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Tucson Electric Power

88 East Broadway Blvd., Post Office Box 711
Tucson, Arizona 85701

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May 15, 2014

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

ORIGINAL

Re: Tucson Electric Power Company's Request for Approval of Rider R-8 Lost Fixed Cost Recovery Tariff, Docket No. E-01933A-12-0291, Decision No. 73912

Pursuant to Arizona Corporation Commission ("Commission") Decision No. 73912 (June 27, 2013) ("Decision") and Section 5 of the approved Plan of Administration for Lost Fixed Cost Recovery ("LFCR") Mechanism, Tucson Electric Power Company ("TEP") hereby files the calculated annual LFCR adjustment. Attachment A shows the LFCR rate and supporting Schedules, which consist of the following: 1) LFCR Annual Percentage Adjustment Rates; 2) LFCR Annual Incremental Cap Calculation; 3) LFCR Calculation; 4) LFCR Test Year Rate Calculation; and 5) Distribution and Transmission Revenue Calculation. See Attachment B for the clean and redlined copy of the TEP Rider R-8 Tariff

TEP is proposing an LFCR rate of 0.4149% for energy efficiency and 0.3126% for distributed generation. Based on an average monthly usage of 800 kWh, TEP estimates that this will result in an increase of approximately \$0.59 on a residential bill. An analysis of the residential customer bill impact is shown in Attachment C.

In accordance with the Decision, included in this filing is the Full Revenue Decoupling Report ("Report"), which reflects what rates would have been for residential, small commercial and large industrial customers, if full revenue decoupling had been approved in this Decision. The Report contains confidential information and is being provided directly to Commission Staff pursuant to the terms of the Protective Agreement executed in this docket.

TEP respectfully requests that the Commission approve the LFCR rate, as shown in Attachment A, for implementation of the rate by July 1, 2014.

If you have any questions, please contact me at (520) 884-3680.

Best regards,

Jessica Bryne
Regulatory Services

cc: Barbara Keene, ACC (Schedules and CD)
Compliance Section, ACC

ATTACHMENT A

LFCR

Schedules

Tucson Electric Power Company
 Lost Fixed Cost Recovery Mechanism
 Schedule 1: LFCR Annual Adjustment Rate (Percentage)
 (\$000)

Line No.	(A) Annual Per kWh Adjustment	(B) Reference	(C) Total
<u>Energy Efficiency Related Adjustment</u>			
1	Total Lost Fixed Cost Revenue for Current Period	Sch 2, Line 13 x Sch 3, Line 55	\$ 3,098,648
2	2013 Applicable Company's Revenues	Schedule 2, Line 1	746,923,877
3	Percentage Adjustment Applied to Customer's Bills for EE	Line 1 /Line 2	0.4149%
<u>Distributed Generation Related Adjustment</u>			
4	Total Lost Fixed Cost Revenue for Current Period	Sch 2, Line 13 x Sch 3, Line 56	\$ 2,335,111
5	2013 Applicable Company's Revenues	Schedule 2, Line 1	746,923,877
6	Percentage Adjustment Applied to Customer's Bills for DG	Line 4 / Line 5	0.3126%

Tucson Electric Power Company
Lost Fixed Cost Recovery Mechanism
Schedule 2: LFCR Annual Incremental Cap Calculation
(\$000)

Line No.	(A) LFCR Annual Incremental Cap Calculation	(B) Reference	(C) Totals
1	2013 Applicable Company's Revenues		\$ 746,923,877
2	Allowed Cap %		1.00%
3	Maximum Allowed Incremental Recovery	(Line 1 * Line 2)	\$ 7,469,239
4	Total Lost Fixed Cost Revenue	Schedule 3, Line 57, Column C	\$ 5,433,759
5	Total Deferred Balance from Previous Period	Previous Filing, Schedule 2, Line 11, Column C	-
6	Annual Interest Rate		
7	Interest Accrued on Deferred Balance	(Line 5 * Line 6)	-
8	Total Lost Fixed Cost Revenue Current Period	(Line 4 + Line 5 + Line 7)	\$ 5,433,759
9	Lost Fixed Cost Revenue from Prior Period	Previous Filing, Schedule 2, Line 13, Column C	\$ -
10	Total Incremental Lost Fixed Cost Revenue for Current Year	(Line 8 - Line 9)	\$ 5,433,759
11	Amount in Excess of Cap to Defer	(Line 10 - Line 3)	\$ -
12	Incremental Period Adjustment	[(Line 10 - Line 11)/ Line 1]	5,433,759
13	Total Lost Fixed Cost Revenue for Current Period	(Line 8 - Line 11)	\$ 5,433,759

