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**SERVICES**

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Tucson, Arizona 85702

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SEP 30 2014

September 30, 2014

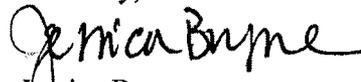
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Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Re: Notice of Compliance Filing – UNS Gas, Inc.’s LFCR Plan of Administration and Schedules, Docket No. G-04204A-11-0158

Pursuant to Decision No. 74613 (July 30, 2014), UNS Gas, Inc. (“UNSG”) hereby files an updated Lost Fixed Cost Recovery Mechanism (“LFCR”) Plan of Administration (“POA”) and Schedules that include a new definition, additional language and formatting changes regarding a Balancing Account.

Sincerely,



Jessica Bryne  
Regulatory Services

cc: Ranelle Paladino, ACC Staff  
Compliance Section, ACC

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2014 SEP 30 P 3:45  
ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

# UNS GAS, INC. PLAN OF ADMINISTRATION LOST FIXED COST RECOVERY

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### 1. General Description

This document describes the Plan of Administration for the Lost Fixed Cost Recovery (“LFCR”) mechanism approved for UNS Gas, Inc. (“UNS Gas” or “Company”) by the Arizona Corporation Commission (“Commission”) on May 1, 2012 in Decision No. 73142. The LFCR mechanism provides for the recovery of lost fixed costs, as measured by revenue, associated with the amount of energy efficiency (“EE”) savings that is authorized by the Commission and determined to have occurred. Costs to be recovered through the LFCR include the fixed cost portion of the delivery charges for all applicable rate classes and any amount quantified in the Balancing Account.

### 2. Definitions

Applicable Company Revenues – The amount of revenue generated by sales to retail customers, for all applicable rate schedules, less the amount of revenue attributable to sales to Opt-Out residential customers.

Balancing Account – A mechanism to track the difference between allowed Lost Fixed Cost Revenue and actual amounts billed by the Company through the LFCR adjustment. The balancing account will be reflected in Schedule 2 of the LFCR Compliance Report and shall be calculated by taking the Total Lost Fixed Cost Revenue from Prior Period less the amount billed through the LFCR for the most recent collection period at the time of filing.

Current Period – The most recent adjustment year.

Delivery Revenue – The amount determined at the conclusion of a rate case by multiplying residential, residential CARES, small commercial and small public authority adjusted test year billing determinants (therms) by their approved fixed cost-related delivery charges.

EE Programs – Any program approved in UNS Gas’ implementation plan.

EE Savings – The amount of sales, expressed in therms, reduced by EE as demonstrated by the Measurement, Evaluation, and Reporting (“MER”) conducted for EE programs. EE Savings shall be pro-rated for the number of days that new base rates are in effect during the initial implementation of the LFCR. The calculation of EE Savings will consist of the following by class:

1. Cumulative Verified: The cumulative total therm reduction as determined by the MER using the effective date of UNS Gas’ most recent general rate case as a starting point.

2. **Current Period:** The annual EE related sales reductions (therms). Each year, UNS Gas will use actual MER data through December to calculate savings.
3. **Excluded therm reduction:** The reduction of recoverable EE Savings calculated as follows: (1) for residential opt-out customers by, dividing the number of Opt-Out residential customers by the total number of residential customers and multiplying that result by the Current Period Savings; and (2) for large commercial and industrial customers, by subtracting the amount of EE Savings actually achieved by customers on Excluded Rate Schedules.

Audit by Commission Staff – Commission Staff will perform an annual audit/evaluation of the data submitted in the annual LFCR Compliance Report to confirm UNS Gas' compliance with the Commission's energy efficiency rules and/or adjust the savings reported by the Company. If Commission Staff is not able to perform the audit in a timely manner, it could select an independent consultant to oversee the process, and UNS Gas would be responsible for funding the evaluation up to a reasonable amount not to exceed \$50,000.

Excluded Rate Schedules – The LFCR mechanism shall not apply to lighting, irrigation, compressed natural gas and the larger customer classes [C-22, I-30, I-32, PA-42, PA-44, IR-60, T-2].

