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# OPEN MEETING

ORIGINAL

## MEMORANDUM

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Arizona Corporation Commission

TO: THE COMMISSION

DOCKETED

2014 AUG 26 A 10:36

FROM: Utilities Division

AUG 26 2014

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DATE: August 26, 2014

DOCKETED BY 

RE: UNS ELECTRIC, INC. IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC., FOR THE ESTABLISHMENT OF JUST AND REASONABLE 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. - APPLICATION FOR APPROVAL OF A RESIDENTIAL SUPER-PEAK TIME-OF-USE TARIFF. (DOCKET NO. E-04204A-12-0504)

In Decision No. 74235 (December 31, 2013), the Arizona Corporation Commission (“Commission”) approved a Settlement Agreement in UNS Electric, Inc.’s (“UNSE” or “the Company) general rate case that provided for the establishment of new rates and charges. As part of that Decision, the Commission ordered UNSE “...shall file within 90 days of the effective date of this Decision... a Super-Peak Time-of-Use Tariff”.

On April 1, 2014, UNSE submitted the present Application that requests approval of the tariffs required by Decision No. 74235.

### Proposed Residential Super Peak Time-of-Use Tariff

UNSE proposes a residential Super Peak Time-of-Use tariff that features a rate design whereby customers taking service under this tariff would pay a higher per kilowatt hour (“kWh”) charge for electricity consumed during defined “super-peak” hours in exchange for a corresponding lower kWh charge during all other hours. Time-of-Use (“TOU”) rates are typically designed to encourage and incent customers to shift load away from system peak load periods to other times of the day when the utility’s marginal cost of generation is lower.

UNSE presently offers one other residential TOU rate schedule. The Residential Service TOU (RES-01 TOU) tariff has a Summer On-Peak period from 2:00 p.m. until 8:00 p.m., Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day) and Winter On-Peak periods from 6:00 a.m. until 10:00 a.m. and 5:00 p.m. until 9:00 p.m. Monday through Friday (excluding Thanksgiving Day, Christmas Day, and New Year’s Day).

In contrast to UNSE’s existing TOU rate schedule, the TOU time period specified in the Super Peak tariff is much more narrowly defined as shown below:

- The Summer On-Peak period is 5:00 p.m. to 8:00 p.m., Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day).

THE COMMISSION

August 26, 2014

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- The Winter On-Peak period is 5:00 p.m. to 8:00 p.m., Monday through Friday (excluding Thanksgiving Day, Christmas Day, and New Year's Day).
- All other hours are Off-Peak. If a holiday falls on Saturday, the preceding Friday is designated Off-Peak; if a holiday falls on Sunday, the following Monday is designated Off-Peak.

In exchange for the shorter On-Peak periods offered under the proposed Super Peak rate, customers would pay relatively higher energy rates for On-Peak and Off-Peak consumption compared with the existing TOU tariff. In the proposed Super Peak rate, both On-Peak and Off-Peak rates are calculated using an inclining-block rate design. Table I below compares the customer charges and energy charges between the existing RES-01 and RES-01 TOU rate and the Proposed RES-01 TOU Super Peak rate.

UNSE Residential TOU Rate Comparison			
	Existing Residential Service (RES-01)	Existing Residential TOU (RES-01 TOU)	Proposed (RES-01 TOU SuperPeak)
Monthly Customer Charge	\$10.00	\$11.50	\$11.50
Total Energy Rate (\$/kWh)			
Summer On-Peak		\$0.15996	First 400 kWh: \$0.1950 Over 400 kWh: \$0.2050
Summer Off-Peak	0 - 400 kWh: \$0.083810 400 - 1,000 kWh: \$0.098860 Over 1,000 kWh: \$0.103009	\$0.06996	First 400 kWh: \$0.0647 Over 400 kWh: \$0.0747
Winter On-Peak		\$0.15996	First 400 kWh: \$0.1750 Over 400 kWh: \$0.1850
Winter Off-Peak		\$0.06174	First 400 kWh: \$0.0637 Over 400 kWh: \$0.0737

The proposed Super Peak TOU tariff would be available to all single-phase residential electric service in individual private dwellings and individually metered apartments when all service is supplied at one point of delivery and energy is metered through one meter. UNSE proposes that a customer electing to take service under this tariff must remain on the tariff's rate schedule for a minimum of one year.

