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BEFORE THE ARIZONA CORPORATE COMMISSION

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Arizona Corporation Commission

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MAY 09 2012

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2012 MAY -9 A 11: 35

ARIZONA CORPORATION COMMISSION DOCKET CONTROL

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IN THE MATTER OF THE APPLICATION FOR )  
 APPROVAL OF REVISED PRICING PLAN )  
 RIDER-3 MARKET COST OF COMPARABLE )  
 CONVENTIONAL )

DOCKET NO. E-04204A-12-0125

UNS ELECTRIC, INC.'S  
RESPONSE TO COMMENTS OF  
MARSHALL MAGRUDER

UNS Electric, Inc. ("UNS Electric" or the "Company"), through undersigned counsel, hereby responds to the comments of Marshall Magruder, filed in this docket on May 8, 2012.<sup>1</sup>

Mr. Magruder raises a concern about the decrease in UNS Electric's Market Cost of Comparable Conventional Generation ("MCCCG"), which is the rate UNS Electric compensates Net Metering customers for excess energy produced by the customer's distributed generation facilities (such as rooftop solar PV). The MCCCG rate is set pursuant to UNS Electric's Net Metering tariff, approved by the Commission in Decision No. 71412. Staff has reviewed UNS Electric's proposed MCCCG and has confirmed that it complies with the Net Metering tariff requirements. The primary reason for the decrease in the MCCCG is that UNS Electric's avoided cost of conventional generation is tied closely to the price of natural gas and the price of natural gas has been declining in recent years. Thus, the MCCCG is also declining.

Moreover, in response to Mr. Magruder's inquiry, the price of electricity to UNS Electric's customers also has been decreasing over the past two years through operation of the UNS Electric Purchased Power and Fuel Adjustment Clause ("PPFAC"). UNS Electric's generation and

<sup>1</sup> On May 9, 2012, counsel for UNS Electric contacted Mr. Magruder to discuss his comments.

1 wholesale resources also are primarily natural gas fired resources. Therefore, decreases in the  
2 price of natural gas results in decreases in the PPFAC. As of June 1, 2010, the UNS Electric  
3 PPFAC rate was \$0.000768/kWh. On June 1, 2011, the PPFAC rate dropped to (\$0.008788), a  
4 reduction of 0.9556 cents/kWh. On June 1, 2012, the PPFAC rate will drop further to  
5 (\$0.014437), a reduction of 0.5649 cents/kWh. Therefore over two years, the PPFAC rate will  
6 have decreased by 1.5205 cents/kWh. This decrease translates directly to lower electric bills for  
7 customers. Indeed, UNS Electric has estimated that the average residential customer's overall bill  
8 will decrease by approximately 15% over the past two years once the new PPFAC rate goes into  
9 effect on June 1, 2012.<sup>2</sup>

10 The proposed MCCCCG rate has been calculated consistent with the Commission-approved  
11 Net Metering tariff. Accordingly, UNS Electric requests that the Commission approved the new  
12 MCCCCG as recommended by Commission Staff.

13 RESPECTFULLY SUBMITTED this 9<sup>th</sup> day of May 2012.

14 UNS ELECTRIC, INC.

15  
16 By 

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26 Attorneys for UNS Electric, Inc.

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<sup>2</sup> This bill impact reflects the entire bill, not just the PPFAC element.

1 Original and 13 copies of the foregoing  
2 filed this 9<sup>th</sup> day of May 2012 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
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7 Copies of the foregoing hand-delivered/mailed  
8 this 9<sup>th</sup> day of May 2012 to the following:

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4 Copies of the foregoing mailed/mailed  
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10 By Mani Appolito

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