

OPEN MEETING AGENDA ITEM



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ORIGINAL

EXCEPTION

BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

MAY 24 2010

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COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
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BOB STUMP

2010 MAY 24 A 11:39

ARIZONA CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF)
UNS ELECTRIC, INC. FOR THE)
ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES)
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)
AND REQUEST FOR APPROVAL OF)
RELATED FINANCING.)

DOCKET NO. E-04204A-06-0783

**UNS ELECTRIC, INC.'S
EXCEPTIONS TO THE
RECOMMENDED ORDER**

UNS Electric, Inc. ("UNS Electric" or the "Company"), through undersigned counsel, respectfully submits its Exceptions to the proposed order ("Order") approving the annual adjustment to the UNS Electric Demand Side Management ("DSM") adjustor rate. In its application, the Company sought recovery of the fixed cost recovery deficiency resulting from its to DSM programs. Although UNS Electric believes that the most appropriate and timely means of recovery of those deficiencies is through the DSM adjustor rate, UNS Electric understands that the Commission is currently addressing these issues in its decoupling workshops which may provide for an appropriate recovery of those deficiencies. Therefore, UNS Electric requests that the Commission confirm that recovery of such deficiencies through the DSM adjustor will be addressed in the decoupling workshops. UNS Electric has included proposed language for an amendment in Attachment "A" to these exceptions.

Pursuant to UNS Electric's approved DSM adjustor, UNS Electric must apply to reset its DSM adjustor rate on an annual basis. In its application for the updated DSM adjustor rate, UNS Electric requested recovery of its incremental "Fixed Cost Recovery Deficiency" through the DSM adjustor rate. This deficiency represents lost revenues due the approved DSM programs'

1 reduction of energy used by UNS Electric's customers. UNS Electric's revenue requirement is
2 predicated upon a certain level of energy sales, as are the Company's current rates. To the extent
3 the DSM programs reduce such sales, UNS Electric's ability to achieve its revenue requirement is
4 directly compromised. UNS Electric is attempting to significantly expand its DSM programs in
5 anticipation of the enactment of the Commission's proposed Energy Efficiency Rules. Some
6 DSM programs take time to develop and to reach their potential. These proactive measures by
7 UNS Electric will increase the lost sales deficiency. UNS Electric's proposal to recover this
8 deficiency through its DSM adjustor provides the most timely method for recovery.

9 Staff (at page 2 of the Staff Report) has recommended that the Fixed Cost Recovery
10 Deficiency not be included in calculating the updated DSM adjustor rate. However, these
11 deficiencies will continue to accrue as the DSM programs are both ongoing and expanding.

12 Therefore, UNS Electric requests that the Commission amend the Order to include a
13 direction to Staff to work with UNS Electric and interested stakeholders to develop an appropriate
14 approach for recovery of these fixed-cost recovery deficiencies through the DSM adjustor in the
15 decoupling workshop process. This direction also will help facilitate implementation of the
16 proposed Energy Efficiency Rules.

17 Wherefore, UNS Electric respectfully requests that the Commission amend the proposed
18 Order in this docket as set forth in the attached proposed amendment.

19 RESPECTFULLY SUBMITTED this 29th day of May 2010.

20 UNS Electric, Inc.

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23 By 
24 Michael W. Patten
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Original and thirteen copies of the foregoing
filed this 24th day of May 2010, with:

Docket Control
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Copy of the foregoing hand-delivered
this 24th day of May 2010, to:

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By Mary Ippolito

ATTACHMENT "A"

ATTACHMENT "A"
Proposed Amendment

At page 5, line 4, INSERT:

IT IS FURTHER ORDERED that the Commission Staff shall coordinate with UNS Electric, Inc. and other interested Stakeholders in the ongoing decoupling workshops to develop parameters that would allow for the appropriate recovery of the Fixed Cost Recovery Deficiency through the DSM adjustor.

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