Tucson Electric Power Company
Lost Fixed Cost Recovery Mechanism
Schedule 3: LFCR Calculation
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Line No.	(A)	(B)	(C)	(D)
	LFCR Fixed Cost Revenue Calculation	Reference	Totals	Units
Residential				
Energy Efficiency Savings				
1	Current Period		86,458,094	kWh
2	% of Residential Customers choosing fixed-option		0.0%	
3	Excluded kWh reduction	(Line 1 * Line 2)	-	kWh
4	Net - Current Period	(Line 1 - Line 3)	86,458,094	kWh
5	Prior Period kWh EE losses	Previous Filing, Schedule 3, Line 6, Column C	-	kWh
6	Cumulative Recoverable kWh savings	(Previous Filing, Schedule 3, Line 6, Column C + Line 4)	86,458,094	kWh
7	Total Recoverable EE Savings	Line 6	86,458,094	kWh
8	Residential - Lost Fixed Cost Rate	Schedule 4, Line 3, Column C	\$ 0.0308	\$/kWh
9	Residential - Lost Fixed Cost Revenue Relating to EE	(Line 7 * Line 8)	\$ 2,662,909.29	
Distributed Generation				
10	Current Period		50,245,204	kWh
11	% of Residential Customers choosing fixed-option		0.0%	
12	Excluded kWh reduction	(Line 10 * Line 11)	-	kWh
13	Net - Current Period	(Line 10 - Line 12)	50,245,204	kWh
14	Prior Period kWh DG losses	Previous Filing, Schedule 3, Line 15, Column C	-	kWh
15	Cumulative Recoverable kWh savings	(Previous Filing, Schedule 3, Line 15, Column C + Line 13)	50,245,204	kWh
16	Total Recoverable DG Savings	Line 15	50,245,204	kWh
17	Residential - Lost Fixed Cost Rate	Schedule 4, Line 3, Column C	\$ 0.0308	\$/kWh
18	Residential - Lost Fixed Cost Revenue Relating to DG	(Line 16 * Line 17)	\$ 1,547,552.29	
Small General Service				
Energy Efficiency Savings				
19	Current Period		11,652,268	kWh
20	Prior Period kWh EE losses	Previous Filing, Schedule 3, Line 21, Column C	-	kWh
21	Cumulative Recoverable kWh savings	(Previous Filing, Schedule 3, Line 21, Column C + Line 19)	11,652,268	kWh
22	Total Recoverable EE Savings	Line 21	11,652,268	kWh
23	Small General Service - Lost Fixed Cost Rate	Schedule 4, Line 6, Column C	\$ 0.0314	\$/kWh
24	Small General Service - Lost Fixed Cost Revenue Relating to EE	(Line 22 * Line 23)	\$ 365,881.20	
Distributed Generation				
25	Current Period		22,849,782	kWh
26	Prior Period kWh DG losses	Previous Filing, Schedule 3, Line 27, Column C	-	kWh
27	Cumulative Recoverable kWh savings	(Previous Filing, Schedule 3, Line 27, Column C + Line 25)	22,849,782	kWh
28	Total Recoverable DG Savings	Line 27	22,849,782	kWh
29	Small General Service - Lost Fixed Cost Rate	Schedule 4, Line 6, Column C	\$ 0.0314	\$/kWh
30	Small General Service - Lost Fixed Cost Revenue Relating to DG	(Line 28 * Line 29)	\$ 717,483.14	

