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Tucson Electric Power Company RECEIVED

One South Church, Post Office Box 711
Tucson, Arizona 85702

2011 FEB -1 P 3:42

February 1, 2011

AZ CORP COMMISSION
DOCKET CONTROL

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: February 1st Update to Tucson Electric Power Company's October 31st Report
Decision No. 70628, Docket Nos. E-01933A-05-0650, E-01933A-07-0402

Pursuant to Decision No. 70628 (December 1, 2008) and Tucson Electric Power Company's ("TEP") Purchased Power and Fuel Adjustment Clause ("PPFAC") Plan of Administration ("POA"), TEP hereby files Schedules 1 through 5 and a schedule for the CTC Revenue True-Up as its February 1st update to the October 31st Report filed on October 29, 2010. This update will replace estimated Forward Component Tracking Account balances, and the initial True-Up Component Tracking Account balances, with more current estimates. This report also contains confidential information that is being provided to Commission Staff separately.

The PPFAC Rider for the period of April 1, 2011 through March 31, 2012 will be set at \$0.0000 per kWh.

If you have questions or comments please contact me at (520) 884-3680.

Best regards,

Jessica Bryne
Regulatory Services

Enclosures: Schedules

cc: Compliance, ACC

Arizona Corporation Commission
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TUCSON ELECTRIC POWER COMPANY

Schedule 1

Purchased Power and Fuel Adjustment Clause (PPFAC) Rate Calculation

(\$/kWh)

| Line No. | PPFAC Rate Calculation | Current 1-Apr-10 | Proposed 1-Apr-11 | Increase / (Decrease) \$.000000/kWh | % |
|----------|---|---------------------|----------------------|--|---------|
| 1 | Forward Component Rate (Sch. 2, L12) ¹ | \$ (0.000826) | \$ 0.001014 | \$ 0.00184 | 222.72% |
| 2 | True-Up Component Rate (Sch. 4, L5) ² | \$ 0.001762 | \$ 0.004337 | \$ 0.002575 | 146.12% |
| 3 | PPFAC Rate April 1, 2010 (L1+L2) | \$ 0.000936 | \$ 0.005351 | \$ 0.0044148 | 471.70% |
| 3A | CTC Revenue True-Up ⁴ | \$ (0.000936) | \$ (0.005351) | \$ (0.0044148) | 471.70% |
| 4 | Average Base Rate April 1, 2010 ³ | \$ 0.028896 | \$ 0.028896 | - | |
| 5 | Average Total Rate April 1, 2010 (L3+L3A+L4) | \$ 0.028896 | \$ 0.028896 | \$ (0.000000) | 0.00% |

Notes:

¹ TEP PPFAC effective April 1, 2010, and proposed 2011 rate

² A Historical Component is a true-up related to respective prior period PPFAC activity.

³ Average Base Rate as defined in ACC Order 70628 and agreed to by Staff's witness.

⁴ CTC Revenue True-Up credit as required by Commission in Order No 70628 - required to keep PPFAC Rate at zero until balance is zero.

TUCSON ELECTRIC POWER COMPANY

Schedule 2

**PPFAC Forward Component Rate Calculation
(Forward Component Rate in \$/kWh)**

| Line No. | PPFAC Forward Component Rate - Calculation | Current 1-Apr-10 | Proposed 1-Apr-11 | Increase / (Decrease) \$ Values | % |
|----------|--|---------------------|----------------------|------------------------------------|----------|
| 1 | Projected PPFAC Fuel and Purchased Power Costs ² | \$ 366,772,312 | \$ 354,578,482 | \$ (12,193,830.11) | -3.32% |
| 2 | Projected Short Term Sales Revenue Credit ^{2,3} | \$ (74,000,598) | \$ (42,471,732) | \$ 31,528,865.82 | -42.61% |
| 3 | Projected Wholesale Trading Activities Credit ⁴ | \$ - | \$ - | | |
| 4 | Projected SO2 Allowance Sales Credit ⁵ | \$ - | \$ - | | |
| 5 | Net Fuel and Purchased Power Cost (L1+ L2+L3 +L4) | \$ 292,771,714 | \$ 312,106,749 | \$ 19,335,035.71 | 6.60% |
| 6 | Projected Native Load Energy Sales (kWhs) | 10,395,690,000 | 10,478,976,050 | 83,286,050 | 0.80% |
| 7 | Projected Average Net Fuel Costs \$/kWh (L5/L6) | \$ 0.028163 | \$ 0.029784 | \$ 0.001621 | 5.76% |
| 8 | Base Cost of Fuel and Purchased Power \$/kWh | \$ 0.028896 | \$ 0.028896 | \$ - | 0.00% |
| 9 | Difference between Projected Cost & Base Cost (L7-L8) | \$ (0.000733) | \$ 0.000888 | \$ 0.001621 | -221.12% |
| 10 | Forward Component Costs (L6*L9) | \$ (7,622,145) | \$ 9,306,257 | \$ 16,928,402.00 | 222.09% |
| 11 | Projected Energy Sales Less Low-Income Customer Sales (kWh) ⁶ | 9,226,291,715 | 9,179,140,585 | (47,151,130) | -0.51% |
| 12 | Forward Component Rate April 1, 2010 \$/kWh (L10/L11) | \$ (0.000826) | \$ 0.001014 | \$ 0.001840 | 222.72% |

