

# OPEN MEETING ITEM

**COMMISSIONERS**  
BOB STUMP - Chairman  
GARY PIERCE  
BRENDA BURNS  
BOB BURNS  
SUSAN BITTER SMITH



ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION  
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Arizona Corporation Commission  
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NOV 25 2013

DATE: NOVEMBER 25, 2013

DOCKET NO.: E-04204A-12-0504

DOCKETED BY

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Dwight D. Nodes. The recommendation has been filed in the form of an Opinion and Order on:

UNS ELECTRIC, INC.  
(RATES)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

DECEMBER 4, 2013

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

DECEMBER 17, 2013 and DECEMBER 18, 2013

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

JODI JERICH  
EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347  
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 BOB STUMP - Chairman  
4 GARY PIERCE  
5 BRENDA BURNS  
6 BOB BURNS  
7 SUSAN BITTER SMITH

8 IN THE MATTER OF THE APPLICATION OF  
9 UNS ELECTRIC, INC., FOR THE  
10 ESTABLISHMENT OF JUST AND REASONABLE  
11 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 FOR RELATED APPROVALS.

DOCKET NO. E-04204A-12-0504

DECISION NO. \_\_\_\_\_

OPINION AND ORDER

12 DATE OF HEARING: September 30, 2013  
13 PLACE OF HEARING: Phoenix, Arizona  
14 ADMINISTRATIVE LAW JUDGE: Dwight D. Nodes  
15 APPEARANCES: Mr. Michael W. Patten, ROSHKA DeWULF &  
PATTEN, P.L.C., on behalf of UNS Electric, Inc.;;  
16 Mr. Bradley S. Carroll, on behalf of UNS Electric, Inc.;;  
17 Mr. Robert J. Metli, MUNGER CHADWICK, on behalf  
18 of Nucor Steel;  
19 Mr. Daniel W. Pozefsky, on behalf of the Residential  
Utility Consumer Office; and  
20 Mr. Charles Hains and Ms. Bridget Humphrey, Staff  
21 Attorneys, Legal Division, on behalf of the Utilities  
Division of the Arizona Corporation Commission.

22 **BY THE COMMISSION:**

23 On October 31, 2012, UNS Electric, Inc. ("UNSE" or "Company") filed with the Arizona  
24 Corporation Commission ("Commission") a Notice of Intent to File a Rate Case Application in the  
25 above-captioned docket.

26 ...

27 ...

28

1 On December 31, 2012, UNSE filed its Rate Case Application, including supporting exhibits,  
2 and the direct testimony of Michael DeConcini; Kentton Grant, Ann Bulkley, Dallas Dukes, Jason  
3 Rademacher, Denise Smith, Craig Jones, and Lindy Sheehey.

4 On January 2, 2013, the Residential Utility Consumer Office ("RUCO") filed an Application  
5 to Intervene.

6 On January 30, 2013, the Commission's Utilities Division ("Staff") filed a Letter of  
7 Sufficiency indicating that the Company's application met the sufficiency requirements of Arizona  
8 Administrative Code ("A.A.C.") R14-2-103, and classified UNSE as a Class A utility.

9 By Procedural Order issued February 7, 2013, as modified by Procedural Order issued  
10 February 11, 2013, this matter was scheduled for hearing and various filing deadlines were  
11 established. RUCO was granted intervention in the February 7, 2013 Procedural Order.

12 On February 15, 2013, Nucor Corporation ("Nucor") filed a Petition to Intervene.

13 On February 27, 2013, a Procedural Order was issued granting Nucor's intervention request.

14 On May 14, 2013, UNSE filed a Notice of Mailing and Publication attesting that the required  
15 public notice was mailed to all customers as a bill insert, and that publication of the notice was made  
16 in the *Kingman Daily Miner*, *Today's News Herald*, and the *Nogales International*.

17 On June 27, 2013, UNSE filed a Joint Request for Modification of Procedural Schedule. The  
18 Company requested that the date for filing its rebuttal testimony be changed from August 12, 2013 to  
19 August 16, 2013, due to scheduling conflicts.

20 On June 28, 2013, Staff filed the direct testimony of Ralph Smith, David Parcell, Michael  
21 McGarry, Michel Lewis, Howard Solganick, and Julie McNeely-Kirwan.

22 On June 28, 2013, RUCO filed the direct testimony of Robert Mease and William Rigsby.

23 By Procedural Order issued July 2, 2013, UNSE's Request for Modification of Procedural  
24 Schedule was granted.

25 On July 12, 2013, Staff filed the direct rate design testimony of Mr. Solganick; RUCO filed  
26 the direct rate design testimony of Mr. Mease; and Nucor filed the direct rate design testimony of Jay  
27 Zarnikau.

28 ...

1 On August 1, 2013, UNSE filed a Joint Request for Modification of Procedural Schedule. The  
2 Company requested that the date for filing a settlement be changed from August 12, 2013, to August  
3 26, 2013, because a settlement was being drafted. The Company also requested an extension of time  
4 to file direct testimony in support of the settlement, from August 26, 2013, to September 20, 2013.

5 By Procedural Order issued August 7, 2013, UNSE's Joint Request for Modification of  
6 Procedural Schedule was granted; the filing date for the settlement was extended from August 12,  
7 2013, to August 26, 2013; and the date for filing direct testimony in support of the settlement was  
8 extended from August 26, 2013, to September 20, 2013.

9 On August 23, 2013, UNSE filed a Joint Request for Modification of Procedural Schedule,  
10 which requested that the date for filing the settlement be extended from August 26, 2013, to  
11 September 6, 2013, with all other procedural dates remaining the same.

12 By Procedural Order issued August 23, 2013, UNSE's Joint Request for Modification of  
13 Procedural Schedule was granted.

14 On September 6, 2013, Staff filed a Proposed Settlement Agreement ("Settlement,"  
15 "Agreement," or "Settlement Agreement") that was executed by all parties.

16 On September 19, 2013, Nucor filed the direct testimony of Jay Zarnikau in support of the  
17 Settlement Agreement.

18 On September 20, 2013, UNSE filed the direct testimony of Dallas J. Dukes in support of the  
19 Settlement Agreement; Staff filed the testimony of Steven M. Olea in support of the Settlement  
20 Agreement; and RUCO filed the direct testimony of Patrick J. Quinn in support of the Settlement  
21 Agreement. No testimony was filed in opposition to the Settlement.

22 On September 23, 2013, UNSE filed a Notice of Errata to correct the Large Power Service  
23 Time-of-Use ("LPS-TOU") tariff attached as part of Exhibit DJD-3 to Mr. Dukes' testimony.

24 On September 27, 2013, UNSE filed a Notice of Errata to correct the LPS-TOU tariff that was  
25 filed as an Errata on September 23, 2013.

26 On September 27, 2013, a procedural conference was conducted to discuss scheduling of  
27 witnesses and other procedural matters.

28 ...

1 On September 30, 2013, the hearing was convened to take testimony and admit related  
2 exhibits regarding UNSE's application and the Settlement Agreement. UNSE, RUCO, Nucor, and  
3 Staff appeared through counsel. No members of the public attended to offer public comment. At the  
4 conclusion of the hearing, the matter was taken under advisement pending submission of certain late-  
5 filed exhibits and issuance of a Recommended Opinion and Order.

6 On October 3, 2013, UNSE late-filed a corrected LPS-TOU tariff (part of UNSE Ex. 11) to  
7 replace the tariff that was submitted as an Errata on September 27, 2013.

8 On October 7, 2013, UNSE late-filed revised language regarding the Lost Fixed Cost  
9 Recovery ("LFCR") mechanism (UNSE Ex. 13) that is included in the Settlement Agreement.

10 On October 9, 2013, UNSE late-filed schedules for the Plan of Administration ("POA")  
11 related to the LFCR mechanism (UNSE Ex. 12).

12 On November 6, 2013, UNSE filed a Notice of Errata with a revised Residential R-01 tariff  
13 and revised Proof of Revenue (part of UNSE Ex. 11). The Company indicated that Staff and RUCO  
14 supported the corrections and Nucor is not opposed to the corrections.

#### 15 **Background**

16 UNSE is a C Corporation that provides electric service to the majority of Mohave and Santa  
17 Cruz counties, including the cities of Kingman, Lake Havasu City, and Nogales. (UNSE Ex. 2, at 6.)  
18 The Company serves approximately 73,000 customers in Mohave County and approximately 18,000  
19 customers in Santa Cruz County. Approximately 88 percent of UNSE's customers are residential; 11  
20 percent are commercial; and 1 percent are industrial. (*Id.*)

21 UNSE's current rates were established in Decision No. 71914 (September 10, 2010), based on  
22 a 2008 test year. The Company stated that the current rate application was filed due to increases in  
23 costs required to maintain safe, reliable service, and comply with regulatory mandates; and due to a  
24 significant reduction in the level of sales growth in UNSE's service area. (UNSE Ex. 11, at 2.) The  
25 test year for UNSE's application in this case is the 12 months ending June 30, 2012.

#### 26 **UNSE's Rate Application**

27 In its Rate Application, UNSE proposed a net increase in its non-fuel base rates of \$7.5  
28 million, or 4.6 percent. (UNSE Ex. 1, at 1.) UNSE's proposed revenue requirement was based on a

1 Fair Value Rate Base (“FVRB”) of \$286.3 million, which was the average of an Original Cost Rate  
 2 Base (“OCRB”) of \$216.6 million and a Reconstruction Cost New Less Depreciation (“RCND”) Rate  
 3 Base of \$356.1 million. UNSE employed its 2012 test year actual capital structure of 47.4 percent  
 4 debt and 52.6 percent common equity, with a cost of debt of 5.97 percent and cost of equity of 10.5  
 5 percent, which produced a Weighted Average Cost of Capital (“WACC”) of 8.35 percent. (*Id.* at 5.)  
 6 UNSE proposed a Fair Value Rate of Return (“FVROR”) of 6.71 percent, which assumed a return on  
 7 the fair value increment of 1.61 percent. (UNSE Ex. 4, at 59.) UNSE indicated that as a result of its  
 8 requested increase, the current average monthly bill for a residential customer, using 1,000 kWh per  
 9 month in the summer and 700 kWh in the winter, would increase 4.4 percent, from \$82.51 to \$86.15.  
 10 (UNSE Ex. 1, at 3-4.)

11 UNSE also proposed adoption of: a LFCR mechanism; a transmission cost adjustment  
 12 (“TCA”) mechanism; a new method for determining its demand side management (“DSM”)   
 13 surcharge; modifications to its purchased power and fuel adjustment clause (“PPFAC”) mechanism;  
 14 several rate design changes, including collecting more revenues through the monthly customer  
 15 charge, changes to the time-of-use (“TOU”) tariffs, and modifications to low-income tariffs. (*Id.* at 4-  
 16 9.)

#### Pre-Settlement Positions of Other Parties

##### RUCO

19 In its pre-Settlement testimony, RUCO recommended that UNSE be allowed no increase over  
 20 test year revenues, based on RUCO’s determination that a gross revenue decrease of \$2,718,000  
 21 could be justified (RUCO Ex. 2, Sched. RBM-1.). RUCO proposed an OCRB of \$208,654,000, an  
 22 RCND of \$342,986,000, and a FVRB of \$275,820,000. (*Id.*, Sched RBM-2.) RUCO recommended  
 23 adopting UNSE’s actual test year capital structure 47.4 percent long-term debt, no short-term debt,  
 24 and 52.6 percent common equity; with a cost of long-term debt of 5.99 percent and cost of equity of  
 25 8.16 percent. RUCO recommended a FVROR of 4.98 percent, which was RUCO’s 7.13 percent  
 26 OCRB rate of return, less its recommended inflation adjustment of 2.15 percent. (RUCO Ex. 1, at 5-  
 27 6.)

28 ...

1 RUCO did not agree with making changes to the PPFAC, as proposed by the Company,  
2 because RUCO did not believe that adding other costs to the PPFAC adjustor added value to the  
3 ratepayer, and that having a portion of fuel costs embedded in base rates creates an appropriate  
4 sharing of risk between the shareholder and ratepayer. (RUCO Ex. 2, at 21-22.) RUCO agreed with  
5 the concept of the LFCR mechanism, but recommended several modifications —specifically, a one  
6 percent cap and allowing any excess to be deferred until a future period, and a maximum increase of  
7 no more than one percent for the “opt-out” tariff. (*Id.* at 27-28.) RUCO opposed the Company’s  
8 proposed Energy Efficiency Resource Plan (“EERP”) because: 1) by capitalizing program costs and  
9 applying carrying costs, the ratepayers may end up paying more for the EE programs than if the costs  
10 were expensed annually; 2) the rate of return plus 200 basis points premium that was applied to the  
11 DSM and Energy Efficiency (“EE”) program costs constituted a performance incentive that was not  
12 based on actual performance and rewarded spending over the EE savings; 3) the three year term  
13 unnecessarily bound future Commissions to spending levels and program structure; and 4) the  
14 proposed EERP eliminated significant Commission oversight. (*Id.* at 31.) RUCO indicated that it  
15 would not oppose UNSE’s proposed TCA if implemented by the Commission. (*Id.* at 29.)

#### 16 Staff

17 In its pre-Settlement Direct Testimony, Staff recommended that UNSE be authorized a base  
18 rate increase of \$1,410,000, which was near the lower end of the two fair value options that Staff  
19 calculated. (Ex. S-1, Sched. A.) Under Staff’s Option 1, which utilized a FVROR of 5.79 percent, the  
20 revenue increase would be \$1,318,000. Under Staff’s Option 2, the FVROR for UNSE was 5.91  
21 percent, and the revenue deficiency was \$1,888,000. The base rate increases of approximately \$1.3  
22 million (under Option 1) and \$1.9 million (under Option 2) equate to percentage increases of  
23 approximately 0.77 percent and 1.10 percent over UNSE’s adjusted retail revenues at current rates,  
24 respectively. (*Id.*) Staff recommended using UNSE’s actual capital structure and recommended a  
25 cost of equity of 9.25 percent, a 5.97 percent cost of debt, and an overall cost of capital of 5.79  
26 percent before the FVRB adjustment. Staff recommended a FVROR of 5.81 percent, which was  
27 within its range 5.79 percent based on a 0.0 percent FVRB increment and 5.91 percent based on a  
28 0.50 percent FVRB increment. (Ex. S-3, at 55.)

1 Staff had a number of regulatory and policy concerns involving the Company's proposed  
2 EERP, including: 1) that the forward-looking concept proposed by UNSE should be rejected; 2) the  
3 200 basis point increase to the ROE is excessive and unnecessary; 3) because cost-recovery would be  
4 virtually secured, Staff believed it was unclear that the proposed EERP would provide incentives to  
5 maximize the results of the program and, at the same time, provide cost-effective and efficient  
6 implementation of the programs; and 4) the proposal would require that the Commission issue one or  
7 more waivers of various requirements of A.A.C. R14-2-2405 (annual implementation plans) and  
8 A.A.C. R14-2-2410 (monitoring plan). (Ex. S-4, at 8.) However, based on the Commission's  
9 Decision in the recent Tucson Electric Power ("TEP") case (Decision No. 73912, June 27, 2013),  
10 Staff recommended that: the methodology for recovery of EE/DSM costs should be reviewed,  
11 established and approved as part of the Commission's EE Implementation Plan proceedings for  
12 UNSE, consistent with the outcome of the generic docket proceedings; and the performance  
13 incentives, tied to the cost-effective energy savings, should be reviewed, established and approved as  
14 part of the UNSE EE Implementation Plan proceedings, consistent with the outcome of the generic  
15 docket proceedings. (Id. at 9.) Staff recommended approval of the Company's proposed TCA, and  
16 TCA POA, with one slight modification. (Id. at 12.)

17 Staff recommended that the Commission modify UNSE's LFCR proposal to: 1) allow the  
18 Company to recover only distribution (delivery) service fixed charges; 2) cap the increased revenue  
19 allowed for each year at one percent; 3) recover the lost fixed cost revenue on a percentage of  
20 revenue basis; and 4) make the LFCR mechanism consistent with the recent TEP Decision (Decision  
21 No. 73912.) (Ex. S-7, at 11-12.)

22 Staff's review included TEP's proposed changes to its PPFAC, its fuel and purchased power  
23 policies and procedures, its power plant performance, and inventory cost assumptions in base rates.  
24 (Ex. S-1, at 35-41.) Staff disagreed with UNSE's proposed changes to the PPFAC, and  
25 recommended that the Company's PPFAC POA should be revised to: eliminate the forward  
26 component and base prospective PPFAC rate changes on fluctuations in the 12-month rolling average  
27 of UNSE's fuel and purchased power costs, and which reflects an implementation date that is  
28 coordinated with a new base cost of fuel in the Company's base rates; and incorporate annual and

1 monthly cap provisions to limit the increases experienced by consumers for PPFAC changes in any  
2 given monthly period, and should include only the accounts and types of costs that are included in  
3 UNSE's current PPFAC.

4 **Nucor Steel**

5 According to Nucor witness Jay Zarnikau, Nucor Steel is the largest steel producer in the  
6 United States, and the nation's largest recycler of steel. (Nucor Ex. 1, at 5.) He stated that Nucor  
7 operates a facility in Kingman that produces coiled rebar and wire rod products, and which employs  
8 62 employees. (*Id.*) He indicated that Nucor intervened in this proceeding because electricity is one  
9 of the most significant costs incurred in steel manufacturing. (*Id.*)

10 Nucor did not take a position regarding UNSE's revenue requirement, but offered the  
11 following rate design recommendations in Dr. Zarnikau's pre-Settlement testimony:

- 12
- 13 • The two existing non-contiguous winter on-peak blocks (non-holiday weekdays from 6 to  
14 10 a.m., and from 5 to 9 p.m.) in the LPS-TOU tariff should be replaced with a single six  
15 hour on-peak block from 6 a.m. to noon;
  - 16 • The demand charges for industrial customers should be based on the customer's  
17 contribution to four coincident peaks;
  - 18 • An interruptible option should be added to the LPS-TOU tariff which would allow UNSE  
19 to curtail or interrupt service to subscribing industrial customers in return for a bill credit  
20 or discount in the demand charge;
  - 21 • The customer charges in the tariffs applicable to industrial energy customers should be  
22 changed by the same percentage as other non-residential customers; and
  - 23 • Credit costs and broker fees should not be recovered through the PPFAC.

24 (*Id.* at 4-5.)

25 **Settlement Agreement**

26 Following the filing of direct testimony by Staff and intervenors, the parties in this matter  
27 commenced settlement discussions on July 29, 2013. All parties to the docket were notified of the  
28 settlement discussion process, were encouraged to participate in the negotiations, and were provided  
with an opportunity to participate. All four parties (UNSE, Staff, RUCO, and Nucor) entered into a  
Settlement Agreement, a copy of which is attached hereto as Exhibit A.

1 **Terms and Conditions of the Settlement Agreement**

2 Section I of the Settlement Agreement contains the Recitals which identify the parties and  
3 describe the settlement process. This section of the Settlement Agreement identifies the following  
4 benefits:

- 5 • A revenue increase that is less than half of what the Company requested in its application;
- 6 • Continuing bill assistance for low-income customers;
- 7 • Bill assistance continues for low-income customers;
- 8 • An improved PPFAC that will use a rolling 12-month average to set the rate, in order to smooth the impact of changes in the costs of fuel and purchased power;
- 9 • A narrowly tailored LFCR mechanism that supports EE and Distributed Generation (“DG”) at any level or pace set by the Commission;
- 10 • A fixed cost LFCR rate option for residential customers preferring to pay a specified charge for lost fixed costs rather than the variable LFCR;
- 11 • Simplified TOU rates that provide more off-peak hours; and
- 12 • A minimal overall customer bill impact.

13  
14  
15 (UNSE Ex. 10, at § 1.6.)

16 The Signatories to the Settlement Agreement ask the Commission to find that the terms and  
17 conditions of the Settlement Agreement are just and reasonable, and in the public interest; and to  
18 approve the Settlement so that the rates contained therein can become effective on January 1, 2014.

19 (*Id.* at § 1.7.)

20 Section II of the Settlement Agreement describes the Rate Increase. The Settlement  
21 Agreement provides that UNSE would receive a non-fuel base rate increase of approximately  
22 \$3,186,000 over adjusted test year retail revenues, reflecting a total non-fuel revenue requirement of  
23 \$77,108,954. (*Id.* at § 2.1.) In addition, UNSE’s base fuel rates are set to recover a total of  
24 \$99,318,063, which is an annual increase of \$11,348,261 over the amount recovered through current  
25 base fuel rates. The PPFAC rate would be reset to zero on the effective date of the new rates. (*Id.* at §  
26 2.2.) The Company’s total base fuel and non-fuel revenue increase under the Settlement is  
27 \$14,318,063, which represents an approximately 9 percent increase over adjusted test year retail  
28 revenues. (*Id.* at § 2.3.) The Settlement Agreement provides that UNSE’s jurisdictional FVRB is

1 \$282,823,283, which is the average of the OCRB of \$212,948,281, and the RCND rate base of  
2 \$352,698,299. The Company's total adjusted test year revenue requirement is set at \$176,427,018  
3 under the Agreement. (*Id.* at § 2.4.)

4 Section III of the Settlement Agreement discusses the bill impact. The Settlement Agreement  
5 indicates that a residential customer using an average of 850 kWh per month would experience a  
6 monthly rate increase of approximately \$0.41, based on the base rate increase and the reduction in the  
7 PPFAC and DSM surcharge rates. (*Id.* at § 3.1.) Attachment "B" to the Settlement Agreement shows  
8 the percentage revenue allocation among the customer classes, as well as the residential bill impact.  
9 (*Id.* at § 3.2.)

10 Section IV of the Settlement Agreement discusses the Cost of Capital. The Settlement adopts  
11 UNSE's actual test year capital structure, which is comprised of 47.40 percent long-term debt and  
12 52.60 percent common equity. (*Id.* at § 4.1.) The Settlement Agreement adopts a return on common  
13 equity of 9.50 percent, and an embedded cost of long-term debt of 5.97 percent. (*Id.* at § 4.2.) The  
14 FVROR under the Agreement is 6.02 percent, which includes a rate of return on the fair value  
15 increment of rate base of 0.50 percent. (*Id.* at § 4.3.) The Agreement provides that the cost of capital,  
16 FVRB, FVROR, and the revenue requirement are made for purposes of settlement only, and should  
17 not be construed as admissions against interest or waivers of litigation positions related to other or  
18 future cases.

19 Section V addresses the Purchased Power and Fuel Adjustment Clause. The Settlement sets  
20 the average retail base fuel rate at \$0.05706 per kWh, which reflects total annual fuel and purchased  
21 power costs of \$99,318,063. On the effective date of the new rates, the Settlement Agreement  
22 provides for the PPFAC rate to be re-set at \$0.00. (*Id.* at § 5.1.) The Settlement modifies UNSE's  
23 existing PPFAC mechanism so that the PPFAC rate will be calculated on a 12-month rolling average,  
24 adjusted monthly. In addition, the Plan of Administration for UNSE's PPFAC will include a band for  
25 PPFAC rate adjustments of 0.83 percent on a month-to-month basis, and a \$10 million trigger for  
26 requiring the filing of a PPFAC credit. (*Id.* at § 5.2.) The PPFAC POA is modified under the  
27 Settlement Agreement to include the recovery of broker fees, and to require monthly PPFAC  
28 compliance filings. The POA is set forth in Attachment "C" to the Settlement Agreement. (*Id.*)

1 Section VI of the Settlement Agreement addresses Energy Efficiency, and provides that  
2 UNSE will implement the Energy Efficiency Implementation Plan ("EEIP") as approved by the  
3 Commission in pending Docket No. E-04204A-12-0219, as superseded by § 6.2 of the Settlement  
4 Agreement regarding the performance incentive. (*Id.* at § 6.1.) The Settlement provides that UNSE's  
5 EEIP will include a revised performance incentive of 8 percent of net benefits, capped at \$0.0125 per  
6 kWh saved, based on annual kWh saved from the Monitoring, Evaluation and Research ("MER")  
7 Report. (*Id.* at § 6.2.) The Agreement indicates that the performance incentive is identical to the  
8 incentive approved for TEP in Decision No. 73192, and may be changed by the Commission in a  
9 future proceeding outside of a rate case. (*Id.*) Finally, Section VI states that nothing in the Settlement  
10 or the EEIP is intended to bind the Commission to any specific EE policy or standard. (*Id.* at § 6.3.)

11 Section VII of the Settlement Agreement establishes a LFCR mechanism, with a Fixed  
12 Residential Rate Option. The Settlement indicates that, under UNSE's current volumetric rate  
13 design, the Company recovers a significant portion of its fixed costs of service through kWh sales,  
14 and that Commission rules related to EE and DG require UNSE to sell fewer kWh, which, in turn,  
15 prevents the Company from being able to recover a portion of the fixed costs of service. (*Id.* at § 7.1.)  
16 The Agreement adopts a LFCR mechanism, with a residential fixed rate option, to collect verified  
17 lost kWh sales attributable to Commission requirements regarding EE and DG, while preserving  
18 maximum flexibility for the Commission to adjust EE and DG requirements, either upward or  
19 downward, as the Commission deems appropriate. (*Id.* at § 7.2.) The Settlement Agreement states  
20 that the proposed LFCR is similar to mechanisms approved for other utilities, including the LFCR  
21 approved for TEP in Decision No. 73912. The Settlement states that the LFCR is intended to recover  
22 a portion of distribution and transmission costs associated with residential, commercial and industrial  
23 customers when sales levels are reduced by EE and DG, but is not intended to recover lost fixed costs  
24 attributable to generation and other potential factors, such as weather or general economic conditions.  
25 (*Id.* at § 7.3.) The LFCR has a one percent "year-over-year" cap based on total applicable UNSE  
26 retail revenues (*i.e.*, average bills for customers will not increase by more than one percent); and any  
27 amount in excess of the one percent cap will be deferred for collection as provided under the LFCR  
28 POA. (*Id.* at § 7.4.)

1       The LFCR mechanism will not apply to lighting customers, as set forth in the LFCR POA;  
2 however, rate design for the lighting customer class is set so that the class pays its fair share of fixed  
3 costs through monthly fixed charges. (*Id.* at § 7.5.) The Settlement Agreement provides that  
4 residential customers will have the option of electing a fixed monthly service charge in lieu of the  
5 LFCR, which is determined based on kWh use. (*Id.* at § 7.6.) The Settlement states that the optional  
6 fixed rate option will be incorporated into each residential rate schedule to provide customers with  
7 maximum flexibility to choose the fixed LFCR option, without requiring a shift to a different rate  
8 schedule. Under the Agreement, the fixed rate option is set at \$2.50 for usage less than 2,000 kWh,  
9 and \$6.50 for usage of 2,000 kWh or more, per month. (*Id.*)

10       Under the Settlement Agreement, UNSE is required to seek stakeholder input regarding the  
11 development of a customer outreach program to inform and educate customers about the LFCR. The  
12 Company is obligated to implement the outreach program by May 1, 2014. (*Id.* at § 7.7.) The LFCR  
13 will recover the lost fixed costs on a calendar year basis from January 1, 2013, forward, with the first  
14 LFCR surcharge going into effect on July 1, 2014. (*Id.* at § 7.8.) The LFCR POA is set forth in  
15 Attachment "D" to the Settlement Agreement. (*Id.* at § 7.9.)

16       Section VIII of the Settlement Agreement establishes a Transmission Cost Adjustor  
17 mechanism, which is intended to recover transmission costs associated with serving retail customers.  
18 (*Id.* at § 8.1.) The TCA POA is set forth in Attachment "E" to the Settlement Agreement, and,  
19 according to the Agreement, is similar to the TCA approved by the Commission for Arizona Public  
20 Service Company ("APS") in Decision No. 67744 (April 7, 2005), as modified in Decision No.  
21 73183 (May 24, 2012). (*Id.*) The TCA provision of the Settlement also requires UNSE to provide,  
22 upon request by Staff, annual funding of \$25,000, for three years, to fund a Staff consultant to  
23 perform an audit of the Company's TCA.<sup>1</sup> (*Id.* at § 8.2.)

24       Section IX of the Settlement Agreement requires UNSE to adopt Staff's proposed operational  
25 recommendations, as set forth in the direct testimony of Staff witness Michael Lewis (Ex. S-5, at 19-

26 ...

27 \_\_\_\_\_  
28 <sup>1</sup> We interpret this provision to mean that UNSE will retain, and pay for, a consultant of Staff's choosing for purposes of  
conducting an audit of the Company's TCA.

1 20). The operational recommendations are set forth in Attachment "F" to the Settlement Agreement.  
 2 (*Id.* at § 9.1.)

3 Under Section X of the Settlement Agreement, UNSE agrees to limit a typical CARES<sup>2</sup>  
 4 customer's rate increase to an amount that is generally reflective of the average monthly dollar  
 5 increase for a standard Residential R-01 customer, before any DSM surcharge adjustment. (*Id.* at §  
 6 10.1.) The Settlement provides that the PPFAC rate and Renewable Energy Standard ("REST")  
 7 charge will continue to apply to CARES customers. (*Id.* at § 10.2.) The Agreement eliminates the  
 8 CARES Medical rate for new customer accounts; and the existing CARES Medical rate shall be  
 9 frozen and will not be portable. (*Id.* at § 10.3.)

10 Section XI of the Settlement Agreement addresses rate design. The new rates are set forth in  
 11 Attachment "G" to the Settlement Agreement. In addition, the Settlement provides that the rate  
 12 design portion of the docket shall remain open until January 1, 2015, to allow for the possible  
 13 adjustment of specific tariffs to correct unanticipated customer rate impacts that are inconsistent with  
 14 the public interest. Any such tariff changes must be revenue neutral. (*Id.* at § 11.3.) Section XI also  
 15 requires UNSE to communicate the rate design changes to the Large General Service ("LGS") rate  
 16 class in the following manner:

- 17 ● Identify and communicate with the group of current LGS customers whose annual  
 18 demand was below 20 kW, and had no more than 1 consecutive month in excess of  
 19 12,000 kWh, that they will be moved to the Small General Service ("SGS") rate class  
 and provide them with guidance on how to request additional information;
- 20 ● Identify and communicate with the group of current LGS customers whose annual  
 21 demand was below an average of 20 kW, and had no more than 1 consecutive month  
 22 in excess of 12,000 kWh, that with the new rate design the SGS rate class may provide  
 a better fit for their load profile and provide them with guidance on how to request  
 additional information;
- 23 ● Provide letters to the above two groups of LGS customers communicating the  
 24 specified information, as well as provide a letter to the remaining LGS customers  
 explaining the rate design changes and how it might affect their future bills and  
 provide them with guidance on how to request additional information. (*Id.* at § 11.2.)

25 Section XII of the Settlement Agreement adopts UNSE's revised Rules and Regulations, as  
 26 set forth in Attachment "H" to the Agreement. (*Id.* at § 12.1.)

27 \_\_\_\_\_  
 28 <sup>2</sup> "CARES" is UNSE's Customer Assistance Residential Energy Support program, a tariff designed for qualifying low-income residential customers. (UNSE Ex. 8, at 5.)

1 Section XIII of the Settlement Agreement eliminates UNSE's GreenWatts tariff and adopts  
2 the Statement of Charges set forth in Attachment "I" of the Agreement. (*Id.* at § 13.1 and 13.2.)

3 Section XIV of the Settlement Agreement provides for the elimination or modification of  
4 certain compliance reports. Attachment "J" to the Settlement Agreement: 1) eliminates the  
5 requirement in Decision No. 49438 (October 25, 1978) that UNSE file monthly reports on fuel costs,  
6 purchased power, and use of generating facilities; 2) consolidates the Company's CARES reporting  
7 requirements under Decision Nos. 66861, 67434, and 70360, and the surviving CARES report would  
8 be filed in this docket by January 30 and July 30 of each year; and 3) consolidates into one report,  
9 due by February 15 of each year for the prior year's results, TOU reports required by Decision No.  
10 70440 (July 28, 2008) and Decision No. 73583 (November 21, 2012), and any other TOU reports  
11 required by this Decision. (*Id.* at § 14.1.)

