

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

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

2012 JAN 18 P 3:44

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

JAN 18 2012

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF  
AJO IMPROVEMENT COMPANY FOR AN  
ADJUSTMENT IN ITS PURCHASED POWER  
AND FUEL ADJUSTMENT CLAUSE RATE  
("PPFAC")

Docket No. E-01025A-12-0003

AMENDED APPLICATION

Ajo Improvement Company ("AIC") files an amended application with updated spreadsheets to clarify the calculations pertaining to its Purchased Power and Fuel Adjustment Clause ("PPFAC"). AIC maintains its request that the Arizona Corporation Commission authorize and approve an adjustment to AIC's PPFAC rate starting April 1, 2012, to \$0.01 per kWh in order to prevent any rapid over-collection of its PPFAC bank balance, for the reasons stated in its original filing. In support of its Amended Application, AIC states:

1. AIC is an Arizona public service corporation certificated by the Commission to provide electric, water and wastewater service to customers in Pima County, Arizona. AIC serves approximately 1,040 electric customers.

2. AIC's last electric rate application resulted in the Commission approving new rates in Decision No. 62764 (August 2, 2000). In that case, the Commission approved a base cost of power equal to \$0.034699 per kWh and a PPFAC rate of \$0.005332 per kWh.

3. In Decision No. 68328 (June 28, 2001), the Commission approved a PPFAC rate of \$0.05000 per kWh. This PPFAC rate was approved in order to stop rapidly-continuing increases in AIC's under-collected PPFAC bank balance.

4. Over time, the current PPFAC rate has also reduced the under-collected bank balance to the point where it will be eliminated on or before the end of 2011. AIC seeks to reduce the PPFAC rate significantly in order to prevent a rapidly increasing over-collected bank balance,

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1 which is anticipated with the current rate approved in Decision No. 68328. If the current PPFAC  
2 rate remains in effect, AIC anticipates that the PPFAC bank balance would reflect an over-  
3 collection of \$503,946 by the end of 2012.

4 5. AIC proposes to reduce the PPFAC rate to \$0.01000 per kWh from its current rate  
5 of \$0.05000 per kWh. Because AIC anticipates purchase power prices to remain relatively stable  
6 for the Company, AIC believes this PPFAC rate, together with the base purchase power rate, will  
7 accurately reflect AIC's purchase power costs for the foreseeable future.

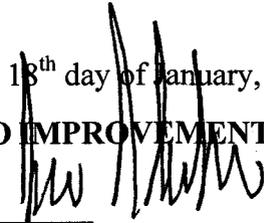
8 6. Attached as Exhibit A, and incorporated herein by reference, are schedules  
9 detailing the PPFAC bank balance levels and detailing how reducing the PPFAC rate to \$0.01000  
10 per kWh will prevent a rapid over-collection by the Company. Based on its current estimate of  
11 power costs, AIC anticipates that a PPFAC rate of \$0.01000 per kWh should eliminate the over-  
12 collection before the end of 2013 (resulting in an under-collection of \$40,758 by the end of 2013)  
13 assuming the reduced PPFAC rate takes effect starting April 2012.

14 7. Based on average residential use of approximately 416 kWh, the residential  
15 customer's bill would reflect a savings of approximately \$16.64 per month (starting in April,  
16 2012) if the Commission approves reducing the PPFAC rate to \$0.01000 per kWh versus having  
17 the PPFAC rate remain at \$0.05000 per kWh.

18 8. AIC requests that the Commission approve its proposed adjustment so that it can  
19 become effective in April 2012.

20 RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of January, 2012.

21 **AJO IMPROVEMENT COMPANY**

22 By 

23 Jason D. Gellman  
24 ROSHKA DEWULF & PATTEN, PLC  
25 One Arizona Center  
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Attorney for Ajo Improvement Company

1 Original and 13 copies filed  
2 this 18<sup>th</sup> day of January, 2012, with:  
3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

7 Copies of the foregoing hand-deliver/mailed  
8 this 18<sup>th</sup> day of January 2012 to:

9 Lyn A. Farmer, Esq.  
10 Chief Administrative Law Judge  
11 Hearing Division  
12 Arizona Corporation Commission  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

