

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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MAR 27 2017

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E-04204A-17-0082

IN THE MATTER OF THE APPLICATION OF)
UNS ELECTRIC, INC. FOR APPROVAL OF A)
TEMPORARY PURCHASED POWER AND)
FUEL ADJUSTMENT CLAUSE CREDIT FOR)
THE PERIOD OF JUNE 1, 2017 THROUGH)
OCTOBER 31, 2017)

DOCKET NO. E-04204A-17-_____

APPLICATION

(Expedited Approval Requested)

UNS Electric, Inc. ("UNS Electric" or "Company"), through undersigned counsel, hereby requests that the Arizona Corporation Commission ("Commission") approve a temporary credit of \$0.0125 per kilowatt-hour ("kWh") to its Purchased Power and Fuel Adjustment Clause ("PPFAC") rate for the period of June 1, 2017 through October 31, 2017. The Company believes that Commission approval of a new temporary PPFAC credit as set forth in this Application is in the public interest. In support thereof, UNS Electric states as follows:

1. In Decision No. 74235 (December 31, 2013), the Commission approved the following changes for UNS Electric's PPFAC: (i) a 12-month rolling average PPFAC rate, adjusted monthly; (ii) a band for PPFAC rate adjustments of 0.83 percent on a month-to-month basis; and (iii) a \$10 million threshold trigger for a refund from the PPFAC bank balance. Under UNS Electric's PPFAC Plan of Administration, if the PPFAC bank balance becomes over collected by more than \$10 million, the Company must either: (i) file for a PPFAC rate adjustment within 45 days; or (ii) contact Staff to discuss why a PPFAC rate adjustment is not necessary at that time.

2. Due to ongoing low market prices for natural gas and wholesale purchased power, as well as the 0.83 percent band for monthly PPFAC rate adjustments, the PPFAC bank balance is expected to be over-collected by \$10 million in May 2017.

1 3. Taking these factors into consideration, UNS Electric proposes to implement a
2 temporary PPFAC credit of \$0.0125 per kWh for the period of June 1, 2017 through October 31,
3 2017. If the Company's proposal is approved, the average total bill for residential customers will
4 decrease by \$12.30 per month (11.8%) from the current average projected summer bill.

5 4. The Company believes that the proposed term for the credit is appropriate given the
6 estimated impact on the PPFAC bank balance. Although the proposed credit does not reduce the
7 PPFAC bank balance to zero, natural gas and wholesale power prices have remained at relatively
8 low levels, however are prone to periods of unforeseen volatility. An increase of \$5 per
9 megawatt-hour in the cost of wholesale power would increase the cost of purchased power for
10 UNS Electric by approximately \$4 million from June through October. Therefore, the Company
11 also requests that the temporary credit be terminated in the event the PPFAC bank balance reaches
12 zero at any time during the proposed term.

13 5. In support of this Application, UNS Electric is providing three attachments.


- 14 • **Exhibit A** is a graph showing the estimated PPFAC bank balance, both with
15 and without a temporary credit adjustment. Attachment A includes three
16 scenarios, all starting in June 2017: (1) a \$0.01 per kWh credit, (2) a \$0.0125
17 per kWh credit, and (3) a \$0.015 per kWh credit. Without application of a
18 credit, the PPFAC bank balance is projected to exceed \$15 million at the end of
19 October 2017. Application of the three credit scenarios result in projected
20 October 2017 bank balances of \$7.5 million, \$5.5 million and \$3.5 million,
21 respectively.
- 22 • **Exhibit B** is a graph showing the trend of anticipated wholesale market prices
23 for natural gas and purchased power.
- 24 • **Exhibit C** is a table showing the average monthly residential summer bill
25 (usage of 983 kWh per month June through October) under each PPFAC credit
26 scenario.
27

1 6. UNS Electric requests expedited treatment of this Application to ensure that
2 customers receive the benefit of the credit beginning June 1, 2017. Implementing a temporary
3 PPFAC credit is necessary to reduce the over-collected bank balance and lower bills for UNS
4 Electric's customers during the upcoming summer months.

5 WHEREFORE, UNS Electric respectfully requests that the Commission issue an order
6 approving a temporary credit of \$0.0125 per kWh to the PPFAC rate for the period June 1, 2017
7 through October 31, 2017, subject to immediate termination upon the PPFAC bank balance
8 reaching zero.

9
10 RESPECTFULLY SUBMITTED this 27th day of March 2017.

11 UNS ELECTRIC, INC.

12
13 By 
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22 Attorneys for UNS Electric, Inc.