12 Section XV of the Settlement Agreement is entitled "Additional Settlement Provisions" and  
13 includes miscellaneous actions to which UNSE has agreed. Under the terms of Section XV, in its  
14 next rate case, UNSE will be required to: evaluate adding additional interruptible power service  
15 ("IPS") tariffs, including presenting options to redesign its current IPS tariff; and provide a tariff  
16 option or a demand response program to enable customers served through tariffs other than IPS an  
17 opportunity to designate a portion of their firm load to interrupted for economic and/or reliability  
18 reasons, and receive compensation for such a service. (*Id.* at § 15.1.) Although the Company is not  
19 obligated to endorse these options in its next rate case, the Settlement provides that UNSE is required  
20 to include in its public notice that such options are being evaluated. (*Id.*) Section XV states that such  
21 interruptible options may include: allowing interruption of IPS customers for economic reasons;  
22 mandating a test of the customers' ability to be curtailed or interrupted; and phasing out or replacing  
23 the IPS tariff in favor of another tariff that provides reasonable compensation for providing  
24 interruptible service. (*Id.*) UNSE also commits under the Settlement to work with other Signatory  
25 Parties to develop a program or tariff option that would encourage qualifying customers to reduce  
26 their purchases during periods when UNSE's marginal cost of purchased power is high according to  
27 defined trigger prices or mechanisms. (*Id.*)

28 ...

1 Another feature of Section XV relates to Four Coincident Peak (“4CP”) Billing Demand. (*Id.*  
 2 at § 15.2.) In its next rate case, UNSE is required to present an evaluation of the impact of the  
 3 Company changing its current method of determining an industrial customer’s billing demand to one  
 4 using a 4CP method. (*Id.*) The Company is required provide notice in its next rate case that such a  
 5 change in methodology is being explored. (*Id.*)

6 Section XV requires that UNSE file its next general rate case on or before July 1, 2017, using a  
 7 2016 test year; although the Company may file a rate case sooner at its discretion. (*Id.* at § 15.3.)  
 8 Finally, Section XV requires UNSE to file, within 90 days of the effective date of this Decision,  
 9 Partial Requirements Service (“PRS”) tariffs, based on the charges set forth in the corresponding  
 10 standard retail tariff, as well as a Super-Peak TOU tariff, and to work with the Signatories to ensure  
 11 the tariffs are revenue neutral. (*Id.* at § 15.4.)

12 Section XVI of the Settlement Agreement addresses the process for approving the Settlement  
 13 Agreement, acknowledging that if the Commission fails to adopt all material terms, any or all  
 14 Signatories to the Agreement may withdrawal from the Agreement. (*Id.* at § 16.1 through 16.5.)

15 Section XVII contains Miscellaneous Provisions, pertaining to positions taken in settlement  
 16 and, *inter alia*, recognizing that a Signatory’s acceptance of a specific element of the Settlement  
 17 Agreement shall not be considered as precedent for acceptance of that element in any other context.  
 18 (*Id.* at § 17.1 through 17.7.)

19 **Benefits of the Settlement Agreement as Identified by the Parties**

20 UNSE witness Dallas Dukes contends that the Settlement Agreement provides real and  
 21 significant benefits to the Company’s customers, employees and shareholders, and identified the  
 22 following benefits of the Settlement:

- 23 • A limited bill impact in the first year (approximately \$0.41 per month for a residential  
 24 customer using an annual average of 850 kWh per month);
- 25 • A total non-fuel base rate increase of \$3,186,000, which is significantly less than the  
 \$7,522,000 originally requested by the Company;
- 26 • A new LFCR mechanism that limits lost fixed cost recovery to revenues that are  
 27 measurably lost due to EE or DG;

28 ...

- 1 • A new TCA mechanism that allows UNSE to timely recover, at the level approved by  
2 the Federal Energy Regulatory Commission (“FERC”), transmission costs associated  
3 with serving retail customers;
- 4 • Modification of the Company’s existing PPFAC to reflect a 12-month rolling average  
5 of actual fuel and purchased power costs, adjusted on a monthly basis, to allow a  
6 smoothing of the impact of changes on customer bills; and
- 7 • Changes to rate design and low-income programs, modifications to certain existing  
8 compliance requirements, and revisions to current Rules and Regulations for UNSE.

9 (UNSE Ex. 11, at 4.)

10 Staff witness Steve Olea testified that the Settlement Agreement is in the public interest  
11 because it: results in a minimal rate increase for residential customers, provides assistance for low-  
12 income customers, requires UNSE to submit rate design changes in its next rate case that could  
13 benefit larger customers, simplifies TOU rates and increases off-peak hours to make such rates more  
14 attractive to customers, and allows the Commission to set EE and REST requirements at whatever  
15 level the Commission decides. (Ex. S-9, at 11.)

16 RUCO witness Pat Quinn also supports the reasonableness of the Settlement, citing the  
17 following benefits for residential ratepayers:

- 18 • A revenue increase that is 42 percent of the Company’s request;
- 19 • A rate increase for an average residential customer in the first year of only \$0.41 per  
20 month due to the DSM credit;
- 21 • A rate increase for average residential customers after the first year of \$1.88 per  
22 month, or 2.18 percent;
- 23 • Requirement for UNSE to file a rate case application by no later than July 1, 2017;
- 24 • Availability of a fixed rate LFCR option as an alternative to the standard variable  
25 LFCR;
- 26 • Continued billing assistance for low-income customers; and
- 27 • Improved PPFAC mechanism that will smooth the effect of changes in fuel and  
28 purchased power expenses.

(RUCO Ex. 4, at 4-5.)

Finally, Nucor Steel, which operates a steel manufacturing facility in Kingman, supports the  
Settlement Agreement. Nucor witness Jay Zarnikau identified the following benefits of the  
Settlement for Nucor: changes in the on-peak and off-peak periods for the LPS-TOU tariff that will  
enable Nucor’s facility to schedule its labor and production shifts in a more efficient manner to

1 reduce production costs, and help Nucor compete in the highly competitive global market for steel.  
2 Dr. Zarnikau stated that although Nucor did not get all it was asking for, he believes the compromise  
3 Agreement is reasonable and in the public interest because it will provide UNSE and other parties  
4 ample time to explore, in the next rate case, Nucor's recommendations to simplify and improve  
5 UNSE's demand charges and interruptible tariffs for industrial customers. (Nucor Ex. 2, at 2-3.)

#### 6 Settlement Process

7 The parties agree that the settlement process was open and transparent. Mr. Dukes testified  
8 that, prior to commencement of the formal settlement discussions, UNSE invited all parties to attend  
9 technical conferences regarding issues in the case, and topics for discussion were posted on the  
10 Company's internet-based rate case data room for review by parties that could not attend in person.  
11 He indicated that all parties to the docket participated in the formal settlement discussions, which  
12 began on July 29, 2013, and an agreement in principle was quickly reached by the parties. Details of  
13 the Settlement were subsequently refined and finalized before the Settlement Agreement was filed on  
14 September 6, 2013. (UNSE Ex. 11, at 5.) Witnesses for Staff and the other parties agreed with the  
15 Company's assessment of the settlement process. (See, Ex. S-9, at 4-6; RUCO Ex. 4, at 2-4; Nucor  
16 Ex. 2, at 2-3.)

#### 17 Revenue Requirement

18 The parties are also in agreement with the proposed revenue requirement, which would  
19 increase overall non-fuel base rates by \$3,186,000 over test year revenues. Mr. Dukes pointed out  
20 that the Settlement increase is significantly less than the original \$7,522,000 increase sought by the  
21 Company, and that the lower revenue increase reflects many of the adjustments advocated by Staff  
22 and RUCO in their pre-settlement direct testimony. (UNSE Ex. 11, at 7.) In addition, he indicated  
23 that the 9.50 cost of equity in the Settlement is 100 basis points lower than the 10.50 percent  
24 requested by the Company originally, and the fair value rate of return of 6.02 percent, with a .50  
25 percent fair value increment, is lower than the 6.18 percent FVROR approved in UNSE's last rate  
26 case. (*Id.* at 7-8.)

27 Mr. Dukes indicated that the base rate revenue increase will benefit UNSE in several ways.  
28 He claims that the Company is facing a substantial increase in capital spending for transmission and

1 distribution facilities in the next several years, much of it due to planned transmission upgrades in  
2 Santa Cruz County. (*Id.*) Mr. Dukes stated that UNSE faces other risks, including its reliance on  
3 natural gas and wholesale power markets for most of its energy needs, and the need to refinance \$80  
4 million of long-term debt in August 2015. He contends that the proposed rate increase will assist in  
5 maintaining or improving its current investment grade Baa2 credit rating. (*Id.* at 8.)

## 6 Adjustor Mechanisms

### 7 Purchased Power and Fuel Adjustment Clause

8 In his Settlement testimony, Mr. Dukes stated that UNSE had originally requested  
9 modifications to its PPFAC mechanism that were intended to recover all of the Company's fuel and  
10 purchased power costs through multiple PPFAC rates. (*Id.* at 10.) However, he indicated that Staff  
11 expressed concerns about the proposed modifications, as well as with the Company's current annual  
12 PPFAC rate adjustments. As a result, the parties negotiated a modified PPFAC that Mr. Dukes  
13 contends resembles a purchased gas adjustor used by gas utilities. (*Id.*) As set forth in the  
14 Agreement, the PPFAC rate will be adjusted on a monthly basis, and will be based on a 12-month  
15 rolling average of actual fuel and purchased power costs. (*Id.*) He claims that the revised PPFAC  
16 makes sense for UNSE, which does not own significant generation capacity. Mr. Dukes also points  
17 out that the revised PPFAC eliminates the potential for large changes that may occur with annual  
18 adjustments, includes a "band" that limits monthly changes to 0.83 percent, and provides a "trigger"  
19 mechanism that will require the Company to file for a PPFAC credit if the PPFAC bank balance is  
20 over-collected by more than \$10 million. (*Id.* at 10-11.) Other changes to the PPFAC mechanism  
21 include the allowance for recovery of broker fees incurred for procurement of fuel and purchased  
22 power through the PPFAC, rather than base rates, consistent with TEP's PPFAC. On the effective  
23 date of the new rates approved in this Decision, the Settlement provides that the PPFAC rate would  
24 be reset to zero, although the Company will continue to recover a portion of its base fuel and  
25 purchased power costs through a base fuel rate, that will be set at \$0.05706 per kWh under the terms  
26 of the Settlement Agreement. (*Id.* at 11.)

27 ...

28 ...

**Transmission Cost Adjustor**

1  
2 According to UNSE, the TCA that is included in the Settlement Agreement is an adjustor  
3 mechanism that will allow the Company to recover, on a more timely basis, transmission costs  
4 associated with serving retail customers, based on UNSE's FERC-approved Open Access  
5 Transmission Tariff ("OATT"). (*Id.*) Mr. Dukes explained that the OATT rates are updated and  
6 recalculated annually by FERC, and the new TCA mechanism will enable UNSE to recover or credit  
7 changes to those transmission costs as they are adjusted. (*Id.*) The Company states that the timely  
8 recovery of costs required to provide transmission services to retail customers will provide necessary  
9 cash flow to assist UNSE's financing of transmission additions, and will help support its current  
10 investment grade credit ratings, and ultimately will benefit customers through lower financing costs.  
11 (*Id.* at 12.) Mr. Dukes added that the TCA, like the PPFAC, would also provide more accurate price  
12 signals and help smooth out the rate impact of increased transmission costs through gradual increases  
13 between rate cases. (*Id.*) He indicated that UNSE's TCA is modeled after one approved for APS in  
14 Decision No. 67744 (April 7, 2005), as modified in Decision No. 73183 (May 24, 2012). (*Id.*)

**Lost Fixed Cost Recovery Mechanism**

15  
16 UNSE claims that the LFCR incorporated into the Settlement is a narrowly tailored  
17 mechanism that is designed to allow the Company to collect distribution and transmission service  
18 costs that would have been recovered through usage lost to EE programs and DG systems. (*Id.* at 13.)  
19 According to Mr. Dukes, the LFCR is not intended to recover fixed costs due to other factors, such as  
20 generation, weather, or general economic conditions, and, as such, is not considered a full decoupling  
21 mechanism. (*Id.*) Mr. Dukes stated that the LFCR mechanism will have a 1 percent year-over-year  
22 cap on total applicable retail revenues, and will be applied to all customers' bills through a percentage  
23 based rate, excluding lighting customers, whose rates are designed to collect a fair share of the fixed  
24 costs through their monthly minimum and/or demand charge. (*Id.*)

25 UNSE indicated that residential customers who do not wish to be charged the standard LFCR  
26 variable rate, based on a percentage of their bill, will have the option of a fixed, monthly LFCR  
27 charge. (*Id.*) This option was a critical element to RUCO's agreement to the LFCR. (*See* RUCO Ex.  
28 4, at 5.) Under the Settlement, UNSE is required to implement a customer education and outreach

1 program to help customers understand the new LFCR and the available options. (UNSE Ex. 11, at  
2 13.)

3 As set forth in the Settlement Agreement (Section 7.6), the fixed charge option rate would be  
4 \$2.50 per month for usage under 2,000 kWh, and \$6.50 per month with usage of 2,000 kWh or more.  
5 (*Id.*) Mr. Dukes claims that this so-called “opt-out” fixed rate option is simple to administer and is  
6 “designed to only recover average incremental unrecovered fixed costs.” (*Id.* at 14.) He stated that  
7 the fixed rate option in the UNSE Settlement Agreement is identical to that recently approved for  
8 TEP in Decision No. 73912. (*Id.*) The LFCR tariff provides that a customer may switch between the  
9 variable and fixed rate options once at any time during the first year of the LFCR tariff (expected to  
10 begin July 1, 2014), but, after the first year, the tariff would require a customer to remain on an  
11 option for at least 12 months before switching to the other option. (*Id.*)

12 UNSE contends that the LFCR mechanism is necessary because the Company’s current rate  
13 structure is designed to recover much of the revenue requirement through usage-based kWh sales,  
14 even though a majority of the Company’s costs are fixed, and thus do not vary with usage. (*Id.*)  
15 Therefore, according to Mr. Dukes, when UNSE’s kWh sales decline due to implementation of EE  
16 programs and DG systems, the Company is unable to recover the fixed distribution and transmission  
17 costs that are embedded in its volumetric-based rates. (*Id.*) He claims that without the LFCR,  
18 UNSE’s rates would be inadequate because they do not provide a reasonable opportunity to recover  
19 certain fixed costs, or to achieve the authorized rate of return. (*Id.* at 15.)<sup>3</sup>

### 20 Rate Design

21 UNSE states that the Settlement Agreement provides for a number of changes to the  
22 Company’s rate design, that includes consolidating and simplifying rate tariffs so that they are more  
23 closely aligned with its Class Cost of Service Study. (*Id.* at 16.) According to Mr. Dukes, the  
24 Settlement adopts modest increases to the monthly customer charge for each customer class, which  
25 allows the Company to recover a greater portion of its fixed costs through fixed charges. He claims

26 <sup>3</sup> On October 7, 2013, the Company late-filed UNSE Exhibit 13, which the parties agreed subsequent to the hearing  
27 would replace language set forth in UNSE Exhibit 10 regarding the LFCR tariff. We will admit UNSE Exhibit 13 in the  
28 record, and the language contained therein shall be included in UNSE’s LFCR tariff. UNSE also late-filed, on October 9,  
2013, UNSE Exhibit 12, which contains schedules supporting the Plan of Administration for the LFCR mechanism.  
UNSE Exhibit 12 shall also be admitted in the record, and shall be included in the Company’s LFCR POA.

1 that doing so will assist with conservation efforts, will reduce the magnitude of future LFCR  
2 adjustments, and will provide increased revenue stability. (*Id.*)

3 The Company indicates that its TOU tariffs are being modified under the Settlement so as to  
4 make them less confusing and more appealing to customers. Specifically, the TOU tariff changes  
5 include: modifying the peak times to create incentives for greater participation; eliminating the  
6 shoulder period for all TOU rate classes; and eliminating the rate tiers. (*Id.*)

7 UNSE points out that the Settlement Agreement also adjusts rate schedules for large  
8 customers with a demand charge, by adjusting the demand charges to better reflect the cost to serve,  
9 modifying the “ratchet” to be consistent across customer classes, and adjusting the per-kWh or  
10 “energy” charge for those customers.<sup>4</sup> (*Id.*) Mr. Dukes stated that the rate design changes in the  
11 Settlement will result in a more balanced and equitable rate impact on all customers while reducing  
12 the administrative burden and costs on the Company. (*Id.* at 17.)

#### 13 Residential Rates

14 The Company claims that the Residential R-01 tariff is designed to allow UNSE to obtain the  
15 allocated revenue requirement while also providing customers an opportunity to control their bills.  
16 (*Id.*) Features of the R-01 rate changes cited by Mr. Dukes are: an increase in the monthly customer  
17 charge from \$8.00 to \$10.00; a three-tier inverted block rate structure (not including base fuel and  
18 purchased power charges) for under 400 kWh, between 401 and 1,000 kWh, and over 1,000 kWh;  
19 and a base fuel and purchased power charge included in base rates.<sup>5</sup> (*Id.*)

20 As set forth in Attachment B to the Settlement Agreement, the impact for an average  
21 residential customer (850 kWh) would be \$0.41, after the reduced DSM surcharge is included in the  
22 calculation. (*Id.* at 18.) Mr. Dukes explained that the bill impact will vary depending on the amount  
23 of energy usage, but even before the reduced DSM surcharge is factored in, the bill impact will be  
24 approximately 6 percent for customers with very low usage, and approximately 2 percent for  
25 customers with average usage. (*Id.*)

26 \_\_\_\_\_  
27 <sup>4</sup> On October 3, 2013, UNSE late-filed a corrected LPS-TOU tariff that was included as part of UNSE Exhibit 11 at the  
hearing. The Company should substitute this corrected tariff as part of its final tariffs in this proceeding.

28 <sup>5</sup> On November 6, 2013, UNSE late-filed a corrected Residential R-01 tariff that was included as part of UNSE Ex. 11.  
The Company should substitute this corrected tariff as part of its final tariffs in this proceeding.

1                   Time-of-Use Rates

2                   UNSE stated that the TOU rates have been modified to “better match the needs of a particular  
3 customer class and provide more incentive for customers to take service under the TOU tariffs.” (*Id.*)  
4 Mr. Dukes indicated that the Settlement adopts a simplified TOU rate for residential customers that  
5 the Company hopes will increase participation by: eliminating the current shoulder rate and two-  
6 tiered rate; and increasing the off-peak hours. (*Id.*) Under the Settlement, the monthly customer  
7 charge for the residential TOU rate would increase from \$8.00 to \$11.50. (*Id.* at 19.) For non-  
8 residential customers, the TOU tariffs would increase the customer charge, but would eliminate the  
9 current shoulder periods and would increase the off-peak periods. (*Id.*)

10                   Low-Income Rates

11                   UNSE claims that it understands low-income customers are especially vulnerable to rate  
12 increases, and the Company continually seeks ways to mitigate the impact on those customers, while,  
13 at the same time, updating and modernizing rates in a way that strikes an appropriate balance. (*Id.*)  
14 As set forth in the Settlement Agreement, changes to low-income tariffs include: increasing the  
15 CARES monthly customer charge from \$3.50 to \$4.90 (plus varying discounts off the per kWh rates);  
16 freezing availability of the CARES Medical rate to current customers (and making it non-portable for  
17 those customers);<sup>6</sup> and continuing to exclude CARES customers from DSM surcharges – although  
18 those customers would continue to pay the REST surcharge, and would also be assessed the PPFAC,  
19 TCA, and LFCR charges. (*Id.* at 19-20.) Mr. Dukes stated that most low-income customers would  
20 see a monthly bill increase of less \$2.00 per month as a result of the Settlement. (*Id.* at 20.)

21                   Other Rate Design Issues

22                   The Settlement Agreement resolves an issue for Large General Service customers with a  
23 demand component in their bills, by setting a demand ratchet of 75 percent. Mr. Dukes explained  
24 that a “ratchet” is a billing provision under which the demand charge for each month is based on the  
25 highest measured or billed demand over a period of time in the previous year. (*Id.*) He indicated that

26 \_\_\_\_\_  
27 <sup>6</sup> According to Mr. Dukes, UNSE currently has only a handful of customers on the CARES Medical rate, and eliminating  
28 this rate for new customers will simplify the Company’s tariffs and eliminate the challenges of certifying medical  
conditions of customers, thereby reducing administrative costs. He indicated that new CARES customers would still  
receive the discounts available under that tariff. (*Id.* at 20.)

1 the Company had requested an increase to the ratchet provision to 100 percent, but agreed to 75  
2 percent in the Settlement. (*Id.*) He indicated that the 75 percent ratchet would help ensure a stable  
3 level of demand revenue and would more closely align cost recovery with the cost causer. (*Id.* at 21.)

4 Under the Settlement Agreement, UNSE agreed to work with the parties to develop a “super-  
5 peak” rate tariff and revised partial requirement service tariffs. (*Id.*) Mr. Dukes indicated that the  
6 new tariffs would replace existing “super-peak” tariffs and Qualifying Facilities (“QF”) tariffs, which  
7 the Company had requested eliminating because there are currently no customers on those rates. (*Id.*)  
8 He stated that the Company had agreed to update the existing QF tariffs to reflect increases under the  
9 Settlement, and to continue to offer the updated QF rates, until the new PRS tariffs are approved. (*Id.*)

10 The final rate design issue is related to the parties’ agreement to leave the docket open until  
11 January 1, 2015 “for the express purpose of possibly adjusting specific tariffs to correct for  
12 unanticipated customer impacts, which are not consistent with the public interest.” (*Id.*) According to  
13 Mr. Dukes, because the Settlement incorporates a number of rate consolidation elements, as well as  
14 other significant changes, this provision is intended to allow revenue-neutral tariff modifications to  
15 resolve unintended consequences. (*Id.* at 21-22.) He pointed out that a similar provision was  
16 approved for TEP in Decision No. 73912. (*Id.* at 22.)

### 17 **Rules and Regulations**

18 In its application, UNSE proposed a number of changes to its Rules and Regulations,  
19 primarily to eliminate inconsistencies and ambiguities, in order to “modernize [UNSE’s] Rules and  
20 Regulations and to clarify areas in the Rules and Regulations that have caused undue customer  
21 confusion.” (*Id.*) Mr. Dukes testified that other revisions were included as part of the settlement  
22 negotiations, and to conform UNSE’s Rules and Regulations with those recently approved for TEP.  
23 (*Id.*)

### 24 **Other Provisions**

25 Other terms of the Settlement Agreement include: implementation of operational  
26 recommendations made by Staff’s consultants (Attachment F); elimination of the GreenWatts tariff  
27 because it is duplicative of the Company’s “Bright Arizona” community solar program under the  
28 Company’s REST plan; and eliminating or modifying certain reporting requirements that were

1 adopted without sunset dates, or are duplicative of other compliance filings (Attachment J). (*Id.* at 23-  
2 24.)

3 As described above, the Settlement also requires UNSE to: evaluate additional interruptible  
4 service rates in its next rate case; evaluate the impact of using a different billing demand  
5 methodology in its next rate case; file its next general rate case by July 1, 2017, using a 2016 test  
6 year; and to file two new tariffs – as described above in the Rate Design discussion. (*Id.* at 24.)

### 7 CONCLUSION

8 The benefits to ratepayers under the Settlement Agreement include: an overall revenue  
9 increase substantially less than requested by the Company; a modest first year bill impact of  
10 approximately \$0.41 for average residential customers; continuing bill assistance for low-income  
11 customers; redesigned TOU rates that increase the opportunities for savings; a narrowly-tailored  
12 LFCR that supports EE and DG at any level or pace set by the Commission, and a fixed cost LFCR  
13 rate option for residential customers who prefer a known charge rather than the variable LFCR; an  
14 improved PPFAC mechanism to smooth the effects of rapid changes in fuel and purchased power  
15 costs; and an analysis in the next rate case of demand charges and interruptible tariffs for industrial  
16 customers.

17 The benefits to UNSE include: sufficient additional revenue that will allow it to provide  
18 reliable and safe service while supporting the financial health of the Company; a modified PPFAC  
19 that will be adjusted monthly to help smooth the impact of sudden changes, and collection of broker  
20 fees through the PPFAC rather than base rates; an LFCR mechanism and a TCA mechanism that will  
21 improve revenue stability; and modification and consolidation of certain compliance reporting  
22 requirements.

23 With respect to the LFCR mechanism, we believe a balancing account should be incorporated  
24 into the Plan of Administration in a manner similar to that adopted for APS in Decision No. 73183  
25 (May 24, 2012), at pages 40-41. In that Decision, the Commission approved a LFCR for APS, but  
26 found that “a balancing account is necessary if APS is to recover its verified lost fixed costs...” (*Id.*)  
27 As further explained in the APS Decision:  
28

1 Without a balancing accounting, if annual sales decrease, the total lost  
 2 fixed cost revenue for the previous year would not be recovered; and if  
 3 annual sales increase, the total lost fixed cost revenues for the previous  
 year would be over-recovered, and the risk related to non-LFCR factors  
 would have inappropriately shifted from shareholders to customers.

4 (*Id.* at 41, footnote 123.) APS was therefore directed to clarify its LFCR POA to include a balancing  
 5 account. (*Id.* at 45.) In a compliance filing on June 29, 2012 (Docket No. E-01345A-11-0224), APS  
 6 included a balancing account in its LFCR Plan of Administration and supporting schedules. For the  
 7 same reasons cited in Decision No. 73183, we find that UNSE should amend its POA to include a  
 8 balancing account.

9 In addition, although Section 7.8 of the Settlement Agreement indicates that the first LFCR  
 10 surcharge would go into effect on July 1, 2014, and “will recover lost fixed cost on a calendar year  
 11 basis from January 1, 2013 forward,” we do not believe it is reasonable to allow recovery of lost  
 12 fixed costs on a retroactive basis. We will therefore require UNSE to amend its LFCR POA to  
 13 become effective beginning July 1, 2015, to recover the lost fixed costs from January 1, 2014  
 14 forward, the effective date of rates in this Decision.<sup>7</sup>

15 Based on the totality of circumstances, we find that the Settlement Agreement provides  
 16 benefits to ratepayers, shareholders and the community, and represents a fair and balanced resolution  
 17 of all of the issues presented. We therefore find that the Settlement Agreement is in the public  
 18 interest and approve it, subject to the various revisions set forth in the late-filed exhibits, and as  
 19 modified above.

#### 20 **Depreciation Rate for Photovoltaic Assets**

21 In addition to the terms of the Settlement Agreement, UNSE requests that the Commission  
 22 approve a 20-year service life, and corresponding 5 percent depreciation rate, for the Company’s  
 23 solar photovoltaic (“PV”) assets. According to Mr. Dukes, the Company began installing PV systems  
 24 in 2011 to comply with the Commission’s renewable energy mandates. (UNSE Ex. 11, at 25.)  
 25 Because UNSE has just begun deploying PV technology, Mr. Dukes stated that it has no historical

26 \_\_\_\_\_  
 27 <sup>7</sup> We note that this modification is consistent with the Settlement approved in the last APS rate case (Decision No.  
 28 73183), wherein the APS LFCR became effective March 1, 2013, based on reduced sales from EE and DG for 2012, but  
 the LFCR recovery was “pro-rated from the date rates become effective pursuant to a Commission decision on this  
 Agreement.” (Decision No. 73183, Settlement Agreement Section 9.6.)

1 retirement data upon which to base an expected service life, and, although TEP has deployed PV  
 2 technology since 1998, it does not yet have retirement data. However, Mr. Dukes indicated that TEP  
 3 has been depreciating its PV assets at a rate of 5 percent per year, based on an estimated 20-year  
 4 service life, and he requests that the Commission authorize UNSE to use the same service life and  
 5 depreciation rate for PV assets. (*Id.*) Mr. Dukes stated that Staff agrees with its proposal and neither  
 6 RUCO nor Nucor are opposed. (*Id.* at 26.)

7 We agree that UNSE's proposal is reasonable and will authorize the Company to assume a  
 8 20-year service life, and corresponding 5 percent depreciation rate, for solar PV assets.

9 \* \* \* \* \*

10 Having considered the entire record herein and being fully advised in the premises, the  
 11 Commission finds, concludes, and orders that:

12 **FINDINGS OF FACT**

13 1. UNSE is a C Corporation that provides electric service to the majority of Mohave and  
 14 Santa Cruz counties, including the cities of Kingman, Lake Havasu City, and Nogales. (UNSE Ex. 2,  
 15 at 6.) The Company serves approximately 73,000 customers in Mohave County and approximately  
 16 18,000 customers in Santa Cruz County.

17 2. UNSE's current rates were established in Decision No. 71914 (September 10, 2010),  
 18 based on a 2008 test year.

19 3. On October 31, 2012, UNSE filed a Notice of Intent to File a Rate Case Application in  
 20 the above-captioned docket.

21 4. On December 31, 2012, UNSE filed its Rate Case Application seeking an increase in  
 22 non-fuel base rates of approximately \$7.5 million, or 4.6 percent, to be effective by January 1, 2014.  
 23 The requested increase was based on a test year ending June 30, 2012.

24 5. On January 30, 2013, Staff notified the Company that its application was sufficient  
 25 under A.A.C. R14-2-103 and classified UNSE as a Class A utility.

26 6. By Procedural Order issued February 7, 2013, as modified by Procedural Order issued  
 27 February 11, 2013, this matter was scheduled for hearing and various filing deadlines were  
 28 established.

1           7.     On May 14, 2013, UNSE filed a Notice of Mailing and Publication attesting that the  
2 required public notice was mailed to all customers as a bill insert, and that publication of the notice  
3 was made in the *Kingman Daily Miner*, *Today's News Herald*, and the *Nogales International*.

4           8.     Intervention in this docket was granted to RUCO and Nucor.

5           9.     On June 27, 2013, UNSE filed a Joint Request for Modification of Procedural  
6 Schedule. The Company requested that the date for filing its rebuttal testimony be changed from  
7 August 12, 2013, to August 16, 2013, due to scheduling conflicts.

8           10.    By Procedural Order issued July 2, 2013, UNSE's Request for Modification of  
9 Procedural Schedule was granted.

10          11.    On August 1, 2013, UNSE filed a Joint Request for Modification of Procedural  
11 Schedule. The Company requested that the date for filing a settlement be changed from August 12,  
12 2013, to August 26, 2013, because an agreement was being drafted. The Company also requested an  
13 extension of time to file direct testimony in support of the settlement, from August 26, 2013, to  
14 September 20, 2013.

15          12.    By Procedural Order issued August 7, 2013, UNSE's Joint Request for Modification  
16 of Procedural Schedule was granted; the filing date for a settlement was extended from August 12,  
17 2013, to August 26, 2013; and the date for filing direct testimony in support of the settlement was  
18 extended from August 26, 2013, to September 20, 2013.

19          13.    On August 23, 2013, UNSE filed a Joint Request for Modification of Procedural  
20 Schedule, which requested that the date for filing a settlement be extended from August 26, 2013, to  
21 September 6, 2013, with all other procedural dates remaining the same.

22          14.    By Procedural Order issued August 23, 2013, UNSE's Joint Request for Modification  
23 of Procedural Schedule was granted.

24          15.    On September 6, 2013, a proposed Settlement Agreement signed by UNSE, Staff,  
25 RUCO, and Nucor was docketed.

26          16.    On September 19, 2013, Nucor filed the direct testimony of Jay Zarnikau in support of  
27 the Settlement Agreement.

28 ...

1           17.     On September 20, 2013, UNSE filed the direct testimony of Dallas J. Dukes in support  
2 of the Settlement Agreement; Staff filed the testimony of Steven M. Olea in support of the Settlement  
3 Agreement; and RUCO filed the direct testimony of Patrick J. Quinn in support of the Settlement  
4 Agreement. No testimony was filed in opposition to the Settlement.

