

DOCKETED

MAR 25 2014

DOCKETED BY 



Tucson Electric Power
 88 East Broadway Blvd., Post Office Box 711
 Tucson, AZ 85702

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March 25, 2014

ARIZONA CORPORATION COMMISSION
 DOCKET CONTROL



ORIGINAL

Docket Control
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, AZ 85007

Re: Notice of Filing – Tucson Electric Power Company’s *Revised* February 1st PPFAC Update Report and Request for Authorization for PPFAC Rate Adjustment Decision No. 73912, Docket No. E-01933A-12-0291

Pursuant to discussions between Tucson Electric Power Company (“TEP” or “Company”) and Commission Staff, TEP hereby files a revised Purchased Power and Fuel Adjustment Clause (“PPFAC”) filing, comprised of Schedules 1 through 5, which replaces the Schedules filed on February 3, 2014. This filing also contains confidential information that is being provided separately to Commission Staff.

Based on the updated information in this filing, the PPFAC rate for the period of April 10, 2014 through March 31, 2015 would be set at \$0.002727 per kilowatt-hour (“kWh”). This charge would replace the current PPFAC credit of -\$0.001388 per kWh that was approved by the Commission in Decision No. 73912 (June 27, 2013). This new rate would increase average residential bills by an estimated \$3.29 per month, assuming an annual average monthly usage of 800 kWhs. The PPFAC increase is due primarily to higher-than-anticipated natural gas prices and lower-than-expected retail sales.

The impact of this change could be mitigated by introducing the increase more gradually. To that end, TEP proposes that a PPFAC rate of \$0.001985 be applied to bills from April 10, 2014 through September 30, 2014, a period when usage typically peaks. The rate would then increase to \$0.003945 from October 1, 2014 through March 31, 2015. In this way, the Company’s plan would essentially shift some PPFAC recovery into the winter months, when customers’ electric bills are typically at their lowest, most manageable levels. The following table compares the PPFAC impacts under the POA and TEP’s proposal:

	April 14 - Sept. '14 PPFAC	Avg. Usage (kWh)	Change from Current	Avg. Bill	Oct. '14 – March 15 PPFAC	Avg. Usage (kWh)	Change from Current	Avg. Bill
POA	\$0.002727	933	\$3.84	\$102.50	\$0.002727	640	\$2.63	\$69.15
TEP Plan	\$0.001985	933	\$3.15	\$101.81	\$0.003945	640	\$3.41	\$69.93

TEP believes that phasing in the necessary change in the PPFAC rate is in the best interest of its customers, as it will lead to more moderate, gradual increases in customers' bills. The Company therefore requests that the Commission approve the change to the PPFAC as proposed herein, to be effective on April 10, 2014.

Consistent with the Company's above request, a clean and redlined copy of page 2 of TEP's Statement of Additional Charges titled, "Substitute Third Revised Sheet No. 801-1," which shows a PPFAC rate of \$0.001985, is attached. This rate is shown in the attached "Schedules – 2 Stage". Also attached is a clean and redlined copy of page 2 of TEP's Statement of Additional Charges titled, "Substitute Alternative Third Revised Sheet No. 801-1," which shows a PPFAC rate of \$0.002727, which is shown in attached "Schedules – Flat".

If you have questions or comments about this proposal, please contact me at (520) 884-3680.

Sincerely,

A handwritten signature in black ink that reads "Jessica Bryne". The signature is written in a cursive style with a long horizontal flourish at the end.

Jessica Bryne

Enclosures: Schedules – 2 Stage and Schedules – Flat

SCHEDULES

SCHEDULES

2 Stage

TUCSON ELECTRIC POWER COMPANY
Schedule 1
Purchased Power and Fuel Adjustment Clause (PPFAC) Rate Calculation Effective April 1, 2014
(\$/kWh)

Line No.	PPFAC Rate Calculation	Current 1-Jul-13	Proposed 1-Apr-14	Proposed 1-Oct-14
1	Forward Component Rate (Sch. 2, L12) ¹	\$ (0.001283)	\$ 0.000220	\$ 0.002180
2	True-Up Component Rate (Sch. 4, L5) ^{1,2}	\$ (0.000104)	\$ 0.001765	\$ 0.001765
3	PPFAC Rate (L1+L2)	\$ (0.001388)	\$ 0.001985	\$ 0.003945
4	Average Base Rate April 1 ³	\$ 0.032335	\$ 0.032335	\$ 0.032335
5	Average Total Rate (L3+L4)	\$ 0.030947	\$ 0.034320	\$ 0.036280

Notes:

¹ New rate effective Apr-14 through Mar-15

² A historical component related to prior period PPFAC activity.