23 Original and 13 copies of the foregoing
24 filed this 27th day of March 2017, with:

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

27

1 Copies of the foregoing hand-delivered/mailed
this 27th day of March 2017, to:

2 Dwight Nodes
3 Chief Administrative Law Judge
4 Hearing Division
5 Arizona Corporation Commission
6 400 West Congress
7 Tucson, Arizona 85701

8 Timothy La Sota, Acting Director
9 Legal Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Elijah Abinah, Acting Director
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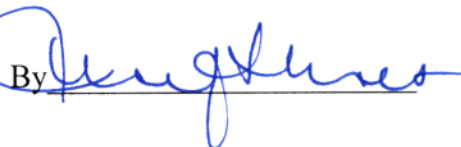
18 By 

Exhibit A – Bank Balance Scenarios

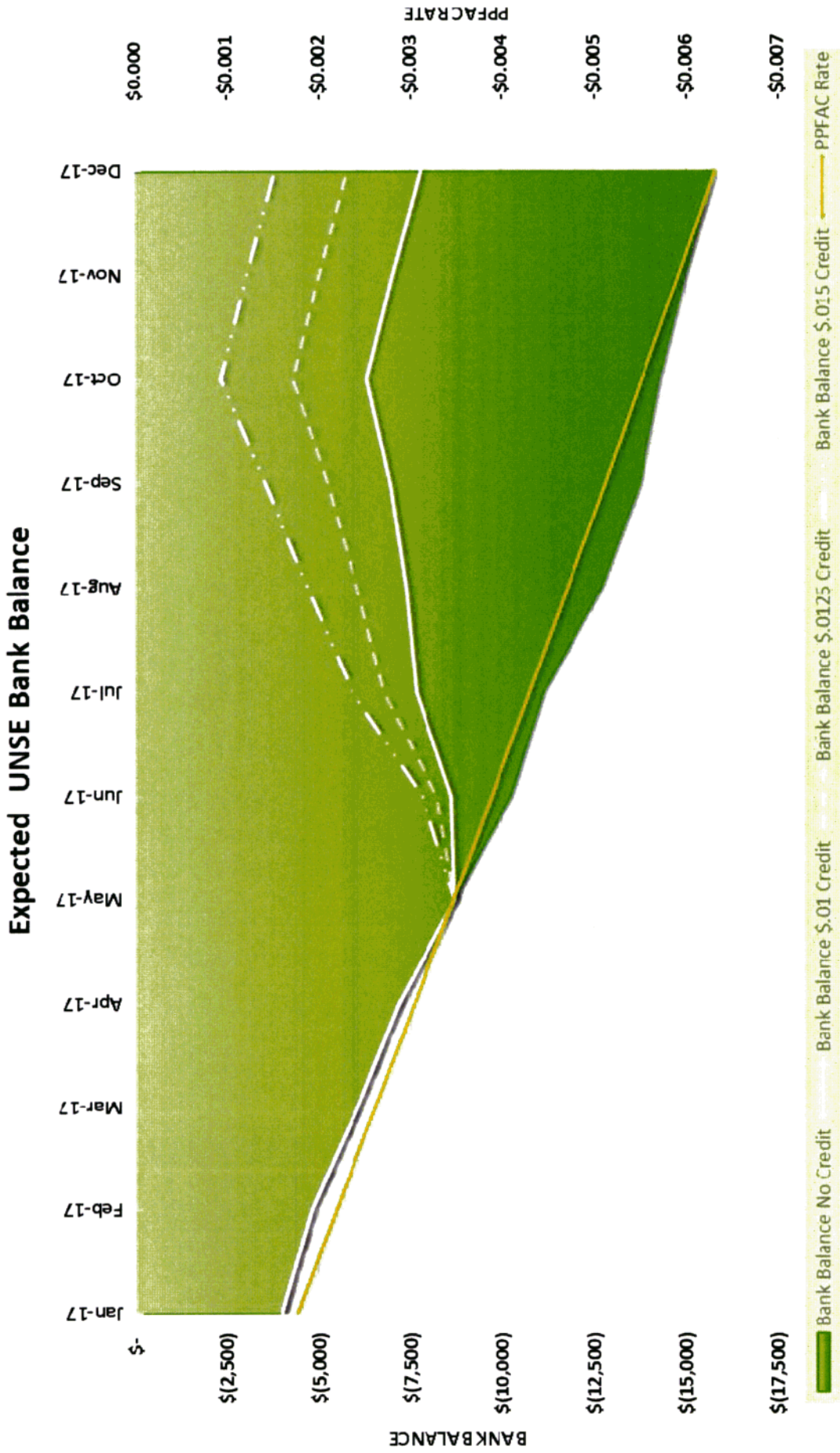


Exhibit B – Forward Prices for Wholesale Power and Natural Gas

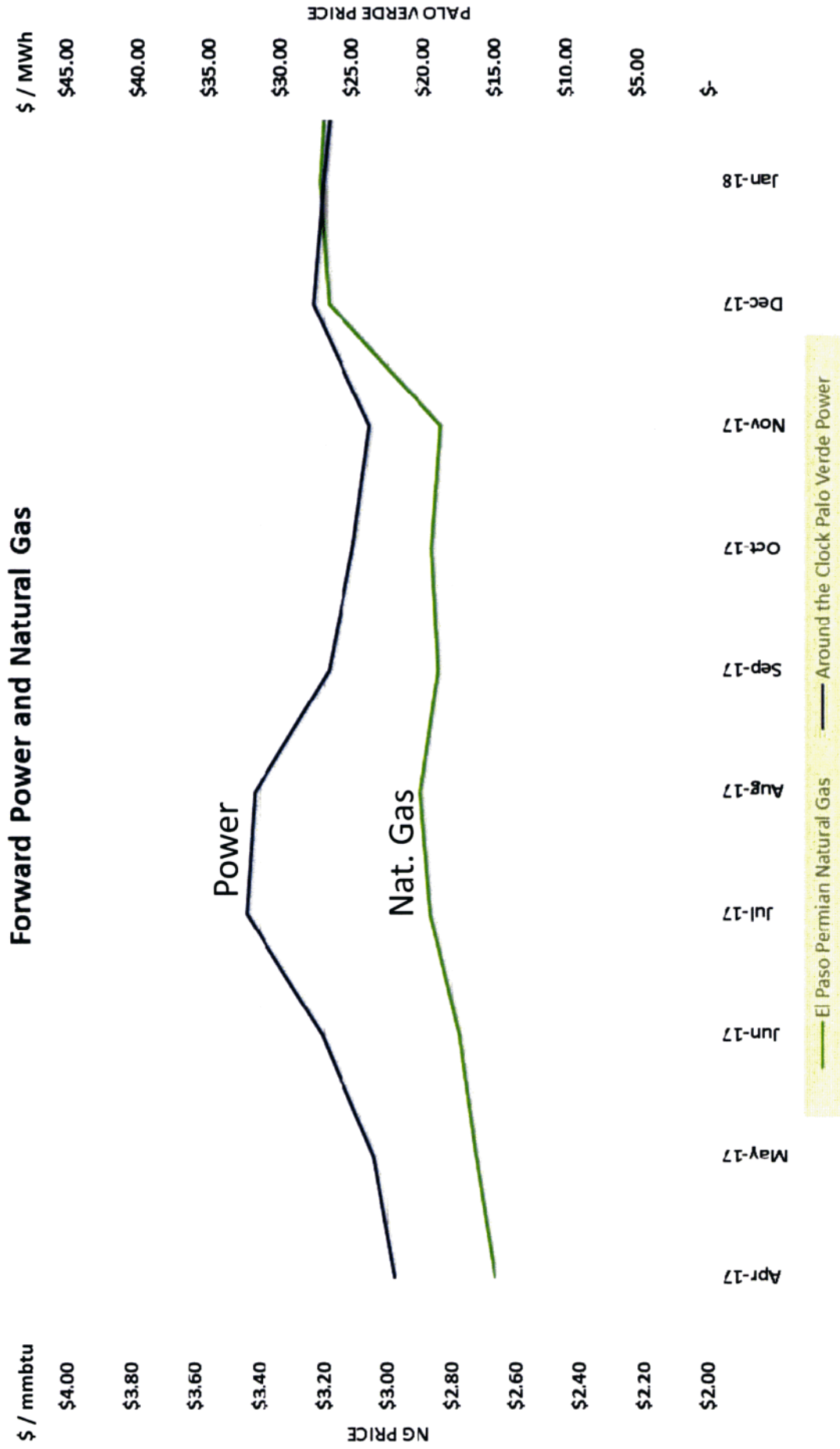


Exhibit C – Residential Bill Savings

CURRENT RATES WITH PPFAC CREDITS						
June - October Usage (kWh)	983					
Expected Bill	\$104.15		\$.01 Credit	\$.0125 Credit	\$.015 Credit	
Monthly Savings	\$ -		\$ 94.31	\$ 91.85	\$ 14.76	