Tucson Electric Power Company
 Lost Fixed Cost Recovery Mechanism
 Schedule 3: LFCR Calculation
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Line No.	(A) LFCR Fixed Cost Revenue Calculation	(B) Reference	(C) Totals	(D) Units
Large General Service - Delivery Revenue - Demand				
<u>Energy Efficiency Savings</u>				
31	Current Period		-	kW
		Previous Filing, Schedule 3, Line 33, Column		
32	Prior Period kW EE losses	C	-	kW
		(Previous Filing, Schedule 3, Line 33, Column		
33	Cumulative Recoverable kW savings	C + Line 31)	-	kW
34	Total Recoverable EE Savings	Line 33	-	kW
35	Large General Service - Lost Fixed Cost Rate	Schedule 4, Line 9, Column C	\$ 2.3901	\$/kW
36	Large General Service - Lost Fixed Cost Revenue Relating to EE	(Line 34 * Line 35)	\$ -	
<u>Distributed Generation</u>				
37	Current Period		7,220	kW
		Previous Filing, Schedule 3, Line 39, Column		
38	Prior Period kW DG losses	C	-	kW
		(Previous Filing, Schedule 3, Line 39, Column		
39	Cumulative Recoverable kW savings	C + Line 37)	7,220	kW
40	Total Recoverable DG Savings	Line 39	7,220	kW
41	Large General Service - Lost Fixed Cost Rate	Schedule 4, Line 9, Column C	\$ 2.3901	\$/kW
42	Large General Service - Lost Fixed Cost Revenue Relating to DG	(Line 40 * Line 41)	\$ 17,257.19	
Large General Service - Delivery Revenue				
<u>Energy Efficiency Savings</u>				
43	Current Period		16,632,623	kWh
		Previous Filing, Schedule 3, Line 45, Column		
44	Prior Period kWh EE losses	C	-	kWh
		(Previous Filing, Schedule 3, Line 45, Column		
45	Cumulative Recoverable kWh savings	C + Line 43)	16,632,623	kWh
46	Total Recoverable EE Savings	Line 45	16,632,623	kWh
47	Large General Service - Lost Fixed Cost Rate	Schedule 4, Line 12, Column C	\$ 0.0042	\$/kWh
48	Large General Service - Lost Fixed Cost Revenue Relating to EE	(Line 46 * Line 47)	\$ 69,857.01	
<u>Distributed Generation</u>				
49	Current Period		12,575,903	kWh
		Previous Filing, Schedule 3, Line 51, Column		
50	Prior Period kWh DG losses	C	-	kWh
		(Previous Filing, Schedule 3, Line 51, Column		
51	Cumulative Recoverable kWh savings	C + Line 49)	12,575,903	kWh
52	Total Recoverable DG Savings	Line 51	12,575,903	kWh
53	Large General Service - Lost Fixed Cost Rate	Schedule 4, Line 12, Column C	\$ 0.0042	\$/kWh
54	Large General Service - Lost Fixed Cost Revenue Relating to DG	(Line 52 * Line 53)	\$ 52,818.79	
55	Total Lost Fixed Cost Revenue Related to Energy Efficiency	Sum Line 9 + 24 + 36 + 48	\$ 3,098,647.51	
56	Total Lost Fixed Cost Revenue Related to Distributed Generation	Sum Line 18 + 30 + 42 + 54	\$ 2,335,111.42	
57	Total Lost Fixed Cost Revenue	Sum Line 9 + 18 + 24 + 30 + 36 + 42 + 48 + 54	\$ 5,433,758.93	

Tucson Electric Power Company
 Lost Fixed Cost Recovery Mechanism
 Schedule 4: LFCR Test Year Rate Calculation
 (\$000)

