short, as a result of this anticipated change in PPFAC rates, the average retail rate
24 impact of our current request varies depending upon the timing of when the new rates are
25 put into effect. I note here, however, that the expected increase could vary significantly if
26 natural gas, wholesale market conditions and sales mix change from current expectations,
27 thereby necessitating different PPFAC Components.

1 **Q. What does the 7.43% figure mean as compared to the Total Average Retail Rate**
2 **that customers will experience?**

3 A. The 7.43% merely represents the need for an increase in base rates of \$13.5 million as
4 compared to test year unadjusted revenues. It does not, however, represent the
5 comparison between the current Total Average Retail Rate of 11.47 cents per kWh and
6 the Total Average Retail Rate after June 1, 2010 of 10.51 cents per kWh assuming all the
7 factors I described above.

8
9 So, when compared with the average rates currently in effect prior to June 1, 2009, the
10 end result is that customers are expected to realize a Total Average Retail Rate *decrease*
11 of 8.3% as a result of this current rate request and the anticipated PPFAC changes
12 described above. In short, even though the Company is requesting an increase in base
13 rates in this case the Total Average Retail Rate is anticipated to drop – *if* what the
14 Company anticipates comes to fruition.

15
16 **Q. What about the increase to the customers' fixed monthly charges and non-fuel**
17 **delivery charges?**

18 A. Regardless of when the increase becomes effective the Company is requesting a 24.7%
19 increase in those charges. This increase represents a blend of the \$0.50 increase in the
20 monthly customer charges and an increase in the average non-fuel base rate increasing
21 the average delivery and customer charge impact per kWh from 3.00 cents per kWh to
22 3.74 cents per kWh.

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