15 Janice M. Alward, Esq.  
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21 Director, Utilities Division  
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25  
26  
27  
By *Abbie Amund*

AJO IMPROVEMENT COMPANY  
PURCHASED POWER FUEL ADJUSTOR  
BANK BALANCE

Present PPFAC Rate		2012	2013
1	Ending Bank Balance from Previous Year	\$ (94,410)	\$ (503,946)
2A	Jurisdictional Sales	13,632,000	13,632,000
2B	Total Sales(Incl Spec Cont)	16,620,000	16,620,000
2C	Special Contract Sales (Industrial KWh)	2,988,000	2,988,000
3	Actual Cost of Purchased Power	908,400	908,400
4	Unit Cost of Purchased Power	0.054657	0.054657
5	Base Cost of Purchase Power: Decision No 62764 (August 2, 2000)	0.034699	0.034699
6	Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)	0.050000	0.050000
7	Total Rate Collected From Customer	0.084699	0.084699
8	Incremental Difference between authorized and actual recovery:	(0.030042)	(0.030042)
9	Net change to Bank balance:	\$ (409,532)	\$ (409,532)
10	Adjustments to Bank Balance	0	0
11	Preapproved DSM costs	0	0
12	Ending Bank Balance:	\$ (503,946)	\$ (901,240)
<u>Proposed PPFAC Rate</u>		<u>2012</u>	<u>2013</u>
1	Ending Bank Balance from Previous Year	\$ (94,410)	\$ (94,986)
2A	Jurisdictional Sales	13,632,000	13,632,000
2B	Total Sales(Incl Spec Cont)	16,620,000	16,620,000
2C	Special Contract Sales (Industrial KWh)	2,988,000	2,988,000
3	Actual Cost of Purchased Power	908,400	908,400
4	Unit Cost of Purchased Power	0.054657	0.054657
5	Base Cost of Purchase Power: Decision No 62764 (August 2, 2000)	0.034699	0.034699
6	Authorized Purchased Power Adjustor Rate of \$0.05 per kWh - Decision No. 63828 (June 28, 2001) - and assuming a new PPFAC rate of \$0.01 is effective April 1, 2012	0.010000	0.010000
7	Total Rate Collected From Customer	0.044699	0.044699
8	Incremental Difference between authorized and actual recovery:	0.014958	0.014958
9	Net change to Bank balance:	\$ (572,00)	\$ 135,748.00
10	Adjustments to Bank Balance	0	0
11	Preapproved DSM costs	0	0
12	Ending Bank Balance:	\$ (94,986)	\$ 40,758

Starting in April  
2012

AJO IMPROVEMENT COMPANY  
PURCHASED POWER FUEL ADJUSTOR  
BANK BALANCE (PRESENT FATE)