**Staff's Analysis**

Staff has reviewed the proposed Super Peak TOU tariff, the bill impact analysis, and associated work papers provided by UNSE. Staff finds that the proposed tariff comports with the Commission's directives in Decision No. 74235. Staff further finds that the proposed Super Peak TOU will be cost effective immediately for existing residential customers switching from the existing TOU tariff; regardless of whether the customer shifts their consumption to off-peak hours. Residential customers with extra-high consumption switching from the Standard Rate (RES-01) would also see immediate savings. Customers with typical to high consumption on the Standard Rate would find the proposed rate cost effective, providing that they shift 15-25 percent of their consumption to off-peak hours.

The instant Application represents the first introduction of a Super Peak TOU tariff to UNSE's customers. Therefore, Staff has recommended that customers be offered a three month trial period in which the customer can test the Super Peak TOU tariff to ensure that anticipated bill savings actually occur.

Similarly, UNSE may wish to adjust the Super Peak period hours based on the level of customer participation. Such adjustment of the Super Peak hours shall require approval of the Commission.

**Staff's Recommendations**

Staff recommends that customers be offered a three-month trial period in which to test the efficacy of the Super Peak TOU tariff, based on the customer's consumption patterns.

Staff recommends that UNSE be allowed to adjust the Super Peak period based on the level of customer participation, subject to approval by the Commission.

Staff recommends that UNSE's Residential Super Peak TOU Tariff (RES-01 TOU Super Peak) be approved as discussed herein.



Steven M. Olea  
Director  
Utilities Division

SMO:EMV:sms\MAS

ORIGINATOR: Eric Van Epps

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF UNS ELECTRIC, INC., FOR THE )  
ESTABLISHMENT OF JUST AND )  
REASONABLE 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. - APPLICATION )  
FOR APPROVAL OF A RESIDENTIAL )  
SUPER-PEAK TIME-OF-USE TARIFF. )  
(DOCKET NO. E-04204A-12-0504)

DOCKET NO. E-04204A-12-0504  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
September 9 and 10, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNSE" or "the Company) is certificated to provide electric service as a public service corporation in Arizona.
2. In Decision No. 74235 (December 31, 2013), the Arizona Corporation Commission ("Commission") approved a Settlement Agreement in UNSE's general rate case that provided for the establishment of new rates and charges. As part of that Decision, the Commission ordered UNSE "...shall file within 90 days of the effective date of this Decision... a Super-Peak Time-of-Use Tariff".
- ...

1           3.       On April 1, 2014, UNSE submitted the present application that requests approval  
2 of the tariffs required by Decision No. 74235.

3 **Proposed Residential Super Peak Time-of-Use Tariff**

4           4.       UNSE proposes a residential Super Peak Time-of-Use tariff that features a rate design  
5 whereby customers taking service under this tariff would pay a higher per kWh charge for electricity  
6 consumed during defined "super-peak" hours in exchange for a corresponding lower kWh charge  
7 during all other hours. Time-of-Use ("TOU") rates are typically designed to encourage and incent  
8 customers to shift load away from system peak load periods to other times of the day when the  
9 utility's marginal cost of generation is lower.

10          5.       UNSE presently offers one other residential TOU rate schedule. The Residential  
11 Service TOU (RES-01 TOU) tariff has a Summer On-Peak period from 2:00 p.m. until 8:00 p.m.,  
12 Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day), and Winter  
13 On-Peak periods from 6:00 a.m. until 10:00 a.m. and 5:00 p.m. until 9:00 p.m. Monday through Friday  
14 (excluding Thanksgiving Day, Christmas Day, and New Year's Day).

15          6.       In contrast to UNSE's existing TOU rate schedule, the TOU time period specified in  
16 the Super Peak tariff is much more narrowly defined as shown below:

- 17           • The Summer On-Peak period is 5:00 p.m. to 8:00 p.m., Monday through Friday  
18           (excluding Memorial Day, Independence Day, and Labor Day).
- 19           • The Winter On-Peak period is 5:00 p.m. to 8:00 p.m., Monday through Friday  
20           (excluding Thanksgiving Day, Christmas Day, and New Year's Day).
- 21           • All other hours are Off-Peak. If a holiday falls on Saturday, the preceding Friday is  
22           designated Off-Peak; if a holiday falls on Sunday, the following Monday is designated  
23           Off-Peak.

