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BEFORE THE ARIZONA CORPORATION COMMISS



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ERNEST GARFIELD
Chairman
BUD TIMS
Commissioner
JIM WEEKS
Commissioner

IN THE MATTER OF THE COMMISSION ON ITS)
OWN MOTION INVESTIGATING ESCALATION)
CLAUSES AND/OR PURCHASED POWER FUEL)
ADJUSTMENT CLAUSES OF THE ELECTRIC)
UTILITIES OPERATING INTRASTATE IN)
ARIZONA.)

DECISION NO. *49576*

OPINION AND ORDER

DOCKET NOS.:

9955-E-1025	U-1703
U-1773	U-1891
U-1345	U-1749
U-1586	U-1750
9962-E-1032	9979-E-1046
U-1851	U-1787
U-1824	U-1575
U-2044	U-1461
	U-1933

DATES OF HEARING: November 2,3,4,21, December 5,6,20. & 21, 1977

PLACE OF HEARING: Phoenix, Arizona

HEARING OFFICER: David C. Kennedy

APPEARANCES: Evans, Kitchel & Jenckes, by Stephen W. Pogson, Attorneys for Ajo Improvement Company, California-Pacific Utilities Company, Citizens Utilities Company, and Morenci Water & Electric Company

Gentry, McNulty, Borowiec & Desens, by James F. McNulty, Jr., Attorneys for Arizona Electric Power Cooperative, Inc., Graham County Electric Cooperative, Inc. and Sulphur Springs Valley Electric Cooperative, Inc.

Arizona Corporation Commission

DE: 11/18

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Snell & Wilmer, by Jaron B. Norberg, and Richard L. Sallquist, Attorneys for Arizona Public Service Company

Paul J. Crowder and Rex A. Hall, Attorneys for Columbus Electric Cooperative, Inc.

Charles D. Wahl, Attorney for Continental Divide Electric Cooperative, Inc., Duncan Valley Electric Cooperative, Inc., Garkane Power Association, Mohave Electric Cooperative, Inc., and Trico Electric Cooperative, Inc., Navopache Electric Cooperative, Inc., and Sulphur Springs Valley Electric Cooperative, Inc.

Martinez and Curtis, by Michael A. Curtis, Attorney for Navopache Electric Cooperative, Inc.

Lawrence V. Robertson, Jr., Attorney for Tucson Gas & Electric Company

Bruce E. Meyerson, Attorney for Arizona Community

ADJUSTMENT CLAUSES OF THE ELECTRIC
UTILITIES OPERATING INTRASTATE IN
ARIZONA.

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McNulty, Jr., Attorneys for Arizona Electric
Power Cooperative, Inc., Graham County Electric
Cooperative, Inc. and Sulphur Springs Valley
Electric Cooperative, Inc.

Arizona Corporation Commission

BEFORE ME

[Handwritten signature]

Snell & Wilmer, by Jaron B. Norberg, and Richard
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Gas & Electric Company

Bruce E. Meyerson, Attorney for Arizona Community
Action Association

Thomas M. Rogers, Attorney for the Arizona Corpora-
tion Commission

On October 25, 1978, this Commission issued its Decision No. 49438 regarding revised application of fuel and/or purchased power escalation clauses.

In that Decision, the Commission directed the Utilities Division, along with advisors approved by the Commission, (1) to formulate monthly reporting forms which include fuel costs, purchased power costs, and use of generating facilities; and (2) to determine appropriate filings and format in connection with the formal proceedings contemplated in that Decision. The approval of the format set forth herein does not constitute a new fuel and/or purchased power escalation clause. Each utility shall be governed by the provisions of the fuel and/or purchased power authority previously granted by this Commission and which were applicable when frozen by the Commission on November 13, 1978. This order establishes a uniform method of reporting, in most instances, and provides for limited hearings after which the Commission may authorize an increase or decrease in the escalator amount.

The Arizona Corporation Commission staff will audit those projections submitted which indicate an increase or decrease in fuel and/or purchased power of one mill or more. If upon completion of the audit the increase or decrease of the one mill or more as forecasted is determined to be realistic, the staff will recommend to the Commission that a hearing be held at which time a determination will be made by the Commission if the increase or decrease should be approved.

