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COMMISSIONERS

- GARY PIERCE - CHAIRMAN
- BOB STUMP
- SANDRA KENNEDY
- PAUL NEWMAN
- BRENDA BURNS

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

**NOTICE OF FILING
ANNUAL PPFAC RATE
CALCULATION**

Pursuant to Decision No. 70360 (May 27, 2008) and the related Commission-approved Plan of Administration ("POA"), UNS Electric, Inc. ("UNS Electric") through undersigned counsel, hereby submits its annual Purchased Power and Fuel Adjustment Clause ("PPFAC") rate filing.

Attached are Schedules 1 through 5 that set forth the PPFAC rate, the Forward Component, and True-Up Component, for the PPFAC year beginning June 1, 2012. As indicated in Schedule 1, the overall PPFAC rate is presently anticipated to decrease from \$0.058912/kWh to \$0.055443/kWh as of June 1, 2012. The decrease is primarily due to decreasing fuel costs. UNS Electric will provide an update to this preliminary information in a filing on or before April 1, 2012, as required by Section 5.B of the POA.

The data underlying the attached Schedules 1 through 5 is confidential and is being provided separately to Commission Staff. It also will be provided upon request to any party that has signed a protective agreement in this docket.

UNS Electric, Inc.
Annual PPFAC Rate Calculation Filing

**UNS Electric, Inc.
Purchased Power and Fuel Adjustment Clause
Monthly Information Filing**

Schedule 1	Rate Calculation Effective June 1, 2012
Schedule 2	PPFAC Forward Component Rate Calculation Effective June 1, 2012
Schedule 3	Forward Component Tracking Account - (PPFAC Prior Forward Component Rate in effect from June 1, 2012 to May 31, 2013)
Schedule 4	PPFAC True-Up Component Rate Calculation Effective June 1, 2012
Schedule 5	True-Up Component Tracking Account - Prior PPFAC True-Up Component Rate in Effect June 1, 2012 through May 31, 2013)

UNS-Electric Contact Information

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**UNS Electric, Inc.
Schedule 1**

Purchased Power and Fuel Adjustment Clause (PPFAC) Rate Calculation Effective June 1, 2012
(\$/kWh)

Line No.	PPFAC Rate Calculation	Current 1-Jun-11 ¹	Proposed 1-Jun-12	Increase / (Decrease) \$.000000/kWh	%
1	Forward Component Rate - FC (Sch. 2, L8) ⁴	\$ (0.002305)	\$ (0.006410)	\$ (0.004104)	-178.03%
2	True-Up Component Rate - HC (Sch. 4, L5) ^{2,4}	\$ 0.000150	\$ 0.000786	\$ 0.000635	422.47%
3	PPFAC Rate ⁴ (L1+L2)	\$ (0.002155)	\$ (0.005624)	\$ (0.003469)	-160.97%
4	Average Base Rate ^{3,5}	\$ 0.061067	\$ 0.061067	\$ -	0.00%
5	Average Total Rate (L3+L4)	\$ 0.058912	\$ 0.055443	\$ (0.003469)	-5.89%

Notes:

- 1 See April 1, 2011 PPFAC Filing and ACC Decision No. 71914.
- 2 A Historical Component is a true-up related to respective prior period PPFAC activity.
- 3 Average Base Rate as defined in supporting documents for ACC Decision No. 71914.
- 4 Negative value is PPFAC credit; positive value is PPFAC surcharge.
- 5 When BMGS became effective in base rate as of July 1, 2011 the new rate became \$0.061067

UNS Electric, Inc.
Schedule 2

PPFAC Forward Component Rate Calculation Effective June 1, 2012
(\$ in thousands; Forward Component Rate in \$/kWh)