LFCR Adjustment – An amount calculated by dividing Lost Fixed Cost Revenue by the Applicable Company Revenues. This adjustment percentage 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 for each rate class and dividing each by their respective class adjusted test year therm billing determinants.

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

Opt-Out – The rate schedule choice for residential customers to Opt-Out of the LFCR in the form of an optional residential tariff rate. The number of Opt-Out customers will be expressed as the annual average number of customers "Opting-Out" over the Current Period. The LFCR mechanism shall not be applied to residential customers who choose the Opt-Out provision. This rate will be made available to customers at the time of the first LFCR Adjustment.

Prior Period – The 12 months preceding the Current Period.

Recoverable Therm Savings – The sum of EE Savings by applicable rate class.

### *3. LFCR Annual Incremental Cap*

The LFCR Adjustment will be subject to an annual 1% year over year cap based on Applicable Company Revenues. If the annual LFCR Adjustment, inclusive of any Balancing Account balance, results in a surcharge and the annual incremental increase exceeds 1% of Applicable Company Revenues, any amount in excess of the 1% cap will be deferred for collection until the first future adjustment period in which including such costs would not cause the annual increase to exceed the 1% cap. 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*

UNS Gas will file the calculated LFCR Adjustment annually, including all Compliance Reports, with the Commission for the previous year by May 1<sup>st</sup>. Commission Staff will use its best efforts to process the matter such that a new LFCR Adjustment will go into effect by July 1<sup>st</sup> of each year. However, the new LFCR Adjustment will not go into effect until approved by the Commission.

#### *5. Compliance Reports*

UNS Gas will provide comprehensive Compliance Reports to Commission Staff and the Residential Utility Consumer Office by May 1<sup>st</sup> of each year. The information contained in the Compliance Reports will consist of the following schedules:

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

# **SCHEDULES**

UNS Gas, Inc.  
 Lost Fixed Cost Recovery Mechanism  
 Schedule 1: LFCR Annual Percentage Adjustment Rate

Line No.	(A) Annual Percentage Adjustment	(B) Reference	(C) Totals
1	Total Lost Fixed Cost Revenue for Current Period	Schedule 2, Line 15, Column C	\$ -
2	20__ Applicable Company Revenues	Schedule 2, Line 1, Column C	\$ -
3	Percentage Adjustment Applied to Customer's Bills	(Line 1 / Line 2)	0.0000%

UNS Gas, Inc.  
Lost Fixed Cost Recovery Mechanism  
Schedule 2: LFCR Annual Incremental Cap Calculation

Line No.	(A) LFCR Annual Incremental Cap Calculation	(B) Reference	(C) Totals
1	20__ Applicable Company Revenues		\$ -
2	Allowed Cap %		1.00%
3	Maximum Allowed Incremental Recovery	(Line 1 * Line 2)	\$ -
4	Total Lost Fixed Cost Revenue	Schedule 3, Line 18, Column C	\$ -
5	Total Deferred Balance from Previous Period	Previous Filing, Schedule 2, Line 13, Column C	\$ -
6	Annual Interest Rate		0.00%
7	Interest Accrued on Deferred Balance	(Line 5 * Line 6)	\$ -
8	Total Lost Fixed Cost Revenue Current Period	(Line 4 + Line 5 + Line 7)	\$ -
9	Lost Fixed Cost Revenue from Prior Period	Previous Filing, Schedule 2, Line 15, Column C	\$ -
10	Lost Fixed Cost Revenue - Billed <sup>1</sup>		\$ -
11	LFCR Balancing Account	(Line 9 - Line 10)	\$ -
12	Total Incremental Lost Fixed Cost Revenue for Current Year	(Line 8 - Line 9 + Line 11)	\$ -
13	Amount in Excess of Cap to Defer	(Line 12 - Line 3)	\$ -
14	Incremental Period Adjustment as %	[(Line 12 - Line 13) / Line 1]	0.0000%
15	Total Lost Fixed Cost Revenue for Current Period	(Line 8 + Line 11 - Line 13)	\$ -