5           18.     On September 23, 2013, UNSE filed a Notice of Errata to correct the LPS-TOU tariff  
6 attached as part of Exhibit DJD-3 to Mr. Dukes' testimony.

7           19.     On September 27, 2013, UNSE filed a Notice of Errata to correct the LPS-TOU tariff  
8 that was filed as an Errata on September 23, 2013.

9           20.     On September 27, 2013, a procedural conference was conducted to discuss scheduling  
10 of witnesses and other procedural matters.

11           21.     On September 30, 2013, the hearing was convened to take testimony and admit related  
12 exhibits regarding UNSE's application and the Settlement Agreement. UNSE, RUCO, Nucor, and  
13 Staff appeared through counsel. No members of the public attended to offer public comment. At the  
14 conclusion of the hearing, the matter was taken under advisement pending submission of certain late-  
15 filed exhibits and issuance of a Recommended Opinion and Order.

16           22.     On October 3, 2013, UNSE late-filed a corrected LPS-TOU tariff (part of UNSE Ex.  
17 11) to replace the tariff that was submitted as an Errata on September 27, 2013.

18           23.     On October 7, 2013, UNSE late-filed revised language regarding the LFCR  
19 mechanism (UNSE Ex. 13) that is included in the Settlement Agreement.

20           24.     On October 9, 2013, UNSE late-filed schedules for the POA related to the LFCR  
21 mechanism (UNSE Ex. 12).

22           25.     On November 6, 2013, UNSE filed a Notice of Errata with a revised Residential R-01  
23 tariff and revised Proof of Revenue (part of UNSE Ex. 11).

24           26.     The settlement discussions in this docket were open, transparent, and inclusive of all  
25 parties who desired to participate. All parties were notified of the settlement proceedings and had the  
26 opportunity to be heard and have their issues fairly considered.

27           27.     The Settlement Agreement and its provisions are in the public interest and should be  
28 approved as discussed herein.

1           28. For purposes of this proceeding, UNSE's adjusted OCRB is \$212,948,281 and the fair  
2 value of the Company's jurisdictional rate base for the test year ending June 30, 2012, is  
3 \$282,823,283.

4           29. UNSE's adjusted non-fuel test year revenues are \$73,922,954; adjusted test year base  
5 fuel revenues are \$87,969,802; and total adjusted revenues are \$161,892,756.<sup>8</sup>

6           30. UNSE's actual test year end capital structure consisting of 47.40 percent long-term  
7 debt and 52.60 percent common equity is appropriate for establishing rates in this matter.

8           31. A return on common equity of 9.50 percent and an embedded cost of long-term debt  
9 of 5.97 percent are appropriate estimates of the cost of capital for purposes of this Settlement  
10 Agreement.

11           32. A FVROR of 6.02 percent on UNSE's FVRB produces rates that are just and  
12 reasonable.

13           33. UNSE should be authorized a non-fuel base rate increase of \$3,186,000.

14           34. UNSE's average retail base fuel rate is set at \$0.05706 per kWh, which reflects total  
15 annual fuel and purchased power costs of \$99,318,063.

16           35. UNSE's PPFAC rate shall be reset at zero effective contemporaneously with the new  
17 rate adopted herein; future PPFAC rates will be calculated on a 12-month rolling average, adjusted  
18 monthly; and the band for PPFAC adjustments will be \$0.83 percent on a month-to-month basis, with  
19 a \$10 million trigger for filing of a PPFAC credit.

20           36. UNSE will implement an Energy Efficiency Implementation Plan as approved by the  
21 Commission in pending Docket No. E-04204A-12-0219, as superseded by § 6.2 of the Settlement  
22 Agreement regarding the performance incentive. UNSE's EEIP will include a revised performance  
23 incentive of 8 percent of net benefits, capped at \$0.0125 per kWh saved, based on annual kWh saved  
24 from the MER Report.

25 \_\_\_\_\_  
26 <sup>8</sup> See UNSE Ex. 10, Section 2.1 (\$77,108,954 - \$3,186,000 = \$73,922, 954) and Section 2.2 (\$99,318,063 - \$11,348,261 =  
27 \$87,969,802). There appears to be a discrepancy between the test year revenues reflected in the body of the Settlement  
28 Agreement and the schedule included in Attachment B of the Settlement. Attachment B indicates that UNSE's total  
adjusted test year revenues were \$160,103,406, which reflects base non-fuel revenue of \$72,380,595 less \$(247,889)  
CARES non-fuel discount; base fuel revenue of \$88,385,352 less \$(439,091) CARES fuel discount; plus Community  
Solar revenue of \$24,439.

1           37.     It is reasonable in this case to establish a Lost Fixed Cost Recovery mechanism, with a  
2 Fixed Residential Rate Option, because under UNSE's current volumetric rate design, the Company  
3 recovers a significant portion of its fixed costs of service through kWh sales, and Commission rules  
4 related to EE and DG are designed to result in fewer kWh sales.

5           38.     UNSE shall be required to amend its LFCR Plan of Administration to include a  
6 balancing account, as discussed herein.

7           39.     UNSE shall be required to amend its LFCR Plan of Administration to become  
8 effective beginning July 1, 2015, to recover the lost fixed costs from January 1, 2014 forward, the  
9 effective date of rates in this Decision.

10          40.     UNSE will be required to seek stakeholder input regarding the development of a  
11 customer outreach program to inform and educate customers about the LFCR mechanism and to  
12 implement the outreach program by May 1, 2015.

13          41.     It is reasonable in this case to establish a Transmission Cost Adjustor mechanism,  
14 which is intended to recover transmission costs associated with serving retail customers. UNSE shall  
15 retain, and pay for, in the amount and for the duration specified in the Settlement, a consultant of  
16 Staff's choosing for purposes of conducting an audit of the Company's TCA.

17          42.     It is reasonable to require UNSE to limit a typical CARES customer's rate increase to  
18 an amount that is generally reflective of the average monthly dollar increase for a standard  
19 Residential R-01 customer, before any DSM surcharge adjustment. The CARES Medical rate will be  
20 eliminated for new customer accounts, and the existing CARES Medical rate will not be portable.

21          43.     It is reasonable for the rate design portion of the record in this matter to remain open  
22 until January 1, 2015, as described in Section XI of the Settlement Agreement, to allow for the  
23 possible adjustment of specific tariffs to correct unintended rate impacts that are determined to be  
24 inconsistent with the public interest. UNSE is required to communicate the rate design changes to the  
25 LGS rate class in the manner described in the Settlement.

26          44.     It is reasonable to adopt revisions to UNSE's Rules and Regulations, as described in  
27 Section XII of the Settlement Agreement, and in Attachment "H" to the Agreement.

28 ...





1 IT IS FURTHER ORDERED that the revised Rules and Regulations set forth in Attachment  
2 H to the Settlement Agreement are approved.

3 IT IS FURTHER ORDERED that a 20-year service life, and corresponding 5 percent  
4 depreciation rate, are approved for UNS Electric, Inc's solar PV assets.

5 IT IS FURTHER ORDERED that UNS Electric, Inc., shall file, within 90 days of the  
6 effective date of this Decision, a revised Partial Requirements Service Tariff and a Super-Peak Time-  
7 of-Use Tariff.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

9 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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CHAIRMAN \_\_\_\_\_ COMMISSIONER \_\_\_\_\_

COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_ COMMISSIONER \_\_\_\_\_

IN WITNESS WHEREOF, I, JODI JERICH, Executive  
Director of the Arizona Corporation Commission, have  
hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

\_\_\_\_\_  
JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
DN:tv

1 SERVICE LIST FOR: UNS ELECTRIC, INC.

2 DOCKET NO.: E-04204A-12-0504

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**EXHIBIT A**

**PROPOSED SETTLEMENT AGREEMENT OF  
RATE APPLICATION OF**

**UNS ELECTRIC, INC.  
DOCKET NO. E-04204A-12-0504**

**SEPTEMBER 6, 2013**

DECISION NO. \_\_\_\_\_

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**Attachments:**

- Attachment A Revenue Requirement Adjustment
- Attachment B Bill Impacts
- Attachment C PPFAC POA
- Attachment D LFCR POA
- Attachment E TCA POA
- Attachment F Additional Staff Recommendations
- Attachment G Summary of Rate Design
- Attachment H Rules and Regulations
- Attachment I Statement of Charges
- Attachment J Modified or Eliminated Reporting Requirements

**SETTLEMENT AGREEMENT**  
**DOCKET NO. E-04204A - UNS ELECTRIC, INC. RATE CASE**

The purpose of this Settlement Agreement ("Agreement") is to settle all issues related to Docket No. E-04204A-12-0504, UNS Electric, Inc. application to increase rates. This Agreement is entered into by the following entities:

UNS Electric, Inc. ("UNSE" or "Company")  
Arizona Corporation Commission Utilities Division ("Staff")  
Residential Utility Consumer Office ("RUCO")  
NUCOR Corporation ("NUCOR")

These entities shall be referred to collectively as "Signatories;" a single entity shall be referred to individually as a "Signatory."

**I. RECITALS**

- 1.1 UNSE filed the rate application underlying Docket No. E-04204A-12-0504 on December 31, 2012. Staff found the application sufficient on January 30, 2013.
- 1.2 Subsequently, the Arizona Corporation Commission ("Commission") granted intervention to RUCO and Nucor. (together with UNSE and Staff, the "Parties" or the "Signatories").
- 1.3 On June 28, 2013, Staff, and RUCO filed Direct Testimony on non-rate design issues. On July 12, 2013, Staff, RUCO and NUCOR filed Direct Testimony on rate design issues.
- 1.4 UNSE filed a notice of settlement discussions on July 10, 2013. Settlement discussions began on July 29, 2013. The settlement discussions were open, transparent, and inclusive of all Parties to this Docket who desired to participate. All Parties to this Docket were notified of the settlement discussion process, were encouraged to participate in the negotiations, and were provided with an equal opportunity to participate. All Parties to this Docket participated in the settlement discussions and are Signatories to this Agreement.
- 1.5 The terms of this Agreement are just, reasonable, fair, and in the public interest in that they, among other things, establish just and reasonable rates for UNSE customers; promote the convenience, comfort and safety, and the preservation of health, of the employees and patrons of UNSE; resolve the issues arising from this Docket; and avoid unnecessary litigation expense and delay.
- 1.6 The Signatories believe that this Agreement balances the interests of both UNSE and its customers. These benefits include:
  - A revenue increase that is less than half of what the Company requested in its rate application;
  - Continuing bill assistance for low income customers;
  - An improved Purchased Power and Fuel Adjustment Clause ("PPFAC") will use a rolling 12 month average to set the PPFAC rate, resulting in a monthly PPFAC rate adjustment that will smooth the impact of changes in the costs of fuel and purchased power;

- A narrowly-tailored Lost Fixed Cost Recovery (“LFCR”) mechanism that supports energy efficiency (“EE”) and distributed generation (“DG”) at any level or pace set by this Commission;
  - A fixed cost LFCR rate option for residential customers preferring to pay a specified charge for lost fixed costs rather than the variable LFCR;
  - Simplified time of use rates that provide more off peak hours to customers; and
  - A minimal overall customer bill impact.
- 1.7 The Signatories agree to ask the Commission to (1) find that the terms and conditions of this Agreement are just and reasonable and in the public interest, along with any and all other necessary findings, and (2) approve the Agreement such that the resulting rates may become effective on January 1, 2014.

## TERMS AND CONDITIONS

### II. RATE INCREASE

- 2.1 UNSE shall receive a non-fuel base rate increase of approximately \$3,186,000 over adjusted test-year retail revenues, reflecting a total non-fuel revenue requirement of \$77,108,954. **Attachment A** sets forth the adjustments to UNSE’s initial request for a non-fuel base rate increase of \$7,522,000 that results in the settlement amount.
- 2.2 UNSE’s base fuel rates shall be set to recover a total of \$99,318,063 which is an annual increase of \$11,348,261 over the amount recovered through current base fuel rates. The PPFAC rate will be reset to zero on the effective date of the new rates.
- 2.3 UNSE’s total base fuel and non-fuel revenue increase is \$14,533,854, which represents a 9% increase over adjusted test year retail revenue.
- 2.4 The Company’s jurisdictional fair value rate base used to establish the rates agreed to herein is \$282,823,283, representing an average of the original cost rate base of \$212,948,281 and the replacement cost new less depreciation rate based of \$352,698,299. The Company’s total adjusted Test Year revenue requirement is \$176,427,018.

### III. BILL IMPACT

- 3.1 Upon the effective date of the new rates, the monthly bill for a residential customer, using the annual average of 850 kWh per month, will increase by approximately \$0.41. This overall impact reflects a base rate increase, as well as a reduction in the fuel and purchase power and DSM charges.
- 3.2 The Revenue Proof, the Revenue Allocation, and the Average Residential Bill Impact summary are appended hereto as **Attachment B**.

### IV. COST OF CAPITAL

- 4.1 The actual test year capital structure comprised of 47.40% debt and 52.60% common equity shall be adopted.
- 4.2 A return on common equity of 9.5% and an embedded cost of debt of 5.97% shall be adopted.
- 4.3 A fair value rate of return of 6.02%, which includes a rate of return on the fair value increment of rate base of 0.50%, shall be adopted.
- 4.4 The provisions set forth herein regarding the quantification of cost of capital, fair value rate base, fair value rate of return, and the revenue requirement are made for purposes of settlement only and should not be construed as admissions against interest or waivers of litigation positions related to other or future cases.

### V. PURCHASED POWER AND FUEL ADJUSTMENT CLAUSE

- 5.1 UNSE will continue to recover its base purchased power and fuel costs through base fuel rates as determined by the Commission in this case. The average retail base fuel rate shall be set at \$0.05706 per kWh. This rate results in a total of \$99,318,063 in annual fuel and purchased power costs being recovered through base fuel rates. On the effective date of new rates in this docket, the PPFAC rate will be set at \$0.00.
- 5.2 UNSE's existing PPFAC mechanism will be modified so that the PPFAC rate will be calculated on a 12-month rolling average, adjusted monthly. The Plan of Administration will include a band for PPFAC rate adjustments of 0.83% on a month to month basis and a \$10 million trigger for requiring the filing for a PPFAC credit. The PPFAC is also

modified to include the recovery of broker fees. UNSE will make monthly PPFAC compliance filings. The modified PPFAC Plan of Administration is appended hereto as **Attachment C**.

## **VI. ENERGY EFFICIENCY**

- 6.1 UNSE will implement the 2013-2014 Energy Efficiency Implementation Plan ("Plan"), as approved by the Commission in Docket No. E-04204A-12-0219, as superseded herein as to the performance incentive as described in paragraph 6.2.
- 6.2 The Plan will include a revised performance incentive of 8% of net benefits capped at \$0.0125/kWh saved (based on annual kWh saved from the Monitoring, Evaluation and Research ("MER") report). This performance incentive is identical to the performance incentive recently approved by the Commission for Tucson Electric Power ("TEP") in Decision No. 73912 (June 27, 2013) and may be changed by the Commission in a future proceeding outside of a rate case.
- 6.3 Nothing in this Agreement or the Plan is intended to bind the Commission to any specific EE policy or standard.

## **VII. LOST FIXED COST RECOVERY/FIXED RESIDENTIAL RATE OPTION**

- 7.1 The Signatories also recognize that, under UNSE's current volumetric rate design, the Company recovers a significant portion of its fixed costs of service through kWh sales. Commission rules related to EE and DG require UNSE to sell fewer kWh, which, in turn, prevents the Company from being able to recover a portion of the fixed costs of service embedded in its volumetric rates.
- 7.2 The Signatories also recognize the Commission's interest in directing EE and DG policy. In signing this Agreement, the Signatories intend that an LFCR mechanism with a residential fixed rate option shall be adopted that allows UNSE relief from the financial impact of verified lost kWh sales attributable to Commission requirements regarding EE and DG while preserving maximum flexibility for the Commission to adjust EE and DG requirements, either upward or downward, as the Commission may deem appropriate as a matter of policy.

- 7.3 The Signatories propose that the Commission approve an LFCR mechanism that is similar to the LFCR approved for other Arizona utilities including the LFCR mechanism recently approved for TEP in Decision No. 73912 (June 27, 2013). The LFCR shall recover a portion of distribution and transmission costs associated with residential, commercial and industrial customers when sales levels are reduced by EE and DG. It shall not recover lost fixed costs attributable to generation and to other potential factors, such as weather or general economic conditions.
- 7.4 The LFCR will have a 1% year-over-year cap. The annual 1% year over year cap is based on total applicable UNSE retail revenues (i.e., average bills for customers shall not increase by more than 1%). Any amount in excess of the 1% cap will be deferred for collection consistent with the LFCR Plan of Administration.
- 7.5 The LFCR mechanism shall not apply to lighting customers, as delineated in the LFCR Plan of Administration. However, rate design for this customer class shall be such that the class pays its fair share of fixed costs through monthly fixed charges.
- 7.6 Residential customers shall have a fixed LFCR rate option providing the opportunity to elect an optional higher monthly service charge, graduated by kWh monthly usage. The optional monthly service charge will be incorporated into each residential rate schedule to provide customers with the maximum flexibility to choose the fixed LFCR rate option without requiring a shift to a different rate schedule. The purpose of this fixed LFCR rate option is to replicate, on average, the effects of the LFCR. The fixed LFCR rate option shall be \$2.50 for less than 2000 kWh and \$6.50 for amounts equal to and greater than 2000 kWh.
- 7.7 UNSE shall seek stakeholder input regarding the development of a customer outreach program to inform and educate customers about the LFCR and shall implement this outreach program by May 1, 2014.
- 7.8 The LFCR will recover lost fixed cost on a calendar year basis from January 1, 2013 forward and the first LFCR surcharge will not go into effect until July 1, 2014.
- 7.9 The LFCR Plan of Administration is appended hereto as **Attachment D**.

**VIII. TRANSMISSION COST ADJUSTOR MECHANISM**

- 8.1 UNSE will implement a Transmission Cost Adjustor ("TCA") mechanism that will recover transmission costs associated with serving retail customers. The TCA Plan of Administration is appended hereto as **Attachment E**. The TCA is similar to the TCA approved by the Commission for Arizona Public Service Company in Decision No. 67744 (April 7, 2005), as modified in Decision No. 73183 (May 24, 2012).
- 8.2 Upon request of Staff, for a period of three years commencing with calendar year 2014 and ending in calendar year 2016, UNSE will provide annual funding in an amount of up to \$25,000 for a Staff consultant to perform an audit related to UNSE's TCA.

**IX. OPERATIONAL REQUIREMENTS**

- 9.1 UNSE agrees to adopt Staff's proposed operational recommendations set forth in the Direct Testimony of Michael Lewis at pages 19-20. The adopted recommendations are set forth in **Attachment F**.

**X. LOW INCOME PROGRAMS**

- 10.1 UNSE will limit a typical CARES customer's rate increase to an amount that is generally reflective of the average monthly dollar increase of a standard R-01 customer, before any DSM surcharge adjustment.
- 10.2 The PPFAC rate and REST charge shall continue to apply to CARES customers.
- 10.3 The CARES Medical rate shall be eliminated for new customer accounts. The existing CARES Medical rate shall be frozen and shall not be portable.

**XI. RATE DESIGN**

- 11.1 In addition to the provisions affecting rate design set forth in this Agreement above, rate design shall be addressed as set forth in **Attachment G**.

- 11.2 In order to communicate the rate design changes to the Large General Service ("LGS") Rate Class specified in this Agreement, the Company shall:
- A. Identify and communicate with the group of current LGS customers whose annual demand was below 20 kW and had no more than 1 consecutive month of consumption in excess of 12,000 kWh, that they will be moved to the Small General Service ("SGS") Rate Class and provide them with guidance on how to request additional information.
  - B. Identify and communicate with the group of current LGS customers whose annual demand was below an average of 20 kW and had no more than 1 consecutive month of consumption in excess of 12,000 kWh that with the new rate design, the SGS Rate Class may provide a better fit for their load profile and provide them guidance on how to request additional information.
  - C. Provide letters to the above two groups of LGS customers communicating the specified information, as well as provide a letter to the remaining LGS customers explaining the rate design changes and how it might affect their future bills and provide them with guidance on how to request additional information.
- 11.3 The rate design portion of this Agreement shall remain open until January 1, 2015, to allow for the possible adjustment of tariffs to correct for customer rate impacts that are determined to be inconsistent with the public interest. Any tariff changes will be in the aggregate, revenue neutral as it relates to the Company's non-fuel revenue requirement.

## **XII. RULES AND REGULATIONS**

- 12.1 UNSE's Rules and Regulations shall be revised as set forth in **Attachment H**.

## **XIII. GREENWATTS TARIFF AND STATEMENT OF CHARGES**

- 13.1 UNSE's GreenWatts tariff is eliminated in light of the existing UNSE REST programs.
- 13.2 UNSE's revised Statement of Charges is set forth in **Attachment I**.

**XIV. COMPLIANCE MATTERS**

- 14.1 Certain existing UNSE reporting requirements shall be eliminated or modified as set forth in **Attachment J**.

**XV. ADDITIONAL SETTLEMENT PROVISIONS**

- 15.1 **Interruptible Power Service.** In its next general rate case, UNSE will evaluate adding additional interruptible power service tariffs, including presenting options to: (a) redesign its existing Interruptible Power Service ("IPS") tariff, and (b) provide a tariff option or a demand response program to enable energy consumers served through tariffs other than IPS an opportunity to designate a portion of their firm load to be interrupted for economic and/or reliability reasons and receive reasonable compensation for providing such a service. UNSE is under no obligation to endorse these proposed options. UNSE shall include in its public notice for the next general rate case that such options are being evaluated and provide notice of such to customers served under the IPS tariff.

When UNSE presents options to redesign the IPS tariff, such options may include: allowing UNSE to interrupt IPS customers for economic reasons; mandating test of the customers' ability to curtail or interrupt their purchases from UNSE; and phasing out or replacing the IPS tariff in favor of another tariff that provides reasonable compensation for providing interruptible service.

UNSE commits to working with the other Signatories to this settlement agreement in the development of a proposed program or tariff option that would encourage qualifying consumers to reduce their purchases from UNSE during periods when UNSE's marginal cost of purchased power is high according to defined trigger prices or mechanisms.

- 15.2 **Four Coincident Peak ("4CP") Billing Demand.** In its next general rate case, UNSE will present an evaluation of what the impact would be if the Company changed from its present method of determining an industrial customer's billing demand to a 4CP method. This evaluation may include calculating a demand charge rate using the prior year's 4CP billing determinants in a manner that yields revenues matching the revenues generated by UNSE's present method of determining an industrial customer's billing demand. UNSE need not endorse this method of calculating a customer's billing demand, but will provide

notice that such methodology may be explored in its next general rate case.

- 15.3 UNSE will file its next general rate case on or before July 1, 2017, utilizing a 2016 test year. Nothing shall preclude the Company from filing a rate case earlier than July 1, 2017, utilizing a corresponding earlier test year.
- 15.4 Within 90 days of the effective date of the decision in this docket, UNSE will file: (i) Partial Requirements Service ("PRS") tariffs that will be based on the charges set forth in the corresponding standard retail tariff; and (ii) a Super-Peak Time-of-Use tariff. The Company will work with the Signatories to ensure that the tariffs are revenue neutral to the Company.

#### **XVI. COMMISSION EVALUATION OF PROPOSED SETTLEMENT**

- 16.1 All currently filed testimony and exhibits shall be offered into the Commission's record as evidence.
- 16.2 The Signatories recognize that Staff does not have the power to bind the Commission. For purposes of proposing a settlement agreement, Staff acts in the same manner as any party to a Commission proceeding.
- 16.3 This Agreement shall serve as a procedural device by which the Signatories will submit to the Commission their proposed settlement of UNSE's pending rate case, Docket No. E-04204A-12-0504.
- 16.4 The Signatories recognize that the Commission will independently consider and evaluate the terms of this Agreement. If the Commission issues an order adopting all material terms of this Agreement, such action shall constitute Commission approval of the Agreement. Thereafter, the Signatories shall abide by the terms as approved by the Commission.
- 16.5 If the Commission fails to issue an order adopting all material terms of this Agreement, any or all of the Signatories may withdraw from this Agreement, and such Signatory or Signatories may pursue without prejudice their respective remedies at law. For purposes of this Agreement, whether a term is material shall be left to the discretion of the Signatory choosing to withdraw from the Agreement. If a Signatory withdraws from the Agreement pursuant to this paragraph and files an

application for rehearing, the other Signatories, except for Staff, shall support the application for rehearing by filing a document with the Commission that supports approval of the Agreement in its entirety. Staff shall not be obligated to file any document or take any position regarding the withdrawing Signatory's application for rehearing.

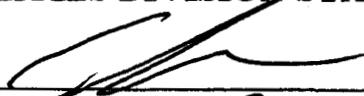
## **XVII. MISCELLANEOUS PROVISIONS**

- 17.1 This case has attracted participants with widely diverse interests. To achieve consensus for settlement, participants may be accepting positions that, in any other circumstances, they would be unwilling to accept. They are doing so because this Agreement, as a whole, is consistent with their long-term interests and with the broad public interest. The acceptance by any Signatory of a specific element of this Agreement shall not be considered as precedent for acceptance of that element in any other context.
- 17.2 No Signatory is bound by any position asserted in negotiations, except as expressly stated in this Agreement. No Signatory shall offer evidence of conduct or statements made in the course of negotiating this Agreement before this Commission, any other regulatory agency, or any court.
- 17.3 Neither this Agreement nor any of the positions taken in this Agreement by any of the Signatories may be referred to, cited, and/or relied upon as precedent in any proceeding before the Commission, any other regulatory agency, or any court for any purpose except to secure approval of this Agreement and enforce its terms.
- 17.4 To the extent any provision of this Agreement is inconsistent with any existing Commission order, rule, or regulation, this Agreement shall control.
- 17.5 Each of the terms of this Agreement is in consideration of all other terms of this Agreement. Accordingly, the terms are not severable.
- 17.6 The Signatories shall make reasonable and good faith efforts necessary to obtain a Commission order approving this Agreement for the rates to become effective on January 1, 2014. The Signatories shall support and defend this Agreement before the Commission. Subject to Paragraph 16.5 above, if the Commission adopts an order approving all material terms of the Agreement, the Signatories will support and defend the

Commission's order before any court or regulatory agency in which it may be at issue.

- 17.7 This Agreement may be executed in any number of counterparts and by each Signatory on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF**

By   
 Title Utilities Division Director  
 Date 9-6-13

**UNS ELECTRIC, INC.**

By \_\_\_\_\_  
 Title \_\_\_\_\_  
 Date \_\_\_\_\_

**RESIDENTIAL UTILITY CONSUMER  
OFFICE**

By \_\_\_\_\_  
 Title \_\_\_\_\_  
 Date \_\_\_\_\_

**NUCOR CORPORATION**

By \_\_\_\_\_  
 Title \_\_\_\_\_  
 Date \_\_\_\_\_

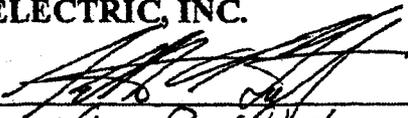
Commission's order before any court or regulatory agency in which it may be at issue.

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**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**UNS ELECTRIC, INC.**

By  \_\_\_\_\_  
Title Vice President  
Date 9/5/2013

**RESIDENTIAL UTILITY CONSUMER  
OFFICE**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**NUCOR CORPORATION**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

Commission's order before any court or regulatory agency in which it may be at issue.

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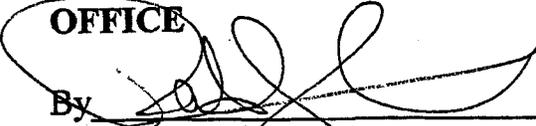
**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**UNS ELECTRIC, INC.**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**RESIDENTIAL UTILITY CONSUMER  
OFFICE**

By  \_\_\_\_\_  
Title Director RUCD  
Date 9/5/2013

**NUCOR CORPORATION**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

Commission's order before any court or regulatory agency in which it may be at issue.

17.7 This Agreement may be executed in any number of counterparts and by each Signatory on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument. This Agreement may also be executed electronically or by facsimile.

**ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION STAFF**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**UNS ELECTRIC, INC.**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**RESIDENTIAL UTILITY CONSUMER  
OFFICE**

By \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**NUCOR CORPORATION**

By [Signature]  
Title Attorney for NUCOR  
Date 7/6/13

# ATTACHMENT A

**UNSE ELECTRIC, INC**  
**COMPARISON OF ADJUSTMENTS TO ACC JURISDICTIONAL REVENUE REQUIREMENT**

TEST YEAR ENDED JUNE 30, 2012

	UNSE As Filed 6/30/12	UNSE Settlement 8/26/13	
Original Cost Rate Base - Unadjusted	\$205,574,218	\$205,574,218	
<b>Rate Base Adjustments</b>			
Acquisition Discount Adjustment	5,093,766	5,093,766	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Post Test Year Plant - Renewable	5,190,557	(\$384,599)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Post Test Year Plant in Service	7,879,257	\$7,879,257	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Accumulated Deferred ITC	(1,414,218)	\$225,956	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Accumulated Deferred Income Taxes	(854,780)	(\$566,162)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Working Capital	(4,894,030)	(4,884,166)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Total Adjustments to Rate Base	11,000,553	7,374,062	
Pro Forma OCRB	\$216,574,771	\$212,949,280	
Proposed Rate of Return	8.35%	7.83%	For purposes of settlement and to be reflected in rates, the Signatories agree that a capital structure of 52.60 % Equity @9.50% and 47.4% Debt @ 5.97% be used.
Required Operating Income OCRB	\$18,090,740	\$16,666,990	
Fair Value Increment of Rate Base	\$69,751,070	\$69,875,002	
Fair Value Rate Base (FVRB)	\$286,325,841	\$282,823,283	
Proposed FVROR	6.71%	6.02%	
Required Operating Income on FVRB	19,213,732	17,016,365	
ROR on Fair Value Increment of Rate Base	1.61%	0.50%	The Signatories agree to the reduced level of return on the fair value rate base increment for purposes of settlement.
Original Operating Income - Unadjusted	\$28,175,500	\$28,175,500	

UNSE ELECTRIC, INC		TEST YEAR ENDED JUNE 30, 2012	
COMPARISON OF ADJUSTMENTS TO ACC JURISDICTIONAL REVENUE REQUIREMENT			
	UNSE As Filed 6/30/12	UNSE Settlement 6/26/13	
<b>Operating Revenue Adjustments</b>			
ARRA Grant	446	446	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Base Cost of Fuel and Purchased Power	2,088,323	11,348,261	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Customer & Weather Adjustment	(5,223,136)	(5,223,136)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
REST & DSM	(925,530)	(925,530)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Total Adjustments to Operating Revenues	(\$4,059,897)	5,200,041	
<b>Operating Expense Adjustments</b>			
Base Cost of Fuel and Purchased Power	(2,088,323)	(11,348,261)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Payroll Expenses	(212,645)	(188,341)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Payroll Tax Expense	(17,658)	(15,641)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Pension & Benefits	(53,491)	(9,482)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Retiree Medical	(58,207)	(58,207)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Rate Case Expense	(75,305)	24,694	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Bad Debt Expense	19,625	19,625	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Depr & Amort Expense	(705,996)	(615,871)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Property Tax	(191,772)	(182,484)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Incentive Compensation	(104,225)	(3,934)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Injuries & Damages	(313,480)	(193,641)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Membership Dues	9,407	22,366	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.

