

ORIGINAL

OPEN MEETING



MEMORANDUM

RECEIVED  
AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

2016 MAR 29 8:11:45

DATE: March 29, 2016

RE: IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA. - (DOCKET NO. E-01933A-12-0291)

SUBJECT: APPLICATION FOR AUTHORIZATION FOR PPFAC RATE ADJUSTMENT.

On October 30, 2015, Tucson Electric Power Company ("TEP") filed its Preliminary Calculation of the Purchased Power and Fuel Adjustment Clause ("PPFAC") rate, pursuant to Decision No. 73912 (June 27, 2013). On February 1, 2016, TEP filed its updated calculations and a request for authorization for a PPFAC rate adjustment.

The PPFAC consists of a Forward Component and a True-up Component. The Forward Component consists of the forecasted fuel and purchased power costs for the year commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of Fuel and Purchased Power reflected in base rates (\$0.032335 per kWh). The True-up Component reconciles any over-recovered or under-recovered amounts from the preceding PPFAC year to be credited to, or recovered from, customers in the next PPFAC year.

Decision No. 73912 requires TEP to file the PPFAC rate for the upcoming year by October 31 of each year and an update to the filing by February 1 of the next year. The new rate goes into effect on April 1, but only after Arizona Corporation Commission ("Commission") approval.

The PPFAC rate charged to TEP customers is currently set at \$0.006820 per kWh, and TEP has calculated a new 2016 rate of \$0.001501 per kWh (consisting of a Forward Component rate of \$0.002782 per kWh and a True-up Component rate of (\$0.001281 per kWh)) for 12 months starting in May 2016.

Utilities Division Staff ("Staff") has reviewed the February 1<sup>st</sup> filing along with TEP's assumptions used in developing its forecast of fuel and purchased power expenses and finds the forecast to be reasonable. Staff has included the bill impacts on residential customers in the following table.

Arizona Corporation Commission  
DOCKETED

MAR 29 2016

DOCKETED BY *KH*

THE COMMISSION

March 1, 2016

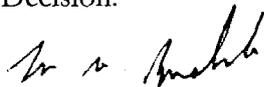
Page 2

	Current PPFAC Rate	Proposed PPFAC Rate
	Apr. 2015	May. 2016
PPFAC rate	\$0.006820 per kWh	\$0.001501 per kWh
Average kWh usage	800 kWh	800 kWh
PPFAC Charge	\$5.46 per month	\$1.20 per month
Bill impact		(\$4.26 per month)
Average monthly bill	\$97.21	\$92.93

Staff recommends the Forward Component rate be set at \$0.002782 per kWh and the True-up Component rate be set at (\$0.001281 per kWh), resulting in a PPFAC rate of \$0.001501 per kWh for the period of May 1, 2016, through March 31, 2017.

Staff further recommends TEP provide notice (in a form acceptable to Staff) of the rate decrease to customers within the bill where the first rate decrease appears.

In addition, Staff recommends that TEP file in Docket Control a revised Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.



Thomas M. Broderick  
Director  
Utilities Division

TMB:EMV:red\RRM

ORIGINATOR: Eric Van Epps

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 DOUG LITTLE  
Chairman

3 BOB STUMP  
Commissioner

4 BOB BURNS  
Commissioner

5 TOM FORESE  
Commissioner

6 ANDY TOBIN  
Commissioner

7  
8 IN THE MATTER OF THE APPLICATION  
9 OF TUCSON ELECTRIC POWER  
10 COMPANY FOR THE ESTABLISHMENT OF  
11 JUST AND REASONABLE RATES AND  
12 CHARGES DESIGNED TO REALIZE A  
13 REASONABLE RATE OF RETURN ON THE  
14 FAIR VALUE OF ITS OPERATIONS  
15 THROUGHOUT THE STATE OF ARIZONA.  
(DOCKET NO. E-01933A-12-0291)

DOCKET NO. E-01933A-12-0291

DECISION NO. \_\_\_\_\_

ORDER

16  
17 SUBJECT: APPLICATION FOR  
18 AUTHORIZATION FOR PPFAC RATE  
19 ADJUSTMENT.

20  
21 Open Meeting  
22 April 12 and 13, 2016  
23 Phoenix, Arizona

24 BY THE COMMISSION:

FINDINGS OF FACT

25 1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide  
26 electric service as a public service corporation in the State of Arizona.

27 2. On October 30, 2015, TEP filed its Preliminary Calculation of the Purchased Power  
28 and Fuel Adjustment Clause ("PPFAC") rate, pursuant to Decision No. 73912 (June 27, 2013). On  
February 1, 2016, TEP filed its updated calculations and a request for authorization for a PPFAC rate  
adjustment.

3. The PPFAC consists of a Forward Component and a True-up Component. The  
Forward Component consists of the forecasted fuel and purchased power costs for the year

1 commencing on April 1 and ending on March 31 of the ensuing year, less the average Base Cost of  
 2 Fuel and Purchased Power reflected in base rates (\$0.032335 per kWh). The True-up Component  
 3 reconciles any over-recovered or under-recovered amounts from the preceding PPFAC year to be  
 4 credited to, or recovered from, customers in the next PPFAC year.

5 4. Decision No. 73912 requires TEP to file the PPFAC rate for the upcoming year by  
 6 October 31 of each year and an update to the filing by February 1 of the next year. The new rate goes  
 7 into effect on April 1, but only after Commission approval.

8 5. The PPFAC rate charged to TEP customers is currently set at \$0.006820 per kWh, and  
 9 TEP has calculated a new 2016 rate of \$0.001501 per kWh (consisting of a Forward Component rate  
 10 of \$0.002782 per kWh and a True-up Component rate of (\$0.001281 per kWh)) for 12 months  
 11 starting in May 2016.

