



0000162470

BEFORE THE ARIZONA CORPORATION COMMISSION

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

SUSAN BITTER SMITH  
Chairman  
BOB STUMP  
Commissioner  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
TOM FORESE  
Commissioner

Arizona Corporation Commission

DOCKETED

JUL 15 2015

DOCKETED BY

IN THE MATTER OF THE  
APPLICATION OF UNS GAS, INC.'S  
REQUEST FOR APPROVAL OF RIDER  
R-6 LOST FIXED COST RECOVERY  
TARIFF ADJUSTMENT

DOCKET NO. G-04204A-11-0158

DECISION NO. 75173

ORDER

Open Meeting  
July 7 and July 8, 2015  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS Gas" or "Company") is certificated to provide natural gas service as a public service corporation in the state of Arizona.

**Introduction**

2. On May 1, 2015, UNS Gas filed an application with the Arizona Corporation Commission ("Commission") requesting approval of its annual Lost Fixed Cost Recovery ("LFCR") Mechanism adjustment effective July 1, 2015. The LFCR allows for the recovery of lost fixed costs, as measured by revenue per therm, associated with the amount of energy efficiency ("EE") savings determined to have occurred from programs authorized by the Commission.

3. UNS Gas is requesting that the LFCR charge be set at 0.1032 percent of the customer's bill, which would result in an increase of \$0.03 per month for a residential customer with an average monthly usage of 70 therms.

...

...

1 **Description of the LFCR**

2 4. In Decision No. 73142, dated May 1, 2012, the Commission approved the LFCR  
3 mechanism which provides for the recovery of lost fixed costs associated with EE savings. Costs to  
4 be recovered through the LFCR include the fixed cost portion of the delivery charges for all applicable  
5 rate classes. The LFCR includes an annual one percent year-over-year cap based on Applicable  
6 Company Revenues. If the annual LFCR adjustment results in a surcharge and the annual incremental  
7 increase exceeds one percent of Applicable Company Revenues, any amount in excess of the one  
8 percent cap will be deferred for collection until the first future adjustment period in which the  
9 inclusion of such costs would not cause the annual increase to exceed the one percent cap. The one-  
10 year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release H-  
11 15 or its successor publication will be applied annually to any deferred balance. The interest rate will  
12 be adjusted annually and will be the annual rate applicable to the first business day of the calendar  
13 year.

14 5. By May 1st of each year, UNS Gas will file its calculation of the annual LFCR  
15 adjustment, based on the EE savings from the preceding calendar year. The LFCR mechanism does  
16 not apply to gas lighting, irrigation, compressed natural gas and the larger customer classes taking  
17 service under C-22, I-30, I-32, PA-42, PA-44, IR-60, and T-2. These customers are not subject to the  
18 LFCR mechanism because other rate designs are in place to address lost fixed costs. Residential  
19 customers can choose to pay a higher monthly customer charge rather than pay the LFCR rate. The  
20 LFCR mechanism will not be applied to residential customers who choose the higher monthly  
21 customer charge. The higher customer charge is specified in the applicable standard offer tariff.

22 6. The Plan of Administration ("POA") describes how the LFCR operates. After UNS  
23 Gas files its calculation of the annual LFCR adjustment based on the EE savings from the preceding  
24 calendar year, Commission Utilities Division Staff ("Staff") will use best efforts to process the matter  
25 such that a new LFCR adjustment will go into effect by July 1st of each year. However, the LFCR  
26 Adjustment will not go into effect until approved by the Commission.

27 7. UNS Gas filed its initial LFCR adjustment filing on May 3, 2013. The total Lost Fixed  
28 Cost Revenues for 2012 were \$9,765. As this dollar amount was low and resulted in a monthly

1 increase for the average residential customer of less than \$0.01, UNS Gas requested the LFCR  
2 Revenues for 2012 be deferred and incorporated into the 2013 Compliance LFCR filing for recovery  
3 beginning July 1, 2014.

4 8. In Decision No. 73936, dated June 27, 2013, the Commission agreed that UNS Gas'  
5 LFCR revenues for 2012 be deferred and incorporated into the 2013 Compliance LFCR filing.

6 9. UNS Gas filed its second LFCR adjustment filing on May 1, 2014. The total Lost  
7 Fixed Cost Revenues for 2013 were \$66,591. By including the deferred amount of \$9,765 from 2012,  
8 the approved LFCR rate for 2014 was 0.0695 percent. Using this rate, the estimated monthly bill  
9 impact for a customer with an average monthly usage of 70 therms was approximately \$0.05 per  
10 residential bill.