**UNSE ELECTRIC, INC**  
**COMPARISON OF ADJUSTMENTS TO ACC JURISDICTIONAL REVENUE REQUIREMENT**

**TEST YEAR ENDED JUNE 30, 2012**

	UNSE As Filed 6/30/12	UNSE Settlement 8/26/13	Summary
Building Allocation to Affiliates	(282,248)	(94,741)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Service Fees	181,900	181,900	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Credit Support Cost for Fuel & Purchased Power Purchase	-	(145,000)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Post Test Year Depreciation	(1,081,136)	(819,947)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Remediation Expense	171,233	171,233	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
Income Tax	5,573,992	5,225,259	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
OATT	(10,279,126)	(10,279,126)	The Signatories agree to this adjustment for purposes of settlement and that the adjustment be reflected in rates in this proceeding.
<b>Total Adjustments to Operating Expense</b>	<b>(9,507,457)</b>	<b>(18,309,579)</b>	
<b>Total Net Adjustments</b>	<b>(\$13,567,354)</b>	<b>(\$13,109,538)</b>	
Adjusted Operating Income	\$14,608,146	\$15,066,962	
Operating Income Deficiency	\$4,605,586	\$1,950,403	
Gross Revenue Conversion Factor	1.6333	1.6333	
Increase in Gross Revenue Requirement	\$7,522,304	\$3,185,594	

# ATTACHMENT B

**AVERAGE RESIDENTIAL BILL IMPACTS**

Average Monthly Consumption Residential Customer	Current Annual Bill	New** Annual Bill	Annual Bill Change	Percent Change to Total Bill	\$ Change in Bill W/O DSM	\$ Change in Bill With DSM
<b>Bill impacts comparing current rates to proposed rates - R-1</b>						
350 kWh	\$448.98	\$476.58	\$27.60	6.15%	\$2.30	\$1.70
525 kWh	\$643.56	\$670.62	\$27.06	4.20%	\$2.26	\$1.35
850 kWh*	\$1,033.68	\$1,056.18	\$22.50	2.18%	\$1.88	\$0.41
1153 kWh	\$1,408.86	\$1,431.90	\$23.04	1.64%	\$1.92	(\$0.08)
<b>Bill impacts comparing current rates to proposed rates - CARES</b>						
350 kWh	\$291.46	\$307.04	\$15.58	5.34%	\$1.30	Exempt
525 kWh	\$455.71	\$473.38	\$17.66	3.88%	\$1.47	Exempt
850 kWh*	\$851.80	\$873.34	\$21.55	2.53%	\$1.80	Exempt
1153 kWh	\$1,207.66	\$1,232.23	\$24.57	2.03%	\$2.05	Exempt

Note: \* 850 - the Average Annual Monthly consumption for UNSE's Residential Customer

\*\* Includes Zero PPFAC and Excludes DSM

Attachment B

UNS ELECTRIC, INC.  
REVENUE ALLOCATION - TEST YEAR ADJUSTED  
TEST PERIOD ENDING JUNE 30, 2012

Line No.	Description	Adjusted TY Non-Fuel Revenues No Customer Migration	Adjusted TY Non-Fuel Revenues No Customer Migration	Adjusted TY Fuel Revenues No Customer Migration	Customer Migration Non-Fuel Revenue	Customer Migration Fuel Revenue	Adjusted TY Non-Fuel Revenues with Migration	Adjusted TY Fuel Revenues with Migration	Fuel Revenue Increase	Percent Increase	Non-Fuel Revenue Increase	Percent Increase	Total Non-Fuel and Fuel Revenue Total	Percent Increase
1	Residential	\$32,086,845	\$48,105,056	\$48,105,056			\$32,086,845	\$48,105,056	\$5,502,713	6.9%	\$1,602,900	2.0%	\$87,297,515	8.9%
2	Small General Service	5,313,709	5,322,734	5,322,734	\$1,012,311	\$1,366,130	6,326,019	6,688,864	1,549,523	11.9%	692,913	5.3%	\$15,257,319	17.2%
3	Interruptible	1,385,070	1,572,237	1,572,237			1,385,070	1,572,237	239,910	8.1%	65,898	2.2%	\$3,263,116	10.3%
4	Large General Service	21,721,305	22,424,731	22,424,731	-1,168,833	-1,209,607	20,552,472	21,215,123	2,324,332	5.6%	274,581	0.7%	\$44,366,508	6.2%
5	Large Power Service	11,166,649	10,553,536	10,553,536			11,166,649	10,553,536	1,697,155	7.8%	531,396	2.4%	\$23,948,735	10.3%
6	Lighting	459,128	-7,594	-7,594			459,128	-7,594	34,628	7.7%	17,906	4.0%	\$504,069	11.6%
7	Subtotal	\$72,132,706	\$87,970,700	\$87,970,700	-\$156,522	\$156,522	\$71,976,184	\$88,127,223	\$11,349,261	7.1%	\$3,185,594	2.0%	\$174,637,261	9.1%

DOCKET NO. E-04204A-12-0504

DECISION NO. \_\_\_\_\_

UNS ELECTRIC, INC.  
TEST YEAR RATES VS. PROPOSED RATES AND REVENUES  
TEST PERIOD ENDING JUNE 30, 2012

Line No.	Rate Schedule	Test Year Adjusted Billing Determinants	Current Rates	Test Year Adjusted Revenue	Proposed Adjusted Billing Determinants	Proposed Rates	Proposed Revenue
<b>RESIDENTIAL - CARES</b>							
1	Customer Charge	79,488	\$3.50	\$278,208	79,488	\$4.90	\$389,491
2	Energy Charge 1st 400 kWh	29,906,869	\$0.018973	567,419	29,906,869	\$0.018973	567,419
3	Energy Charge, all additional kWhs	40,285,846	\$0.035855	1,443,732	40,285,846	\$0.035400	1,425,411
4	Base Power Supply Charge, all kWhs	70,172,515	\$0.064603	4,533,355	70,172,515	\$0.061700	4,329,844
5	PPFAC 7/1/11 - 5/31/12	62,840,408	(\$0.008414)	(527,056)			
6	PPFAC 6/1/12	7,532,107	(\$0.013829)	(104,162)			
7	<b>TOTAL RESIDENTIAL CARES REVENUE</b>			<b>\$5,504,516</b>			<b>\$6,711,956</b>
<b>RESIDENTIAL Service R-01</b>							
8	Customer Charge	874,104	\$8.00	\$6,992,832	874,104	\$10.00	\$8,741,040
9	Energy Charge 1st 400 kWh	298,807,066	\$0.019370	5,767,893	298,807,066	\$0.019300	5,786,976
10	Energy Charges 401 - 1,000 kWh				94,478,884	\$0.034350	3,245,350
11	Energy Charge, all additional kWh	469,851,115	\$0.036605	17,189,900	375,355,995	\$0.036610	13,741,790
12	Base Power Supply Charge, all kWhs	768,841,945	\$0.067445	51,841,056	768,841,945	\$0.064510	49,585,092
13	PPFAC 7/1/11 - 5/31/12	673,559,436	(\$0.008788)	(5,919,240)			
14	PPFAC 6/1/12	97,062,509	(\$0.014437)	(1,401,580)			
15	<b>TOTAL RESIDENTIAL REVENUE</b>			<b>\$74,499,860</b>			<b>\$81,080,248</b>
<b>RESIDENTIAL - RES-01-TOU</b>							
16	Customer Charge	1,868	\$8.00	\$13,344	1,868	\$11.50	\$19,182
17	Energy Charge 1st 400 kWh	861,574	\$0.019370	12,815	861,574	\$0.030350	20,079
18	Energy Charge, all additional kWhs	1,081,596	\$0.036605	39,592	1,081,596	\$0.030350	32,826
19	Base Power Supply ChargeS						
20	Summer On-peak, kWh	178,668	\$0.151771	27,117	317,069	\$0.129605	41,094
21	Summer Shoulder-peak, kWh	138,400	\$0.067445	9,334			
22	Summer Off-peak, kWh	730,158	\$0.046791	34,165	730,158	\$0.039605	28,918
23	Winter On-peak, kWh	181,376	\$0.151771	27,528	181,376	\$0.129605	23,507
24	Winter Off-peak, kWh	514,570	\$0.034527	17,767	514,570	\$0.031385	16,150
25	PPFAC 7/1/11 - 5/31/12	1,517,823	(\$0.008788)	(13,340)			
26	PPFAC 6/1/12	225,248	(\$0.014437)	(3,252)			
27	<b>TOTAL RESIDENTIAL TOU</b>			<b>\$165,059</b>			<b>\$181,756</b>
<b>SMALL GENERAL SERVICE</b>							
28	Customer Charge	96,408	\$12.50	\$1,205,100	102,040	\$14.50	\$1,479,580
29	Energy Charge 1st 400 kWh	29,184,828	\$0.032235	940,773	30,396,828	\$0.030176	917,255
30	Energy Charge 401 -12,000 kWh	67,874,782	\$0.046614	3,163,915	86,975,951	\$0.041042	3,569,639
31	Energy Charge >7,500 kWh				545,369	\$0.076042	41,471
32	Base Power Supply Charge, all kWhs	97,059,810	\$0.065495	6,356,919	117,918,148	\$0.058241	6,867,671
33	PPFAC 7/1/11 - 5/31/12	82,093,043	(\$0.008788)	(721,434)			
34	PPFAC 6/1/12	21,919,852	(\$0.014437)	(316,457)			
35	<b>TOTAL SMALL GENERAL SERVICE</b>			<b>\$10,628,817</b>			<b>\$12,875,615</b>
<b>SMALL GENERAL SERVICE TOU</b>							
36	Customer Charge	49	\$12.50	\$613	49	\$16.50	\$809
37	Energy Charge 1st 400 kWh	32,836	\$0.032235	1,058	32,836	\$0.030176	991
38	Energy Charge 401 -7,500 kWh	48,284	\$0.046614	2,250	48,284	\$0.043176	2,084
39	Energy Charge >7,500 kWh				0	\$0.076042	0
40	Base Power Supply Charges						
41	Summer On-peak, kWh	8,094	\$0.129605	1,049	10,117	\$0.129605	1,311
42	Summer Shoulder-peak, kWh	2,024	\$0.065495	133			
43	Summer Off-peak, kWh	30,435	\$0.039605	1,205	30,435	\$0.039605	1,205
44	Winter On-peak, kWh	8,109	\$0.129605	1,051	8,109	\$0.129605	1,051
45	Winter Off-peak, kWh	32,437	\$0.031385	1,018	32,437	\$0.031385	1,018
46	PPFAC 7/1/11 - 5/31/12	74,335	(\$0.008788)	(653)			
47	PPFAC 6/1/12	6,784	(\$0.014437)	(98)			
48	<b>TOTAL SMALL GENERAL SERVICE TOU</b>			<b>\$7,626</b>			<b>\$8,469</b>
<b>INTERRUPTIBLE POWER SERVICE</b>							
49	Customer Charge	468	\$16.00	\$7,488	468	\$18.00	\$8,424
50	Demand Charge, per kW	126,006	\$4.56	574,083	126,006	\$5.00	630,030
51	Energy Charge (kWhs)	41,411,045	\$0.019403	803,498	41,411,045	\$0.019408	803,706
52	Base Power Supply Charge, all kWhs	41,411,045	\$0.047985	1,987,109	41,411,045	\$0.043760	1,812,147
53	PPFAC 7/1/11 - 5/31/12	34,947,125	(\$0.008788)	(307,115)			
54	PPFAC 6/1/12	7,463,919	(\$0.014437)	(107,757)			
55	<b>TOTAL INTERRUPTIBLE POWER SERVICE</b>			<b>\$2,957,307</b>			<b>\$3,264,307</b>

UNS ELECTRIC, INC.  
TEST YEAR RATES VS. PROPOSED RATES AND REVENUES  
TEST PERIOD ENDING JUNE 30, 2012

Line No.	Rate Schedule	Test Year Adjusted Billing Determinants	Current Rates	Test Year Adjusted Revenue	Proposed Adjusted Billing Determinants	Proposed Rates	Proposed Revenue
<b>LARGE GENERAL SERVICE 5713-5714</b>							
1	Customer Charge	21,802	\$16.00	\$345,632	15,970	\$50.00	\$798,500
2	Customer Charge TOU	94	\$20.90	1,985			
3	Demand Charge, per kW	1,381,198	\$14.12	19,502,521	1,467,413	\$12.81	18,797,557
4	Energy Charge (kWhs)	458,062,917	\$0.004085	1,871,187	437,204,380	\$0.005470	2,391,508
5	Base Power Supply Charge, all kWhs	458,062,917	\$0.057991	26,563,527	437,204,380	\$0.056803	24,747,080
6	PPFAC 7/1/11 - 5/31/12	386,534,858	(\$0.008788)	(3,396,868)			
7	PPFAC 6/1/12	51,528,059	(\$0.014437)	(743,911)			
8	<b>TOTAL LARGE GENERAL SERVICE</b>			<b>\$44,144,052</b>			<b>\$46,734,645</b>
<b>LARGE POWER SERVICE 5709 -5712</b>							
9	Customer Charge <69 kV	188	\$372.00	\$69,938	188	\$1,200.00	\$225,600
10	Customer Charge >69 kV	36	\$407.00	14,652	36	\$1,200.00	43,200
11	Demand Charge <69kV, per kW	245,834	\$21.73	5,341,968	245,834	\$22.00	5,408,343
12	Demand Charge >69kV, per kW	107,250	\$15.80	1,694,547	107,250	\$17.00	1,823,247
13	Energy Charge (kWhs)	151,873,990	\$0.000453	68,799	151,873,990	\$0.000462	70,166
14	Power Factor Adjustment			23,979			
15	Primary Meter Discount			(40,574)			(40,574)
16	Base Power Supply Charge, all kWhs	151,873,990	\$0.046056	6,994,708	151,873,990	\$0.041880	6,360,483
17	PPFAC 7/1/11 - 5/31/12	127,191,477	(\$0.008788)	(1,117,759)			
18	PPFAC 6/1/12	34,763,513	(\$0.014437)	(501,881)			
19	<b>TOTAL LPS (&lt;69KV)</b>			<b>\$12,648,376</b>			<b>\$13,890,464</b>
<b>LARGE POWER SERVICE (&gt;69KV) TOU 5573</b>							
20	Customer Charge	12	\$407.00	\$4,884	12	\$1,200.00	\$14,400
21	Demand Charge, per kW	58,584	\$15.80	925,627	58,584	\$17.00	995,928
22	Energy Charge (kWhs)	37,247,731	\$0.000453	16,873	37,247,731	\$0.000462	17,208
23	Power Factor Adjustment			111,627			
24	Base Power Supply Charge, all kWhs						
25	Summer On-peak, kWh	1,852,440	\$0.094016	174,159	2,043,213	\$0.123580	252,500
26	Summer Shoulder-peak, kWh	1,966,146	\$0.046056	90,553			
27	Summer Off-peak, kWh	15,691,517	\$0.034016	533,763	17,466,890	\$0.024716	431,712
28	Winter On-peak, kWh	3,712,627	\$0.094016	349,046	2,085,277	\$0.093880	195,768
29	Winter Off-peak, kWh	14,025,001	\$0.022002	308,578	15,652,352	\$0.022105	345,995
30	PPFAC 7/1/11 - 5/31/12	31,402,426	(\$0.008788)	(275,965)			
31	PPFAC 6/1/12	5,745,305	(\$0.014437)	(82,945)			
32	<b>TOTAL LPS (&gt;69KV)</b>			<b>\$2,166,201</b>			<b>\$2,263,609</b>
<b>LARGE POWER SERVICE MINING</b>							
33	Customer Charge	24	\$407.00	\$9,768	24	\$1,200.00	\$28,800
34	Demand Charge, per kW	180,016	\$15.80	2,844,248	180,016	\$17.00	3,060,267
35	Energy Charge (kWhs)	111,371,411	\$0.000453	50,451	111,371,411	\$0.000462	51,454
36	Power Factor Adjustment			29,864			
37	Base Power Supply Charge, all kWhs	111,371,411	\$0.046056	5,129,322	111,371,411	\$0.041880	4,664,235
38	PPFAC 7/1/11 - 5/31/12	98,618,082	(\$0.008788)	(866,856)			
39	PPFAC 6/1/12	12,564,147	(\$0.014437)	(181,389)			
40	<b>TOTAL LPS (&gt;69KV)</b>			<b>\$7,015,609</b>			<b>\$7,804,765</b>
<b>LIGHTING DUSK TO DAWN</b>							
41	New 30' Wood Pole (Class 6) - Overhead	8,494	\$4.31	\$36,809	8,494	\$4.34	\$36,864
42	New 30' Metal or Fiberglass - Overhead	6,145	\$8.63	53,031	6,145	\$8.68	53,216
43	Existing Wood Pole - Underground	3,335	\$2.15	7,170	3,335	\$2.18	7,270
44	New 30' Wood Pole (Class 6) - Underground	94	\$6.47	608	94	\$6.52	613
45	New 30' Metal or Fiberglass - Underground	1,986	\$10.78	21,409	1,986	\$10.81	21,473
46	Wattage, per Watt	6,919,346	\$0.049181	340,300	6,919,346	\$0.051681	357,599
47	Base Power Supply Charge, customer charge	2,673,232	\$0.006761	18,074	2,673,232	\$0.010113	27,034
48	PPFAC 7/1/11 - 5/31/12	2,288,231	(\$0.008788)	(20,109)			
49	PPFAC 6/1/12	385,001	(\$0.014437)	(5,558)			
50	<b>TOTAL LIGHTING DUSK TO DAWN</b>			<b>\$451,636</b>			<b>\$504,069</b>
51	<b>Total Non-Fuel Revenue</b>			<b>\$72,380,595</b>			<b>\$75,566,189</b>
52	<b>CARES Non-Fuel Discount</b>			<b>(247,889)</b>			<b>(247,889)</b>
53	<b>Total Fuel Revenue</b>			<b>88,385,352</b>			<b>89,733,613</b>
54	<b>CARES Fuel Discount</b>			<b>(439,091)</b>			<b>(439,091)</b>
55	<b>Community Solar Revenue</b>			<b>24,439</b>			<b>24,439</b>
56	<b>Total Revenue</b>			<b>\$160,103,406</b>			<b>\$174,637,291</b>

# ATTACHMENT C

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UNS Electric, Inc.  
Purchased Power and Fuel Adjustment Clause  
Plan of Administration

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## **1. GENERAL DESCRIPTION**

This document describes the plan for administering the Purchased Power and Fuel Adjustment Clause ("PPFAC") the Arizona Corporation Commission ("Commission") approved for UNS Electric, Inc. ("UNS Electric") in Decision No. xx (xx, 2013).

The PPFAC described in this Plan of Administration ("POA") uses a historical twelve (12) month rolling average of actual fuel and purchased power costs to set a rate. The PPFAC rate is adjusted on a monthly basis. This POA describes the application of the PPFAC.

## **2. DEFINITIONS**

**Applicable Interest** - Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release H-15. The interest rate is adjusted annually on the first business day of the calendar year.

**Applicable Twelve (12) Months** - The historical 12-month period that ends two months prior to the monthly PPFAC rate change. For example, a January PPFAC rate is based on the 12 months ending November 30.

**Base Cost of Fuel and Purchased Power** - An amount generally expressed as a rate per kilowatt-hour ("kWh"), which reflects the fuel, purchased power and purchased transmission cost embedded in the base rates by customer class as approved by the Commission in UNS Electric's most recent rate case. The Base Cost of Fuel and Purchased Power revenue is the approved rate per kWh times the applicable sales volumes. Decision No. xxx set the average base cost at \$0.05706 per kWh effective on January 1, 2014.

**Brokerage Fees** - The costs attributable to the use of brokers recorded in Federal Energy Regulatory Commission ("FERC") Account 557.

**Fuel and Purchased Power Costs** - The costs recorded for the fuel and purchased power used by UNS Electric to serve both Native Load Energy Sales and Off-System Sales. Wheeling costs are included.

**Native Load Energy Sales** - Retail Native Load Energy Sales and Wholesale Native Load Energy Sales in the UNS Electric control area for which UNS Electric has a generation service obligation.

**Off-System Sales** - Wholesale Sales made to non-Native Load customers, for the purpose of optimizing the UNS Electric system, using UNS Electric-owned or contracted generation and purchased power.

**Off-System Sales Revenue** - The revenue recorded from wholesale sales made to non-Native Load customers, for the purpose of optimizing the UNS Electric system, using UNS Electric-owned or contracted generation and purchased power.

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**PPFAC** - The Purchased Power and Fuel Adjustment Clause was approved by the Commission in Decision No. 70360, and amended in Decision No. xxx. The PPFAC rate tracks the changes in the cost of obtaining power supplies based upon a historical 12-month rolling average of fuel, purchased power and purchased transmission costs. The PPFAC rate is adjusted monthly. The change in the PPFAC rate is banded, so the new monthly PPFAC rate cannot increase or decrease the Total Average Retail Fuel and Purchased Power Rate by more than 0.83% from the preceding month's rate, unless authorized by the Commission. Any over or under recovery of actual costs is recorded in the PPFAC bank balance. If the PPFAC bank balance becomes over collected by more than \$10 million, UNS Electric must file for a PPFAC rate adjustment within 45 days, or contact Staff to discuss why a PPFAC rate adjustment is not necessary at that time. If the PPFAC bank balance is under collected, the Company has the right to file an application with the ACC requesting a surcharge.

**Preference Power** - Power allocated to UNS Electric wholesale customers by federal power agencies such as the Western Area Power Administration.

**Retail Native Load Energy Sales** - The portion of load from Native Load Energy Sales retail customers that are served by UNS Electric.

**Short-term Sales** - Wholesale sales with a duration of less than one-year made to non-Native Load customers for the purpose of optimizing the UNS Electric system, using UNS Electric owned or contracted generation and purchased power.

**Short Term Sales Revenue** - The revenue recorded from short term wholesale sales made to non-Native Load customers, for the purpose of optimizing the UNS Electric system, using UNS Electric owned or contracted generation and purchased power.

**Total Average Retail Fuel and Purchased Power Rate** - The average base cost of fuel and purchased power (\$0.05706 per kWh) plus the appropriate PPFAC rate.

**Wheeling Costs (FERC Account 565, Transmission of Electricity by Others)** - Amounts payable to others for the transmission of UNS Electric's electricity over transmission facilities owned by others.

**Wholesale Native Load Energy Sales** - The portion of load from Native Load Energy Sales wholesale customers that is served by UNS Electric, excluding the load served with Preference Power.

**Wholesale Sales** - Sales to non-retail customers.

### **3. CALCULATION OF THE PPFAC RATE**

The PPFAC rate is calculated based upon a historical rolling average of fuel and purchased power costs during the Applicable 12-Month period. All revenues from Short-Term Off-System

Sales and sales of renewable energy credits that do not flow through the Renewable Energy Standard Tariff will be credited against fuel and purchased power costs. The PPFAC rate shall be reset monthly, beginning the second month new rates are in effect. For example, if new rates are effective January 1, 2014, the PPFAC rate will be \$0.0000 per kWh in the month of January 2014 and a new PPFAC rate will be effective in February 2014 based on the Applicable 12-Month period ending December 31, 2013.

The new PPFAC rate will be effective with the first billing cycle of each month and will not be prorated. The change in the PPFAC rate is banded, so the new PPFAC rate for a month cannot increase or decrease the Total Average Retail Fuel and Purchased Power Rate by more than 0.83% from the prior month's rate. Any over or under recovery of actual costs is recorded in the PPFAC bank balance. The PPFAC rate shall be applied to the customer's bill as a monthly kWh charge that is the same for all customer classes.

#### **4. ACCUMULATED PPFAC BANK BALANCE**

UNS Electric shall maintain and report monthly the accumulated PPFAC bank balance. The PPFAC bank balance shall reflect any over or under recovery of actual purchased power and fuel costs compared with the amount recovered through the Base Fuel and Purchased Power and PPFAC rates.

#### **5. VERIFICATION AND AUDIT**

The amounts charged through the PPFAC will be subject to periodic audit to assure their completeness and accuracy and to assure that all fuel and purchased power costs were incurred reasonably and prudently. The Commission may, after notice and opportunity for hearing, make such adjustments to existing balances or to already recovered amounts as it finds necessary to correct any accounting or calculation errors or to address any costs found to be unreasonable or imprudent.

#### **6. SCHEDULES**

The following schedules are attached to this Plan of Administration:

- Schedule 1 Total Average Retail Fuel and Purchased Power Rate Calculation
- Schedule 2 PPFAC Rate Calculation
- Schedule 3 Applicable 12-Month Total Average Fuel Account
- Schedule 4 Surcharge/Credit Calculation
- Schedule 5 Surcharge/Credit Tracking Account

#### **7. COMPLIANCE REPORTS**

UNS Electric shall provide monthly information reports to Commission Staff's Compliance Section and to the Residential Utility Consumer Office detailing all calculations related to the PPFAC. A UNS Electric Officer shall certify under oath that all information provided in the reports itemized below is true and accurate to the best of his or her information and belief and that there have been no changes to the Allowable Costs recovered through the PPFAC without Commission approval. These monthly reports shall be due within 45 days of the end of the reporting period.

The publicly available reports will include at a minimum:

1. The Total Average Retail Fuel and Purchased Power Rate Calculation (Schedule 1) and the PPFAC Rate Calculation (Schedule 2). Additional information will provide other relative inputs and outputs such as:
  - a. Total power and fuel costs.
  - b. Customer sales in both MWh and thousands of dollars by customer class.
  - c. Number of customers by customer class.
  - d. A detailed listing of all items excluded from the PPFAC calculations.
  - e. A detailed listing of any adjustments to the adjustor reports.
  - f. Total off-system sales revenues.
  - g. System losses in MWh.
  - h. Monthly maximum retail demand in MW.
2. Identification of a contact person and phone number from UNS Electric for questions.

UNS Electric shall also provide to Commission Staff monthly reports containing the information listed below. These reports shall be due within 45 days of the end of the reporting period. All of these additional reports must be provided confidentially.

- A. Information for each generating unit will include the following items:
  1. Net generation, in MWh per month, and 12 months cumulatively.
  2. Average heat rate, both monthly and 12-month average.
  3. Equivalent forced-outage rate, both monthly and 12-month average.
  4. Outage information for each month including, but not limited to, event type, start date and time, end date and time, and a description.
  5. Total fuel costs per month.
  6. The fuel cost per kWh per month.
- B. Information on power purchases will include the following items per seller (information on economy interchange purchases may be aggregated):
  1. The quantity purchased in MWh.
  2. The demand purchased in MW to the extent specified in the contract.
  3. The total cost for demand to the extent specified in the contract.
  4. The total cost of energy.
- C. Fuel purchase information shall include the following items:

- 
1. Natural gas interstate pipeline costs, itemized by pipeline and by individual cost components, such as reservation charge, usage, surcharges and fuel.
  2. Natural gas commodity costs, categorized by short-term purchases (one month or less) and longer term purchases, including price per therm, total cost, supply basin, and volume by contract.
- D. UNS Electric will also provide:
1. Monthly projections for the next 12-month period showing estimated (Over)/under collected amounts.
  2. A summary of unplanned outage costs by resource type.
  3. The data necessary to arrive at the System and Off-System Book Fuel and Purchased Power cost reflected in the non-confidential filing.
  4. The data necessary to arrive at the Native Load Energy Sales MWh reflected in the non-confidential filing.

Workpapers and other documents that contain proprietary or confidential information will be provided to the Commission Staff under a fully executed protective agreement. UNS Electric will keep fuel and purchased power invoices and contracts available for Commission review. The Commission has the right to review the prudence of fuel and power purchases and any calculations associated with the PPFAC at any time. Any costs flowed through the PPFAC are subject to refund, if those costs are found to be imprudently incurred.

**8. ALLOWABLE COSTS****A. Accounts**

The allowable PPFAC costs include fuel and purchased power costs incurred to provide service to retail customers. Additionally, the prudent direct costs of contracts used for hedging system fuel and purchased power will be recovered under the PPFAC. The allowable cost components include the following FERC accounts:

- 501 Fuel (Steam)
- 547 Fuel (Other Production)
- 555 Purchased Power
- 565 Wheeling (Transmission of Electricity by Others)

These accounts are subject to change if the FERC alters its accounting requirements or definitions.

**B. Other Allowable Costs**

- Brokerage Fees recorded in FERC Account 557

These accounts are subject to change if the FERC alters its accounting requirements or definitions.

No other costs or credits are allowed without approval from the Commission in an Order.

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

- Schedule 1**      **Total Average Retail Fuel and Purchased Power Rate Calculation Effective January 1, 2014 And Projected February 1, 2014**
- Schedule 2**      **PPFAC Rate Calculation Effective January 1, 2014 And Projected February 1, 2014**
- Schedule 3**      **Applicable 12 month Total Average Fuel Account - (Rate effective January 1, 2014 and Projected February 1, 2014 - December 31, 2014)**
- Schedule 4**      **Surcharge/Credit Rate Calculation (If Applicable)**
- Schedule 5**      **Surcharge/Credit Tracking Account**

**UNS-Electric Contact Information**

**Ray Robey            (520) 745-3360  
Manager, Fuels and Wholesale Marketing**

**UNS Electric, Inc.**  
**Schedule 1**  
**Total Average Retail Fuel and Purchased Power Rate Calculation Effective January 1, 2014**  
**(\$/kWh)**

Line No.	Description	Current 1-Jan-14 <sup>1</sup>	Proposed 1-Feb-14	Increase / (Decrease) \$/000000/kWh	%
1	Total Average Retail Fuel and Purchased Power Rate Calculation PPFAC Rate (Sch. 2, L10) <sup>4</sup>	\$ -	\$ -	\$ -	0.00%
2	Surcharge/Credit Rate (Sch. 4, L4) <sup>2,4</sup>	\$ -	\$ -	\$ -	0.00%
3	Total PPFAC Rate <sup>4</sup> (L1+L2)	\$ -	\$ -	\$ -	0.00%
4	Average Base Rate <sup>3</sup>	\$ 0.057060	\$ 0.057060	\$ -	0.00%
5	Total Average Retail Fuel and Purchased Power Rate (L3+L4)	\$ 0.057060	\$ 0.057060	\$ -	0.00%

Notes:

- 1 See xxxxx, 2013 PPFAC Filing and ACC Decision No. xxxxxx.
- 2 A Surcharge/Credit is a figure which may be added/subtracted from the PPFAC Rate should the Accumulated Bank Balance become less than negative \$10 million or greater than \$10 million
- 3 Average Base Rate as defined in supporting documents for ACC Decision No. xxxxxx.
- 4 Negative value is PPFAC credit; positive value is PPFAC surcharge.

DECISION NO. \_\_\_\_\_

**UNS Electric, Inc.**  
**Schedule 2**  
**PPFAC Rate Effective January 1, 2014**  
**(\$ in thousands; Forward Component Rate in \$/kWh)**

Line No.	PPFAC Rate - Calculation	Current 1-Jan-14 <sup>1</sup>	Proposed 1-Feb-14
1	Applicable 12 Months Fuel and Purchased Power Costs <sup>1</sup>	\$ -	\$ -
2	Applicable 12 Months Short Term Sales Revenue Credit <sup>2</sup>	\$ -	\$ -
3	Applicable 12 Months Net Fuel and Purchased Power Cost (L1 + L2)	\$ -	\$ -
4	Applicable 12 Months Total Native Load Energy Sales (MWhs)	0	0
5	Calculated Total Average Retail Rate \$/kWh (L3/L4)	\$ -	\$ -
6	Maximum Total Average Retail Rate <sup>3</sup>	\$ -	\$ -
7	Minimum Total Average Retail Rate <sup>3</sup>	\$ -	\$ -
8	Applicable Total Average Retail Rate <sup>3</sup>	\$ -	\$ -
9	Average Base Rate <sup>3</sup>	\$ 0.057060	\$ 0.057060
10	Eligible PPFAC Rate \$/kWh (L8-L9) <sup>3,4</sup>	\$ -	\$ -

**Notes:**

- 1 See xxx, 2013 PPFAC Filing and ACC Decision No. xxxxx.
- 2 Short Term Sales revenues are credited at 100% as approved by the Commission in Decision No. xxxxx.
- 3 Total Average Rate per kWh in ACC Decision No. xxxxx. is limited in monthly variance to cause a maximum change of .83% in Total Average Retail Fuel and Purchased Power Rate
- 4 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*



UNS Electric, Inc.  
Schedule 4

**PPFAC Surcharge/Credit Rate Calculation**  
**(\$ in thousands; Surcharge Rate is in \$/kWh)**

Line No.	PPFAC Bank Balance True-Up Rate - Calculation	Current 1-Jan-14 <sup>1</sup>	Proposed XXXX
1	Bank Balance (From Schedule 5, L6) <sup>1</sup>	\$ -	\$ -
2	Total Bank Balance Amount to be (refunded)/Collected Balance <sup>2</sup>	\$ -	\$ -
3	Projected Native Load Sales (MWh)	0	0
4	Bank Balance Surcharge/Credit Rate (\$/kWh) (L2 / L3) <sup>3</sup>	\$ -	\$ -

Notes:

- 1 Bank Balance as of xxxx, including interest.
  - 2 See xxxxx, 2013 PPFAC Filing and ACC Decision No. xxxxx.
  - 3 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/RWh roundup to \$0.0000000/RWh*



# ATTACHMENT D

**UNS ELECTRIC, INC.  
LOST FIXED COST RECOVERY MECHANISM ("LFCR")  
PLAN OF ADMINISTRATION**

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**1. General Description**

This document describes the plan of administration for the LFCR mechanism approved for UNS Electric, Inc. ("UNSE" or "Company") by the Arizona Corporation Commission ("ACC") on xxx xx, xxxx in Decision No. xxxxx. The LFCR mechanism provides for the recovery of lost fixed costs, as measured by a reduction in non-fuel revenue, associated with the amount of energy efficiency ("EE") savings and distributed generation ("DG") that is authorized by the Commission and determined to have occurred. Costs to be recovered through the LFCR include the portion of transmission and distribution costs included in base rates exclusive of the Customer Charge and 50% of the demand rates in effect.