Notes:

¹ TEP PPFAC effective April 1, 2010.

² Excludes mark-to-market accounting adjustments.

³ Short Term Sales revenues are credited at 100% as approved by the Commission in Decision No. 70628.

⁴ 10% of Wholesale Trading Activities credited against Fuel and Purchased Power Costs as approved by the Commission in Decision No. 70628.

⁵ 50% of SO2 Allowance Sales credited against Fuel and Purchased Power Costs as approved by the Commission in Decision No. 70628.

⁶ Projected Low-Income Sales is equal to previous calendar year's actual sales.

Previous Year Actual Lifeline Sales (kWhs).

178,744,095

212,987,169

Lifeline sales as Percentage of Retail sales

1.719406%

2.032519%

TUCSON ELECTRIC POWER COMPANY

Forward Component Tracking Account - PPFAC Forward Component Rate in effect from Apr 1 to Mar 31
(in thousands; Forward Component Rate and Base Rate in \$/MWh)

| Line | Actual Date | Aug-10 | Sep-10 | Oct-10 | Nov-10 | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 | Feb-12 | Mar-12 | | |
|------|--|-------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1 | Energy Sales | \$ 28,912.7 | \$ 34,684.9 | \$ 35,746.8 | \$ 34,682.8 | \$ 36,781.2 | \$ 28,024.9 | \$ 27,093.2 | \$ 26,713.3 | \$ 27,093.2 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | \$ 26,713.3 | |
| 2 | Retail Native Load Energy Sales (MWh) ¹ | 1,009,090 | 1,023,727 | 811,961 | 662,298 | 671,395 | 687,466 | 641,911 | 636,848 | 681,313 | 701,262 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 | 700,301 |
| 2.5 | Retail Native Load Energy Sales Less Low-Income Sales (MWh) ² | 983,012.6 | 996,687.7 | 792,116.9 | 647,386.3 | 641,629.4 | 673,444.5 | 603,686.2 | 617,451.8 | 644,754.3 | 708,393.3 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 | 700,971.8 |
| 3 | Retail Native Load Energy Sales including losses (MWh) ³ | 1,137,960.0 | 1,015,978.0 | 820,110.0 | 691,272.0 | 729,709.0 | 733,702.0 | 711,313.0 | 704,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 | 720,212.0 |
| 4 | Long Term Energy Sales (MWh) | 66,238.4 | 70,388.8 | 78,513.3 | 81,231.0 | 84,353.3 | 86,270.0 | 78,251.0 | 76,804.0 | 69,438.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 | 96,397.0 |
| 5 | Long Term Energy Sales including losses (MWh) ⁴ | 67,321.0 | 71,683.0 | 79,815.0 | 82,493.0 | 86,025.0 | 91,407.5 | 81,487.5 | 77,187.2 | 69,947.5 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 | 97,256.1 |
| 6 | Total Native Load Energy Sales (MWh) | 1,075,972.4 | 1,096,298.0 | 900,485.4 | 773,565.0 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 | 760,158.7 |
| 7 | Total Native Load Energy Sales including losses (MWh) | 1,205,291.0 | 1,078,356.0 | 888,929.0 | 753,731.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 | 743,887.0 |
| 8 | Forward Component Rate | \$ 26.27 | \$ 33.27 | \$ 36.68 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 |
| 9 | Base Rate | \$ 26.27 | \$ 33.27 | \$ 36.68 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 |
| 10 | Wholesale Trading Activities Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 11 | 50% Allowance Sales Credit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 12 | Net Fuel and Purchased Power Costs | \$ 40,149.3 | \$ 35,693.7 | \$ 27,264.4 | \$ 16,171.4 | \$ 18,888.6 | \$ 20,524.6 | \$ 18,421.3 | \$ 19,349.9 | \$ 19,648.6 | \$ 24,874.7 | \$ 32,293.7 | \$ 31,290.7 | \$ 36,847.7 | \$ 32,739.9 | \$ 25,229.9 | \$ 20,372.9 | \$ 21,211.3 | \$ 21,866.7 | \$ 21,866.7 | \$ 21,866.7 | \$ 21,866.7 | \$ 21,866.7 |