It is intended that the hearing referred to above shall be limited only to those items which affect the cost of fuel and/or purchased power.

Notice of such hearing will be made in the same manner as other hearings of utility matters. The regular mailing lists

formulate monthly reporting forms which include fuel costs, purchased power costs, and use of generating facilities; and (2) to determine appropriate filings and format in connection with the formal proceedings contemplated in that Decision. The approval of the format set forth herein does not constitute a new fuel and/or purchased power escalation clause. Each utility shall be governed by the provisions of the fuel and/or purchased power authority previously granted by this Commission and which were applicable when frozen by the Commission on November 13, 1978. This order establishes a uniform method of reporting, in most instances, and provides for limited hearings after which the Commission may authorize an increase or decrease in the escalator amount.

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It is intended that the hearing referred to above shall be limited only to those items which affect the cost of fuel and/or purchased power.

Notice of such hearing will be made in the same manner as other hearings of utility matters. The regular mailing lists used by the Arizona Corporation Commission Utilities Division will be utilized. Separate notice to each consumer will not be required in these matters.

Decision No. 49438 also provided that "bank accounts" were to be treated by a subsequent order. "Bank accounts" have been an integral part of fuel and/or purchased power escalation clauses approved by this Commission for many years, and will continue uninterrupted by carrying forward any balances as of November 13, 1978, at which time all clauses were frozen. This account serves to insure that those costs properly recoverable from customers under the conditions prescribed in each clause are balanced to the amount actually recovered, thus protecting both the consumer and the utility against over or under collection of such costs. We have concluded that the "bank account" is a fair and essential part of properly designed and monitored fuel and/or purchased power adjustments and should be continued.

The staff has requested the actual "bank account" as of 11/30/78 from each of the electric utilities. This "bank account" shall be recomputed as of December 31, 1978, and again at January 31, 1979. It is intended that this system of permitting the use of fuel and/or purchased power adjustments shall begin as of 2/1/79. The "bank account" as of 1/31/79 shall be spread in equal increments over the forecast of the six month period, February 1, 1979 through July 31, 1979. The effect of spreading the "bank account" over six months will result in the recovery or the refund of any under-collection or over-collection as the case may be.

The "bank account" will be computed each month on form FA-2 as prepared by the Arizona Corporation Commission Utilities Division. It is intended that the "bank account" will be a continuing account and this balance eventually will be refunded or collected. The Commission may make an adjustment to the base cost of fuel and/or purchased power as a result of a formal proceeding which would permit the recovery or refunding of the "bank account".

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ACCORDINGLY, IT IS ORDERED:

1. "Bank accounts" will remain an integral part of fuel and/or purchased power clauses and procedures and will be reported and adjusted as set out herein.

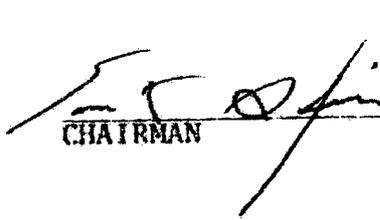
2. For the purposes of the computation of authorized adjustment clauses, the base rate shall be the base rate established in the last permanent rate proceeding or when the clause was authorized, as the case may be, and, if appropriate, plus or minus the escalator in effect on November 13, 1978 when frozen by order of this Commission. In future computations that portion of the increase or decrease from the above-defined base attributable to line losses and company use shall be excluded.

3. "Company use" does not include use at power plants for auxiliaries and other power plant station use.

4. Failure of a utility to submit the required monthly reports or the proper use of the forms of the Arizona Corporation Commission, Utilities Division, will result in the loss of the application of fuel and/or purchased power adjustments approved in this order.

IT IS FURTHER ORDERED that the format for hearings pertaining to these matters shall be as set forth herein.

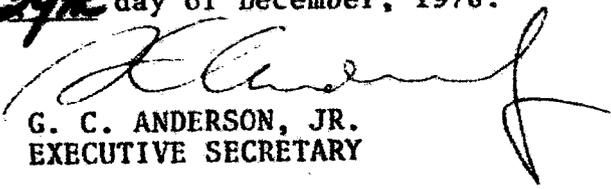
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, G. C. ANDERSON, JR., Executive Secretary 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 29th day of December, 1978.


G. C. ANDERSON, JR.
EXECUTIVE SECRETARY