Line No.	(A) LFCR Fixed Cost Calculation	(B) Reference	(C) Total
Residential Customers			
1	Delivery Revenue	Schedule 5, Line 5, Column F	\$ 111,739,643
2	kWh Billed	Schedule 5, Line 5, Column B	3,627,093,708
3	Lost Fixed Cost Rate	Line 1/Line 2	\$ 0.0308
Small General Service			
4	Delivery Revenue	Schedule 5, Line 8, Column F	\$ 63,186,286
5	kWh Billed	Schedule 5, Line 8, Column B	2,012,114,954
6	Lost Fixed Cost Rate	Line 4/Line 5	\$ 0.0314
Large General Service			
7	Delivery Revenue - Demand	Schedule 5, Line 13, Column F	\$ 8,172,790
8	kW Billed	Schedule 5, Line 13, Column B	3,419,489
9	Lost Fixed Cost Rate	Line 7/Line 8	\$ 2.3901
Large General Service			
10	Delivery Revenue	Schedule 5, Line 16, Column F	\$ 5,319,772
11	kWh Billed	Schedule 5, Line 16, Column B	1,261,678,481
12	Lost Fixed Cost Rate	Line 10/Line 11	\$ 0.0042

Tucson Electric Power Company
 Lost Fixed Cost Recovery Mechanism
 Schedule 5: Delivery Revenue Calculation
 (\$000)

(A)	(B)	(C)	(D)	(E)	(F) B x D x E	
Line No.	Rate Schedule	Adjusted Test Year Billing Determinants	Units	Delivery Charge	Demand Stability Factor	Total Delivery Revenue
1	Residential Service (R-01)	3,368,532,306	kWh	\$ 0.0314	100% \$	105,811,858
2	Residential Service (R-80)	116,359,255	kWh	\$ 0.0229	100% \$	2,664,627
3	Residential Service (R-201AN)	131,427,481	kWh	\$ 0.0230	100% \$	3,016,454
4	Residential Service (R-201BN)	10,774,668	kWh	\$ 0.0229	100% \$	246,705
5	Subtotal - kWh	3,627,093,708	kWh	\$	\$	111,739,643
6	Small General Service (GS-10)	1,888,524,435	kWh	\$ 0.0314	100% \$	59,326,481
7	Small General Service (SGS-76)	123,590,518	kWh	\$ 0.0312	100% \$	3,859,805
8	Subtotal - kWh	2,012,114,954	kWh	\$	\$	63,186,286
9	Large General Service (LGS-13) - kW	2,719,841	kW	\$ 5.13	50% \$	6,976,392
10	Large General Service (LGS-85) - kW	699,648	kW	\$ 3.42	50% \$	1,196,398
11	Subtotal - kW - Demand	3,419,489	kW	\$	\$	8,172,790
12	Large General Service (LGS-13)	1,045,063,814	kWh	\$ 0.0049	100% \$	5,071,019
13	Large General Service (LGS-85)	216,614,667	kWh	\$ 0.0011	100% \$	248,753
14	Subtotal - kWh - Delivery	1,261,678,481	kWh	\$	\$	5,319,772

ATTACHMENT B

Clean

LFCR Rider R-8



Tucson Electric Power

Tucson Electric Power Company

Third Revised Sheet No.: 801-2

Superseding Second Sheet No. : 801-2

TEP STATEMENT OF CHARGES

Description	Rate	Effective Date	Decision No.
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 Small General Service Customers: For Large General Service Customers: For Large Light & Power Customers: For Lighting Customers:	<u>Monthly Cap</u> \$ 3.22 per month \$ 18.94 per month \$ 778.98 per month \$8,000.00 per month \$ 15.49 per month	January 1, 2014	74165
Rider R-8 Lost Fixed Cost Recovery (LFCR) Mechanism – Energy Efficiency Lost Fixed Cost Recovery (LFCR) Mechanism – Distributed Generation	0.4149% 0.3126%	PENDING	PENDING
Rider R-9 – Environmental Compliance Adjustor (ECA)	\$0.000049 per kWh	May 1, 2014	73912

