

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP - CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2014 DEC -4 A 11: 39

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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DEC 04 2014

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IN THE MATTER OF THE APPLICATION
OF UNS ELECTRIC, INC. AND UNS GAS, INC.
FOR A FINANCING ORDER AUTHORIZING
VARIOUS FINANCING TRANSACTIONS

) DOCKET NO. E-04204A-13-0447
) NO. G-04204A-13-0447

) **COMMENTS ON RECOMMENDED
) OPINION AND ORDER**

ORIGINAL

UN~~S~~ Electric, Inc. (“UN~~S~~ Electric”) and UN~~S~~ Gas, Inc. (“UN~~S~~ Gas”) (together the “Companies”) hereby submit their comments and requests for clarification of the Recommended Opinion and Order (“ROO”) in this docket. The Companies appreciate the Administrative Law Judge’s timely and thorough ROO. However, as discussed below, the Companies have identified two minor issues in the ROO that require clarification. The Companies have attached proposed amendment language as Exhibit 1.

First, the revolving credit authority granted by the ROO is not necessarily short-term debt, which is typically considered debt that matures in less than one year. Amounts borrowed under revolving credit agreements are usually not required to be repaid until the date that the facility expires. For credit agreements with a term of more than one year, this results in such borrowings being a form of long-term debt. For GAAP purposes, however, borrowings for short-term liquidity needs are treated as short-term debt rather than long-term debt since the borrower typically prepays such debt within twelve months rather than upon the expiration of the facility. Moreover, the

1 Companies recognize that for purposes of the Staff's financial analysis of the Companies' request,
2 amounts borrowed under revolving credit agreements have been considered as short-term debt,
3 notwithstanding the fact that such amounts may actually be due more than twelve months after they
4 are borrowed.

5 In order to avoid potential confusion or unduly limiting credit facilities, the Companies
6 request that the caption on page 4 of the ROO be changed to "The Companies' Credit Agreement
7 Request" and that an explanatory footnote be added at the end of Paragraph 20 of the ROO.

8 Second, the ROO (at page 13, lines 8-9) could be interpreted to suggest that UNS Electric is
9 *currently* in default with respect to its interest coverage ratio (and that UNS Gas is nearly so).
10 However, that would only be the case if the Companies actually drew the full amount of the
11 proposed debt – which is not the case. The Companies request clarification of that statement.

12 RESPECTFULLY SUBMITTED this 4th day of December, 2014.

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14 UNS ELECTRIC, INC.
15 UNS GAS, INC.

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18 By 
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Original and 13 copies of the foregoing
filed this 4th day of December, 2014, with:

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

Copy of the foregoing hand-delivered/mailed
this 4th day of December, 2014, to:

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By *Jaelyn Howard*

EXHIBIT 1

Proposed Amendment Language

DELETE page 4, line 9 and **INSERT: “The Companies’ Credit Agreement Request”**

At page 5, line 27, after “company.”, **INSERT:**

“The Companies note in their Comments on the Recommended Opinion and Order (docketed December 8, 2014) that amounts borrowed under revolving credit agreements are typically not required to be repaid until the date that the facility expires. For credit agreements with a term of more than one year, this results in such borrowings being a form of long-term debt. For GAAP purposes, however, the Companies state that borrowings for short-term liquidity needs are treated as short-term debt rather than long-term debt since the borrower typically prepays such debt within twelve months rather than upon the expiration of the facility. For purposes of the Staff’s financial analysis of the Companies’ request, amounts borrowed under revolving credit agreements have been considered as short-term debt, notwithstanding the fact that such amounts may actually be due more than twelve months after they are borrowed.”

At page 13, line 9, after “2.53”, **INSERT:** “assuming that the Companies were to draw the full amount of the proposed debt.”