³ Average Base Rate as defined in ACC Decision No. 70628.

TUCSON ELECTRIC POWER COMPANY
Schedule 2
PPFAC Forward Component Rate Calculation Effective April 1, 2014
(Forward Component Rate in \$/kWh)

Line No.	PPFAC Forward Component Rate - Calculation	Current 1-Jul-13	Proposed 1-Apr-14	Proposed 1-Oct-14
1	Projected PPFAC Fuel and Purchased Power Costs ¹	\$ 236,864,409	\$ 215,365,732	\$ 164,426,847
2	Projected Short Term Sales Revenue Credit ²	\$ (35,449,030)	\$ (23,223,410)	\$ (29,927,685)
3	Projected Wholesale Trading Activities Credit ³			
4	Projected SO2 Allowance Sales Credit ⁴			
5	Net Fuel and Purchased Power Cost (L1 + L2+L3 +L4)	\$ 201,415,379	\$ 192,142,322	\$ 134,499,162
6	Projected Native Load Energy Sales (kWhs)	6,462,764,087	5,523,180,534	4,307,773,077
7	Projected Average Net Fuel Costs \$/kWh (L5/L6)	\$ 0.031166	\$ 0.034788	\$ 0.031222
8	Base Cost of Fuel and Purchased Power \$/kWh	\$ 0.032335	\$ 0.032335	\$ 0.032335
9	Difference between Projected Cost & Base Cost (L7-L8)	\$ (0.001169)	\$ 0.002453	\$ (0.001113)
10	Forward Component Costs (L6*L9)	\$ (7,558,098)	\$ 13,550,280	\$ (4,792,680)
11	Projected Energy Sales Sales (kWh) ⁵	5,889,464,007	5,205,924,303	3,899,593,000
12	Forward Component Rate \$/kWh (L10/L11) ⁶	\$ (0.001283)	\$ 0.000220	\$ 0.002180

Notes:

- * New rates effective April 1 March 31
- ¹ Beginning 7/1/13 costs include Sulfur Credits, Lime Costs, and Brokerage Costs per Settlement Agreement in Docket No. E-01933A-12-0291
- ² Short Term Sales revenues are credited at 100% as approved by the Commission in Decision No. 70628.
- ³ 10% of Wholesale Trading Activities credited against Fuel and Purchased Power Costs as approved by the Commission in Decision No. 70628.
- ⁴ 100% of SO2 Allowance Sales credited against Fuel and Purchased Power Costs as approved by the Commission in Decision No. 70628.
- ⁵ Sales are adjusted for Community Solar
- ⁶ Per Settlement Agreement in Docket No. E-01933A-12-0291 the Forward Component Rate includes adjustments for San Juan thermal event and one time prior sulfur credits

2014 (Estimate)

Actual Lifetime & Community Solar Sales (kWh)
Lifetime & Community Solar sales as percentage of retail sales

1.8750%

TUCSON ELECTRIC POWER COMPANY
Schedule 4

PPFAC True-Up Component Rate Calculation Effective April 1, 2014
(\$ in thousands; True Up Component Rate in \$/kWh)

Line No.	PPFAC Historical Component Rate - Calculation	Current 1-Jul-13	Proposed 1-Apr-14
1	Forward Component Tracking Account Balance (From Schedule 3, L18, Col S) ^{2,3}	\$ 6,046.67	\$ 9,919.52
2	True-Up Component Tracking Account Balance (From Schedule 5, L8) ²	\$ (6,660.37)	\$ 6,153.40
3	Total True-Up Amount to be (Refunded)/Collected (L1+L2) ⁵	\$ (613.70)	\$ 16,072.92
4	Projected Native Load Energy Sales (KWh)	5,889,464,007	9,105,517,303
5	Applicable True-Up Component Rate \$/kWh (L3 / L4) ¹	\$ (0.0001042)	\$ 0.0017652

Notes:

¹ TEP PPFAC became effective April 1, 2009, updated annually each April 1.

² Estimated Forward Component Tracking Account Balance as of filing.

³ Includes interest for those months that are projected.

⁴ Because the actual amount of revenue to be received in the forecasted months from application of the prior Applicable True-Up Component is not available at the time of the filing, Schedule 5 will reflect estimates for those periods as well as true-up calculations for the prior period estimates, See Schedule 5 for more detail.

⁵ Beginning Balance as of April 10, 2014 - to be carried forward to subsequent period PPFAC, True-Up Component Tracking account balance, Schedule 5, L1.

