

OPEN MEETING AGENDA ITEM



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AZ CORP COMMISSION
DOCKET CONTROL

ORIGINAL

December 22, 2011

Arizona Corporation Commission

DOCKETED

DEC 22 2011

DOCKETED BY

Mr. Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: UNS ELECTRIC, INC – DOCKET NO. E-04204A-09-0206
Optional TOU Rate for Schools

Dear Mr. Olea:

I am writing to address an issue that has arisen under UNS Electric, Inc.'s ("UNS Electric" or "Company") most recent Arizona Corporation Commission ("Commission") rate case order (Decision No. 71914 (September 30, 2010)) ("Decision"). In that Decision, UNS Electric was required to develop and file with the Commission an optional rate for schools within its service territory within 90 days of the date of the Decision.

As a result, and in compliance with the Decision, UNS Electric filed two new Time-of-Use ("TOU") tariffs that would be available options for schools to use. Those tariffs would expressly apply to schools, depending on the size of school (Pricing Plans SGS-10 TOU and LGS-TOU-N, copies attached at Exhibit A). The Company had previously provided Commission Staff information showing that even if a school did not change its usage pattern, the new TOU tariff could provide some nominal savings to schools. Attached as Exhibit B is a spreadsheet previously provided to the Commission Staff regarding this impact. Savings could be greater if the school slightly modified their usage patterns. Therefore, UNS Electric believes that the two new TOU Pricing Plans satisfies its obligation under Decision No. 71914.

We understand that the Arizona School Boards Association and the Arizona Association of School Business Officials ("School Entities") do not believe that either TOU Pricing Plan is sufficient to meet Decision No. 71914. The School Entities have indicated that they would like UNS Electric to submit a new TOU tariff that better matches the school's usage patterns. However, UNS Electric has concerns with the parameters of the School's Entities request.

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Mr. Steve Olea
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First, as you know, the purposes of TOU tariffs is to smooth load peaks and, potentially, mitigate the need to acquire resources or purchase peak market power to meet those load peaks. The School Entities do not appear willing to accept a TOU tariff that effectively serves that purpose. Rather, they want lower priced power during part of the Company's peak load period for the school-specific TOU tariff. This defeats the purpose of a TOU tariff and is inconsistent with Commission policy regarding TOU rates.

Second, to the extent such a TOU tariff would require UNS Electric to purchase additional higher priced wholesale energy at peak load times, those increased power costs would be passed on to other ratepayers through the PPFAC, effectively subsidizing the schools.

Third, the TOU tariff design that the School Entities are requesting was not factored into the Company's revenue requirement (or overall rate design) in the last rate case. This will result in a revenue reduction for UNS Electric without providing (i) any operational or resource benefits to UNS Electric; or (ii) a means for UNS Electric to recover those reduced revenues.

UNS Electric notes that it is presently required to file another rate case in the near future. The Company believes that a TOU tariff that meets the School Entities demands would be more appropriately considered in that case where it can be factored into the revenue requirement (and rate design), assuming it helps UNS Electric smooth load peaks and provide other operational benefits consistent with long-standing Commission policy on TOU tariffs.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Michael W. Patten
On behalf of UNS Electric, Inc.

MWP:mi
Attachments

cc: Docket Control (original and 13 copies)
Daniel Pozefsky, RUCO
Timothy M. Hogan, Arizona Center for Law in the Public Interest
Lyn A. Farmer, Esq.
Maureen A. Scott, Esq.

EXHIBIT

"A"



**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer for where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer (May - October)	Delivery Services- Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.032235	\$0.129605	Varies	\$0.161840
Shoulder-Peak	\$0.032235	\$0.065495	Varies	\$0.097730
Off-Peak	\$0.032235	\$0.039605	Varies	\$0.071840
All Additional kWhs				
On-Peak	\$0.046614	\$0.129605	Varies	\$0.176219
Shoulder-Peak	\$0.046614	\$0.065495	Varies	\$0.112109
Off-Peak	\$0.046614	\$0.039605	Varies	\$0.086219

Filed By: Kentton C. Grant
Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Tariff No.: SGS-10 TOU
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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Winter (November – April)	Delivery Services- Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.032235	\$0.129605	Varies	\$0.161840
Off-Peak	\$0.032235	\$0.031385	Varies	\$0.063620
All Additional kWhs				
On-Peak	\$0.046614	\$0.129605	Varies	\$0.176219
Off-Peak	\$0.046614	\$0.031385	Varies	\$0.077999

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services:	
Meter Services	\$4.350 per month
Meter Reading	\$1.560 per month
Billing & Collection	\$6.490 per month
Customer Delivery	<u>\$0.100 per month</u>
	\$12.50 per month

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Energy Charge Components of Delivery Services (\$/kWh):

Component	Rate
Delivery Services - Energy 1st 400 kWhs	
Transmission	\$0.001678
Sub-Transmission	\$0.003551
Local Delivery Energy	\$0.026709
Production not included in Power Supply	\$0.000297
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.001678
Sub-Transmission	\$0.003551
Local Delivery Energy	\$0.041088
Production not included in Power Supply	\$0.000297

Power Supply Charges (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.129605
Shoulder-Peak	\$0.065495
Off-Peak	\$0.039605
Base Power Supply Winter	
On-Peak	\$0.129605
Off-Peak	\$0.031385
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection,

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

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

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department. To any customer where the maximum monthly demand is less than 1,000 kW. Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$14.12 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh for all summer and winter months.