**2. Definitions**

**Applicable Company Revenues** - The amount of revenue generated by sales to retail customers, for all applicable rate schedules, less the amount attributable to sales to those residential customers who chose the Fixed Cost Option.

**Current Period** - The most recent adjustment year.

**Demand Stability Factor** - Fifty percent of Demand-based revenue (excluding any purchased power and fuel costs) produced by base rates.

**Delivery Revenue** - The amount of revenue determined at the conclusion of a rate case by multiplying each participating rate class' adjusted test year billing determinants (kWh or kW) by their approved distribution and transmission related charges. This will be determined by reducing each class' total retail revenue by the customer charge, generation related revenue, purchased power and fuel costs and the Demand Stability Factor.

**Distributed Generation ("DG") Savings** - The amount of kWh sales reduced by DG. UNSE will use meter data for determining the kWh or kW lost through the implementation of DG systems. Where the meter data is not available, the lost sales will be quantified using statistical verification, output profile or other Commission-authorized methods as appropriate. Each year, UNSE will use actual data through December to calculate the savings. The calculation of DG savings will consist of the following by class:

- 1. Cumulative Verified: The total kWh or kW reduction as metered each year less the total kWh or kW reduction metered in UNSE's most recent general rate case test year (July 1,

2011 through June 30, 2012). The initial Cumulative Verified term of the LFCR will begin on January 1, 2013.

2. Current Period: The annual kWh or kW produced by the cumulative total of DG installations since the end of the test year used in UNSE's most recent general rate case.
3. The only DG Savings that will be excluded from the calculated Lost Fixed Cost Revenue calculation are those kWh or kW that were lost as the result of actions by customers in excluded rate classes or that chose the Fixed Cost Option.

**Fixed Cost Option** – The rate schedule choice for residential customers who prefer contributing to the recovery of Lost Fixed Cost Revenue in the form of an optional fixed rate added as an incremental charge to the Customer Charge in the applicable residential tariff rate. The total dollars paid as an incremental amount added to the otherwise effective Customer Charge will be accumulated over the Current Period and used to reduce the total Lost Fixed Cost Revenue recovered as part of the LFCR adjustment. The variable LFCR adjustment shall not be applied to residential customers who choose the Fixed Cost option. This rate will be reflected as an incremental addition to the customer charge on the otherwise effective tariff and made available to customers at the time of the first LFCR adjustment. Customers choosing this fixed option within the first twelve months subsequent to the initial effective date of the LFCR will be allowed to change back to the volumetric option one time without any penalties. After the initial twelve month period, customer will be required to stay on whichever option they choose for twelve full months before a change can be made.

**EE Programs** - Any program approved in UNSE's Energy Efficiency/Demand Side Management ("EE/DSM") implementation plan or Energy Efficiency Resource Plan.

**EE Savings** - The amount of sales, expressed in kWh or kW, reduced by Energy Efficiency activities as demonstrated by the Measurement, Evaluation, and Report ("MER") conducted for UNSE's EE Programs. Since this process will be a thorough review of the Company's EE activities and will determine the total kWh or kW lost as a result of those activities. As part of this filing the Commission Staff will have the option of reviewing any portion of the filing they deem necessary to verify the filing's accuracy. EE Savings shall be quantified based on the accumulated lost kWh or kW occurring since January 1, 2013, and shall be reset based on EE related losses as of the end of the test year in each subsequent rate case. The calculation of EE Savings will consist of the following by class:

1. Cumulative Verified: The cumulative total kWh or kW reduction as determined by the MER recognizing that the cumulative total is reset (to zero) at the end of each of UNSE's most recent rate case. The first such reset will be July 1, 2012, (the end of the Test Year in Decision xxxxx, dated xx.). The initial Cumulative Verified term of the LFCR will begin on January 1, 2013.
2. Current Period: The annual EE related sales reductions (kWh or kW). Each year, UNSE will use actual MER data through December to calculate savings.
3. Excluded kWh reduction: The reduction of recoverable EE Savings calculated by subtracting the amount of EE savings actually achieved by customers on Excluded Rate Schedule if included in the total reported in the annual EE/DSM filing.

Effective Period – The twelve month period beginning with July 1 of each year.

Excluded Rate Schedule - The LFCR mechanism shall not apply to the lighting rate class.

LFCR Adjustment - An amount calculated by dividing Lost Fixed Cost Revenue (As reduced by the total incremental fixed cost option dollars paid by the residential customers who have chosen the Fixed Cost Option and will be based on the incremental increase in the customer charge they have paid over the twelve-months during the Current Period.) by the Current Period retail revenue (less the estimated sales to the residential customers who chose the Fixed Cost Option) during the Effective Period for the participating rate classes. This percentage based LFCR Adjustment will be presented on the customer's bills as two separate charges. These two charges will be developed by applying the weighted average proportion of the Energy Efficiency related lost revenues and the Distributed Generation related lost revenues as a proportion of total lost revenues falling under the 1% cap referenced herein. The weighted average proportions will be as shown on Schedule 3 of this Plan of Administration. These two separate percentage adjustment rates will be applied to all customer bills, excluding those on Excluded Rate Schedules.

Lost Fixed Cost Rate - A rate determined at the conclusion of a rate case by taking the sum of allowed Delivery Revenue (which excludes the Customer Charge, the generation component in rates and purchased power and fuel) for each rate class and dividing each by their respective class adjusted test year kWh and/or kW billing determinants.

Lost Fixed Cost Revenue - The amount of fixed costs not recovered by the utility because of EE Savings and DG Savings during the measurement period. This amount is calculated by multiplying the Lost Fixed Cost Rate by Recoverable kWh Savings, by rate class.

Prior Period - The twelve months in the calendar year preceding the Current Period.

Recoverable kWh Savings - The sum of EE Savings and DG Savings by applicable rate class.

### 3. LFCR Annual Incremental Cap

The total LFCR Adjustment will be subject to an annual 1% year over year cap based on Applicable Company Revenues. If the annual incremental LFCR Adjustment results in a surcharge in excess of 1%, in total, of Applicable Company Revenues, any amount in excess of the 1% cap will be deferred for collection until the next year its inclusion does not result in the 1% year-over-year cap being exceeded. Any deferred amounts will be collected in a subsequent year or rolled into the next rate case, whichever occurs first. Where the 1% cap limits the recovery of deferrals in any program year, and thus moves their recovery to the following year, a first-in, first-out ("FIFO") approach will be applied. In connection therewith, the new surcharge billed in the following year will first recover any such carried-over deferrals, and then recover new deferrals arising in that following year. The one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release H-15 or its successor publication will be applied annually to any deferred balance. The interest rate shall be adjusted annually and shall be that annual rate applicable to the first business day of the calendar year.

**4. Filing and Procedural Deadlines**

UNSE will file the calculated Annual LFCR Adjustments, including all Compliance Reports, with the Commission for the previous year by May 15<sup>th</sup>. Staff will use its best efforts to process the matter based on the results of the Company's annual EE/DSM and Renewable Energy Standard Tariff ("REST") filings such that the new LFCR Adjustments may go into effect by July 1<sup>st</sup> of each year. However, the new LFCR Adjustments will not go into effect until approved by the Commission.

**5. Compliance Reports**

UNSE will provide comprehensive compliance reports to Staff and the Residential Utility Consumer Office by May 15<sup>th</sup> of each year. The information contained in the Compliance Reports will consist of the following schedules:

- Schedule 1: LFCR Annual Percentage Adjustment Rate
- Schedule 2: LFCR Annual Incremental Cap Calculation
- Schedule 3: LFCR Calculation
- Schedule 4: LFCR Test Year Rate Calculation
- Schedule 5: Delivery Revenue Calculation

# ATTACHMENT E

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UNS Electric, Inc.  
Transmission Cost Adjustor  
Plan of Administration

**Table of Contents**

1. General Description..... 1  
2. Calculations..... 1  
3. Filing and Procedural Deadlines.....2

**1. GENERAL DESCRIPTION**

The purpose of the Transmission Cost Adjustor (“TCA”) is to provide a mechanism to recover transmission costs associated with serving retail customers at the level approved by the Federal Energy Regulatory Commission (“FERC”) at the same time as new transmission rates become effective for UNS Electric, Inc. (“UNS Electric” or “Company”) transmission customers. UNS Electric shall make an annual filing with Docket Control that includes its revised TCA based on the Company’s updated transmission service rates calculated pursuant to the Company’s Open Access Transmission Tariff (“OATT”), including all supporting data and documentation used in calculating the formula rate (“Informational Filing”) and the TCA. This Informational Filing shall be filed with the Commission no later than May 1.

The TCA applies to all UNS Electric Retail Electric Rate Schedules. For Standard Offer customers that are not demand billed, the TCA is applied to the bill as a monthly kWh charge. For Standard Offer customers that are demand billed, the TCA is applied as a kW charge. The charge and modifications to it will take effect in first billing cycle in June without proration.

UNS Electric’s transmission service rates (the “Transmission Rates”) are calculated annually in accordance with UNS Electric’s formula rate. The formula rate calculation is specified within UNS Electric’s OATT, as may be amended from time to time, as filed with and approved by FERC.

**2. CALCULATIONS**

The calculated Transmission Rates will be set forth in UNS Electric’s Informational Filing. Transmission Rates are determined for the following classes:

- Demand Billed Customers
- Non-Demand Billed Customers

In addition to the Transmission Rate, UNS Electric will charge retail customers for other transmission-related services (“ancillary services”) in accordance with its OATT (“Ancillary

UNS Electric, Inc.  
Docket No. E-04204A-12-0504

## ATTACHMENT E

Services Rates") at such time that the Company provides these services. These additional ancillary services could include:

Scheduling, System Control and Dispatch Service  
Regulation and Frequency Response Service  
Energy Imbalance Service  
Operating Reserve – Spinning Reserve Service  
Operating Reserve – Supplemental Reserve Service

The total UNS Electric OATT rate is the sum of providing Transmission Rates and Ancillary Service Rates. The revenue requirement resulting from the UNS Electric OATT rate are collected by UNS Electric from its retail customers, partly in base rates and the remaining through the TCA rate. The table below is an example of the TCA calculation using the UNS Electric OATT rate in effect as of December 31, 2012.

		\$/kWh	\$/kW
		(A)	(B)
1.	Transmission Rate	\$0.0059	\$2.3022
2.	Scheduling	N/A	N/A
3.	Regulation and Frequency	N/A	N/A
4.	Energy Imbalance	N/A	N/A
5.	Spinning Reserve	N/A	N/A
6.	Supplemental Reserve	N/A	N/A
7.	Total	\$0.0059	\$2.3022
8.	Included in Retail Base Rates per OATT	\$0.0059	\$2.3022
9.	TCA (Line 7) – (Line 8)	\$0.0000	\$0.0000

UNS Electric's Transmission Rate shown on line 1 will change annually, whereas the Ancillary Rates shown on lines 2 through 6 will change only through a separate filing with FERC by UNS Electric.

### **3. FILING AND PROCEDURAL DEADLINES**

UNS Electric will file the Informational Filing, which includes the revised TCA and all supporting data and documentation used in calculating the formula rate with the Commission each year no later than May 1. The Commission Staff and interested parties shall have the opportunity to review UNS Electric's Informational Filing.

The new TCA rates proposed by UNS Electric shall be effective in first billing cycle in June unless Staff requests Commission review or otherwise ordered by the Commission. The TCA rates are not prorated.

# ATTACHMENT F

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**UNS ELECTRIC, INC**  
**ADDITIONAL STAFF RECOMMENDATIONS**  
**Direct Testimony of Michael Lewis**

UNS Electric shall comply with the following recommendations set forth in Staff Witness Michael Lewis's recommendations on pages 19-20 of his Direct Testimony, as detailed below.

- UNS Electric will have its distribution quality of service indices available, upon request, for review by Staff on a monthly and calendar year basis. Additionally, these indices will be by calendar year on a service area by service area basis, as well as on an overall system wide basis. These indices are the Customer Average Interruption Duration Index ("CAIDI"), the System Average Interruption Frequency Index ("SAIFI"), and the System Average Interruption Duration Index ("SAIDI").
- UNS Electric will submit its quality of service indices for calendar year 2013 for Commission Staff review by March 31, 2014, to determine if the trend of the indices is improving.
- UNS Electric will prepare on an annual basis a listing of the worst performing circuits identified by service area and reliability indices and adopt a program similar to that implemented by TEP to target annual circuit maintenance toward circuits identified by indices value and survey as representing the most efficient means of improving SAIFI values.
- UNS Electric maintenance scheduling will continue to include thermal scanning of the substation switchyard bus and connected lines on a regular basis, including the Black Mountain Generating Station.

# ATTACHMENT G

**UNISOURCE ENERGY SERVICES  
SUMMARY OF CURRENT VERSUS SETTLEMENT RATE DESIGN**

Rate Schedule	Current Design	Settlement
Cares and Cares Medical	<ul style="list-style-type: none"> <li>• Customer Charge \$3.50</li> <li>• Includes 2 rate schedules</li> <li>• Excluded from DSM charges</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$4.90</li> <li>• Freeze Cares Medical</li> <li>• Same Delivery charges (kWh)</li> </ul>
Residential R-01	<ul style="list-style-type: none"> <li>• Customer Charge \$8.00</li> <li>• Two tier structure</li> <li>• Fuel in base rates</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$10.00</li> <li>• Three tier structure</li> <li>• Increase energy charges</li> <li>• Base Power as in current structure</li> </ul>
Residential R-01-TOU	<ul style="list-style-type: none"> <li>• Customer Charge \$8.00</li> <li>• Includes two tier structure including TOU Hours</li> <li>• Summer On-Peak: 2-6 p.m.</li> <li>• Shoulder: 12-2 p.m. and 6-8 p.m.</li> <li>• Winter On-Peak: 6-10 a.m. and 5-9 p.m.</li> <li>• Fuel in base rates with shoulder peak period</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$11.50</li> <li>• Remove tiers</li> <li>• New TOU hours</li> <li>• Summer On-Peak: 2-8 p.m.</li> <li>• Winter On-Peak: 5- 9 a.m. and 5- 9 p.m.</li> <li>• Base Power as in current structure without shoulder peak period</li> </ul>
Small General Service	<ul style="list-style-type: none"> <li>• Customer Charge \$12.50</li> <li>• One schedule with two tiers</li> <li>• Fuel in base rates</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$14.50</li> <li>• Add third tier (&gt;7500)</li> <li>• Maximum revised to 12,000 kWh in two consecutive months</li> <li>• Increase energy charges</li> <li>• Base Power as in current structure</li> </ul>

UNISOURCE ENERGY SERVICES  
SUMMARY OF CURRENT VERSUS SETTLEMENT RATE DESIGN

Rate Schedule	Current Design	Settlement
Small General Service TOU	<ul style="list-style-type: none"> <li>• Customer Charge \$12.50</li> <li>• Includes two tier structure including</li> <li>• Fuel in base rates with shoulder peak period</li> <li>• TOU hours</li> <li>Summer</li> <li>On-Peak: 2-6 p.m.</li> <li>Shoulder: 12- 2 p.m. and 6-8 p.m.</li> <li>Winter</li> <li>On-Peak: 6-10 a.m. and 5-9 p.m.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$16.50</li> <li>• Add third tier (&gt;7500)</li> <li>• Maximum revised to 12,000 kWh in two consecutive months</li> <li>• Increase energy charges</li> <li>• Base Power as in current structure without shoulder peak period</li> <li>• New TOU hours</li> <li>Summer: On-Peak: 2-8 p.m.</li> <li>Winter: On-Peak: 5- 9 a.m. and 5-9 p.m.</li> </ul>
Large General Service	<ul style="list-style-type: none"> <li>• Customer Charge \$16.00</li> <li>• Fuel in base rates</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$50.00</li> <li>• Base Power as in current structure</li> <li>• Ratchet at 75%</li> <li>• Minimum of 20 kW (billed)</li> </ul>
Large General Service TOU	<ul style="list-style-type: none"> <li>• Customer Charge \$20.90</li> <li>Includes two tier structure including</li> <li>• Includes shoulder peak period in delivery</li> <li>• Fuel in base rates include shoulder peak period</li> <li>• TOU hours</li> <li>Summer</li> <li>On-Peak: 2-6 p.m.</li> <li>Shoulder: 12- 2 p.m. and 6-8 p.m.</li> <li>Winter</li> <li>On-Peak: 6-10 a.m. and 5-9 p.m.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$52.00</li> <li>• Remove shoulder peak period</li> <li>• Increase demand charges</li> <li>• Ratchet at 75%</li> <li>• Minimum of 20 kW (billed)</li> <li>• Base Power as in current structure without shoulder peak period</li> <li>• New TOU hours</li> <li>Summer</li> <li>On-Peak: 2-8 p.m.</li> <li>Winter</li> <li>On-Peak: 5- 9 a.m. and 5-9 p.m.</li> </ul>

**UNISOURCE ENERGY SERVICES  
SUMMARY OF CURRENT VERSUS SETTLEMENT RATE DESIGN**

Rate Schedule	Current Design	Settlement
Large Power Service	<ul style="list-style-type: none"> <li>• Customer Charge \$372.00</li> <li>• Fuel in base rates</li> <li>• Power Factor 85 % lagging</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$1,200.00</li> <li>• Standard demand increases</li> <li>• Minimum of 500 kW</li> <li>• Increase power factor to 95%</li> <li>• Base Power as in current structure</li> </ul>
Large Power Service -TOU	<ul style="list-style-type: none"> <li>• Customer Charge \$372.00</li> <li>• Demand is On-peak &amp; Excess</li> <li>• Includes two tier structure including</li> <li>• Fuel in base rates with shoulder peak period</li> <li>• Power Factor 85% lagging</li> <li>• TOU hours                             <ul style="list-style-type: none"> <li>Summer</li> <li>On-Peak: 2-6 p.m.</li> <li>Shoulder: 12- 2 p.m. and 6-8 p.m.</li> <li>Winter</li> <li>On-Peak: 6-10 a.m. and 5-9 p.m.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$1,200.00</li> <li>• Remove shoulder peak period</li> <li>• Standard demand increases</li> <li>• Minimum of 500 kW</li> <li>• Base Power as in current structure without shoulder peak period</li> <li>• Increase power factor to 95%</li> <li>• No interruptible provision</li> <li>• New TOU hours                             <ul style="list-style-type: none"> <li>Summer</li> <li>On-Peak: 2-8 p.m.</li> <li>Winter</li> <li>On-Peak: 6 a.m. to Noon</li> </ul> </li> </ul>
Interruptible Power Service	<ul style="list-style-type: none"> <li>• Customer Charge \$16.00</li> <li>• Current 15 minute notice</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Charge \$18.00</li> <li>• Add Transition period to upgrade equipment to tie to Company's system for automatic switching</li> <li>• Increase demand and energy charges</li> <li>• Agrees to 15 minute notice</li> </ul>

**UNISOURCE ENERGY SERVICES  
SUMMARY OF CURRENT VERSUS SETTLEMENT RATE DESIGN**

Rate Schedule	Current Design	Settlement
<p><b>Interruptible Power Service TOU</b></p>	<ul style="list-style-type: none"> <li>• Customer Charge \$16.00</li> <li>• No transition period</li> <li>• TOU hours</li> <li>• <b>Summer</b> On-Peak: 2-6 p.m. Shoulder: 12- 2 p.m. and 6-8 p.m. Winter: On Peak 6-10 a.m. and 9 p.m.</li> </ul>	<ul style="list-style-type: none"> <li>• Cancelled</li> </ul>
<p><b>Other Rate Design Changes</b></p>	<ul style="list-style-type: none"> <li>• Current PPFAC is an annual rate change</li> </ul>	<ul style="list-style-type: none"> <li>• LFCR – Including all classes except lighting</li> <li>• Transmission Cost Adjustor (TCA)</li> <li>• Service Fee Increase</li> <li>• Green Watts – Cancelled</li> <li>• PRS and Q-F tariffs will remain available until replaced by approved new tariffs</li> <li>• Includes Staff's requested conforming changes to the Rules and Regulations as approved for TEP.</li> <li>• New line extension processes</li> <li>• PPFAC will change monthly with bands</li> </ul>
<p><b>Service Fees</b></p>	<ul style="list-style-type: none"> <li>• Service Establishment and Reestablishment during regular hours - \$30.00</li> <li>• Service Establishment and Reestablishment after regular business hours - \$75.00</li> <li>• Service establishment other than usual operating procedures - \$150.00</li> <li>• Meter Test - \$60.00</li> </ul>	<ul style="list-style-type: none"> <li>• Service Establishment and Reestablishment during regular hours - \$41.00</li> <li>• Service Establishment and Reestablishment after regular business hours - \$137.00</li> <li>• Service establishment other than usual operating procedures - \$150.00</li> <li>• Meter Test - \$74.00</li> </ul>

# ATTACHMENT H



**UNS Electric, Inc.  
Rules and Regulations**

Original Sheet No.: 900  
Superseding: \_\_\_\_\_

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

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Rules and Regulations

DECISION NO. \_\_\_\_\_



**UNS Electric, Inc.  
Rules and Regulations**

Original Sheet No.: 901  
Superseding: \_\_\_\_\_

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**SECTION 1  
APPLICABILITY OF RULES AND REGULATIONS AND DESCRIPTION OF SERVICE**

- A. UNS Electric, Inc. ("Company") is an electric utility operating within portions of the state of Arizona. The Company will provide service to any person, institution or business located within its service area in accordance with the provisions of its Rates and the terms and conditions of these Rules and Regulations.
- B. All electricity delivered to any Customer is for the sole use of that Customer on that Customer's premises only. Electricity delivered by the Company will not be redelivered or resold, or the use thereof by others permitted unless otherwise expressly agreed to in writing by the Company. However, those Customers purchasing electricity for redistribution to the Customer's own tenants (only on the Customer's premises) may separately meter each tenant distribution point for the purpose of prorating the Customer's actual purchase price of electricity delivered among the various tenants on a per unit basis.
- C. These Rules and Regulations will apply to all electricity service furnished by the Company to its Customers.
- D. These Rules and Regulations are part of the Company's Rates on file with, and duly approved by, the Arizona Corporation Commission. These Rules and Regulations will remain in effect until modified, amended, or deleted by order of the ACC. No employee, agent or representative of the Company is authorized to modify the Company rules.
- E. These Rules and Regulations will be applied uniformly to all similarly situated Customers.
- F. In case of any conflict between these Rules and Regulations and the Arizona Corporation Commission's rules, these Rules and Regulations will apply.
- G. Whenever the Company and an Applicant or a Customer are unable to agree on the terms and conditions under which the Applicant or Customer is to be served, or are unable to agree on the proper interpretation of these Rules and Regulations, either party may request assistance from the Consumer Services Section of the Utilities Division of the ACC. The Applicant or Customer also has the option to file an application with the ACC for a proper order, after notice and hearing.
- H. The Company's supplying electric service to the Customer and the acceptance thereof by the Customer will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's Rules and Regulations and applicable Rates.

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Filed By: Kentton C. Grant  
Title: Vice President of Finance and Rates  
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**UNS Electric, Inc.**  
**Rules and Regulations**

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**SECTION 2**  
**DEFINITIONS**

- A. In these Rules and Regulations, the following definitions will apply unless the context requires otherwise:
1. **Actual Cost:** The cost incurred by the Company for labor, materials and equipment including the cost of overheads.
  2. **Advance in Aid of Construction ("Advance"):** Funds provided to the utility by the Applicant under the terms of a line extension agreement the value of which may be refunded.
  3. **Applicant:** A person requesting the Company to supply electric service.
  4. **Application:** A request to the Company for electric service, as distinguished from an inquiry as to the availability or charges for such service.
  5. **Arizona Corporation Commission ("ACC" or "Commission"):** The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
  6. **Billing Month:** The period between any two (2) regular readings of the Company's meters at approximately thirty (30) day intervals.
  7. **Billing Period:** The time interval between two (2) consecutive meter readings that are taken for billing purposes.
  8. **Company:** UNS Electric, Inc. acting through its duly authorized officers or employees within the scope of their respective duties.
  9. **Contiguous Site:** A single site not separated by private or public property, or public street, or right of way and operated as one integral unit under the same name and as a part of the same business.
  10. **Contributions in Aid of Construction ("Contribution"):** Funds provided to the Company by the Applicant under the terms of a line extension agreement and/or service connections tariff, the value of which is not refundable.
  11. **Curtailment Priority:** The order in which electric service is to be curtailed to various classifications of Customers, as set forth in the Company's filed Rates.
  12. **Customer:** The person(s) or entity(ies) in whose name service is rendered, as evidenced by the request for electric service by the Applicant(s), or by the receipt and/or payment of bills regularly issued in the Customer's name regardless of the identity of the actual user of the service.
  13. **Customer Charge:** The amount the Customer must pay the Company for the availability of electric service, excluding any electricity used, as specified in the Company's Rates.
  14. **Day:** Calendar day.

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

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Rules and Regulations

DECISION NO. \_\_\_\_\_



UNS Electric, Inc.  
Rules and Regulations

Original Sheet No.: 902-1  
Superseding: \_\_\_\_\_

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**SECTION 2**  
**DEFINITIONS**  
(continued)

15. Demand: The rate at which power is delivered during any specified period of time. Demand may be expressed in kilowatts, kilovolt-amperes, or other suitable units.
16. Developer: One or more natural or artificial entities that own, improve, or remodel real estate.
17. Distribution Lines: The Company lines operated at distribution voltage, which are constructed along public roadways or other bona fide rights-of-way, including easements on Customer's property.
18. Electronic Billing: Optional billing service whereby Customers may elect to receive, view and pay their bills electronically.
19. Energy: Electric energy, expressed in kilowatt-hours.
20. Illness: A medical ailment or sickness for which a residential Customer obtains a verified document from a licensed medical physician stating the nature of the illness and that discontinuance of service would be especially dangerous to the Customer's health.
21. Interruptible Electric Service: Electric service that is subject to interruption as specified in the Company's Rate.
22. Kilowatt ("kW"): A unit of power equal to 1,000 watts.
23. Kilowatt-hour ("kWh"): Electric energy equivalent to the amount of electric energy delivered in one hour when delivery is at a constant rate of one (1) kilowatt.
24. Law: Any statute, rule, order or requirement established and enforced by government authorities.
25. Line Extension: The lines and equipment necessary to extend the electric distribution system of the Company to provide service to additional Customers.
26. Master Meter: A meter for measuring or recording the flow of electricity that has passed through it at a single location where said electricity is distributed to tenants or occupants for their usage.
27. Megawatt ("MW"): A unit of power equal to 1,000,000 watts.
28. Meter: The instrument for measuring and indicating or recording the flow of electricity that has passed through it.
29. Meter Tampering: A situation where a meter has been illegally altered. Common examples are meter bypassing, use of magnets to slow the meter recording, and broken meter seals.
30. Minimum Charge: The amount the Customer must pay for the availability of electric service, including an amount of usage, as specified in the Company's Rates.

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

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Decision No.  
Rules and Regulations

DECISION NO. \_\_\_\_\_



**UNS Electric, Inc.**  
**Rules and Regulations**

Original Sheet No.: 902-2  
Superseding: \_\_\_\_\_

**SECTION 2**  
**DEFINITIONS**  
(continued)

31. **Month:** The period between any two (2) regular readings of the Company's meters at approximately thirty (30) day intervals.
32. **On-Site Generation:** Any and all power production generated on or adjacent to a Customer's property that is controlled, utilized, sold, or consumed by that Customer or its agent.
33. **Permanent Customer:** A Customer who is a tenant or owner of a service location who applies for and receives permanent electric service.
34. **Permanent Service:** Service which, in the opinion of the Company, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature.
35. **Person:** Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
36. **Point of Delivery:** In all cases, unless otherwise specified, "point of delivery" is the location on the Customer's building, structure, or premises where all wires, conductors, or other current-carrying devices of the Customer join or connect with wires, conductors, or other current-carrying devices of the Company. The Company will determine the point of delivery in accordance and based on the specific design specifications, relevant and appropriate technical standards and specifications, Rates and construction standards as applicable to the specific situation. Location and type of metering facilities will be determined by the Company and may or may not be at the same location as the point of delivery.
37. **Power:** The rate of generating, transferring and/or using electric energy, usually expressed in kilowatts.
38. **Power Factor:** The ratio of real or active power ("kW") to apparent or reactive power ("kVA").
39. **Premises:** All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
40. **Primary Service and Metering:** Service supplied directly from the Company's high voltage distribution or transmission lines without prior transformation to a secondary level.
41. **Prorate:** To divide, distribute, or assess proportionately.
42. **Rates:** The charge(s), related term(s) and conditions of the Company's Tariffs.
43. **Residential Subdivision Development:** Any tract of land which has been divided into four or more contiguous lots with an average size of one acre or less for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.

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**UNS Electric, Inc.**  
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**SECTION 2**  
**DEFINITIONS**  
(continued)

44. **Residential Use:** Service to Customers using electricity for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
45. **Revenue:** Delivery charge, power supply charge, demand charge, and PPFAC charge collected from Customer.
46. **Rules and Regulations or Company Rules:** These Rules and Regulations, which are a part of the Company's Tariffs and Rates.
47. **Secondary Service:** Service supplied at secondary voltage levels from the load side of step-down transformers connected to the Company's high voltage distribution lines.
48. **Service Area:** The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the ACC to provide electric service.
49. **Service Drop:** The overhead service conductors from the last Company-owned pole or other aerial support to and including the splices, if any, connecting to the Customer's service entrance conductors at a building or other structure.
50. **Service Establishment Charge:** The charge as specified in the Company's Rates, which covers the cost of establishing a new account.
51. **Service Line:** The line extending from a distribution line or transformer to the Customer's premises or point of delivery.
52. **Service Reconnection Charge:** The charge as specified in the Company's Rates which must be paid by the Customer prior to reestablishment of electric service each time the electricity is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the Company's Rates or Rules.
53. **Service Reestablishment Charge:** A charge as specified in the Company's Rates for service in the same location where the same Customer had ordered a service disconnection within the preceding twelve (12) month period.
54. **Single Family Dwelling:** A house, an apartment, or a mobile home permanently affixed to a lot, or other permanent residential unit which is used as a permanent home.
55. **Single-Phase Service:** Three (3) wire service (usually 120/240 volts).
56. **Tariffs:** The terms and conditions of the services offered by the Company, including a schedule of the Rates and charges for those services.