Schedule presentation will appear to roundup \$'s and MWh's. however calculations are performed on an actual \$ and MWh basis with resultant Rates/kWh roundup to \$0.0000000/kWh

SCHEDULES

FLAT

TUCSON ELECTRIC POWER COMPANY
Schedule 1
Purchased Power and Fuel Adjustment Clause (PPFAC) Rate Calculation Effective April 1, 2014
(\$/kWh)

Line No.	PPFAC Rate Calculation	Current 1-Jul-13	Proposed 1-Apr-14
1	Forward Component Rate (Sch. 2, L12) ¹	\$ (0.001283)	\$ 0.000962
2	True-Up Component Rate (Sch. 4, L5) ^{1,2}	\$ (0.000104)	\$ 0.001765
3	PPFAC Rate (L1+L2)	<u>\$ (0.001388)</u>	<u>\$ 0.002727</u>
4	Average Base Rate April 1 ³	\$ 0.032335	\$ 0.032335
5	Average Total Rate (L3+L4)	<u>\$ 0.030947</u>	<u>\$ 0.035062</u>

Notes:

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³ Average Base Rate as defined in ACC Decision No. 70628.

TUCSON ELECTRIC POWER COMPANY
Schedule 2
PPFAC Forward Component Rate Calculation Effective April 1, 2014
(Forward Component Rate in \$/kWh)

Line No.	PPFAC Forward Component Rate - Calculation	Current 1-Jul-13	Proposed 1-Apr-14
1	Projected PPFAC Fuel and Purchased Power Costs ¹	\$ 236,864,409	\$ 379,792,579
2	Projected Short Term Sales Revenue Credit ²	\$ (35,449,030)	\$ (53,151,094)
3	Projected Wholesale Trading Activities Credit ³		
4	Projected SO2 Allowance Sales Credit ⁴		
5	Net Fuel and Purchased Power Cost (L1+ L2+L3 +L4)	<u>\$ 201,415,379</u>	<u>\$ 326,641,485</u>
6	Projected Native Load Energy Sales (kWhs)	6,462,764,087	9,830,953,611
7	Projected Average Net Fuel Costs \$/kWh (L5/L6)	\$ 0.031166	\$ 0.033226
8	Base Cost of Fuel and Purchased Power \$/kWh	\$ 0.032335	\$ 0.032335
9	Difference between Projected Cost & Base Cost (L7-L8)	\$ (0.001169)	\$ 0.000891
10	Forward Component Costs (L6*L9)	\$ (7,558,098)	\$ 8,757,600
11	Projected Energy Sales Sales (kWh) ⁵	5,889,464,007	9,105,517,303
12	Forward Component Rate \$/kWh (L10/L11) ⁶	<u>\$ (0.001283)</u>	<u>\$ 0.000962</u>

Notes:

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2014 (Estimate)

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(\$ in thousands; True Up Component Rate in \$/kWh)

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3	Total True-Up Amount to be (Refunded)/Collected (L1+L2) ⁵	\$ (613.70)	\$ 16,072.92
4	Projected Native Load Energy Sales (KWh)	5,889,464,007	9,105,517,303
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Notes:

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⁵ Beginning Balance as of April 1, 2014 - to be carried forward to subsequent period PPFAC; True-Up Component Tracking account balance, Schedule 5, L1.

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

PPFAC Rate

PPFAC Rate

“Substitute Third Revised Sheet No. 801-1”

CLEAN



Tucson Electric Power

Tucson Electric Power Company

Substitute Third Revised Sheet No.: 801-1

Superseding Second Revised Sheet No. : 801-1

TEP STATEMENT OF CHARGES

Description	Rate	Effective Date	Decision No.
Rider R-1 – Purchased Power and Fuel Adjustment Clause (PPFAC)	\$0.001985 per kWh	PENDING	PENDING
Rider R-2 – Demand Side Management Surcharge (DSMS) RESIDENTIAL: NON-RESIDENTIAL:	\$0.002232 per kWh 2.5479%	July 1, 2013	73912
Rider R-3 – Market Cost of Comparable Conventional Generation (MCCCG) Calculation as Applicable to Rider-4 NM-PRS	\$0.026660 per kWh	April 1, 2014	74396
Rider R-5 – Electric Service Solar Rider (Bright Tucson Community Solar™) Solar Block Energy Rate for Residential Lifeline Discount, Rate R-06-01 Solar Block Energy Rate for Residential Electric Service, Rate R-01 Solar Block Energy Rate for General Service, Rate GS-10 Solar Block Energy Rate for Large General Service, Rate LGS-13 Solar Block Energy Rate for Municipal Service, Rate PS-40	\$0.050198 per kWh \$0.050324 per kWh \$0.048475 per kWh \$0.049371 per kWh \$0.049086 per kWh	February 1, 2011	71835 ¹
Rider R-5 – Electric Service Solar Rider (Bright Tucson Community Solar™) Solar Block Energy Rate for Residential Electric Service, Rate R-01 Solar Block Energy Rate for Small General Service, Rate GS-10 Solar Block Energy Rate for Large General Service, Rate LGS-13	\$0.053463 per kWh \$0.053274 per kWh \$0.053227 per kWh	July 1, 2013	73912
Rider R-6 – Renewable Energy Standard and Tariff Surcharge REST-TS1 Renewable Energy Program Expense Recovery <u>Monthly Cap</u> For Residential Customers: For Small General Service Customers: For Large General Service Customers: For Large Light & Power Customers: For Lighting Customers:	\$0.008000 per kWh <u>Monthly Cap</u> \$ 3.83 per month \$ 100.00 per month \$1,015.00 per month \$8,000.00 per month \$ 100.00 per month	January 1, 2014	74165