Line No.	PPFAC Forward Component Rate - Calculation	Current 1-Jun-11 ¹	Proposed 1-Jun-12	Increase / (Decrease) \$ Values	%
1	Projected Fuel and Purchased Power Costs	\$ 113,994	\$ 100,753	(13,241)	-11.62%
2	Projected Short Term Sales Revenue Credit ²	\$ (1,495)	\$ -	1,495	
3	PPFAC Adjustments to Fuel and Purchased Power Costs ³	\$ -	\$ -	-	
4	Net Fuel and Purchased Power Cost (L1 through L3)	\$ 112,499	\$ 100,753	(11,746)	-10.44%
5	Projected Total Native Load Energy Sales (MWhs)	1,914,500	1,843,371	(71,129)	-3.72%
6	Projected Average Net Fuel Costs \$/kWh (L4/L5)	\$ 0.058762	\$ 0.054657	(0.004104)	-6.98%
7	Authorized Base Cost of Fuel and Purchased Power Rate \$/kWh	\$ 0.061067	\$ 0.061067	-	0.00%
8	Forward Component Rate \$/kWh (L6 - L7) ^{4,5} (Forward Component Capped at \$0.01845 per kWh)	\$ (0.002305)	\$ (0.006410)	(0.004104)	-178.03%

Notes:

- 1 See April 1, 2011 PPFAC Filing and ACC Decision No. 71914.
- 2 Short Term Sales revenues are credited at 100% as approved by the Commission in Decision No. 70360.
- 3 Includes accounting adjustments.
- 4 Forward Component Rate capped at \$0.01845 per kWh in ACC Decision No. 71914.
- 5 Negative value is PPFAC credit; positive value is PPFAC surcharge.

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

<u>Line</u>		
1	Prior Month Balance	(L16)
<u>Energy Sales</u>		
2	Retail Native Load Energy Sales (MWh)	
3	Retail Native Load Energy Sales including losses (MWh) ¹	
4	Long Term Energy Sales (MWh)	
5	Long Term Energy Sales including losses (MWh) ²	
6	Total Native Load Energy Sales (MWh)	(L2 + L4)
7	Total Native Load Energy Sales including losses (MWh)	(L3 + L5)
<u>Fuel and Purchased Power Costs</u>		
8	Fuel and Purchased Power Costs ^{3,9}	
9	Short Term Sales Revenue Credit ⁴	
10	Net Fuel and Purchased Power Costs	(L8+L9)
<u>Base Fuel Rate & Forward Component Recovery</u>		
11	PPFAC Retail Power Supply Costs	(L3 / L7 * L10)
12	Base Rate Power Supply Recovery ^{5, 10}	(L2 * L17)
13	Forward Component Recovery ^{6, 10}	(L2 * L18)
<u>(Over) / Under Collections and Accrued Interest</u>		
14	(Over)/Under Collections	(L11 - L12 - L13)
15	Interest ^{7, 9}	L1*(L19 / 12)
16	Tracking Account Balance ⁸	(L1 + L14 + L15)

17 Average Base Cost of Fuel & Purchased Power - \$ per kWh \$0.061067
18 Forward Component Rate - \$ per kWh (\$0.002305)
19 Interest Rate ⁷ 0.45000%
As of 1/3/2011 0.0029

Schedule presentation will appear to roundup \$'s and MWh's; however calculations a

UNS Electric, Inc.
Schedule 4

PPFAC True-Up Component Rate Calculation Effective June 1, 2012
(\$ in thousands; True Up Component Rate in \$/kWh)

Line No.	PPFAC Historical Component Rate - Calculation	Current 1-Jun-11 ¹	Proposed 1-Jun-12	Increase / (Decrease) \$ Values	%
1	Forward Component Tracking Account Balance (From Schedule 3, L16, CIL) ^{2,3}	\$ (2,999.40)	\$ (783.52)	\$ 2,215.88	73.88%
2	True-Up Component Tracking Account Balance (From Schedule 5, L8) ^{4,5}	\$3,287.28	\$ 2,231.73	\$ (1,055.55)	-32.11%
3	Total True-Up Amount to be (refunded)/Collected Balance (L1+L2) ⁶	\$ 287.88	\$ 1,448.20	\$ 1,160.32	403.06%
4	Projected Native Load Sales (MWh)	1,914,500	1,843,371	(71,129)	-3.72%
5	Applicable True-Up Component Rate (\$/kWh) (L3 / L4) ⁷	\$ 0.000150	\$ 0.000786	\$ 0.000635	422.47%

Notes:

- 1 See April 1, 2011 PPFAC Filing and ACC Decision No. 71914.
- 2 Estimated May 31, 2012 Forward Component Tracking Account Balance as of December 31, 2011.
- 3 Includes interest for March, April, May.
- 4 Estimated May 31, 2012 True-Up Component Tracking Account Balance as of December 31, 2011.
- 5 Because the actual amount of revenue to be received in March, April & May from application of the prior Applicable True Up Component is not available at the time of filing, Schedule 5 will reflect as necessary estimates for those periods as well as true-up calculations for the prior period estimates, See Schedule 5 for more detail.
- 6 Beginning Balance as of June 1 - to be carried forward to subsequent period PPFAC, True Up Component Tracking account Balance, Schedule 5, L1.
- 7 Negative value is PPFAC credit; positive value is PPFAC surcharge.