12 6. Staff has reviewed the February 1<sup>st</sup> filing along with TEP's assumptions used in  
 13 developing its forecast of fuel and purchased power expenses and finds the forecast to be reasonable.  
 14 Staff has included the bill impacts on residential customers in the following table.

	Current PPFAC Rate	Proposed PPFAC Rate
	Apr. 2015	May. 2016
PPFAC rate	\$0.006820 per kWh	\$0.001501 per kWh
Average kWh usage	800 kWh	800 kWh
PPFAC Charge	\$5.46 per month	\$1.20 per month
Bill impact		(\$4.26 per month)
Average monthly bill	\$97.21	\$92.93

15  
 16  
 17  
 18  
 19  
 20  
 21  
 22  
 23 7. Staff has recommended that the Forward Component rate be set at \$0.002782 per  
 24 kWh and the True-up Component rate be set at (\$0.001281 per kWh), resulting in a PPFAC rate of  
 25 \$0.001501 per kWh for the period of May 1, 2016, through March 31, 2017.

26 8. Staff has further recommended that TEP provide notice (in a form acceptable to Staff)  
 27 of the rate decrease to customers within the bill where the first rate decrease appears.  
 28



1 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file in Docket  
 2 Control a revised Statement of Charges consistent with the Decision in this case within 15 days of the  
 3 effective date of the Decision.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5  
 6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7  
 8 \_\_\_\_\_  
 9 CHAIRMAN

COMMISSIONER

10  
 11 \_\_\_\_\_  
 12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
 14 Director of the Arizona Corporation Commission, have  
 15 hereunto, set my hand and caused the official seal of this  
 16 Commission to be affixed at the Capitol, in the City of  
 17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

18 \_\_\_\_\_  
 19 JODI JERICH  
 20 EXECUTIVE DIRECTOR

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

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

23 TMB:EMV:red/RRM

24  
 25  
 26  
 27  
 28

1 SERVICE LIST FOR: TUCSON ELECTRIC POWER COMPANY  
2 DOCKET NO. E-01933A-12-0291

3 Terrance Spann  
4 9275 Gunston Rd, Ste 1300  
5 Fort Belvoir, Virginia 22060

6 Kyle Smith  
7 U.S. Army Legal Services  
8 9275 Gunston Rd  
9 Fort Belvoir, Virginia 22060

10 Stephen Baron  
11 570 Colonial Park Dr. Ste 305  
12 Roswell, Georgia 30075

13 Karen White  
14 U. S. Air Force Utility Law Field  
15 Support Center  
16 139 Barnes Dr.  
17 Tyndall AFB, Florida 32403

18 Kurt Boehm  
19 Boehm, Kurtz & Lowry  
20 36 E. Seventh St. Suite 1510  
21 Cincinnati, Ohio 45202

22 Annie Lappe  
23 Rick Gilliam  
24 The Vote Solar Initiative  
25 1120 Pearl St. - 200  
26 Boulder, Colorado 80302

27 Kevin Higgins  
28 215 South State Street, Ste. 200  
Salt Lake City, Utah 84111

Nicholas Enoch  
349 N. Fourth Ave.  
Phoenix, Arizona 85003

Timothy Hogan  
514 West Roosevelt  
Phoenix, Arizona 85003

Michael Patten  
Roshka DeWulf & Patten, PLC  
One Arizona Center  
400 E. Van Buren St. - 800  
Phoenix, Arizona 85004

Gary Yaquinto  
2100 North Central Avenue, Suite 210  
Phoenix, Arizona 85004

Leland Snook  
Arizona Public Service Company  
400 North 5th St., MS 8695  
Phoenix, Arizona 85004

Daniel Pozefsky  
1110 West Washington, Suite 220  
Phoenix, Arizona 85007

Meghan Grabel  
2929 N. Central Avenue Suite 2100  
Phoenix, Arizona 85012

C. Webb Crockett  
Fennemore Craig, P.C.  
2394 E. Camelback Rd, Ste 600  
Phoenix, Arizona 85016

Robert Metli  
2398 E. Camelback Rd., Ste. 240  
Phoenix, Arizona 85016

Cynthia Zwick  
1940 E. Luke Avenue  
Phoenix, Arizona 85016

John Moore, Jr.  
7321 N. 16th Street  
Phoenix, Arizona 85020

Michael Neary  
111 W. Renee Dr.  
Phoenix, Arizona 85027

1 Thomas Mumaw  
2 PO Box 53999, Station 8695  
3 Phoenix, Arizona 85072-3999  
4  
5 Court Rich  
6 7144 E. Stetson Drive, Suite 300  
7 Scottsdale, Arizona 85251  
8  
9 Lawrence Robertson, Jr.  
10 PO Box 1448  
11 Tubac, Arizona 85646  
12  
13 Bradley Carroll  
14 88 E. Broadway Blvd. MS HQE910  
15 PO Box 711  
16 Tucson, Arizona 85701  
17  
18 Melissa Morales  
19 88 E. Broadway Blvd., PO Box 711  
20 Tucson, Arizona 85702  
21  
22 Jeff Schlegel  
23 1167 W. Samalayuca Dr.  
24 Tucson, Arizona 85704-3224  
25  
26 Warren Woodward  
27 55 Ross Circle  
28 Sedona, Arizona 86336  
  
Travis Ritchie  
85 Second St., 2nd Floor  
San Francisco, California 94105  
  
Mr. Thomas M. Broderick  
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

Mr. Dwight Nodes  
Chief Administrative Law Judge, Hearing  
Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 8500