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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION
OF UNS ELECTRIC, INC. FOR APPROVAL
OF AN ACCOUNTING ORDER IN
CONNECTION WITH THE ACQUISITION
OF UP TO A 25% INTEREST IN GILA
RIVER POWER PLANT UNIT 3 (DOCKET
NO. E-04204A-13-0476)

DOCKET NO. E-04204A-13-0476
DECISION NO. 75485
ORDER

Arizona Corporation Commission
DOCKETED

MAR 10 2016

Open Meeting
March 2 and 3, 2016
Phoenix, Arizona

DOCKETED BY

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. In Decision No. 74911 (January 21, 2015), UNS Electric, Inc. (“UNSE” or “Company”) was granted an accounting deferral by the Arizona Corporation Commission (“Commission”) that allowed the Company to defer certain non-fuel costs related to the purchase of a 25 percent share of the Gila River Power Plant Unit 3 until April 30, 2016, that otherwise would have had a negative impact on the Company’s income statement results and bond rating. Short term fuel and purchased power savings were allowed to be deferred until the date new rates go into effect following UNSE’s next rate case.

2. On December 18, 2015, UNSE filed with the Commission a request to extend the cost deferral period from April 30, 2016 to the date that new rates go into effect in the pending UNSE rate case (Docket No. E-04204A-15-0142) and that the cap of \$10.5 million on the deferred non-fuel costs be modified to match the amount of deferred savings. UNSE now estimates that the accrued deferred

1 savings will be approximately \$8.5 million as of April 30, 2016, and approximately \$11.3 million by
2 July 30, 2016.

3 3. Decision No. 74911 contemplated that the Company would have new rates in place by
4 May 1, 2016, at which time the Commission would have determined an appropriate amortization
5 period for the Company to recover the deferred non-fuel costs as offset by the deferred savings.
6 Since the referenced rate case was not filed until May 5, 2015, the decision in that case will not be
7 effective until after the expiration of the cost deferral (Docket No. E-04204A-15-0142). Hence, a
8 time extension is necessary to achieve the intent to synchronize both the cost and savings deferrals.

9 **Staff Analysis**

10 4. Staff reviewed confidential Schedules A and B in the most current monthly report
11 provided to Staff by the Company on February 5, 2016. These schedules contain the Company's
12 tracking of the actual deferred non-fuel costs and savings for 2015. Based on the information in these
13 schedules and additional information provided to Staff by the Company to support the updated
14 estimates of the deferred savings, Staff has determined that the Company's estimates are reasonable
15 and Staff supports the request to remove the cap of \$10.5 million on deferred costs and allow the
16 Company to defer costs in an amount up to the deferred savings to the effective date of the rates that
17 will be established in the pending rate case.

18 **Conclusions and Recommendations**

19 5. Staff recommends approving the Company's request that the accounting order in
20 Decision No. 74911 be modified to extend the accrual period of the authorized deferred non-fuel
21 costs to coincide with the date that new rates go into effect in the pending rate case.

22 6. Staff recommends that the hard cap on deferred costs be removed and that the
23 amount of deferred non-fuel costs be allowed to, but not in excess of, the deferred savings through
24 the time extension period.

25 7. Staff's recommendations are reasonable and should be adopted.

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CONCLUSIONS OF LAW

1. UNS Electric, Inc. is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

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

3. Approval of the proposed time extension and removal of the cap is consistent with the Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

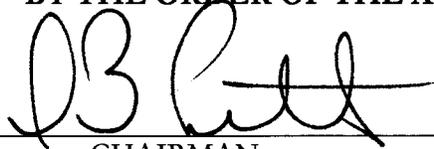
4. It is in the public interest to approve UNS Electric, Inc.'s request as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the deferral period be extended from April 1, 2016, to the effective date of the new rates to be established in the current UNS Electric, Inc. rate case (Docket No. E-04204A-15-0142).

IT IS FURTHER ORDERED that the limitation on the deferral of costs to \$10.5 million be removed and that the amount of deferred non-fuel costs be allowed up to the amount of deferred savings through the time extension period in the rate case.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN



COMMISSIONER



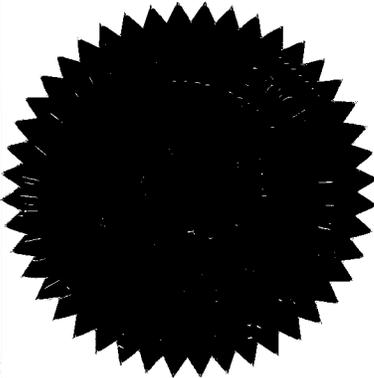
COMMISSIONER



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 10th day of March, 2016.



JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:BAB:red\CHH

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2 DOCKET NO. E-04204A-13-0476

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