24          7.       In exchange for the shorter On-Peak periods offered under the proposed Super Peak  
25 rate, customers would pay relatively higher energy rates for On-Peak and Off-Peak consumption  
26 compared with the existing TOU tariff. In the proposed Super Peak rate, both On-Peak and Off-Peak  
27 rates are calculated using an inclining-block rate design. Table I below compares the customer charges

28 ...

1 and energy charges between the existing RES-01 and RES-01 TOU rate and the Proposed RES-01  
2 TOU Super Peak rate.

UNSE Residential TOU Rate Comparison			
	Existing Residential Service (RES-01)	Existing Residential TOU (RES-01 TOU)	Proposed (RES-01 TOU SuperPeak)
Monthly Customer Charge	\$10.00	\$11.50	\$11.50
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Winter Off-Peak		\$0.06174	First 400 kWh: \$0.0637 Over 400 kWh: \$0.0737

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14 8. The proposed Super Peak TOU tariff would be available to all single-phase residential  
15 electric service in individual private dwellings and individually metered apartments when all service is  
16 supplied at one point of delivery and energy is metered through one meter. UNSE proposes that a  
17 customer electing to take service under this tariff must remain on the tariff's rate schedule for a  
18 minimum of one year.

19 **Staff's Analysis**

20 9. Staff has reviewed the proposed Super Peak TOU tariff, the bill impact analysis, and  
21 associated work papers provided by UNSE. Staff finds that the proposed tariff comports with the  
22 Commission's directives in Decision No. 74235. Staff further finds that the proposed Super Peak  
23 TOU will be cost effective immediately for existing residential customers switching from the existing  
24 TOU tariff, regardless of whether the customer shifts their consumption to off-peak hours.  
25 Residential customers with extra-high consumption switching from the Standard Rate (RES-01) would  
26 also see immediate savings. Customers with typical to high consumption on the Standard Rate would  
27 find the proposed rate cost effective, providing that they shift 15-25 percent of their consumption to  
28 off-peak hours.

1           10.    The instant Application represents the first introduction of a Super Peak TOU tariff to  
2 UNSE's customers. Therefore, Staff has recommended that customers be offered a three month trial  
3 period in which the customer can test the Super Peak TOU tariff to ensure that anticipated bill savings  
4 actually occur.

5           11.    Similarly, UNSE may wish to adjust the Super Peak period hours based on the level of  
6 customer participation. Such adjustment of the Super Peak hours shall require approval of the  
7 Commission.

8 **Staff's Recommendations**

9           12.    Staff has recommended that customers be offered a three month trial period in which  
10 to test the efficacy of the Super Peak TOU tariff, based on the customer's consumption patterns.

11           13.    Staff has further recommended that UNSE be allowed to adjust the Super Peak period  
12 based on the level of customer participation, subject to approval by the Commission.

13           14.    Staff has further recommended that UNSE's Residential Super Peak TOU Tariff  
14 (RES-01 TOU Super Peak) be approved as discussed herein.

15 **CONCLUSIONS OF LAW**

16           1.    UNS Electric, Inc. is an Arizona public service corporation within the meaning of  
17 Article XV, Section 2, of the Arizona constitution.

18           2.    The Commission has jurisdiction over UNS Electric, Inc. and over the subject matter  
19 of the Application

20           3.    UNS Electric, Inc. Application herein is in compliance with the Commission's Order  
21 in Decision No. 74235 and the Application satisfies the requirements set forth in that Order.

22           4.    The Commission, having reviewed UNS Electric, Inc.'s Application and Staff's  
23 Memorandum dated August 26, 2014, finds that the Residential Super Peak Time-of-Use Tariff (RES-  
24 01 TOU Super Peak) should be approved as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that UNS Electric, Inc.'s Residential Super Peak TOU Tariff (RES-01 TOU Super Peak) is approved as discussed herein.

IT IS FURTHER ORDERED that customers be offered a three month trial period in which to test the efficacy of the Super Peak TOU Tariff, based on the customer's consumption patterns.

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

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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 this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

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

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:EMV:sms\MAS

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