| 13 | PPFAC Retail Power Supply Costs ¹⁰ | \$ 32,908.4 | \$ 31,346.6 | \$ 20,203.8 | \$ 14,412.9 | \$ 16,897.0 | \$ 18,384.4 | \$ 16,530.1 | \$ 17,488.6 | \$ 17,919.0 | \$ 23,012.3 | \$ 26,289.9 | \$ 24,272.5 | \$ 33,084.8 | \$ 30,072.2 | \$ 22,390.0 | \$ 18,280.9 | \$ 18,511.6 | \$ 14,510.9 | \$ 14,510.9 | \$ 14,510.9 | \$ 14,510.9 | \$ 14,510.9 |
| 14 | Base Rate Power Supply Recovery ¹¹ | \$ 32,683.4 | \$ 33,092.4 | \$ 26,131.6 | \$ 18,719.3 | \$ 15,184.1 | \$ 17,803.2 | \$ 18,802.4 | \$ 19,017.4 | \$ 20,107.4 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 | \$ 26,503.1 |
| 15 | Forward Component Recovery ¹² | \$ (812.1) | \$ (473.4) | \$ (664.9) | \$ (551.5) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) | \$ (530.7) | \$ (554.3) |
| 16 | Other Sales Collection | \$ 6,025.2 | \$ 1,073.6 | \$ (5,766.0) | \$ (3,723.9) | \$ 1,242.9 | \$ (1,051.9) | \$ (741.0) | \$ (851.3) | \$ (1,252.2) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) | \$ (1,321.8) |
| 17 | Interest | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 | \$ 431.2 |
| 18 | Trading Account Balance ¹⁸ | \$ 34,684.9 | \$ 35,747.0 | \$ 36,684.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 |
| 19 | Total Base Cost of Fuel & Purchased Power - \$ per MWh ¹⁹ | \$ 34,684.9 | \$ 35,747.0 | \$ 36,684.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 | \$ 26,713.0 |
| 20 | Forward Component Rate - \$ per MWh | \$ 26.27 | \$ 33.27 | \$ 36.68 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 |
| 21 | Interest Rate (as of 1/22/2010) ²⁰ | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 | 0.0045 |
| | Proposed 2011 Forward Component Rate - \$ per MWh | \$ 26.27 | \$ 33.27 | \$ 36.68 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 | \$ 26.71 |

Notes:
 1 Native Load Energy Sales includes low income customers not subject to the PPFAC Rate.
 2 Retail energy losses are the difference between billed retail energy sales and TEP's control area metered quantity.
 3 Long Term Energy Sales includes applicable EHV loss percentages as defined in appropriate OATT.
 4 Wholesale Trading Activities Credit is calculated using applicable EHV loss percentages as defined in appropriate OATT.
 5 Includes Short Term Sales Revenue at 100% per Decision 7628 excluding mark-to-market accounting adjustments.
 6 10% of Wholesale Trading Activities net positive margins realized by TEP during the PPFAC year are credited annually against Fuel and Purchased Power Costs.
 7 Forward Component Rate (MWh Effective Apr 1 to Mar 31).
 8 Based on on-year Nominal Treasury Constant Maturity rate contained in the Federal Reserve Statistical Release, M-FE on the first business day of the calendar year.
 9 Trading Account Balance Line 18 carried to Schedule 4, Line 1.
 10 Trade Date: 1/22/2010.
 11 Base Rate Power Supply Recovery is a portion of Retail Power Supply Costs calculated using a weighted average jurisdictional allocation (see support schedule 12).
 12 DEC-09, FEB-10 & APR-10 figures include a portion of Retail Power Supply Costs calculated using a weighted average jurisdictional allocation (see support schedule 12).
 Base Rate Power Supply Recovery is reduced by \$444,925 for a July 2010 correction to recoveries related to lifetime discounts billed to residential customers in prior periods.