	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
1	Ending Bank Balance from Previous Month	120,808	98,877	84,886	39,895	7,488	(24,039)	120,808
2A	Jurisdictional Sales	1,136,128	988,209	1,340,966	1,023,815	694,611	637,750	7,966,896
2B	Total Sales(Incl Spec Cont)	1,157,003	1,153,176	1,529,720	1,233,148	1,072,521	1,170,722	8,113,021
2C	Special Contract Sales (Industrial KWh)	20,875	164,967	188,774	209,333	377,910	532,972	146,125
3	Actual Cost of Purchased Power	75,663.47	81,347	78,243	65,388	42,193	32,710	451,207
4	Unit Cost of Purchased Power	0.065396	0.070541	0.051148	0.053026	0.039340	0.027940	4.195377
5	Base Cost of Purchase Power- Decision No 62764 (August 2, 2000)	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699	0.03470
6	Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000
7	Total Rate Collected From Customer	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699
8	Incremental Difference between authorized and actual recovery:	(0.019303)	(0.014158)	(0.033551)	(0.031673)	(0.045359)	(0.030079)	4.120157
9	Net change to Bank Balance:	(21,930.58)	(13,990.66)	(44,990.28)	(32,427.76)	(31,506.79)	(34,173.44)	(215,218)
10	Adjustments to Bank Balance:	0	0	0	0	0	0	-
11	Preapproved DSM costs	0	0	0	0	0	0	-
12	Ending Bank Balance:	98,877	84,886	39,896	7,468	(24,039)	(94,410)	(94,410)
1	Ending Bank Balance from Previous Month	(94,410)	(128,538)	(162,666)	(196,794)	(230,922)	(265,050)	(299,178)
2A	Jurisdictional Sales	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000
2B	Total Sales(Incl Spec Cont)	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000
2C	Special Contract Sales (Industrial KWh)	249,000	249,000	249,000	249,000	249,000	249,000	249,000
3	Actual Cost of Purchased Power	75,700	75,700	75,700	75,700	75,700	75,700	75,700
4	Unit Cost of Purchased Power	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704
5	Base Cost of Purchase Power- Decision No 62764 (August 2, 2000)	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699
6	Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000
7	Total Rate Collected From Customer	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699
8	Incremental Difference between authorized and actual recovery:	(0.030042)	(0.030042)	(0.030042)	(0.030042)	(0.030042)	(0.030042)	(0.030042)
9	Net change to Bank Balance:	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)
10	Adjustments to Bank Balance:	0	0	0	0	0	0	0
11	Preapproved DSM costs	0	0	0	0	0	0	0
12	Ending Bank Balance:	(128,538)	(162,666)	(196,794)	(230,922)	(265,050)	(299,178)	(367,434)
1	Ending Bank Balance from Previous Month	(503,946)	(538,074)	(572,202)	(606,330)	(640,458)	(674,586)	(708,714)
2A	Jurisdictional Sales	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000
2B	Total Sales(Incl Spec Cont)	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000
2C	Special Contract Sales (Industrial KWh)	249,000	249,000	249,000	249,000	249,000	249,000	249,000
3	Actual Cost of Purchased Power	75,700	75,700	75,700	75,700	75,700	75,700	75,700
4	Unit Cost of Purchased Power	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704
5	Base Cost of Purchase Power- Decision No 62764 (August 2, 2000)	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699
6	Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000
7	Total Rate Collected From Customer	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699
8	Incremental Difference between authorized and actual recovery:	(0.030042)	(0.030042)	(0.030042)	(0.030042)	(0.030042)	(0.030042)	(0.030042)
9	Net change to Bank Balance:	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)	(34,127.67)
10	Adjustments to Bank Balance:	0	0	0	0	0	0	0
11	Preapproved DSM costs	0	0	0	0	0	0	0
12	Ending Bank Balance:	(538,074)	(572,202)	(606,330)	(640,458)	(674,586)	(708,714)	(742,842)

AJO IMPROVEMENT COMPANY  
PURCHASED POWER FUEL ADJUSTOR  
BANK BALANCE (PRESENT RATE)

1	Ending Bank Balance from Previous Month	
2A	Jurisdictional Sales	
2B	Total Sales(Incl Spec Cont)	
2C	Special Contract Sales (Industrial KWH)	
3	Actual Cost of Purchased Power	
4	Unit Cost of Purchased Power	
5	Base Cost of Purchase Power- Decision No 62764 (August 2, 2000)	
6	Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)	
7	Total Rate Collected From Customer	
8	Incremental Difference between authorized and actual recovery:	
9	Net change to Bank balance:	
10	Adjustments to Bank Balance	
11	Preapproved DSM costs	
12	Ending Bank Balance:	

	Forecast Nov-12	Forecast Dec-12	Total
1	(435,690)	(469,818)	(94,410)
2A	1,136,000	1,136,000	13,632,000
2B	1,385,000	1,385,000	16,620,000
2C	249,000	249,000	2,988,000
3	75,700	75,700	908,400
4	0.05465704	0.05465704	0.054657
5	0.034699	0.034699	0.034699
6	0.05000	0.05000	0.05000
7	0.084699	0.084699	0.084699
8	(0.030042)	(0.030042)	(0.030042)
9	(34,127.67)	(34,127.67)	(409,532.00)
10	0	0	0
11	0	0	0
12	(469,818)	(503,946)	(503,946)

	Forecast Nov-13	Forecast Dec-13	Total
1	(845,226)	(879,354)	(503,946)
2A	1,136,000	1,136,000	13,632,000
2B	1,385,000	1,385,000	16,620,000
2C	249,000	249,000	2,988,000
3	75,700	75,700	908,400
4	0.05465704	0.05465704	0.054657
5	0.034699	0.034699	0.034699
6	0.05000	0.05000	0.05000
7	0.084699	0.084699	0.084699
8	(0.030042)	(0.030042)	(0.030042)
9	(34,127.67)	(34,127.67)	(409,532.00)
10	0	0	0
11	0	0	0
12	(879,354)	(913,482)	(913,482)