Summer (May - October)	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004085	\$0.114886	Varies	\$0.118971
Shoulder-Peak	\$0.004085	\$0.057991	Varies	\$0.062076
Off-Peak	\$0.004085	\$0.039886	Varies	\$0.043971

Winter (November - April)	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004085	\$0.114886	Varies	\$0.118971
Off-Peak	\$0.004085	\$0.026168	Varies	\$0.030253

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery/Energy and Production not included in Power Supply.

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Title: Vice President of Finance and Rates
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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak and shoulder hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services:

Meter Services	\$16.93 per month
Meter Reading	\$ 0.61 per month
Billing & Collection	\$ 3.17 per month
Customer Delivery	<u>\$ 0.19 per month</u>
	<u>\$20.90 per month</u>

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$14.12 per kW per month

Energy Charge Components of Delivery Services (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.001100
Sub-Transmission	\$0.002697
Local Delivery Energy (negative charge)	\$0.000238
Production not included in Power Supply	\$0.000050

Power Supply Charges (\$/kWh):

Filed By: Kentton C. Grant
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UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.114886
Shoulder-Peak	\$0.057991
Off-Peak	\$0.039886
Base Power Supply Winter	
On-Peak	\$0.114886
Off-Peak	\$0.026168
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

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

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

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EXHIBIT

"B"

UNS Electric Inc.

School Analysis Large General Service Rate vs. Large General Service Rate Time-of-Use
February 21, 2011

<u>School-1</u>	<u>LGS</u>	<u>LGS-TOU</u>	<u>%Change</u>	<u>5% Shift</u>	<u>School-3</u>	<u>LGS</u>	<u>LGS-TOU</u>	<u>%Change</u>	<u>5% Shift</u>
Jan	\$3,740	\$3,720	-1%	-2%	Jan	\$1,700	\$1,740	2%	1%
Feb	\$3,370	\$3,346	-1%	-2%	Feb	\$1,589	\$1,613	1%	0%
Mar	\$3,477	\$3,425	-1%	-3%	Mar	\$1,376	\$1,416	3%	2%
Apr	\$3,843	\$3,751	-2%	-4%	Apr	\$1,250	\$1,246	0%	-1%
May	\$3,861	\$3,860	0%	-1%	May	\$1,323	\$1,310	-1%	-1%
Jun	\$3,197	\$3,117	-3%	-3%	Jun	\$1,440	\$1,415	-2%	-2%
Jul	\$4,161	\$4,060	-2%	-3%	Jul	\$1,313	\$1,275	-3%	-3%
Aug	\$5,976	\$5,952	0%	-1%	Aug	\$1,373	\$1,374	0%	0%
Sep	\$5,219	\$5,232	0%	0%	Sep	\$1,523	\$1,510	-1%	-1%
Oct	\$4,429	\$4,397	-1%	-1%	Oct	\$1,310	\$1,290	-2%	-2%
Nov	\$3,913	\$3,855	-1%	-3%	Nov	\$1,486	\$1,502	1%	0%
Dec	\$3,531	\$3,527	0%	-2%	Dec	\$1,483	\$1,492	1%	-1%
	\$48,717	\$48,242	-1%	-2%		\$17,166	\$17,183	0%	-1%

<u>School-2</u>	<u>LGS</u>	<u>LGS-TOU</u>	<u>%Change</u>	<u>5% Shift</u>	<u>School-4</u>	<u>LGS</u>	<u>LGS-TOU</u>	<u>%Change</u>	<u>5% Shift</u>
Jan	\$1,687	\$1,650	-2%	-4%	Jan	\$1,734	\$1,784	3%	2%
Feb	\$1,604	\$1,569	-2%	-4%	Feb	\$981	\$964	-2%	-3%
Mar	\$1,634	\$1,602	-2%	-3%	Mar	\$1,211	\$1,180	-3%	-4%
Apr	\$1,615	\$1,575	-2%	-4%	Apr	\$351	\$347	-1%	-2%
May	\$1,823	\$1,835	1%	0%	May	\$243	\$245	1%	0%
Jun	\$1,616	\$1,551	-4%	-4%	Jun	\$260	\$273	5%	4%
Jul	\$1,884	\$1,819	-3%	-4%	Jul	\$272	\$284	4%	4%
Aug	\$2,678	\$2,656	-1%	-1%	Aug	\$330	\$341	3%	3%
Sep	\$2,441	\$2,469	1%	1%	Sep	\$246	\$254	4%	3%
Oct	\$1,772	\$1,775	0%	0%	Oct	\$2,271	\$2,218	-2%	-3%
Nov	\$1,830	\$1,789	-2%	-3%	Nov	\$1,527	\$1,568	3%	2%
Dec	\$1,899	\$1,870	-1%	-3%	Dec	\$1,776	\$1,815	2%	1%
	\$22,483	\$22,161	-1%	-2%		\$11,200	\$11,273	1%	0%