Apr 15/2011
 \$0.02896
 \$0.000820
 0.0045
 0.0029
 \$0.0132011
 0.00013448

19 Total Base Cost of Fuel & Purchased Power - \$ per MWh
 20 Forward Component Rate - \$ per MWh
 21 Interest Rate (as of 1/22/2010)
 Proposed 2011 Forward Component Rate - \$ per MWh

p 5's and MWh; however calculations are performed on an actual \$ and MWh basis with zero

TUCSON ELECTRIC POWER COMPANY

Schedule 4

PPFAC True-Up Component Rate Calculation Effective April 1, 2010
(\$ in thousands; True Up Component Rate in \$/kWh)

| Line No. | PPFAC Historical Component Rate - Calculation | Current 1-Apr-10 | Proposed 1-Apr-11 | Increase / (Decrease) \$ Values | % |
|----------|--|----------------------|----------------------|------------------------------------|---------|
| 1 | Forward Component Tracking Account Balance (From Schedule 3, L18) ^{2,3} | \$ 16,257.17 | \$ 25,445.62 | \$ 9,188.45 | 56.52% |
| 2 | True-Up Component Tracking Account Balance (From Schedule 5, L8) ⁴ | \$ - | \$ 14,362.64 | \$ 14,362.64 | |
| 3 | Total True-Up Amount to be (refunded)/Collected Balance (L1+L2) ⁵ | \$ 16,257.17 | \$ 39,808.26 | \$ 23,551.09 | 144.87% |
| 4 | Projected Native Load Energy Sales (KWh) | <u>9,226,291,715</u> | <u>9,179,140,585</u> | <u>\$ (47,151,130)</u> | -0.51% |
| 5 | Applicable True-Up Component Rate for April 1, 2010 (\$/kWh) (L3 / L4) | <u>\$ 0.001762</u> | <u>\$ 0.0043368</u> | <u>\$ 0.0025748</u> | 146.12% |

Notes:

- ¹ TEP PPFAC became effective April 1, 2009, updated annually each April 1
- ² Estimated Forward Component Tracking Account Balance as of October 31 filing.
- ³ Includes interest for those months that are projected.
- ⁴ Because the actual amount of revenue to be received in January, February, & March from application of the prior Applicable True-Up Component is not available at the time of the Feb 1st filing, Schedule 5 will reflect estimates for those periods as well as true-up calculations for the prior period estimates, See Schedule 5 for more detail.
- ⁵ Beginning Balance as of April 1, 2011 - to be carried forward to subsequent period PPFAC, True-Up Component Tracking account balance, Schedule 5, L1.

Schedule presentation will appear to roundup \$'s and MWh's; however calculations are performed on an actual \$ and MWh basis with resultant Rates/kWh roundup to \$0.000000/kWh

PPFAC RIDER

CLEAN



Pricing Plan Rider-1 Purchased Power and Fuel Adjustment Clause (PPFAC)

A UniSource Energy Company

APPLICABILITY

The Purchased Power and Fuel Adjustment Clause ("PPFAC") will be applied to all customers taking Standard Offer service from the Company pursuant to the Arizona Corporation Commission ("ACC") Decision No 70628 dated December 1, 2008 and as defined in the Company's PPFAC Plan of Administration.

RATE

The customer monthly bill shall consist of the applicable Pricing Plan charges and adjustments in addition to the PPFAC. The PPFAC adjuster rate is an amount expressed as a rate per kWh charge to reflect any increase or decrease in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold.

The PPFAC Mechanism became effective January 1, 2009. The rate applicable for the period April 1, 2011 through March 31, 2012 is \$0.000000 per kWh.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

This standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with the Rider.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: Rider-1 PPFAC
Effective: April 1, 2011
Page No.: 1 of 1