11 10. In Decision No. 74613, dated July 30, 2014, the Commission agreed that UNS Gas'  
12 LFCR mechanism adjustment be set a 0.0695 percent effective August 1, 2014. The Commission also  
13 ordered UNS Gas to revise its POA as directed by Staff to incorporate a balancing account to  
14 facilitate the true-up of any LFCR dollars under or over-collected in the following twelve-month  
15 period.

16 11. On August 8, 2014, UNS Gas filed its Rider R-6 LFCR to be in compliance with  
17 Decision No. 74613. On September 30, 2014, UNS Gas filed an updated LFCR POA to be in  
18 compliance with Decision No. 74613.

19 **Staff Analysis**

20 12. Staff has reviewed UNS Gas' EE savings and annual revenue used in the calculation  
21 for the LFCR adjustment. While Staff is in agreement on the annual revenue data and the handling of  
22 the balancing account, Staff does not agree on the level of EE savings which is explained in more  
23 detail below. As a result, Staff has recalculated the LFCR adjustment percentage to an LFCR rate of  
24 0.0961 percent.

25 13. The EE savings reported by UNS Gas in its application, included EE savings and  
26 building codes/appliance standards savings for Residential, Small Volume Commercial and Small  
27 Volume Public Authority. Staff completed an evaluation of the reported energy efficiency savings for  
28 January 2014 through December 2014. UNS Gas provided support to Staff for all EE therm savings

1 matching the therm savings verified by Navigant, an independent third party energy consultant  
2 responsible for verifying and evaluating energy efficiency programs and savings. However, Staff does  
3 not agree with the inclusion of codes savings within the LFCR calculation. Codes savings were not  
4 included in the previous year's EE savings for purposes of calculating the LFCR.

5 14. When reviewing the POA to verify what is included in the LFCR calculation, Staff  
6 noticed that the POA clearly indicates that EE Savings for the purposes of the LFCR calculation are  
7 the "...amount of sales, expressed in therms, reduced by EE as demonstrated by the Measurement,  
8 Evaluation, and Reporting ("MER") conducted for EE programs." The POA goes further to define  
9 an EE Program as "Any program approved in UNS Gas' implementation plan." UNS Gas does not  
10 currently have an approved Codes and Standards program as part of an approved implementation  
11 plan. The Commission did not approve the addition of a Codes and Standards program in Decision  
12 No. 73939, dated June 27, 2013.

13 15. Staff has revised Schedules 1 through 5 originally included in UNS Gas' application to  
14 remove the therms resulting from codes savings. Staff's revised Schedules 1 through 5 are attached to  
15 Staff's Memorandum associated with this order. Removing codes savings results in the LFCR rate of  
16 0.0961 percent, which would allow for recovery of approximately \$96,000.

17 16. Using the Staff-revised LFCR rate of 0.0961 percent, Staff has calculated that for a  
18 residential customer with an average monthly usage of 70 therms, the estimated monthly bill impact  
19 would be an increase of approximately \$0.02 per residential bill.

## 20 **Recommendations**

21 17. Based on the above, Staff has recommended that an LFCR rate of 0.0961 percent be  
22 approved and become effective August 1, 2015.

23 18. Staff has also recommended that UNS Gas file a revised Rider R-6 consistent with the  
24 Decision in this case within 15 days of the effective date of the Decision.

## 25 CONCLUSIONS OF LAW

26 1. UNS Gas, Inc. is an Arizona public service corporation within the meaning of Article  
27 XV, Section 2, of the Arizona Constitution.

28 ...



1 SERVICE LIST FOR: UNS Gas, Inc.  
2 DOCKET NO. G-04204A-11-0158

3 Mr. Philip Dion  
4 UNS Gas, Inc.  
5 88 E Broadway Blvd.  
6 P.O. Box 711  
7 MS HQE910  
8 Tucson, Arizona 85702

9 Mr. Bradley Carroll  
10 UNS Gas, Inc.  
11 Legal Department, MS HQE910  
12 P.O. Box 711  
13 Tucson, Arizona 85702

14 Mr. Nicholas Enoch  
15 349 N. Fourth Ave.  
16 Phoenix, Arizona 85003

17 Mr. Daniel W. Pozefsky  
18 RUCO  
19 1110 W. Washington St.  
20 Suite 220  
21 Phoenix, Arizona 85007-2958

22 Mr. Mike Patten  
23 Snell & Wilmer  
24 One Arizona Center  
25 400 E. Van Buren St.  
26 Suite 1900  
27 Phoenix, Arizona 85004

28 Mr. Steven M. Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Janice M. Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

1 Mr. Dwight Nodes  
Acting Chief Administrative Law Judge, Hearing Division  
2 Arizona Corporation Commission  
1200 West Washington Street  
3 Phoenix, Arizona 85007

4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28