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**SECTION 2**  
**DEFINITIONS**  
(continued)

- 57. **Temporary Service:** Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.
- 58. **Three-Phase Service:** Four (4) wire service (usually 120/208 volts).
- 59. **Weather Especially Dangerous to Health:** That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed thirty-two (32) degrees Fahrenheit for the next day's forecast. The ACC may determine that other weather conditions are especially dangerous to health as the need arises.

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**UNS Electric, Inc.  
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**SECTION 3  
ESTABLISHMENT OF SERVICE**

**A. Information from New Applicants**

1. The Company may obtain the following minimum information from each application for service:
  - a. Name or names of Applicant(s);
  - b. Service address or location and telephone number;
  - c. Billing address/telephone number, if different than service address;
  - d. Social Security Number or Driver's License number and date of birth to be consistent with verifiable information on legal identification;
  - e. Address where service was provided previously;
  - f. Date Applicant will be ready for service;
  - g. Statement of whether premises have been supplied with electric service previously;
  - h. Purpose for which service is to be used;
  - i. Statement of whether Applicant is owner or tenant of or agent for the premises;
  - j. Information concerning the energy and demand requirements of the Customer; and
  - k. Type and kind of life-support equipment, if any, used by the Customer or at the service address.
2. Where service is requested by two (2) or more individuals, the Company will have the right to collect the full amount owed to the Company from any one of the Applicants.
3. The supplying of electric service by the Company and the Customer's acceptance of that electric service will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's applicable Rates, and Rules and Regulations.
4. The term of any agreement not otherwise specified will become operative on the day the Customer's installation is connected to the Company's facilities for the purpose of taking electric energy.
5. The Company may require a written contract with special guarantees from Applicants whose unusual characteristics of load or location would require excessive investment in facilities or whose requirements for service are of a special nature.
6. Signed contracts may be required for service to commercial and industrial establishments. No contract or any modification of the contract will be binding upon the Company until executed by a duly authorized representative of the Company.
7. Where an occupant of the premises who owes a debt to the Company, but is not the Applicant or the Customer, the occupant shall also be jointly and severally liable for the bills rendered to the premises.

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**SECTION 3**  
**ESTABLISHMENT OF SERVICE**  
 (continued)

**B. Deposits**

1. The Company may require from any present or prospective Customer a deposit to guarantee payment of all bills. This deposit may be retained by the Company until service is discontinued and all bills have been paid; except as provided in Subsection B.3. below. Upon proper application by the Customer, the Company will then return said deposit, together with any unpaid interest accrued thereon from the date of commencement of service or the date of making the deposit, whichever is later. The Company will be entitled to apply said deposit together with any unpaid interest accrued thereon, to any indebtedness for the same class of service owed to the Company for electric service furnished to the Customer making the deposit. When said deposit has been applied to any such indebtedness, the Customer's electric service may be discontinued until all such indebtedness of the Customer is paid and a like deposit is again made with the Company by the Customer. No interest will accrue on any deposit after discontinuance of the service to which the deposit relates.

The Company will not require a deposit from a new Applicant for residential service if the Applicant is able to meet any of the following requirements:

- a. The Applicant has had service of a comparable nature with the Company within the past two (2) years and was not delinquent in payment more than twice during the last twelve (12) consecutive months of service or was not disconnected for nonpayment; or
  - b. The Applicant can produce a letter of credit or verification from an electric utility where service of a comparable nature was last received by Applicant, which states Applicant had a timely payment history at time of service discontinuation; or
  - c. Instead of a deposit, the Company receives deposit guarantee notification from a social or governmental agency acceptable to the Company. A surety bond may be provided as security for the Company in an amount equal to the required deposit.
2. The Company may issue a non-assignable, non-negotiable receipt to the Applicant for the deposit. The inability of the Customer to produce his or her receipt will in no way impair the Customer's right to receive a refund of the deposit which is reflected on the Company records.
  3. Cash deposits held by the Company twelve (12) months or longer will earn interest at the established one-year Treasury Constant Maturities rate, effective on the first business day of each year, as published in the Federal Reserve website.
    - a. Residential Customers – Deposits or other instruments of credit will automatically expire or be refunded or credited to the Customer's account, after twelve (12) consecutive months of service during which time the Customer has not been delinquent more than two (2) times in a twelve (12) month period.

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**SECTION 3  
ESTABLISHMENT OF SERVICE  
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- b. Non-Residential Customers – Deposits or other instruments of credit will automatically expire or be refunded or credited to the Customer's account after twenty-four (24) consecutive months of service during which the Customer has not been delinquent more than two (2) times or disconnected for non-payment in the most recent twelve (12) month period.
4. The Company may require a Customer to establish or reestablish a deposit if the Customer became delinquent in the payment of three (3) or more bills within a twelve (12) consecutive month period, or has been disconnected from service during the last twelve (12) months, or the Company has a reasonable belief that the Customer is not credit worthy based on a rating from a credit agency utilized by the Company.
  5. The Company may review the Customer's usage after service has been connected and adjust the deposit amount based upon the Customer's actual usage.
  6. A separate deposit may be required for each meter installed.
  7. Residential Customer deposits will not exceed two (2) times that Customer's estimated average monthly bill. Non-residential Customer deposits will not exceed two and one-half (2.5) times that Customer's maximum estimated monthly bill. If actual usage history is available, then that usage, adjusted for normal weather, will be the basis for the estimate.
  8. The posting of a deposit will not preclude the Company from terminating service when the termination is due to the Customer's failure to perform any obligation under the agreement for service or any of these Rules and Regulations.
- c. **Conditions for Supplying Service**
- The Company reserves the right to determine the conditions under which service will be provided. Conditions for service and extending service to the Customer will be based upon the following:
1. Customer has wired his premises in accordance with the National Electric Code, City, County and/or State codes, whichever are applicable.
  2. If the Company determines that there is a reasonable basis to believe that the Customer's premises poses a safety risk to Company employees, then the Company may, at its option, install a meter or facilities with remote connect and/or disconnect capabilities.
  3. Customer has installed the meter loop in a suitable location approved by the Company.
  4. In the case of a mobile home, the meter loop must be attached to a meter pole or to an approved support.
  5. In case of temporary construction service, the meter loop must be attached to an approved support.

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**SECTION 3**  
**ESTABLISHMENT OF SERVICE**  
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6. All meter loop installations must be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
7. Individual Customers may be required to have their property corner pins and/or markers installed to establish proper right-of-way locations.
8. Developers must have all property corner pins and/or markers installed necessary to establish proper locations to supply electric service to individual lots within subdivisions.
9. Where the installation requires more than one meter for service to the premises, each meter panel must be permanently marked (not painted) by the contractor or Customer to properly identify the portion of the premises being served.
10. The identification will be the same as the apartment, office, etc., served by that meter socket. The identifying marking placed on each meter panel will be impressed into or raised from a tab of aluminum, brass or other approved non-ferrous metal with minimum one-fourth (1/4) inch-high letters. This tag must be riveted to the meter panel. The impression must be deep enough to prevent the identification(s) from being obscured by subsequent painting of the building and attached service equipment.
11. The Company may require the assistance of the Customer and/or the Customer's contractor to open the apartments or offices at the time the meters are set, in order to verify that each meter socket actually serves the apartment or office indicated by the marking tag. In the case of multiple buildings the building or unit number and street address will be identified on the pull section in the manner described above.

**D. Grounds for Refusal of Service**

The Company may refuse to establish service if any of the following conditions exist:

1. When the Applicant has an outstanding amount due for the same class of electric service with the Company and the Applicant is unwilling to make arrangements with the Company for payment, in such cases, the Company shall be entitled to transfer the balance due on the terminated service to any other active account of the Customer for the same class of service. The failure of the Customer to pay the active account shall result in the suspension or termination of service.
2. A condition exists which, in the Company's judgment, is unsafe or hazardous to the Applicant, the general population, or the Company's personnel or facilities;
3. The Applicant refuses to provide the Company with a deposit when the Customer has failed to meet the credit criteria for waiver of deposit requirements;
4. Customer is known to be in violation of the Company's Rates or Rules and Regulations;

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5. Customer fails to furnish the funds, service, equipment, and/or rights-of-way necessary to serve the Customer and which have been specified by the Company as a condition for providing service;
6. Customer fails to provide safe access to the meter that would be serving the Customer;
7. Applicant falsifies his or her identity for the purpose of obtaining service;
8. Service is requested by an Applicant and a prior Customer, who is either living with the Applicant, or who is an occupant of the premises who owes a debt to the Company from the same class of service from the same or a prior service address;
9. The Applicant is acting as an agent for a prior Customer who is deriving benefits from the energy supplied and who owes a delinquent bill from the same class of service from the same or a prior service address;
10. There is evidence of tampering or energy diversion.

**E. Service Establishment, Reestablishment or Reconnection Charge**

1. The Company will make a charge, as approved by the ACC, for service transfer for meter reads only set forth as Fee No. 1 in the UNS Electric Statement of Charges.
2. The Company may make a charge, as approved by the ACC, for the establishment, reestablishment, or reconnection of service. The charge for establishment, reestablishment or reconnection of service during regular business hours is set forth as Fee No. 4 in the UNS Electric Statement of Charges.
3. Should service be established during a period other than the Company's regular business hours at the Customer's request, the Customer may be required to pay an after-hour charge for the service connection set forth as Fee No. 5. Where the Company's scheduling will not permit service establishment on the same day as requested, the Customer can elect to pay the after-hour charge for establishment that day, or his service will be established on the next available business day. The after-hour charge is set forth as Fee No. 6 in the UNS Electric Statement of Charges. Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having Staff available; there is no guarantee that the Company will have the staffing available for service establishment or reestablishment outside of regular business hours.
4. For the purpose of this Rule, the definition of service establishment is where the Customer's facilities are ready and acceptable to the Company, the Applicant has obtained all required permits and/or inspections indicating that the Applicant's facilities comply with local construction safety and governmental standards and regulations, and the Company needs only to install a meter, read a meter, or turn the service on.

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**ESTABLISHMENT OF SERVICE**  
 (continued)

**5. Service Reconnection Charge**

Whenever the Company has discontinued service under its usual operating procedures because of any default by the Customer as provided herein, a reconnection charge, not to exceed the charge for the reestablishment of service as set forth as Fee Nos. 4-5 in the UNS Electric Statement of Charges, shall be made and may be collected by the Company before service is restored. When, due to the behavior of the Customer, it has been necessary to discontinue service utilizing other than usual operating procedures, the Company shall be entitled to charge and collect actual costs to restore service, as set forth in the UNS Electric Statement of Charges.

**F. Temporary Service**

1. Applicants for temporary service may be required to pay Line Extension charges in accordance with Section 7.C.9.d.
2. Where the duration of service is to be less than one (1) month, the Applicant will also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one (1) month, the Applicant may also be required to meet the deposit requirements of the Company, as outlined in Subsection B.1. above.
4. If at any time during the term of the agreement for service the character of a temporary Customer's operations changes so that, in the opinion of the Company, the Customer is classified as permanent, the terms of the Company's Line Extension rules will apply.

**G. Identification of Load and Premises**

Upon request of the Company, the electric load and premises to be served by the Company must be clearly identified by the Customer at the time of application. If the service address is not recognized in terms of commonly used identification system, the Customer may be required to provide specific written directions and/or legal descriptions before the Company will be required to act upon a request for electric service.

**H. Identification of Responsible Party**

Any person applying on behalf of another Customer for service to be connected in the name of or in care of another Customer must furnish to the Company written approval from that Customer guaranteeing payment of all bills under the account. The Customer is responsible in all cases for service supplied to the premises until the Company has received proper notice of the effective date of any change. The Customer shall also promptly notify the Company of any change in physical or electronic billing address.

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**SECTION 3**  
**ESTABLISHMENT OF SERVICE**  
 (continued)

- I. Tampering With or Damaging Company Equipment
1. The Customer agrees, when accepting service, that no one except authorized Company employees or agents of the Company will be allowed to remove or replace any Company owned equipment installed on Customer's property.
  2. No person, except an employee or agent acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.
  3. No meter seal may be broken or removed by anyone other than an employee or agent acting on behalf of the Company, however the Company may give its prior consent to break the seal by an approved electrician employed by a Customer when deemed necessary by the Company.
  4. The Customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the Customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any tampering, interfering, theft, or service diversion, including the falsification of Customer read-meter readings, Customer will be subject to immediate discontinuance of service. The Company will be entitled to collect from the Customer whose name the service is in, under the appropriate Rate, for all power and energy not recorded on the meter as the result of such tampering, or other theft of service, and also additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs incurred by the Company.
  5. The Customer will be held liable for any loss or damage occasioned or caused by the Customer's negligence, want of proper care or wrongful act or omission on the part of any Customer's agents, employees, licensees or contractors.
- J. Access
1. The Customer is responsible for providing safe access to Company facilities. The Company's authorized agents shall have satisfactory unassisted twenty-four (24) hour a day, seven (7) days a week access to the Company's equipment located on Customer's premise for the purpose of repair and service restoration work that the Company may need to perform.
  2. If additional resources are required to gain safe access to perform service establishment, disconnection, meter reading, or routine maintenance, due to an affirmative, wrongful, and/or criminal act by the Customer, the Company will be entitled to collect from the Customer all expenses incurred by the Company for additional resources including: investigation of access, all legal expenses, and court costs.

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**SECTION 4**  
**MINIMUM CUSTOMER INFORMATION REQUIREMENTS**

**A. Information for Customers**

1. The Company will make available upon Customer request not later than sixty (60) days from the date of the request a concise summary of the Rate schedule applied for by the Customer. The summary will include the following:
  - a. The monthly minimum Customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable;
  - b. Rate blocks, where applicable;
  - c. Any adjustment factor(s) and method of calculation; and
  - d. Demand charge, where applicable.
2. Upon request of the Customer, either at the time of application or after, the Company will use its best efforts to assist the Customer in choosing an appropriate Rate. However, upon application or upon request for assistance, the Applicant or the Customer will elect the applicable Rate best suited to his requirements. The Company may assist in making this election, but will not be held responsible for notifying the Customer of the most favorable Rate and will not be required to refund the difference in charges under different Rates. The Customer is solely responsible for selecting the Rate the Customer believes is appropriate. If no Rate is selected, the Customer will be placed on the most common Rate for the class of service and the Company will not be liable to refund the difference in charges had the Customer been placed on different Rates.
3. Upon written notification of any material changes in the Customer's installation or load conditions, the Company will assist in determining if a change in Rate is desirable, but not more than one (1) such change at the Customer's request will be made within any twelve (12) month period.
4. The supply of electric service under a residential Rate to a dwelling involving some business or professional activity will be permitted only where this activity is only occurring occasionally at the dwelling, where the electricity used in connection with this activity is small in amount, and where the electricity is used only by equipment that would normally be in use if the space were used as living quarters. Where a portion of the dwelling is used regularly for business, professional and other gainful purposes, and any considerable amount of electricity is used for other than domestic purposes, or for electrical equipment not normally used in living quarters is installed in connection with the activities referenced above, then the entire premises will be classified as non-residential and the appropriate general service Rate will be applied. The Customer, may, at his option, provide separate wiring so that the residential uses can be metered and billed separately under the appropriate residential service rate schedule, and the other uses under the appropriate general service rate.

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**SECTION 4  
MINIMUM CUSTOMER INFORMATION REQUIREMENTS  
(continued)**

5. In addition, the Company will make available upon Customer request, not later than sixty (60) days from date of service commencement, a concise summary of the Company's Rates or the ACC's Rules and Regulations concerning:
    - a. Deposits;
    - b. Termination of service;
    - c. Billing and collection; and
    - d. Complaint handling.
  6. The Company, upon request of a Customer, will transmit a written statement of actual consumption by the Customer for each billing period during the prior twelve (12) months, unless this data is not reasonably ascertainable. But the Company will not be required to accept more than one such request from each Customer in a calendar year.
- B. Information Required Due to Changes in Rates:
1. The Company will send to affected Customers a concise summary of any change in the Rates affecting those Customers.
  2. This information will be sent to the affected Customer within sixty (60) days of the effective date of the change.

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**SECTION 5  
MASTER METERING**

**A. Mobile Home Parks – New Construction/Expansion**

1. The Company will refuse service to all new construction or expansion of existing permanent residential mobile home parks unless the construction or expansion is individually metered by the Company. Line extensions and service connections to serve this expansion will be governed by the Company's Line Extension and/or service connection policies of these Rules and Regulations.
2. Permanent residential mobile home parks for the purpose of this rule will mean mobile home parks where the average length of stay for an occupant is a minimum of six (6) months.
3. For the purposes of this rule, expansion means the acquisition of additional real property for permanent residential spaces in excess of that existing at the effective date of this rule.

**B. Residential Apartment Complexes, Condominiums and other Multiunit Residential Buildings**

1. Master metering will not be allowed for new construction of apartment complexes and condominiums unless the building or buildings will be served by a centralized heating, ventilation, or air conditioning system and the contractor can provide to the Company an analysis demonstrating that the central unit will result in a favorable cost/benefit relationship.
2. At a minimum, the cost/benefit analysis should consider the following elements for a central unit as compared to individual units:
  - a. Equipment and labor costs;
  - b. Financing costs;
  - c. Maintenance costs;
  - d. Estimated kWh usage;
  - e. Estimated kW demand on a coincident demand and non-coincident demand basis (for individual units);
  - f. Cost of meters and installation; and
  - g. Customer accounting cost (one account vs. several accounts).
3. A Customer of any residential apartment complex, condominium, or other multiunit residential building taking service through a master meter is responsible for determining his or her own usage beyond the Company's meter.

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**SECTION 6  
SERVICE LINES AND ESTABLISHMENTS**

**A. Priority and Timing of Service Establishments**

1. After the Applicant has complied with the Company's application requirements and has been accepted for service by the Company, and obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction, safety and governmental standards or regulations, the Company will schedule that Customer for service establishment.
2. All charges are due and payable before the Company will schedule the Customer for service establishment.
3. Service establishments will be scheduled for completion within five (5) business days of the date the Customer has been accepted for service, except in those instances when the Customer requests service establishment beyond the five (5) business day limitation.
4. When the Company has made arrangements to meet with a Customer for service establishment purposes and the Company or the Customer cannot make the appointment during the prearranged time, the Company will reschedule the service establishment to the satisfaction of both parties.
5. The Company will schedule service establishment appointments within a maximum range of four (4) hours during normal business hours, unless another timeframe is mutually acceptable to both the Company and the Customer.
6. Service establishments will be made only by the Company.
7. For the purposes of the rule, service establishments are where the Customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.
8. A fee for service establishment, reestablishment, or reconnection of service may be charged at a rate on file with and approved by the ACC. Whenever an Applicant requests after-hours handling of his request, the Company will charge a fee set forth in the UNS Electric Statement of Charges, unless a special call-out is required. If a special call-out is required the charge will be for a minimum of two (2) hours at the Company's then-prevailing after-hours rate for the service work on the Customer's premises. Special handling of calls and the related charges will be made only upon request of the Applicant. Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having staff available; there is no guarantee that the Company will have the staffing available for service establishment, reestablishment or reconnection after regular business hours.

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**SECTION 6**  
**SERVICE LINES AND ESTABLISHMENTS**  
 (continued)

**B. Service Lines**

**1. Customer provided facilities**

- a. Each Applicant for services will be responsible for all inside wiring including the service entrance and meter socket. For three-phase service, the Customer will provide, at the Customer's expense, all facilities including conductors and conduit, beyond the Company-designated point of delivery.
- b. Meters and service switches in conjunction with the meter will be installed in a location where the meters will be readily and safely accessible for reading, testing and inspection, where these activities will cause the least interference and inconvenience to the Customer. Location of metering facilities will be determined by the Company and may or may not be at the same location as the point of delivery. However, the meter locations will not be on the front exterior wall of the home, or in the carport or garage unless mutually agreed to between the Customer or homebuilder and the Company. Without cost to the Company, the Customer must provide, at a suitable and easily accessible location, sufficient and proper space for the installation of meters.
- c. Where the meter or service line location on the Customer's premises is changed at the request of the Customer or due to alterations on the Customer's premises, the Customer must provide and have installed, at the Customer's expense, all wiring and equipment necessary for relocating the meter and service line connection. The Company will charge the Customer for moving the meter and/or service lines.
- d. Customer will provide access to a main switch or breaker for disconnecting load to enable safe installation and removal of Company meters.

**2. Company-Provided Facilities**

- a. The Company will provide, at no charge, an overhead service line up to one hundred fifty (150) feet and no more than one carryover pole, if required, for each Customer. In areas where the Company maintains an underground distribution system, the Company will provide, install, and connect, at no charge, underground service cable up to one hundred fifty (150) feet for each residential Customer.
- b. The cost of any service line in excess of that allowed under 2.a. above will be paid for by the Customer as a contribution in aid of construction.
- c. A Customer requesting an underground service line in an area served by overhead facilities will pay for the difference between estimated cost of an equivalent overhead service connection and the actual cost of the underground connection as a non-refundable contribution.

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Rules and Regulations**

Original Sheet No.: 906-2

Superseding: \_\_\_\_\_

**SECTION 6  
SERVICE LINES AND ESTABLISHMENTS  
(continued)**

3. Overhead Service Connection – Secondary Service
- a. For the initial service drop: Where the Company's distribution pole line is located on the Customer's premises, or on a street, highway, lane, alley, road, or private easement immediately contiguous thereto, the Company will, at its own expense, furnish and install a single span of service drop line (up to 550 feet in total) from its pole to the Customer's point of attachment, provided that this point of attachment is at the point of delivery and is of a type and so located that the service drop wires may be installed in a manner approved by the Company in accordance with good engineering practice, and in compliance with all applicable laws, ordinances, Rules and Regulations, including those governing clearances and points of attachment.
  - b. Whenever any of the clearances required by the applicable laws, ordinances, rules or regulations of public authorities or standards of the Company from the service drops to the ground or any object becomes impaired by reason of any changes made by the owner or tenant of the premises, the Customer will, at his own expense, provide a new and approved support, in a location approved by the Company, for the termination of the Company's service drop wires and will also provide all service entrance corridors and equipment necessitated by the change of location.
  - c. The cost of any service line footage, in excess of that allowed at no charge, will be paid for by the Customer as a contribution in aid of construction.
  - d. For each overhead service connection, the Customer will furnish at their own expense a set of service entrance conductors that will extend from the point of service delivery at the point of termination of the Company's service drop on the Customer's support to the Customer's main disconnect switch. These service entrance conductors will be of a type and be in an enclosure that meets with the approval of the Company and any inspection authorities having jurisdiction.
4. Underground Service Connections – Secondary Service
- a. In areas where the Company maintains an underground distribution system, individual services will be underground.
  - b. The cost of any underground service line footage in excess of that allowed at no charge, will be paid for by the Customer and will be treated as a contribution in aid of construction.
  - c. Whenever the Company's underground distribution system is not complete to the point designated by the Company where the service lateral is to be connected to the distribution system, the system may be extended in accordance with Section 7.

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**SECTION 6**

**SERVICE LINES AND ESTABLISHMENTS**  
 (continued)

- d. For an initial underground service connection of single-phase service, the Company will install a service lateral from its distribution line to the Customer's Company-approved termination facilities under the following conditions (unless otherwise agreed to by the Company and the Applicant):
- (i) The Customer, at his expense, will provide the necessary trenching, conduit, conduit installation, backfill, landscape restoration and paving and will also furnish, install, own and maintain termination facilities on or within the building to be served.
- e. The Company, at its expense (up to 550 feet in total), will furnish, install, own and maintain the underground single-phase cables to Customer's Company-approved termination facilities.
- f. The Company will determine the minimum size and type of conduit and conductor for the single-phase service. The Customer will furnish and install the conduit system, including suitable pull ropes as specified by the Company. The ownership of this conduit or duct will be conveyed to the Company, and the Company will thereafter maintain the conduit or duct. The maximum length of any lateral conductor will be determined by the Company in accordance with accepted engineering practice in determining voltage drop, voltage flicker, and other relevant considerations.
- g. For three-phase service, the Customer will provide, at the Customer's expense, all facilities, including conductors and conduit, beyond the Company-designated point of delivery.

**C. Easements and Rights-of-Way**

1. At no cost to the Company, each Customer will grant adequate easements and rights-of-way that are satisfactory to ensure proper service connection and any additional easements and rights-of-way as may be necessary for electric system reliability. Failure on the part of the Customer to grant adequate easement and right-of-way will be grounds for the Company to refuse service.
2. When the Company discovers that a Customer or the Customer's Agent is performing work, has constructed facilities or has allowed vegetation to grow adjacent to or within an easement or right-of-way and this work, construction, vegetation or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, Rules or Regulations, or significantly interferes with the Company's access to equipment, the Company will notify the Customer or the Customer's Agent and will take whatever actions are necessary to eliminate the hazard, obstruction or violation at the Customer's expense.

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**SECTION 6  
SERVICE LINES AND ESTABLISHMENTS  
(continued)**

**D. Number of Services to be Installed**

Unless otherwise provided herein, or in a Rate or contract, the Company will not install more than one service, either overhead or underground, for any one building or group of buildings on a single premise. Separate services may be installed for separate buildings or group of buildings where necessary for the operating convenience of the Company, where provided for in the Rates, or where required by law or local ordinance.

**E. Multiple Service Points**

Unless otherwise expressly provided herein, or in a Rate or contract, any person, firm, corporation, agency or other organization or governmental body receiving service from the Company at more than one location or for more than one separately operated business will be considered as a separate Customer at each location and for each business. If several buildings are occupied and used by a Customer in the operation of a single business, then the Company, upon proper application, will furnish service for the entire group of buildings through one service connection at one point of delivery, provided all of these buildings are at one location on the same lot or tract, or on adjoining lots or tracts that form a contiguous site (not separated by any public streets) wholly owned, or controlled, and occupied by the Customer in the operation of this single business. Dwelling units will be served, metered and billed separately, except at the option of the Company.

**F. Temporary Service**

For service that is temporary in nature or for operations of a speculative character or questionable permanency the Customer will be charged the Company's estimated cost of installing the service.

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**UNS Electric, Inc.**  
**Rules and Regulations**

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**SECTION 7**  
**LINE EXTENSIONS**

**Introduction**

The Company will construct, own, operate and maintain lines along public streets, roads and highways which the Company has the legal right to occupy, and on public lands and private property across which rights-of-way and easements satisfactory to the Company may be obtained without cost to or condemnation by the Company.

A request for electric service often requires the construction of new distribution lines of varying distances. The distances and cost vary widely depending upon Customer's location and load size. With such a wide variation in extension requirements, it is necessary to establish conditions under which the Company will extend its electric facilities.

All extensions are subject to the availability of adequate capacity, voltage and Company facilities at the beginning point of an extension, as determined by the Company.

A standard policy has been adopted to provide service to Customers whose requirements are deemed by the Company to be economical and ordinary in nature.

All extensions are made on the basis of economic feasibility. Footage and revenue basis are offered below for use in circumstances where feasibility is generally accepted because of the number of extensions made within these footage and dollar units.

In unusual circumstances, when the application of the provisions of this policy appear impractical, or in case Customer's requirements exceed 100 kW, the Company will make a special study of the conditions to determine the basis on which service may be rendered.

**A. General Requirements**

1. Upon request by an Applicant for a line extension, the Company will prepare without charge, a preliminary electric design and a rough estimate of the cost of installation, if any, to be paid by said Applicant.
2. Any Applicant for a line extension requesting the Company to prepare detailed plans, specifications, or cost estimates will be required to make a non-refundable deposit with the Company in an amount equal to the estimated cost of preparation. The Company will make available within ninety (90) days after receipt of the deposit referred to above, those plans, specifications, and cost estimates for the proposed line extension. Where the Applicant authorizes the Company to proceed with construction of the extension, the deposit will be credited to the cost of construction. If the extension is to include over-sizing of facilities to be done at the Customer's expense, appropriate details will be set forth in the plans, specifications and cost estimates. Developers providing the Company with approved plans will be provided with plans, specifications, or cost estimates within ninety (90) days after receipt of the deposit referred to above.

The Company will provide a copy of the Line Extension policy prior to the Applicant's acceptance of the utility's extension agreement.

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**SECTION 7**  
**LINE EXTENSIONS**  
 (continued)

3. All line extension agreements requiring payment of an advance by the Applicant will be in writing and signed by each party.
4. The provisions of this rule apply only to those Applicants who, in the Company's judgment, will be permanent Customers of the Company. Applications for temporary service will be governed by the Company's Rules concerning temporary service applications. The Company reserves the right to delay the extension of facilities until the satisfactory completion of required site improvements, as determined by the Company, and an approved service entrance to accept electric service has been installed.

**B. Minimum Written Agreement Requirements**

1. Each line extension agreement must, at a minimum, include the following information:
  - a. Name and address of Applicant(s);
  - b. Proposed service address(es) or location(s);
  - c. Description of requested service;
  - d. Description and sketch of the requested line extension;
  - e. A cost estimate to include itemized material costs, labor, and other itemized costs as necessary; Calculations of estimated line extension costs will include the following:
    - i. Material cost;
    - ii. Direct labor cost; and
    - iii. Overhead cost.
      - 1) Overhead costs are represented by all the costs which are proper capital charges in connection with construction, other than direct material and labor costs including but not limited to; indirect labor, engineering, transportation, taxes (e.g. FICA, State & Federal Unemployment which are properly allocated to construction), insurance, stores expense, general office expenses allocated to costs of construction, power operated equipment, employee pension and benefits, vacations and holidays, and miscellaneous expenses properly chargeable to construction.
  - f. Payment terms;
  - g. A concise explanation of any refunding provisions, if applicable;
  - h. The Company's estimated start date and completion date for construction of the line extension; and
  - i. A summary of the results of the economic feasibility analysis performed by the Company to determine the amount of the advance required from the Applicant for the proposed line extension.
2. Each Applicant will be provided with a copy of the written line extension agreement.

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**SECTION 7**  
**LINE EXTENSIONS**  
(continued)

**C. Line Extension Requirements**

**1. Overhead Extensions to Individual Residential Applicants**

**a. Line Extension Allowance**

Upon the Applicant's satisfactory completion of required site improvements, the Company will make single-phase extensions from its existing facilities of proper voltage and adequate capacity at the Company's expense up to five hundred fifty (550) feet. The distance of five hundred fifty (550) feet is to be measured by the shortest feasible route along public streets, roads, highways, or suitable easements from the existing facilities to the Applicant's nearest point of delivery and inclusive of the service drop and is for initial site improvements, as determined by the Company, only.

**b. Extensions in Excess of Line Extension Allowance Distance**

The Company will make extensions in excess of five hundred fifty (550) feet per Customer upon receipt of a non-interest bearing, refundable cash deposit with the Company to cover the estimated costs of construction for the pro-rata share of the single-phase extension length over five hundred fifty (550) feet, for voltages up to 21kV.

The Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service.

**c. Method of Refund**

i. Deposit refunds will be made to a depositor when separately metered Customers are served directly from the line extension originally constructed to serve said depositor, providing the new line extension is less than five hundred fifty (550) feet in distance, and the Customer to be served occupies a permanent structure designed for continued occupancy for either residential or business purposes, meeting established municipal, county or state codes as applicable.

The amount of the deposit refund will be equal to the estimated 'Cost per Foot' for the line extension project rate multiplied by five hundred fifty (550) feet less the actual footage of the new line extension required to serve the new Customer.

In no event will the total of the refund payments made by the Company to a depositor be in excess of the deposit amount advanced.