	Forecast Nov-13	Forecast Dec-13	Total
1	(845,226)	(879,354)	(503,946)
2A	1,136,000	1,136,000	13,632,000
2B	1,385,000	1,385,000	16,620,000
2C	249,000	249,000	2,988,000
3	75,700	75,700	908,400
4	0.05465704	0.05465704	0.054657
5	0.034699	0.034699	0.034699
6	0.05000	0.05000	0.05000
7	0.084699	0.084699	0.084699
8	(0.030042)	(0.030042)	(0.030042)
9	(34,127.67)	(34,127.67)	(409,532.00)
10	0	0	0
11	0	0	0
12	(879,354)	(913,482)	(913,482)

AJO IMPROVEMENT COMPANY  
PURCHASED POWER FUEL ADJUSTOR  
BANK BALANCE (PROPOSED RATE EFFECTIVE APRIL 1, 2012)

	Jan-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
1	Ending Bank Balance from Previous Month	98,877	84,886	39,896	7,468	(24,039)	(60,237)	120,808
2A	Jurisdictional Sales	1,136,128	988,209	1,340,956	1,023,815	694,611	637,750	7,966,896
2B	Total Sales(Incl Spec Cont)	1,153,176	1,153,176	1,529,730	1,233,148	1,170,722	1,385,128	8,113,021
2C	Special Contract Sales (Industrial KWH)	20,875	164,967	198,774	209,333	377,910	532,972	2,491,939
3	Actual Cost of Purchased Power	75,663.47	81,347	78,243	65,388	42,183	32,710	451,207
4	Unit Cost of Purchased Power	0.065336	0.070541	0.051148	0.053026	0.036340	0.054620	0.054620
5	Base Cost of Purchase Power- Decision No 62764 (August 2, 2000)	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699
6	Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)	0.050000	0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
7	Total Rate Collected From Customer	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699	0.084699
8	Incremental Difference between authorized and actual recovery:	(0.019303)	(0.014158)	(0.033511)	(0.045359)	(0.056758)	(0.030079)	4.120157
9	Net Change to Bank Balance:	(21,930.58)	(13,990.68)	(44,990.28)	(32,427.76)	(31,506.79)	(34,173.42)	(215,218)
10	Adjustments to Bank Balance	0	0	0	0	0	0	-
11	Preapproved DSM costs	0	0	0	0	0	0	-
12	Ending Bank Balance:	98,877	84,886	39,896	7,468	(24,039)	(94,410)	(94,410)
1	Ending Bank Balance from Previous Month	(94,410)	(128,538)	(162,686)	(196,794)	(185,482)	(151,546)	(140,234)
2A	Jurisdictional Sales	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000	1,136,000
2B	Total Sales(Incl Spec Cont)	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000
2C	Special Contract Sales (Industrial KWH)	249,000	249,000	249,000	249,000	249,000	249,000	249,000
3	Actual Cost of Purchased Power	75,700	75,700	75,700	75,700	75,700	75,700	75,700
4	Unit Cost of Purchase Power- Decision No 62764 (September 1, 2000)	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704	0.05465704
5	Base Cost of Purchase Power- Decision No 62764 (September 1, 2000)	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699	0.034699
6	New PPFAC rate of \$0.01 (effective April 1, 2012)	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000	0.010000
7	Total Rate Collected From Customer	0.044699	0.044699	0.044699	0.044699	0.044699	0.044699	0.044699
8	Incremental Difference between authorized and actual recovery:	(0.009958)	(0.009958)	(0.009958)	(0.009958)	(0.009958)	(0.009958)	(0.009958)
9	Net Change to Bank Balance:	11,312.33	11,312.33	11,312.33	11,312.33	11,312.33	11,312.33	11,312.33
10	Adjustments to Bank Balance	0	0	0	0	0	0	0
11	Preapproved DSM costs	0	0	0	0	0	0	0
12	Ending Bank Balance:	(83,674)	(72,362)	(61,050)	(49,738)	(38,426)	(27,114)	(15,802)

Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001) - and assuming a new PPFAC rate of \$0.01 is effective April 1, 2012

Total Rate Collected From Customer

Incremental Difference between authorized and actual recovery:

Net Change to Bank Balance:

Adjustments to Bank Balance

Preapproved DSM costs

Ending Bank Balance:

A.O. IMPROVEMENT COMPANY  
PURCHASED POWER FUEL ADJUSTOR  
BANK BALANCE (PROPOSED RATE EFFECTIVE APRIL 1, 2012)

1 Ending Bank Balance from Previous Month  
2A Jurisdictional Sales  
2B Total Sales(Incl Spec Cont)  
2C Special Contract Sales (Industrial KWh)  
3 Actual Cost of Purchased Power  
4 Unit Cost of Purchased Power  
5 Base Cost of Purchase Power: Decision No 62764 (August 2, 2000)  
6 Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001)  
7 Total Rate Collected From Customer  
8 Incremental Difference between authorized and actual recovery:  
9 Net change to Bank balance:  
10 Adjustments to Bank Balance  
11 Preapproved DSM costs  
12 Ending Bank Balance:

Forecast	Forecast	Forecast	Total
Oct-12	Nov-12	Dec-12	

1 Ending Bank Balance from Previous Month  
2A Jurisdictional Sales  
2B Total Sales(Incl Spec Cont)  
2C Special Contract Sales (Industrial KWh)  
3 Actual Cost of Purchased Power  
4 Unit Cost of Purchased Power  
5 Base Cost of Purchase Power: Decision No 62764 (August 2, 2000)  
6 Authorized Purchased Power Adjustor Rate - Decision No. 63828 (June 28, 2001) - and assuming a new PPFAc rate of \$0.01 is effective April 1, 2012  
7 Total Rate Collected From Customer  
8 Incremental Difference between authorized and actual recovery:  
9 Net change to Bank balance:  
10 Adjustments to Bank Balance  
11 Preapproved DSM costs  
12 Ending Bank Balance:

(128,922)	(117,610)	(106,298)	\$ (94,410)
1,136,000	1,136,000	1,136,000	13,632,000
1,385,000	1,385,000	1,385,000	16,620,000
249,000	249,000	249,000	2,988,000
75,700	75,700	75,700	908,400
0.05465704	0.05465704	0.05465704	0.05465704
0.034699	0.034699	0.034699	0.034699
0.010000	0.010000	0.010000	0.010000
0.044699	0.044699	0.044699	0.044699
0.009958	0.009958	0.009958	0.014958
11,312.33	11,312.33	11,312.33	(572.00)
0	0	0	0
0	0	0	0
(117,610)	(106,298)	(94,986)	\$ (94,986)

1 Ending Bank Balance from Previous Month  
2A Jurisdictional Sales  
2B Total Sales(Incl Spec Cont)  
2C Special Contract Sales (Industrial KWh)  
3 Actual Cost of Purchased Power  
4 Unit Cost of Purchase Power  
5 Base Cost of Purchase Power: Decision No 62764 (September 1, 2000)  
6 New PPFAc rate of \$0.01 (effective April 1, 2012)  
7 Total Rate Collected From Customer  
8 Incremental Difference between authorized and actual recovery:  
9 Net change to Bank balance:  
10 Adjustments to Bank Balance  
11 Preapproved DSM costs  
12 Ending Bank Balance:

Forecast	Forecast	Forecast	Total
Oct-13	Nov-13	Dec-13	
6,822	18,134	29,446	\$ (94,986)
1,136,000	1,136,000	1,136,000	13,632,000
1,385,000	1,385,000	1,385,000	16,620,000
249,000	249,000	249,000	2,988,000
75,700	75,700	75,700	908,400
0.05465704	0.05465704	0.05465704	0.05465704
0.034699	0.034699	0.034699	0.034699
0.010000	0.010000	0.010000	0.010000
0.044699	0.044699	0.044699	0.044699
0.009958	0.009958	0.009958	0.014958
11,312.33	11,312.33	11,312.33	135,748.00
0	0	0	0
0	0	0	0
18,134	29,446	40,758	\$ 40,758