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

ATTACHMENT B

Redlined

LFCR Rider R-8



Tucson Electric Power

Tucson Electric Power Company

Second-Third Revised Sheet No.: 801-2

Superseding First-Second Sheet No.: 801-2

TEP STATEMENT OF CHARGES

Description	Rate	Effective Date	Decision No.
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 Small General Service Customers: For Large General Service Customers: For Large Light & Power Customers: For Lighting Customers:	<u>Monthly Cap</u> \$ 3.22 per month \$ 18.94 per month \$ 778.98 per month \$8,000.00 per month \$ 15.49 per month	January 1, 2014	74165
Rider R-8 – Lost Fixed Cost Recovery (LFCR) Mechanism – Energy Efficiency Lost Fixed Cost Recovery (LFCR) Mechanism – Distributed Generation	XXXXX-0.4149% XXXXX0.3126%	PENDING or around July 2014	73912 PENDING
Rider R-9 – Environmental Compliance Adjustor (ECA)	\$0.000049 per kWh	May 1, 2014	73912

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

ATTACHMENT C

LFCR

Bill Impacts

TUCSON ELECTRIC POWER COMPANY
LOST FIXED COST RECOVERY - LFCR EFFECTIVE JULY 2014
RESIDENTIAL BILL IMPACT

	kWh	Billing Months
Summer kWh	933	5
Winter kWh	640	7
Monthly Weighted Average		782

	Current	Proposed	Blocks		Current	Proposed	Difference	% change
Customer Charge (Single Phase)	\$10.00	\$10.00						
Summer								
First 500 kWh	\$0.056200	\$0.056200	500	Customer Charge	\$10.00	\$10.00	\$0.00	0.00%
501-1,000 kWh	\$0.067200	\$0.067200	433	First 500 kWh	\$28.10	\$28.10	\$0.00	0.00%
1,001-3,500 kWh	\$0.079800	\$0.079800	0	501-1,000 kWh	29.10	29.10	\$0.00	0.00%
>3,500	\$0.088200	\$0.088200		1,001-3,500 kWh	0.00	0.00	\$0.00	0.00%
Base Power	\$0.035111	\$0.035111		>3,500	0.00	0.00	\$0.00	0.00%
				Base Power Supply	32.76	32.76	\$0.00	0.00%
				PPFAC	0.93	0.93	\$0.00	0.00%
				ECA	0.05	0.05	\$0.00	0.00%
	\$10.00	\$10.00		Net Summer Bill	\$100.94	\$100.94	\$0.00	0.00%
Winter				LFCR EE	\$0.00	\$0.42	\$0.42	100.00%
First 500 kWh	\$0.056200	\$0.056200	500	LFCR DG	\$0.00	\$0.32	\$0.32	100.00%
501-1,000 kWh	\$0.065200	\$0.065200	140	TOTAL SUMMER BILL	\$100.94	\$101.68	\$0.74	2.63%
1,001-3,500 kWh	\$0.078100	\$0.078100	0					
>3,500	\$0.087100	\$0.087100		Winter				
Base Power	\$0.031532	\$0.031532		Customer Charge				
				Energy Charges	\$10.00	\$10.00	\$0.00	0.00%
				First 500 kWh	\$28.10	\$28.10	\$0.00	0.00%
PPFAC	\$0.001000	\$0.001000		501-1,000 kWh	9.13	9.13	\$0.00	0.00%
ECA	\$0.000049	\$0.000049		1,001-3,500 kWh	0.00	0.00	\$0.00	0.00%
LFCR EE	0.00000%	0.41490%		>3,500	0.00	0.00	\$0.00	0.00%
LFCR DG	0.00000%	0.31280%		Base Power Supply	20.18	20.18	\$0.00	0.00%
				PPFAC	0.64	0.64	\$0.00	0.00%
				ECA	0.03	0.03	\$0.00	0.00%
				Net Winter Bill	\$68.08	\$68.08	\$0.00	0.00%
				LFCR EE	\$0.00	\$0.28	\$0.28	100.00%
				LFCR DG	\$0.00	\$0.21	\$0.21	100.00%
				TOTAL WINTER BILL	\$68.08	\$68.57	\$0.49	1.74%
				Total Annual	\$981.26	\$988.39	\$7.13	0.73%
				Average Monthly Bill	\$81.77	\$82.37	\$0.59	0.73%