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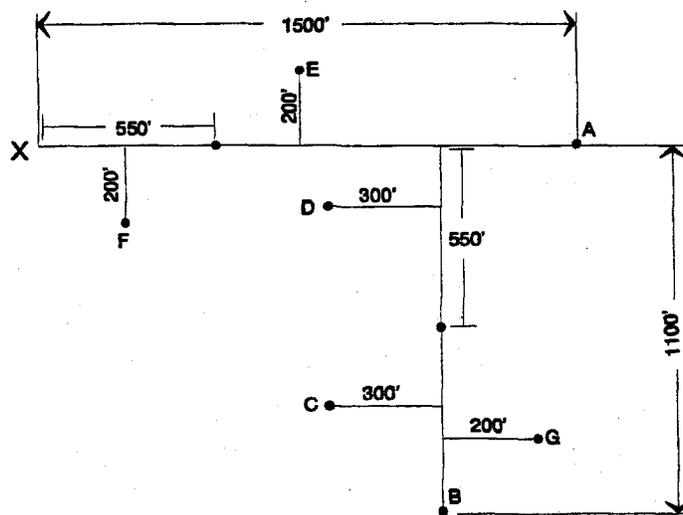
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**LINE EXTENSIONS**  
 (continued)

A pictorial explanation of the method of refund for a single-phase line extension is as follows (assume the 'Cost per Foot' rate for this Line Extension is \$15.00 per foot):



Applicant "A" – Customer makes refundable advance of \$14,250 for footage over 550' at \$15.00/foot.

Applicant "B" – Customer makes refundable advance of \$8,250 for footage over 550' at \$15.00/foot. No refund to A for B's connection because B is over 550'.

Applicant "C" – Customer gets line at no cost. Refund goes to B at \$15.00 x 250', or \$3,750 because C ties directly into B's line and is less than 550'.

Applicant "D" – Customer gets line at no cost. Refund goes to B at \$15.00 x 250', or \$3,750, because it ties directly into B's line and is less than 550'.

Applicant "E" – Customer gets line at no cost. Refund goes to A at \$15.00 x 350', or \$5,250 because E ties directly into A's line and is less than 550'.

Applicant "F" – Customer gets line at no cost. Refund goes to A at \$15.00 x 350', or \$5,250 because F ties directly into A's line and is less than 550'.

Applicant "G" – Customer gets line at no cost. Refund goes to B at \$15.00 x 350', or \$5,250; however, B receives \$750 since this is the remaining balance of the initial deposit net of refunds. Total refunds cannot exceed the amount of the initial advance.

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**LINE EXTENSIONS**  
(continued)

Note: The dollars in the example above are illustrative. This method requires that: a) The deposit advance made for an initial line extension cannot be refunded to the depositor unless a new line extension required to serve a new separately metered Customer is directly connected to the initial line extension; and b) the new line extension is less than 550 feet in length.

- ii. Payment of eligible refunds will be made within ninety (90) days following receipt of notification to the Company that a qualifying permanent Customer has commenced receiving service from an extension.
- iii. A Customer may request an annual survey to determine if additional Customers have been connected to and are using service from the extension.
- iv. After a period of five (5) years from the date the Company is initially ready to render service from an extension, the Company will review the deposit and make appropriate refunds then due, if any. Any unrefunded amount remaining thereafter will become the property of the Company and will no longer be eligible for refund and will become a contribution in aid of construction.

2. Underground Facilities to Individual Residential Applicants

- a. Underground line extensions will generally be made only where mutually agreed upon by the Company and the Applicant, or in areas where the Company does maintain underground distribution facilities for its operating convenience.
- b. Underground extensions will be owned, operated and maintained by the Company, provided the Applicant pays in advance a non-refundable sum equal to the estimated difference between the cost, exclusive of meters and services, of the underground extension and an estimated equivalent overhead extension cost for voltages up to 21kV.
- c. In addition to the non-refundable sum, the Applicant will (unless otherwise agreed to by the Company and the Applicant) make such refundable deposit (for voltages up to 21kV) in accordance with Subsection 7.C. as otherwise would have been required under these Rules and Regulations if the extension had been made by overhead construction.
- d. Refunds of cash deposits will be made in the same manner as provided for overhead extensions to individual Applicants for service, in accordance with the applicable provisions of Subsection 7.C.
- e. Underground services will be installed, owned, operated and maintained as provided in Section 6 of these Rules and Regulations.

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**SECTION 7**  
**LINE EXTENSIONS**  
(continued)

3. Extensions to Non-Residential Customers

a. Line Extensions less than 21kV

- i. For line extensions with voltages less than or equal to 21kV, the Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service to a non-residential Customer. Prior to the installation of facilities, the Customer will be required to make a refundable non-interest-bearing cash advance to the Company for the estimated project cost less an allowance equal to 50% of the estimated two year Revenue. If the total of such charge is less than one hundred dollars (\$100.00), the charge will be waived by the Company.
- ii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iii. After the initial twenty-four (24) month billing period the Company will compare the actual Revenue to the allowance, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iv. In no event shall the total of the refund payments made by the Company to the depositor be in excess of the deposit amount advanced.
- v. No refunds will be made after a period of two (2) years subsequent to the completion of construction of the Company's facilities. Any un-refunded amount remaining at the end of the two (2) year period will become the property of the Company and a nonrefundable contribution in aid of construction.
- vi. 550 foot line extension allowance does not apply.

b. Line Extensions greater than 21kV to 69kV

- i. For line extensions with voltages greater than 21kV and less than or equal to 69kV, the Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service to a non-residential Customer. Prior to the installation of facilities, the Customer will be required to make a refundable non-interest-bearing cash advance to the Company for the estimated project cost less an allowance equal to 50% of the estimated one year Revenue. If the total of such charge is less than one hundred dollars (\$100.00), the charge will be waived by the Company.
- ii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iii. After the initial twelve (12) month billing period the Company will compare the actual Revenue to the allowance, and any difference will be either billed or refunded within ninety (90) days to the Customer.

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LINE EXTENSIONS  
(continued)**

- iv. In no event shall the total of the refund payments made by the Company to the depositor be in excess of the deposit amount advanced.
- v. No refunds will be made after a period of two (2) years subsequent to the completion of construction of the Company's facilities. Any un-refunded amount remaining at the end of the two (2) year period will become the property of the Company and a nonrefundable contribution in aid of construction.
- vi. 550 foot line extension allowance does not apply.

**4. Residential Subdivision Developers**

**a. General**

Required distribution facilities up to and within a new duly recorded residential subdivision, including subdivision plats which are activated subsequent to their recordation, for permanent service to single and/or multi-family residences and/or unmetered area lighting, will be constructed, owned, operated and maintained by the Company in advance of applications for service by permanent Customers only after the Company and the Applicant have entered into a written contract ("Subdivision Agreement"), which (unless otherwise agreed to by the Company and the Applicant) provides that:

- i. The total estimated installed cost of such overhead distribution facilities, exclusive of meters, services and exclusive of other costs as may be deemed as reasonable by the Company, will be advanced to the Company as a refundable non-interest bearing cash deposit to cover the Company's cost of construction.
- ii. Refundable advances will become non-refundable at such time and in such manner as provided in Subsection 7.C.4.b.
- iii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iv. Where applicable, if distribution facilities must be constructed in excess of an average of five hundred fifty (550) feet per new permanent Customer within a duly recorded residential subdivision, a nonrefundable cash amount equal to that portion of the total estimated installed cost represented by those required line facilities in excess of five hundred fifty (550) feet per Customer average will be paid to the Company.

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**SECTION 7**  
**LINE EXTENSIONS**  
(continued)

- v. Underground Installations – Extensions of single-phase underground distribution lines necessary to furnish permanent electric service to new residential buildings or mobile homes within a subdivision, in which facilities for electric service have not been constructed, for which applications are made by a developer will be installed underground in accordance with the provisions set forth in this regulation except where it is not feasible from an engineering, operational, or economic standpoint. Extensions of single-phase underground distribution lines necessary to furnish permanent electric service within a new single family and/or multi-family residential subdivision will be made by the Company in advance of receipt of applications for service by permanent Customers in accordance with the following provisions (unless otherwise agreed to by the Company and the Applicant):
- 1) The subdivider or other Applicant will provide the trenching, bedding, backfill (including any imported backfill required), compaction, repaving and any earthwork for pull boxes and equipment and transformer pad sites required in accordance with the Company's specifications and subject to the Company's inspection and approval.
  - 2) Right-of-way and easements satisfactory to the Company will be furnished by the Developer at no cost to the Company and in reasonable time to meet service requirements. No underground electric facilities will be installed by the Company until the final grades have been established and furnished to the Company. In addition the easements, alleys and/or streets must be graded to within six (6) inches of final grade by the Developer before the Company will commence construction. Such clearance and grading must be maintained by the Developer. If, subsequent to construction, the clearance or grade is changed in such a way as to require relocation of underground facilities or results in damage to such facilities, the cost of such relocation and/or resulting repairs will be borne by the developer.
  - 3) If armored cable or special cable covering is required, the Customer or developer will make a non-refundable contribution equal to the additional cost of such cable or covering.
  - 4) Underground service lines will be installed, owned, operated and maintained as provided in Section 6 of these Rules and Regulations.
  - 5) Any underground electric distribution system requiring more than single-phase service is not governed by this Subsection, but rather will be constructed pursuant to Subsection 7.C.6.
- vi. Underground extensions up to the duly recorded Subdivision will be owned, operated and maintained by the Company, provided the Applicant pays a non-refundable sum equal to the estimated difference between the cost of the underground extension and an equivalent estimated cost of an overhead extension.

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**SECTION 7**  
**LINE EXTENSIONS**  
 (continued)

b. Method of Refund

- i. The Developer is eligible for a refund during the term of the Subdivision Agreement of up to 100% of the amount advanced provided the average length of the line extension per lot or per service location does not exceed five hundred fifty (550) feet. If distribution facilities must be constructed in excess of an average of five hundred fifty (550) feet per new permanent lot or service location within a duly recorded residential subdivision, that portion of the advanced total installed cost represented by those required line facilities in excess of five hundred fifty (550) feet per customer will be held by the Company as a non-refundable contribution.
- ii. On or after one (1) year subsequent to the installation of the Company's facilities, and thereafter each year of the term of the Subdivision Agreement the Company will review the status of the subdivision to determine the percentage ratio that the number of lots or service locations occupied by permanent Customers bears to the number of lots identified in each Subdivision Agreement specified as the basis for refund. The ratio determined at the time of each review multiplied by the total refundable advance associated with the line extension agreement will represent that portion of the advance qualified for refund. If the foregoing calculation indicates a refund is due, an appropriate refund of cash deposit will be made. Payment will be made within ninety (90) days following each review.
- iii. The total amount refunded over the term of the Subdivision Agreement cannot exceed the total amount advanced net of any non-refundable contribution and or cost of ownership.
- iv. The Company will make a final review on the status after a period of five (5) years. No refunds will be made after a period of five (5) years subsequent to the completion of construction of the Company's facilities. Any unrefunded amount remaining at the ends of the five (5) year period will become the property of the Company and a nonrefundable contribution in aid of construction.

5. Non-Residential Developers

a. General

Required distribution facilities up to and within a new duly recorded non-residential development, including commercial plats which are activated subsequent to their recordation, for permanent service, will be constructed, owned, operated and maintained by the Company in advance of applications for service by permanent commercial customers only after the Company and the Applicant have entered into a written contract which (unless otherwise agreed to by the Company and the Applicant) provides that:

- i. For line extensions with voltages less than or equal to 21kV, the Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service to a non-residential Customer. Prior to the installation of facilities, the Customer will be required to make a refundable non interest-bearing cash advance to the Company for the estimated project cost less an allowance equal to 50% of the estimated two year Revenue. If the total of such charge is less than one hundred dollars (\$100.00), the charge will be waived by the Company.

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**LINE EXTENSIONS**  
(continued)

- ii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
  - iii. 550 foot line extension allowance does not apply.
  - iv. For line extensions with voltages greater than 21kV Subsection 7.C.3.b will apply.
- b. Method of Refund
- i. After the initial twenty-four (24) month billing period the Company will compare the actual Revenue to the allowance, and any difference will be either billed or refunded within ninety (90) days to the Customer.
  - ii. In no event shall the total of the refund payments made by the Company to the depositor be in excess of the deposit amount advanced.
  - iii. No refunds will be made after a period of two (2) years subsequent to the completion of construction of the Company's facilities. Any unrefunded amount remaining at the end of the two (2) year period will become the property of the Company and a nonrefundable contribution in aid of construction.
- c. Underground Installations – Extensions of single-phase or three-phase underground distribution lines necessary to furnish permanent electric service to new commercial properties a commercial subdivision, in which facilities for electric service have not been constructed, for which applications are made by a developer will be installed underground in accordance with the provisions set forth in this regulation except where it is not feasible from an engineering, operational, or economic standpoint. Extensions of single-phase or three-phase underground distribution lines necessary to furnish permanent electric service will be made by the Company in advance of receipt of applications for service by permanent commercial customers in accordance with the following provisions (unless otherwise agreed to by the Company and the Applicant):
- i. The subdivider or other Applicant will provide the trenching, bedding, backfill (including any imported backfill required), compaction, repaving and any earthwork for pull boxes and equipment and transformer pad sites required in accordance with the Company's specifications and subject to the Company's inspection and approval.
  - ii. Underground service will be installed, owned, operated and maintained as provided in Section 6 of these Rules and Regulations.
  - iii. Underground extensions up to the duly recorded Subdivision will be owned, operated and maintained by the Company, provided the Applicant pays a non-refundable sum equal to the estimated difference between the cost of the underground extension and an equivalent estimated cost of an overhead extension.

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**UNS Electric, Inc.  
Rules and Regulations**

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**SECTION 7  
LINE EXTENSIONS  
(continued)**

**6. Replacement of Overhead with Underground Distribution Facilities**

Where a Customer has requested that existing overhead distribution facilities be replaced with underground distribution facilities, the total cost of such replacement will be paid by the Customer.

**7. Conversion from Single-Phase to Three-Phase Service**

Where it is necessary to convert all or any portion of an existing overhead or underground distribution system from single-phase to three-phase service to a Customer, the total cost of such conversion will be paid by the Customer.

**8. Long Term Rental Mobile Home Park, Townhouses, Condominiums and Apartment Complexes**

Line extensions to long term rental mobile home parks, townhouses, condominiums and apartment complexes will be made by the Company under terms and conditions provided in Subsection 7.C.1. The Company will, when requested by the Customer, install, own and maintain internal distribution facilities and individual metering for said development in accordance with the provisions pertaining to duly recorded real estate subdivisions as stated in Subsection 7.C.2 hereof.

**9. Special Conditions**

**a. Contracts**

Each sub divider or other Applicant for service requesting an extension over the allowable footage allowance, or in advance of applications for service to permanent Customers, or in advance of completion of required site improvements will (unless otherwise agreed to by the Company and the Applicant) be required to execute contracts covering the terms under which the Company will install lines at its own expense, or contracts covering line extensions for which advance deposits will (unless otherwise agreed to by the Company and the Applicant) be made in accordance with the provisions of these Rules and Regulations or of the applicable rate schedules.

**b. Primary Service and Metering**

The Company will provide primary service to a point of delivery, such point of delivery to be determined by the Company. The Customer will provide the entire distribution system (including transformers) from the point of delivery to the load. The system will be treated as primary service for the purposes of billing. The Company reserves the right to approve or require modification to the Customer's distribution system prior to installation, and the Company will determine the voltage available for primary service. Instrument transformers, metering riser poles and associated equipment to be installed and maintained by the Company will be at the Customer's expense.

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**SECTION 7**  
**LINE EXTENSIONS**  
 (continued)

c. Advances under Previous Rules and Contracts

Amounts advanced under the conditions established by a rule previously in effect will be refunded in accordance with the requirements of such contract under which the advance was made.

d. Extensions for Temporary Service

Extensions for temporary service or for operations of a speculative character (mining, milling, irrigation and similar speculative businesses) or questionable permanency will be charged the applicable estimated charges for the installation and removal of temporary facilities. Temporary facilities will remain in service for a maximum of two (2) years.

e. Exceptional Cases

Where unusual terrain, location, soil conditions, or other unusual circumstances make the application of these line extension rules impractical or unjust to either party or in the case of extension of lines of other than standard distribution voltage, service under such circumstances will be negotiated under special agreements specifying terms and conditions covering such extensions.

f. Special or Excess Facilities

Under this rule, the Company will install only those facilities which it deems are necessary to render service in accordance with the rate schedules. Where the Customer requests facilities which are in addition to, or in substitution for, the standard facilities which the Company normally would install, the extra cost thereof will be paid by the Customer.

g. Unusual Loads

Line extensions to unusually small loads not consisting of a residence or permanent building (e.g. individual lights, wells, signs, etc.) will not be granted the five hundred fifty (550) foot allowance, but will instead be required to advance any costs of service.

10. Other Conditions

- a. Rights-of-Way – All necessary easements or rights-of-way required by the Company for any portion of the extension which is either on premises owned, leased or otherwise controlled by the Customer, Developer, or others will be furnished in the Company's name by the Customer without cost to or condemnation by the Company and in reasonable time to meet proposed service requirements. All easements or rights-of-way obtained on behalf of the Company will contain only those terms and conditions that are acceptable to the Company.

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**SECTION 7**  
**LINE EXTENSIONS**  
 (continued)

- b. Change of Grade – If subsequent to construction of electric distribution and/or transmission lines and services, the final grade established by the Customer or Developer is changed in such a way as to require relocation of the Company facilities or results in damage to those same facilities, the cost of relocation and/or resulting repairs will be borne by the Customer or Developer.
- c. Relocation – When the Company is requested to relocate its facilities for the benefit and/or convenience of a Customer, the Customer will pay the Company for the total cost of the work to be performed prior to the start of construction.
- d. Connecting or Disconnecting Customer's Service – Only duly authorized employees of the Company are allowed to connect the Customer's service to, or disconnect the same from, the Company's electric lines.
- e. Maintenance of Customer's Equipment – The Customer will, at the Customer's own risk and expense, furnish, install and keep in good and safe condition all electrical wires, lines, machinery and apparatus which may be required for receiving electric energy from the Company; and for applying and utilizing that energy, including all necessary protective appliances and suitable building therefor, and the Company will not be responsible for any loss or damage occasioned or caused by the negligence, want of proper care, or wrongful act of the Customer or any of the Customer's agents, employees or licensees on the part of the Customer in installing, maintaining, using, operating or interfering with any such wires, lines, machinery or apparatus.
- f. Removal of Company Property – As provided for in these Rules and Regulations, the Company will have the right to remove any and all of its property installed on the Customer's premises at the termination of service.
- g. Change of Customer's Requirements – In the event that the Customer must make any material change either in the amount or character of the appliances or apparatus installed upon the Customer's premises to be supplied with electric energy by the Company, the Customer must immediately give the Company written notice to this effect.
- h. Refunds – In no case will the total of any refund payments made by the Company exceed the amount of any construction advance
- i. Collections – Nothing in these Rules and Regulations will be construed as limiting or in any way affecting the right of the Company to collect from the Customer any other additional sum of money which may become due and payable.

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**SECTION 7  
LINE EXTENSIONS  
(continued)**

**D. Construction / Facilities Related Income Taxes**

**1. Collection of Income Tax Gross Up**

- a. Any federal, state or local income taxes resulting from the receipt of a Contribution or Advance in Aid of Construction in compliance with this rule is the responsibility of the Company and will be recorded as a deferred tax asset and reflected in the Company's rate base for ratemaking purposes.
- b. However, if the estimated contribution or advance for any service line or distribution main extension (as determined for each individual extension agreement) exceeds \$500,000, the Company shall require the Applicant to include in the contribution or advance an amount (the "gross up amount") equal to the estimated federal, state or local income tax liability of the Company resulting from the contribution or advance computed as follows:

$$\text{Gross Up Amount} = \frac{\text{Advance or Contribution}}{(1 - \text{Statutory combined income tax rate})} - \text{Advance or Contribution}$$

- c. After the Company's tax returns for the year of receipt of the advance or contribution are completed, if the statutory combined income tax rate is less than the rate used to calculate the gross-up, the Company shall refund to the Applicant an amount equal to such excess.
- d. When a gross-up amount is to be collected in connection with an extension agreement, the contract will state the tax rate used to compute the gross up amount, and will also disclose the gross-up amount separately from the estimated cost of facilities.

**2. Refund of Tax Gross Up**

- a. In the case of construction advance refunds made pursuant to Subsection 7.C.3 a pro rata portion of the gross up will be refunded when the amount of the underlying contribution is refunded. Any remaining gross-up will be refunded on November 1 of each year as tax depreciation deductions are taken on the Company's tax returns. At the end of five (5) years from installation, the remaining gross up will be refunded at an amount that reflects the net present value of the Company's remaining tax depreciation deductions on the underlying advance discounted at the Company's authorized rate of return.
- b. In the case of all other advances or deferred construction deposit agreements, the gross up will be refunded, or the amount of required deferred construction deposit will be reduced, as follows:
  - i. If the full amount of the advance is refunded prior to September 30<sup>th</sup> of the year following the year in which the advance is received, the entire amount of the gross-up will be refunded.

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**SECTION 7**  
**LINE EXTENSIONS**  
(continued)

- ii. For any amount of the advance not refunded as of September 30<sup>th</sup> of the year following the year in which the advance is received, on November 1<sup>st</sup> of each year a portion of the gross-up will be refunded based on the amount of the tax depreciation deductions taken by the Company on its federal and state income tax returns.
- iii. When any advance is refunded after depreciation refunds pursuant to clause ii have begun, a pro rata portion of the gross up will be refunded reduced by the amount of depreciation refunds previously made for that portion of the gross up.
- iv. For any advance that is not refunded at the end of the contract period, the remaining gross up will be refunded at an amount that reflects the net present value of the Company's remaining tax depreciation deductions on the underlying advance discounted at the Company's authorized rate of return.

3. Non-refundable Income Tax Gross Up

a. At the option of the Customer, a non-refundable gross-up may be calculated as follows:

$$\text{Non-refundable Gross Up Amount} = \frac{(\text{Contribution Amount} - \text{Present Value of Tax Depreciation})}{(1 - \text{Current Tax Rate})} - \text{Contribution Amount}$$

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**UNS Electric, Inc.  
Rules and Regulations**

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**SECTION 8  
PROVISION OF SERVICE**

**A. Company Responsibility**

1. The Company will be responsible for the safe transmission and distribution of electricity until it passes the point of delivery to the Customer.
2. The Company will be responsible for maintaining in safe operating condition all meters, equipment and fixtures installed on the Customer's premises by the Company for the purpose of delivering electric service to the Customer. However, the Company will not be responsible for the condition of meters, equipment, and fixtures damaged or altered by the Customer.
3. The Company may, at its option, refuse service until the Customer has obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction and safety standards, including any applicable Company specifications.
4. The Company will determine, in its sole discretion, the type of service (including voltage and Point of Delivery) to be furnished for utilization by the Customer. This includes determinations involving: 1) requirements to take Primary Service and Metering; and 2) service voltage (including for any new on-site generation installations or generation retrofits at the Customer's premises).

**B. Customer Responsibility**

1. Each Customer will be responsible for maintaining in safe operating condition all Customer facilities on the Customer's side of the point of delivery.
2. Each Customer will be responsible for safeguarding all Company property installed in or on the Customer's premises for the purpose of supplying electric service to that Customer.
3. Each Customer will exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The Customer will be responsible for loss of or damage to Company property on the Customer's premises arising from neglect, carelessness, misuse, diversion or tampering and will reimburse the Company for the cost of necessary repairs or replacements.
4. Each Customer, regardless of who owns the meter, will be responsible for payment for any equipment damage and/or estimated unmetered usage and all reasonable costs resulting from unauthorized breaking of seals, interfering, tampering or bypassing the Company meter.
5. Each Customer will be responsible for notifying the Company of any equipment failure identified in the Company's equipment.

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**SECTION 8**  
**PROVISION OF SERVICE**  
 (continued)

6. Each Customer will be responsible for informing the Company of, and meeting the Company's requirements regarding on-site or distributed generation (including distributed renewable resources and combined heat and power facilities) that the Customer or the Customer's agent intends to interconnect to the Company's transmission or distribution system. This includes compliance with all requirements contained within the Company's most current Interconnection Requirements for Distributed Generation, and the terms and conditions of the Company's Agreement for the Interconnection of Customer's Facility. Customer must also agree to enter into the Interconnection Agreement with the Company. Further, any interconnection must be in accordance with any applicable Commission regulation and order governing interconnection, as well as applicable laws.
7. The Customer, at his expense, may install, maintain and operate check-measuring equipment as desired and of a type approved by the Company, provided that this equipment will be installed so as not to interfere with operation of the Company's equipment. This is also provided that no electric energy will be remetered or submetered for resale to another or to others, except where such remetering will be done in accordance with the applicable orders of the Commission.

**C. Continuity of Service**

The Company will make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company will not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

1. Any cause against which the Company could not have reasonably foreseen, or made provision for (*i.e* force majeure, see Subsection 8.E.);
2. Intentional service interruptions to make repairs or perform routine maintenance; or
3. Curtailment, including brownouts or blackouts.

**D. Service Interruptions**

1. The Company will make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

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**Rules and Regulations**

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**SECTION 8**  
**PROVISION OF SERVICE**  
(continued)

3. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance, the Company will attempt to inform affected Customers at least twenty-four (24) hours in advance of the scheduled date and these repairs will be completed in the shortest possible time to minimize the inconvenience to the Customers of the Company.
4. The Commission will be notified of interruption in service affecting the entire system or any significant portion thereof. The interruption of service and cause will be reported by telephone to the Commission within four (4) hours after the responsible Company representative becomes aware of said interruption. A written report to the Commission will follow.

**E. Interruption of Service and Force Majeure**

1. The Company will make reasonable provision to supply a satisfactory and continuous electric service, but does not guarantee a constant or uninterrupted supply of electricity. The Company will not be liable for any damage or claim of damage attributable to any temporary, partial or complete interruption or discontinuance of electric service attributable to a force majeure condition as set forth in Subsections 8.E.4. and 8.E.5. or to any other cause which the Company could not have reasonably foreseen and made provision against, or which, in the Company's judgment, is necessary to permit repairs or changes to be made in the Company's electric generating, transmission, or distribution equipment, or to eliminate the possibility of damage to the Company's property or to the person or property of others.
2. Whenever the Company deems a condition exists that warrants interruption or limitation in the service being rendered, this limitation or interruption will not constitute a breach of contract and will not render the Company liable for damages suffered thereby or excuse the Customer from further fulfillment of the contract.
3. The use of electric energy upon the Customer's premises is at the risk of the Customer. The Company's liability will cease at the point where its facilities are connected to the Customer's wiring.
4. Neither the Company nor the Customer will be liable to the other for any act, omission, or circumstances (including, but not limited to, the Company's inability to provide electric service) occasioned by or in consequence of the following:
  - a. flood, rain, wind, storm, lightning, earthquake, fire, landslide, washout or other acts of the elements;
  - b. accident or explosion;
  - c. war, rebellion, civil disturbance, mobs, riot, blockade or other act of the public enemy;
  - d. acts of God;
  - e. interference of civil and/or military authorities;

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**UNS Electric, Inc.  
Rules and Regulations**

Original Sheet No.: 908-3  
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**SECTION 8  
PROVISION OF SERVICE  
(continued)**

- f. strikes, lockouts, or other labor difficulties;
  - g. vandalism, sabotage, or malicious mischief;
  - h. usurpation of power, or the laws, rules, regulations, or orders made or adopted by any regulatory or other governmental agency or body (federal, state or local) having jurisdiction of any of the business or affairs of the Company or the Customer, direct or indirect;
  - i. breakage or accidents to equipment or facilities;
  - j. lack, limitation or loss of electrical or fuel supply; or
  - k. any other casualty or cause beyond the reasonable control of the Company or the Customer, whether or not specifically provided herein and without limitation to the types enumerated, and which by exercise of due diligence the Company or the Customer is unable to overcome.
5. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees will not be considered to be a matter within the control of the Company.
6. Nothing contained in this Section will excuse the Customer from the obligation of paying for electricity delivered or services rendered.

**F. General Liability**

- 1. Company will not be responsible for any third-party claims against Company that arise from Customer's use of Company's electric services, unless such claims are caused by the Company's willful misconduct or gross negligence.
- 2. Customer will indemnify, defend and hold harmless the Company (including the costs of reasonable attorney's fees) against all claims (including, without limitation, claims for damages to any business or property, or injury to, or death of, any person) arising out of any wrongful or negligent acts or omissions of the Customer, or the Customer's agents, in connection with the Company's service or facilities.
- 3. The liability of the Company for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under the Company's Rates (calculated on a proportionate basis where appropriate) to the period during which the error, mistake, omission, interruption or delay occurs, except if such damages are caused by the Company's willful misconduct or gross negligence.

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Rules and Regulations**

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**SECTION 8  
PROVISION OF SERVICE  
(continued)**

4. In no event will the Company be liable for any incidental, indirect, special, or consequential damages (including lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.
5. The Company will not be responsible in an occasion for any loss or damage caused by the negligence or wrongful act of the Customer or any of his agents, employees or licensees in installing, maintaining, using, operating or interfering with any electric facilities.

**G. Construction Standards and Safety**

The Company will construct all facilities in accordance with the provisions of the ANSI C2 Standards (National Electric Safety Code, 2007 edition, and other amended editions as are adopted by the ACC), the 2007 ANSI B31.1 Standards, the ASME Boiler and Pressure Vessel Code, and other applicable American National Standards Institute Codes and Standards, except for those changes the ACC makes or permits from time to time. In the case of conflict between codes and standards, the more rigid code or standard will apply.

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**SECTION 9**

**CHARACTER OF SERVICE - VOLTAGE, FREQUENCY AND PHASE**

- A. For Residential, Lighting and Miscellaneous Service - Energy supplied will be sixty (60) Hertz, single phase, alternating current, three-wire service, 120/240 volts for new service applications. The Company will provide 120 volts, two-wire for those Customers currently receiving that service.
- B. Commercial and Industrial Service - Electric energy furnished under these Rules and Regulations will be sixty (60) Hertz alternating current energy, single or three (3) phase at the standard nominal voltages specified by the Company.
- C. All electric energy supplied will be in accordance with ANSI voltage ratings for electric power systems and equipment.
- D. All voltages referred to above are nominal voltages and may vary somewhat due to local conditions. The Company does not guarantee the constancy of its voltage or frequency, nor does it guarantee against its loss of one or more phases in a three-phase service. The Company will not be responsible for any damage to the Customer's equipment caused by any or all of these occurrences brought about by circumstances beyond its control.
- E. **Motor Protection**

The following protective apparatus, to be provided by the Customer, is required on all motor installations:

1. No Voltage Protection: Motors that cannot be safely subjected to full voltage at starting must be provided with a device to insure that upon failure of voltage, the motors will be disconnected from the line. Said device should be provided with a suitable time delay relay;
2. Overload Protection: All motors whose voltage does not exceed 750 volts are to be provided with approved fuses of proper rating. Where the voltage exceeds 750 volts, protective devices are to be provided. In these cases it will be found desirable to install standard switching equipment. The installation of overload relays and no-voltage releases is recommended on all motors, not only as additional protection, but as a means of reducing the cost of refusing; and
3. Phase Reversal: Reverse phase relays and circuit breakers or equivalent devices are recommended on all polyphase installations to protect the installation in case of phase reversal or loss of one phase.

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**SECTION 9**  
**CHARACTER OF SERVICE - VOLTAGE, FREQUENCY AND PHASE**  
(continued)

F. Load Fluctuation And Balance

1. Interference with Service: The Company reserves the right to refuse to supply loads of a character that may seriously impair service to any other Customers. In the case of hoist or elevator motors, welding machines, furnaces and other installations of like character where the use of electricity is intermittent or subject to violent fluctuations, the Company may require the Customer to provide at the Customer's own expense suitable equipment to reasonably limit those fluctuations.
2. The Company has the right to discontinue electric service to any Customer who continues to use appliances or other devices, equipment and apparatus detrimental to the service after the Company notifies the Customer of his or her causing detriment to the service.
3. Allowable Instantaneous Starting Current Values: The instantaneous starting current (determined by tests or based on limits guaranteed by manufacturers) drawn from the line by any motor must not exceed a value (as determined by the Company) that may be deemed detrimental to the normal operation of the system. If the starting current of the motor exceeds that value, a starter must be used or other means employed to limit the current to the value specified. A reduced voltage starter may be required for polyphase motors.
4. When three-phase service supplied under a power rate includes incidental lighting, the Customer will supply any necessary lighting transformers and arrange its lighting to give a substantially balanced three-phase load.