<sup>1</sup> Amount billed to customers for the collection period of 20\_\_

UNS Gas, Inc.  
Lost Fixed Cost Recovery Mechanism  
Schedule 3: LFCR Calculation

Line No.	(A) LFCR Fixed Cost Revenue Calculation	(B) Reference	(C) Totals	(D) Units
<b>Residential</b>				
<u>Energy Efficiency Savings</u>				
1	Current Period		-	therms
2	% of Residential Customers on Opt-Out		0.0%	
3	Excluded therms reduction	(Line 1 * Line 2)	-	therms
4	Net - Current Period	(Line 1 - Line 3)	-	therms
5	Prior Period	Previous Filing, Schedule 3, Line 6, Column C	-	therms
6	Cumulative Verified	(Previous Filing, Schedule 3, Line 6, Column C + Line 4)	-	therms
7	Total Recoverable EE Savings	Line 6	-	therms
8	Residential - Lost Fixed Cost Rate	Schedule 4, Line 3, Column C	\$ 0.3361	\$/therm
9	Residential - Lost Fixed Cost Revenue	(Line 7 * Line 8)	\$ -	
<b>Small Volume (Commercial &amp; Public Authority)</b>				
<u>Energy Efficiency Savings</u>				
10	Current Period		-	therms
11	Excluded therms reduction		-	therms
12	Net - Current Period	(Line 10 - Line 11)	-	therms
13	Prior Period	Previous Filing, Schedule 3, Line 14, Column C	-	therms
14	Cumulative Verified	(Previous Filing, Schedule 3, Line 14, Column C + Line 12)	-	therms
15	Total Recoverable EE Savings	Line 14	-	therms
16	Small Volume - Lost Fixed Cost Rate	Schedule 4, Line 6, Column C	\$ 0.2838	\$/therm
17	Small Volume - Lost Fixed Cost Revenue	(Line 15 * Line 16)	\$ -	
18	Total Lost Fixed Cost Revenue	(Line 9 + Line 17)	\$ -	

UNSGas, Inc.  
 Lost Fixed Cost Recovery Mechanism  
 Schedule 4: LFCR Test Year Rate Calculation

Line No.	(A) LFCR Fixed Cost Calculation	(B) Reference	(C) Totals
<b>Residential Customers</b>			
1	Delivery Revenue	Schedule 5, Line 3, Column E	\$ 24,047,052
2	therms Billed	Schedule 5, Line 3, Column B	71,539,376
3	Lost Fixed Cost Rate	(Line 1 / Line 2)	\$ 0.3361
<b>Small Volume</b>			
4	Delivery Revenue	Schedule 5, Line 6, Column E	\$ 9,429,053
5	therms Billed	Schedule 5, Line 6, Column B	33,228,683
6	Lost Fixed Cost Rate	(Line 4 / Line 5)	\$ 0.2838

UNS Gas, Inc.  
 Lost Fixed Cost Recovery Mechanism  
 Schedule 5: Delivery Revenue Calculation

Line No.	(A) Rate Schedule	(B) Adjusted Test Year Billing Determinants	(C) Units	(D) Delivery Charge	(E) B x D Total Delivery Revenue
1	Residential Service (R-10)	66,743,461	therms	\$ 0.3434	\$ 22,919,705
2	Residential Service (R-12)	4,795,915	therms	\$ 0.2351	\$ 1,127,348
3	Subtotal	71,539,376	therms		\$ 24,047,052
4	Small Volume Commercial (C-20)	28,038,968	therms	\$ 0.2837	\$ 7,954,655
5	Small Volume Public Authority (PA-40)	5,189,714	therms	\$ 0.2841	\$ 1,474,398
6	Subtotal	33,228,683	therms		\$ 9,429,053

Note: Delivery charge for rate R-12 is the weighted average of 1,332,117 therms at \$0.3434 and 3,463,797 therms at \$0.1934