¹The Rider R-5 approved by Decision No. 71835 is closed for new enrollment as of July 1, 2013

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

Rate: Statement of Charges
Effective: July 1, 2013
Decision No.: 73912

REDLINED



Tucson Electric Power

Tucson Electric Power Company

First ~~Substitute~~ ~~Third~~ Revised Sheet No.: _____

801-1

Superseding Original ~~Second~~ Revised Sheet No. : _____

801-1

TEP STATEMENT OF CHARGES

Description	Rate	Effective Date	Decision No.
Rider R-1 – Purchased Power and Fuel Adjustment Clause (PPFAC)	\$(0.0019851388) per kWh	July 1, 2013 PENDING	73912 PENDING
Rider R-2 – Demand Side Management Surcharge (DSMS) RESIDENTIAL: NON-RESIDENTIAL:	\$0.002232 per kWh 2.5479%	July 1, 2013	73912
Rider R-3 – Market Cost of Comparable Conventional Generation (MCCCG) Calculation as Applicable to Rider-4 NM-PRS	\$0.026660 per kWh	April 1, 2014	74396
Rider R-5 – Electric Service Solar Rider (Bright Tucson Community Solar™) Solar Block Energy Rate for Residential Lifeline Discount, Rate R-06-01 Solar Block Energy Rate for Residential Electric Service, Rate R-01 Solar Block Energy Rate for General Service, Rate GS-10 Solar Block Energy Rate for Large General Service, Rate LGS-13 Solar Block Energy Rate for Municipal Service, Rate PS-40	\$0.050198 per kWh \$0.050324 per kWh \$0.048475 per kWh \$0.049371 per kWh \$0.049086 per kWh	February 1, 2011	71835 ¹
Rider R-5 – Electric Service Solar Rider (Bright Tucson Community Solar™) Solar Block Energy Rate for Residential Electric Service, Rate R-01 Solar Block Energy Rate for Small General Service, Rate GS-10 Solar Block Energy Rate for Large General Service, Rate LGS-13	\$0.053463 per kWh \$0.053274 per kWh \$0.053227 per kWh	July 1, 2013	73912
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Effective: July 1, 2013
Decision No.: 73912

PPFAC Rate

**“Substitute Alternative Third Revised Sheet
No. 801-1”**

CLEAN



Tucson Electric Power

Tucson Electric Power Company

Substitute Alternative Third Revised Sheet No.: 801-1

Superseding Second Revised Sheet No. : 801-1

TEP STATEMENT OF CHARGES

Description	Rate	Effective Date	Decision No.
Rider R-1 – Purchased Power and Fuel Adjustment Clause (PPFAC)	\$0.002727 per kWh	PENDING	PENDING
Rider R-2 – Demand Side Management Surcharge (DSMS) RESIDENTIAL: NON-RESIDENTIAL:	\$0.002232 per kWh 2.5479%	July 1, 2013	73912
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Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Rate: Statement of Charges
Effective: July 1, 2013
Decision No.: 73912

REDLINED



Tucson Electric Power

Tucson Electric Power Company

First Substitute Alternative Third Revised Sheet No.:

801-1

Superseding Original Second Revised Sheet No.:

801-1

TEP STATEMENT OF CHARGES

Description	Rate	Effective Date	Decision No.
Rider R-1 – Purchased Power and Fuel Adjustment Clause (PPFAC)	\$(0.0027274388) per kWh	July 1, 2013 PENDING	73912 PENDING
Rider R-2 – Demand Side Management Surcharge (DSMS) RESIDENTIAL: NON-RESIDENTIAL:	\$0.002232 per kWh 2.5479%	July 1, 2013	73912
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