G. Customer Responsibility for Equipment Used in Receiving Electric Energy

No statement or requirement in these Rules and Regulations can be construed as the assumption of any liability by the Company for any wiring of electrical equipment or the operation of same, installed in, upon, or about the Customer's premises, nor will the Company be responsible for any loss or damage occasioned or caused by the negligence, want of proper care or wrongful act of the Customer, or any of the Customer's agents or employees or licenses on the part of the Customer in installing, maintaining, using, operating, or interfering with any such wiring, machinery or apparatus.

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**SECTION 10  
METER READING**

**A. Company or Customer Meter Reading**

1. The Company may, at its discretion, permit Customer reading of meters.
2. It will be the Company's responsibility to inform the Customer how to properly read his or her meter.
3. Where a Customer reads his or her own meter the Company will read the Customer's meter at least once every four (4) months.
4. Where the Company must read the meter every four (4) months, the Customer shall pay the Meter Re-Read charge as set forth in the UNS Electric Statement of Charges for every read.
5. The Company will provide the Customer with postage-paid cards or other methods to report the monthly meter reading to the Company.
6. The Company will specify the timing requirements for the Customer to submit his or her monthly meter reading to conform to the Company's billing cycle.
7. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days. In the event the Customer fails to submit a reading within this ten (10) day period, the Company may issue the Customer an estimated bill.
8. In the event the Customer fails to submit monthly reads as designated above, the Company may estimate the usage for up to three (3) months.
9. The Company and the Customer shall mutually agree on a method to submit meter reads.
10. Where the Customer is providing their own meter reads, the Customer is responsible for all applicable charges as calculated from the point the Company last read the Customer's meter.
11. Meters will be read monthly on as close to the same day as practical.

**B. Measuring of Service**

1. All energy sold to Customers and all energy consumed by the Company – except that sold according to fixed charge schedules – will be measured by commercially acceptable measuring devices owned and maintained by the Company. This provision will not apply where it is impractical to install meters, such as street lighting or security lighting, or where otherwise authorized by the ACC.
2. When there is more than one meter at a location, the metering equipment will be so tagged or plainly marked as to indicate the circuit metered or metering equipment in accordance with Subsection 3.C.9.

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**SECTION 10**  
**METER READING**  
 (continued)

3. Meters which are not direct reading will have the multiplier plainly marked on the meter.
4. All charts taken from recording meters will be marked with the date of the record, the meter number, customer and chart multiplier.
5. Metering equipment will not be set "fast" or "slow" to compensate for supply transformer or line losses.

**C. Customer-Requested Rereads**

1. The Company will, at the request of a Customer, reread that Customer's meter within ten (10) business days after that request by the Customer.
2. Any reread may be charged to the Customer, at a rate set forth in the UNS Electric Statement of Charges, if the original reading was not in error.
3. When a reading is found to be in error, the Company will not charge the Customer for the reread.

**D. Access to Customer Premises**

The Company will at all times have the right of safe ingress to and egress from the Customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

**E. Meter Testing and Maintenance**

1. The Company will replace any meter found to be damaged or associated with an inquiry into its accuracy, whether initiated by the Customer or Company, and which has been in service for more than sixteen years. Replaced meters will be tested for accuracy and will be acceptable if found to have an error margin within plus or minus three percent ( $\pm 3\%$ ).
2. The Company will file an annual report with the Commission summarizing the results of meter maintenance and testing program for that year. At a minimum, the report should include the following data:
  - a. Total number of meters tested at Company initiative or upon customer request; and
  - b. Number of meters tested that were outside the acceptable error allowance of  $\pm 3\%$ .

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**UNS Electric, Inc.  
Rules and Regulations**Original Sheet No.: 910-2  
Superseding: \_\_\_\_\_**SECTION 10  
METER READING  
(continued)****F. Customer-Requested Meter Tests**

1. The Company will test a meter upon Customer request and the Company will be authorized to charge the Customer for the meter test. The charge for the meter test is set forth in the UNS Electric Statement of Charges. However, if the meter is found to be in error by more than three percent (3%), no meter testing fee will be charged to the Customer.

**G. Demands**

1. The Customers demand may be measured by a demand meter, under all Rates involving billings based on demand, unless appropriate investigation or tests indicate that the Customer's demand will not be such as to require a demand meter for correct application of the rate schedule. In cases where billings under a rate schedule requiring determination of the Customer's demand must be made before a demand meter can be installed, these billings may be made on an estimated demand basis pending installation of the demand meter. Billings made on the basis of estimated demands; however, will be appropriately adjusted, if actual demands recorded after demand meter is installed are greater or less than those estimated demands.
2. Demand meters may be installed at any metering location if the nature of the Customer's equipment and operation indicates that a demand meter is required for correct application of the rate schedule.
3. All demands used for billing purposes will be recorded or computed to the nearest whole kW.

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**UNS Electric, Inc.  
Rules and Regulations**

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**SECTION 11  
BILLING AND COLLECTIONS**

**A. Frequency and Estimated Bills**

1. The Company will bill monthly for services rendered. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days.
2. If the Company is unable to obtain the meter read on the scheduled meter read date, the Company will estimate the consumption for the billing period as set forth in the Company's Bill Estimation Methodologies Tariff.
3. Estimated bills will be issued only under the following conditions:
  - a. Failure of a Customer who reads his or her own meter to deliver his or her meter reading card to the Company in accordance with the requirements of the billing cycle.
  - b. Severe weather conditions which prevent the Company from reading the meter.
  - c. Circumstances that make it dangerous or unnecessarily difficult to read the meter. These circumstances include, but are not limited to, locked gates, blocked meters, vicious or dangerous animals, or any force majeure condition as listed in Subsection 8.E.4.
  - d. When an electronic meter reading is obtained, but the data cannot be transferred to a Customer Information System.
  - e. A meter failure or malfunction with no reliable information retained by the meter.
  - f. Meter tampering or energy diversion results in a lack of accurate metered consumption information.
  - g. In the event the Customer fails to submit the reading within the designated ten (10) day meter reading window.
  - h. In the event the Customer fails to submit monthly reads as designated above, the Company may estimate the usage for up to three (3) months.
4. After the second consecutive month of estimating the Customer's bill, the Company will attempt to secure an accurate reading of the meter.
5. Failure on the part of the Customer to comply with a reasonable request by the Company for access to its meter may lead to the discontinuance of service.
6. Each bill based on estimated usage will indicate that it is an estimated bill.
7. Estimates due to equipment malfunctions may exceed one month if the malfunction could not be reasonably discovered and/or corrected before additional bills were estimated.
8. A bill is not considered an estimated bill when the end read is based on an actual read.

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**SECTION 11**  
**BILLING AND COLLECTIONS**  
(continued)

**B. Combining Meters, Minimum Bill Information**

1. Each meter at a Customer's premises will be considered separately for billing purposes, and the readings of two (2) or more meters will not be combined unless otherwise provided for in the Company's Rates.
2. Each bill for residential service will contain the following minimum information:
  - a. Date and meter reading at the start of billing period or number of days in the billing period;
  - b. Date and meter reading at the end of the billing period;
  - c. Billing usage and demand (if applicable);
  - d. Rate schedule number;
  - e. Company's telephone number;
  - f. Customer's name;
  - g. Service account number;
  - h. Amount due and due date;
  - i. Past due amount;
  - j. Purchased Power Fuel Adjuster Clause cost, where applicable;
  - k. All applicable taxes; and
  - l. The address for the Arizona Corporation Commission.

**C. Billing Terms**

1. All bills for electric service are due and payable no later than ten (10) days from the date the bill is rendered. Any payment not received within this time frame will be considered past due.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
  - a. The postmark date for bills sent via U.S. Postal Service; or
  - b. The mailing date; or
  - c. The billing date shown on the bill (however, the billing date will not differ from the postmark or mailing date by more than two (2) days).
  - d. An Electronic Bill will be considered rendered at the time it is electronically sent to the Customer.

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**UNS Electric, Inc.**  
**Rules and Regulations**

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**SECTION 11**  
**BILLING AND COLLECTIONS**  
 (continued)

3. All past due bills for electric service are due and payable within fifteen (15) days. Any payment not received within this timeframe will be considered delinquent and will be issued a suspension of service notice. For Customers under the jurisdiction of a bankruptcy court, a more stringent payment or prepayment schedule may be required, if allowed by that court.
4. All delinquent bills for which payment has not been received within five (5) days will be subject to the provisions of the Company's termination procedures.
5. The amount of the late payment penalty will not exceed one and one-half percent (1.5%) of the delinquent bill, applied on a monthly basis.
6. All payments must be made at or sent via U.S. Postal Service to the Company's duly authorized representative.
7. A bill will be rendered in a form prescribed by the Company. If the Customer requests a bill in a form other than the one prescribed by the Company, the Company in its sole discretion may consider such request and charge the Customer any associated costs.

**D. Applicable Rates, Prepayment, Failure to Receive, Commencement Date, Taxes**

1. Each Customer will be billed under the applicable tariff indicated in the Customer's application for service.
2. Customers may pay for electrical service by making advance payments.
3. Failure to receive bills or notices that have been properly placed in the U.S. Postal Service or posted electronically will not prevent those bills from becoming delinquent nor relieve the Customer of his obligations therein.
4. Charges for service commence when the service is installed and connection made, whether used or not.

**E. Meter Error Corrections**

1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction of the error will be made of previous readings and adjusted bills will be rendered according to the following terms:
  - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter has been shown to be in error by the test; or

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**SECTION 11**  
**BILLING AND COLLECTIONS**  
 (continued)

- b. From the date the error occurred, if the date of the cause can be definitely fixed. If the Customer has been underbilled, the Company will allow the Customer to repay this difference over an equal length of time that the under-billings occurred. The Customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.
  - c. If it is determined that the Customer has been overbilled and there is no evidence of meter tampering or energy diversion, the Company will make prompt adjustment or refund in the difference between the original billing and the corrected billing within the next billing cycle.
2. No adjustment will be made by the Company except to the Customer last served by the meter tested.

**F. Responsibility for Payment of Bills**

- 1. The Customer is responsible for the payment of bills until service is ordered discontinued and the Company has had reasonable time to secure a final meter reading for those services involving energy usage, or if non-metered services are involved until the Company has had reasonable time to process the disconnect request.
- 2. When an error is found to exist in the billing rendered to the Customer, the Company shall correct such an error to refund any overbilling and may correct such an error to recover any underbilling. The UNS Electric Bill Estimation Methodologies tariff shall be applied when the Company cannot obtain a complete and valid meter read. Situations that result in an estimated meter read include inclement weather, lack of access to a Customer's meter, energy diversion, labor unavailability and equipment malfunction.
- 3. Except as specified below, corrected charges for underbillings shall be limited to three (3) months for residential accounts and six (6) months for non-residential accounts.
  - a. Where the account is billed on a special contract or non-metered rate, corrected charges for underbillings shall be billed in accordance with the contract or rate requirements and is not limited to three or six months as applicable.
  - b. Where service has been established but no bills have been rendered, corrected charges for underbillings shall go back to the date service was established.
  - c. Where there is evidence of meter tampering or energy diversion, corrected charges for underbillings shall go back to the date meter tampering or energy diversion began, as determined by the Company.
  - d. Where lack of access to the meter (caused by the Customer) has resulted in estimated bills, corrected charges for underbillings shall go back to the billing month of the last Company obtained meter read date.

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**SECTION 11  
BILLING AND COLLECTIONS  
(continued)**

**G. Returned Payments**

1. The Company will be allowed to recover a fee, as set forth in the UNS Electric Statement of Charges, for each instance where a Customer tenders payment for electric service with a payment returned unpaid. This fee will also apply when an electronic funds transfer ("EFT") is denied for any reason.
2. When the Company is notified by the Customer's bank or other financial institution that a payment has been returned unpaid, or denied for any reason, the Company may require the Customer to make payment in cash, by money order, certified check, or other means which guarantee the Customer's payment to the Company.
3. A Customer who tenders a payment which is returned unpaid, regardless of the reason or method used to pay, will not be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.
4. A Customer with two (2) returned payments within a twelve (12) month period may be required to pay with guaranteed funds, (i.e., cash, money order, or cashier's check) for any subsequent billing for twelve (12) months.

**H. Budget Billing Plan**

1. The Company may, at its option, offer its Customers a budget billing plan.
2. The Company will develop, upon Customer request, an estimate of the Customer's budget billing for a twelve (12)-month period based upon:
  - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations;
  - b. For new Customers, the Company will estimate consumption based on the Customer's anticipated load requirements; or
  - c. The Company's Rates approved by the ACC applicable to that Customer's class of service.
3. The Company will provide the Customer a concise explanation of how the budget billing estimate was developed, the impact of budget billing on a Customer's monthly bill, and the Company's right to adjust the Customer's billing for any variation between the Company's estimated billing and actual billing.

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**SECTION 11  
BILLING AND COLLECTIONS  
(continued)**

4. For those Customers being billed under a budget billing plan, the Company will show, at a minimum, the following information on the Customer's monthly bill:
    - a. Actual consumption;
    - b. Amount due for actual consumption;
    - c. Budget billing amount due; and
    - d. Accumulated variation in actual versus budget billing amount.
  
  5. The Company may adjust the Customer's budget billing in the event the Company's estimate of the Customer's usage and/or cost should vary significantly from the Customer's actual usage and/or cost; such review to adjust the amount of the budget billing may be initiated by the Company or upon Customer request.
- I. Deferred Payment Plan
1. The Company may, prior to termination, offer to qualifying Customers a deferred payment plan for the Customer to retire unpaid bills for electric service.
  2. Each deferred payment agreement entered into between the Company and the Customer – due to the Customer's inability to pay an outstanding bill in full – will specify that service will not be discontinued if:
    - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement;
    - b. Customer agrees to pay all future bills for electric service in accordance with the Company's Rates; and
    - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.
  3. For the purpose of determining a reasonable installment payment schedule, under these rules, the Company and the Customer will give consideration to the following conditions:
    - a. The size of the delinquent account;
    - b. The Customer's ability to pay;
    - c. The Customer's payment history;
    - d. The length of time that the debt has been outstanding;
    - e. The circumstances that resulted in the debt being outstanding; and
    - f. Any other relevant factors related to the circumstances of the Customer.

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**SECTION 11  
BILLING AND COLLECTIONS  
(continued)**

4. Any Customer who desires to enter into a deferred payment agreement must do so before the Company's scheduled termination date for nonpayment of bills. The Customer's failure to execute a deferred payment agreement prior to the scheduled service termination date will not prevent the Company from terminating service for nonpayment.
5. Deferred payment agreements may be in writing and may be signed by the Customer and an authorized Company representative.
6. A deferred payment agreement may include a finance charge of one and one-half percent (1.5%).
7. If a Customer has not fulfilled the terms of a deferred payment agreement, the Company will have the right to disconnect service pursuant to the Company's Termination of Service Rules (Section 12) and, under these circumstances, it will not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

**J. Change of Occupancy**

1. To order service to be discontinued or to change occupancy, the Customer must give the Company at least three (3) business days advance notice in person, in writing or by telephone.
2. The outgoing Customer will be responsible for all electric services provided and/or consumed up to the scheduled turn-off-date.
3. The outgoing Customer is responsible for providing access to the meter so that the Company may obtain a final meter reading. If access is unavailable, due to the action or inaction of the Customer, the outgoing Customer will be responsible for the services consumed until such time as access is provided and services can be turned-off.

**K. Electronic Billing**

1. Electronic Billing is an optional billing service whereby Customers may elect to receive, view, and pay their bills electronically. Electronic Billing includes the "UES e-bill" service and the "Sure No Hassle Automatic Payment ("SNAP") service. The Company may modify its Electronic Billing services from time to time. A Customer electing an electronic billing service may receive an electronic bill in lieu of a paper bill.
2. Customers electing an electronic billing service may be required to complete additional forms and agreements.
3. Electronic Billing may be discontinued at any time by the Company or the Customer.

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**SECTION 11**  
**BILLING AND COLLECTIONS**  
 (continued)

4. An Electronic Bill will be considered rendered at the time it is electronically sent to the Customer. Failure to receive bills or notices which have been properly sent by an Electronic Billing system does not prevent these bills from becoming delinquent and does not relieve the Customer of the Customer's obligations therein.
5. Any notices that the Company is required to send to a Customer who has elected an Electronic Billing service may be sent by electronic means at the option of the Company.
6. Except as otherwise provided in this subsection, all other provisions of the Company's Rules and Regulations and other applicable Rates are applicable to Electronic Billing.
7. The Customer must provide the Company with a current email address for electronic bill delivery. If the Electronic Bill is electronically sent to the Customer at the email address that Customer provided to the Company, then the Electronic Bill will be considered properly sent. Further, the Customer will be responsible for updating the Company with any changes to this email address. Failure to do so will not excuse the Customer from timely paying the Company for electric service.

**L. Collections**

1. All unpaid closed accounts may be referred to a collection agency for collections.
2. If a collection agency referral is warranted for collection of unpaid final bills, Customer will be responsible for associated collection agency fees incurred. If the unpaid bill is referred to a credit bureau, the Company will not be held responsible to notify the Credit Bureau of any payment status.

**M. Refunds**

Customers will not be eligible for refunds, rebates or other Company program payments if the Customer has a delinquent Company balance.

**N. Refund of Credit Balance Following Discontinuance of Service**

Upon discontinuance of service, the Company shall refund the Customer any credit balance remaining on the account. With the consent of the Customer (when available), any credit balance remaining on the account that is less than \$5.00, shall be donated to a low-income assistance program to be determined by the Company or as may be required by law.

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**SECTION 12**  
**TERMINATION OF SERVICE**

A. Please refer to the Arizona Administrative Code R14-2-211.A.

B. Termination of Service Without Notice

1. The Company may disconnect electric service without advance written notice under the following conditions:
  - a. The existence of an obvious hazard to the safety or health of the Customer or the general population or the Company's personnel or facilities;
  - b. The Company has evidence of meter tampering or fraud; or
  - c. The Company has evidence of unauthorized resale or use of electric service; or
  - d. Customer makes payment to avoid/stop disconnection for non-payment with a dishonored or fraudulent payment. The Company will not be required to restore service until the repayment of those funds and all other delinquent amounts are paid by cash, money order, cashier's check, certified funds or verified electronic payment; or
  - e. Customer makes payment to reconnect service with a dishonored or fraudulent payment. The Company will not be required to restore service until the repayment of those funds and all other delinquent amounts are paid by cash, money order, cashier's check, certified funds or verified electronic payment; or
  - f. Failure of a Customer to comply with the curtailment procedures imposed by the Company during supply shortages.
2. The Company will not be required to restore service until the conditions that led to the termination have been corrected to the satisfaction of the Company.
3. The Company will maintain a record of all terminations of service without notice. This record will be maintained for a minimum of one (1) year and will be available for inspection by the ACC.

C. Termination of Service With Notice

1. The Company may disconnect service to any Customer for any reason stated below, provided that the Company has met the notice requirements described in subsection 12.D. below:
  - a. Customer violation of any of the Company's Rates;
  - b. Failure of the Customer to pay a delinquent bill for electric service;
  - c. Failure of a prior Customer to pay a delinquent bill for electric service where the prior Customer continues to reside on the premise;
  - d. Failure of the Customer to meet agreed-upon deferred payment arrangements;

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Rules and Regulations

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**SECTION 12**  
**TERMINATION OF SERVICE**  
(continued)

- e. Failure to meet or maintain the Company's deposit requirements;
  - f. Failure of the Customer to provide the Company reasonable safe access to its equipment and property;
  - g. Customer breach of a written contract for service between the Company and Customer;
  - h. Returned or invalid payment;
  - i. When necessary for the Company to comply with an order of any governmental agency having jurisdiction;
  - j. When a hazard exists which is not imminent, but in the opinion of the Company, it may cause property damage;
  - k. Customer facilities that do not comply with Company requirements or specifications;
  - l. Failure to provide or retain rights-of-way or easements necessary to serve the Customer;
  - m. The Company learns of the existence of any condition in Section 3.D., Grounds for Refusal of Service.
2. The Company will maintain a record of all terminations of service with notice. This record will be maintained for one (1) year and be available for ACC inspection.
- D. The Company will not be obligated to renotify the Customer of the termination of service, even if the Customer – after receiving the required termination of service notification – has made payment, yet the payment is returned within three (3) to five (5) business days of receipt for any reason. The original notification will apply.
- E. Termination Notice Requirements
- 1. The Company will not terminate service to any of its Customers without providing advance written notice to the Customer of the Company's intent to disconnect service, except under these conditions specified in subsection 12.A. where advance written notice is not required.
  - 2. This advance written notice will contain, at a minimum, the following information:
    - a. The name of the person whose service is to be terminated and the address where service is being rendered;
    - b. The Company's Rate(s) that was violated and explanation of the violation or the amount of the bill that the Customer has failed to pay in accordance with the payment policy of the Company, if applicable;
    - c. The date on or after which service may be terminated;
    - d. A statement advising the Customer to contact the Company at a specific phone number for information regarding any deferred payment or other procedures that the Company may offer or to work out some mutually agreeable solution to avoid termination of the Customer's service; and;

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**SECTION 12  
TERMINATION OF SERVICE  
(continued)**

e. A statement advising the Customer that the Company's stated reason(s) for the termination of services may be disputed by contacting the Company at a specific address or phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee will be empowered to resolve the dispute and the Company will retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the Customer of his or her right to file a complaint with the ACC.

3. Where applicable, a copy of the termination notice will be simultaneously forwarded to designated third parties.

**F. Timing of Terminations with Notice**

1. The Company will give at least five (5) days advance written notice prior to the termination date. For Customers under the jurisdiction of a bankruptcy court, a shorter notice may be provided, if permitted by the court.
2. This notice will be considered to be given to the Customer when a copy of the notice is left with the Customer or posted first class via the U.S. Postal Service, addressed to the Customer's last known address.
3. If, after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment of the bill – or in the case of a violation of the Company's rules the Customer has not satisfied the Company that this violation has ceased – then the Company may terminate service on or after the day specified in the notice without giving further notice.
4. The Company will have the right (but not the obligation) to remove any or all of its property installed on the Customer's premises upon the termination of service.

**G. Landlord/Tenant Rule**

In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is the Customer of the Company, and where the landlord as a Customer would otherwise be subject to disconnection of service, the Company will not disconnect service until the following actions have been taken:

1. Where it is feasible to so provide service, the Company will offer the occupant the opportunity to subscribe for service in the occupant's own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
2. The Company will not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

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**SECTION 13  
RECONNECTION OF SERVICE**

When service has been discontinued for any of the reasons set forth in these Rules and Regulations, the Company will not be required to restore service until the following conditions have been met by the Customer:

**A. Where service was discontinued without notice:**

1. The hazardous condition must be removed and the installation will conform to accepted standards.
2. All bills for service and/or applicable investigative costs due the Company by reason of fraudulent or unauthorized use, diversion or tampering must be paid and a deposit to guarantee the payment of future bills may be required.
3. Required arrangements for service must be made.

**B. Where service was discontinued with notice:**

1. The Customer must make arrangements for the payment of all bills and these arrangements must be satisfactory to the Company.
2. The Customer must furnish a satisfactory guarantee to pay all future bills.
3. The Customer must correct any and all violations of these Rules and Regulations.

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**SECTION 14**  
**ADMINISTRATIVE AND HEARING REQUIREMENTS**

A. Customer Service Complaints

1. The Company will make a full and prompt investigation of all service complaints made by its Customers, either directly or through the ACC.
2. The Company will respond to the complainant and/or the ACC representative within five (5) business days as to the status of the Company's investigation of the complaint.
3. The Company will notify the complainant and/or the ACC representative of the final disposition of each complaint. Upon request of the complainant or the ACC representative, the Company will report the findings of its investigation in writing.
4. The Company will inform the Customer of his right of appeal to the ACC.
5. The Company will keep a record of all written service complaints received that must contain, at a minimum, the following data:
  - a. Name and address of complainant;
  - b. Date and nature of the complaint;
  - c. Disposition of the complaint; and
  - d. A copy of any correspondence between the Company, the Customer, and/or the ACC.
6. This record will be maintained for a minimum period of one (1) year and will be available for inspection by the ACC.

B. Customer Bill Disputes

1. Any Customer who disputes a portion of a bill rendered for electric service must pay the undisputed portion of the bill and notify the Company's designated representative that any unpaid amount is in dispute prior to the delinquent date of the bill.

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

Effective: Pending  
Decision No.  
Rules and Regulations

DECISION NO. \_\_\_\_\_



**UNS Electric, Inc.**  
**Rules and Regulations**

Original Sheet No.: 914-1

Superseding: \_\_\_\_\_

**SECTION 14**  
**ADMINISTRATIVE AND HEARING REQUIREMENTS**  
 (continued)

2. Upon receipt of the Customer notice of dispute, the Company will:
    - a. Notify the Customer within five (5) business days of the receipt of a written dispute notice;
    - b. Initiate a prompt investigation as to the source of the dispute;
    - c. Withhold disconnection of service until the investigation is completed and the Customer is informed of the results;
    - d. Upon request of the Customer the Company will report the results of the investigation in writing; and
    - e. Inform the Customer of his right of appeal to the ACC.
  3. Once the Customer has received the results of the Company's investigation, the Customer will submit payment within five (5) business days to the Company for any disputed amounts. Failure to make full payment will be grounds for termination of service.
- C. ACC Resolution of Service and/or Bill Disputes
1. In the event a Customer and the Company cannot resolve a service and/or bill dispute, the Customer will file a written statement of dissatisfaction with the ACC. By doing this, the Customer will be deemed to have filed an informal complaint against the Company.
  2. Within thirty (30) days of the receipt of a written statement of Customer dissatisfaction related to a service or bill dispute, a designated representative of the ACC will attempt to resolve the dispute by correspondence and/or telephone with the Company and the Customer. If resolution of the dispute is not achieved within twenty (20) days of the ACC representative's initial effort, the ACC will then hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing will be governed by the following rules:
    - a. Each party may be represented by legal counsel, if desired;
    - b. Every informal hearing may be recorded or held in the presence of a stenographer;
    - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties;
    - d. All parties and the ACC's representative will be given the opportunity for cross-examination of the various parties; and

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**UNS Electric, Inc.  
Rules and Regulations**

Original Sheet No.: 914-2

Superseding: \_\_\_\_\_

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**SECTION 14  
ADMINISTRATIVE AND HEARING REQUIREMENTS  
(continued)**

- e. The ACC's representative will render a written decision to all parties within five (5) business days after the date of the informal hearing. This written decision of the ACC's representative is not binding on any of the parties and the parties will still have the right to make a formal complaint to the ACC.
- 3. The Company may implement normal termination procedures if the Customer fails to pay all bills rendered during the resolution of the dispute by the ACC.
- 4. The Company will maintain a record of written statements of dissatisfaction and their resolution for a minimum of one (1) year and make these records available for ACC inspection.

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DECISION NO. \_\_\_\_\_

# ATTACHMENT I



UNS Electric, Inc.

Original Sheet No.: 801

Superseding: \_\_\_\_\_

**UNS ELECTRIC STATEMENT OF CHARGES**

Fee No.	Description	Rate	Effective Date	Decision No.
1.	Service Transfer Fee	\$26.00	PENDING	PENDING
2.	Customer-Requested Meter Re-read	\$26.00	PENDING	PENDING
3.	Special Meter Reading Fee	\$26.00	PENDING	PENDING
4.	Service Establishment and Reestablishment under usual operating procedures During Regular Business Hours	\$41.00	PENDING	PENDING
5.	Service Establishment and Reestablishment under usual operating procedures After Regular Business Hours (includes Saturdays, Sundays and Holidays) – Single Phase Service	\$137.00	PENDING	PENDING
6.	Service Reestablishment under other than usual operating procedures	\$150.00	PENDING	PENDING
7.	Meter Test	\$74.00	PENDING	PENDING
8.	Returned Payment Fee	\$10.00	PENDING	PENDING
9.	Late Payment Finance Charge	1.5%	PENDING	PENDING

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

Rate: Statement of Charges  
Effective: Pending  
Decision No.:

DECISION NO. \_\_\_\_\_



UNS Electric, Inc.

Original Sheet No.: 801-1

Superseding: \_\_\_\_\_

Description	Rate	Effective Date	Decision No.
Rider R-1 – Purchased Power and Fuel Adjustment Clause (PPFAC)	Varies – See Rider-1	PENDING	PENDING
Rider R-2 – Demand Side Management Surcharge (DSMS)	\$0.002660 per kWh	PENDING	PENDING
Rider R-3 – Market Cost of Comparable Conventional Generation (MCCCG) Calculation as Applicable to Rider-4 NM-PRS	\$0.036653 per kWh	June 27, 2013	73935
Rider R-5 – Electric Service Solar Rider (Bright Arizona Community Solar™) Solar Block Energy Rate for Residential Electric Service, Rate R-01 Solar Block Energy Rate for General Service, Rate SGS-10 Solar Block Energy Rate for Large General Service, Rate LGS	\$0.087445 per kWh \$0.085495 per kWh \$0.077991 per kWh	January 1, 2011	72034
Rider R-6 – Renewable Energy Standard and Tariff Surcharge REST-TS1 Renewable Energy Program Expense Recovery  <u>Monthly Cap</u> For Residential Customers: For Commercial Customers: For Industrial Customers: For Lighting (PSHL):	\$0.01200 per kWh  <u>Monthly Cap</u> \$5.25 per month \$150.00 per month \$10,000 per month \$135.00 per month	February 1, 2013	73638
Rider R-6 – Renewable Energy Standard and Tariff Surcharge REST-TS1 Renewable Energy Program Expense Recovery  Average price by class: <u>Monthly Cap</u> For Residential Customers: For Commercial Customers: For Industrial Customers: For Lighting (PSHL):	  <u>Monthly Cap</u> \$4.34 per month \$53.82 per month \$9,580.96 per month \$5.21 per month	February 1, 2013	73638
Rider R-8 – Lost Fixed Cost Recovery (LFCR) Mechanism	\$0.00%	PENDING	PENDING
Rider R-9 – Transmission Cost Adjustor (TCA) – \$/kW charge Transmission Cost Adjustor (TCA) – \$/kWh charge	\$X.XX per kW \$X.XXXXX per kWh	PENDING	PENDING

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

Rate: Statement of Charges  
Effective: Pending  
Decision No.:

DECISION NO. \_\_\_\_\_

# ATTACHMENT J

UNS Electric, Inc.  
Docket No. E-04204A-12-0504

ATTACHMENT J

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**UNS ELECTRIC, INC  
ELIMINATION OR MODIFICATION OF COMPLIANCE FILINGS**

1. Eliminate the monthly filings of fuel costs, purchased power and use of generating facilities ("Generation Mix Data Report") required in Decision No. 49438 (October 25, 1978).
2. UNS Electric's CARES reporting requirements required under Decision Nos. 66861, 67434, and 70360 shall be consolidated, and the surviving CARES report shall be filed in this Docket by January 30<sup>th</sup> and July 30<sup>th</sup> of each year, pursuant to the Decision resulting from this case.
3. Pursuant to the Decision resulting from this case, UNS Electric shall consolidate into one report, to be filed in this Docket by February 15<sup>th</sup> of each year for the previous calendar year's results: i) the annual Time of Use ("TOU") report for RES-01 TOU-A, SGS-10 TOU, LGS-TOU-N, LPS-TOU, and IPS TOU tariffs as required by Decision No. 70440 (July 28, 2008); ii) the annual TOU report for LGS-TOU-S and SGS-10-TOU-S as required by Decision No. 73583 (November 21, 2012); and iii) any reporting requirements and/or tariff changes stemming from this rate case regarding TOU filings.