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

UNS Electric, Inc.
Schedule 5

True-Up Component Tracking Account - Prior PPFAC True-Up Component Rate in Effect June 1, 2012 through May 31, 2013
(\$ in thousands; Historical Component Rate in \$/kWh)

(Negative value is over-collected, Positive value is under-collected)

Line No.	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
1	\$ 2,393.06	\$ 2,371.98	\$ 2,350.91	\$ 2,330.29	\$ 2,308.85	\$ 2,290.52	\$ 2,272.01	\$ 2,253.52	\$ 2,231.73
2									\$ (783.52)
3	\$ 2,393.06	\$ 2,371.98	\$ 2,350.91	\$ 2,330.29	\$ 2,308.85	\$ 2,290.52	\$ 2,272.01	\$ 2,253.52	\$ 1,448.20
4	\$ 0.000150	\$ 0.000150	\$ 0.000150	\$ 0.000150	\$ 0.000150	\$ 0.000150	\$ 0.000150	\$ 0.000150	\$ 0.000786
5	144,066,256	144,066,256	140,918,187	146,269,831	125,608,018	126,805,265	126,597,682	148,574,855	175,941,989
6	\$ 21.57	\$ 21.57	\$ 21.19	\$ 21.99	\$ 18.89	\$ 19.07	\$ 19.04	\$ 22.34	\$ 138.22
7	\$ 0.49	\$ 0.49	\$ 0.57	\$ 0.56	\$ 0.56	\$ 0.55	\$ 0.55	\$ 0.54	\$ 0.35
8	\$ 2,371.98	\$ 2,350.91	\$ 2,330.29	\$ 2,308.85	\$ 2,290.52	\$ 2,272.01	\$ 2,253.52	\$ 2,231.73	\$ 1,310.33

Notes:

1 True-Up component value listed on Line 1 for June 2010 is the sum of the actual Forward Component and True-Up Component balances as of June 1, 2010.

2 True-Up is the result of using estimated revenue for March through May since the actual amount was not available at the time of April 1, 2010 PPFAC filing.

3 Historical Component, Prior Period PPFAC, Sch. 4, L5.

4 Sales amounts are for energy billed beginning with the first billing cycle of June.

5 Generally, Line 4 x Line 5 = Line 6; however, differences may occur due to billing adjustments.

6 Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15. 0.4500% As of 1/3/2011

7 Base Rate Power Supply, Forward Component and True-up Component Recoveries are reduced by a net \$1,257,978.54 for a July 2010 correction for Lifetime discounts billed to residential customers in prior periods.

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

	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
\$	1,310.33	\$ 1,144.23	\$ 984.89	\$ 849.52	\$ 744.23	\$ 645.64	\$ 534.79	\$ 419.13	\$ 320.47	\$ 220.10	\$ 119.81
\$	1,310.33	\$ 1,144.23	\$ 984.89	\$ 849.52	\$ 744.23	\$ 645.64	\$ 534.79	\$ 419.13	\$ 320.47	\$ 220.10	\$ 119.81
\$	0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786	\$ 0.000786
	211,824,799	203,173,940	172,614,204	134,275,438	125,720,548	141,289,926	147,385,072	125,709,866	127,867,070	127,714,477	149,853,421
\$	166.42	\$ 159.62	\$ 135.61	\$ 105.49	\$ 98.77	\$ 111.00	\$ 115.79	\$ 98.76	\$ 100.46	\$ 100.34	\$ 117.73
\$	0.32	\$ 0.28	\$ 0.24	\$ 0.21	\$ 0.18	\$ 0.16	\$ 0.13	\$ 0.10	\$ 0.08	\$ 0.05	\$ 0.03
\$	1,144.23	\$ 984.89	\$ 849.52	\$ 744.23	\$ 645.64	\$ 534.79	\$ 419.13	\$ 320.47	\$ 220.10	\$ 119.81	\$ 2.11