

ORIGINAL

OPEN MEETING



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MEMORANDUM

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

2017 APR 25 A 10:51

TO: THE COMMISSION

FROM: Utilities Division

APR 25 2017

DATE: April 25, 2017

DOCKETED BY

RE: 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-17-0082)

INTRODUCTION

Enclosed are the Commission Staff's memorandum and proposed order for 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-17-0082)

This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before **April 28, 2017**.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled **May 9, 2017** at 10:00 a.m. and **May 10, 2017** at 10:00 a.m.

If you have any questions about this matter, please contact Beth Soliere of our Staff at (602) 542-0830 or Elijah Abinah, Acting Director, at (602) 542-6935.

BACKGROUND

On March 27, 2017, UNS Electric, Inc. ("UNS Electric" or "Company") filed an application for approval of a temporary Purchased Power and Fuel Adjustment Clause ("PPFAC") credit adjustment of \$0.0125 per kilowatt-hour ("kWh") for the period of June 1, 2017, through October 31, 2017.

The PPFAC rate tracks the changes in the cost of obtaining power supplies based upon a historical 12-month rolling average of fuel, purchased power, and purchased transmission costs. The

PPFAC is adjusted monthly, but under Decision No. 74235, it is banded so that it cannot increase or decrease by more than 0.83% from the preceding month's rate.

Under UNS Electric's PPFAC Plan of Administration, if the PPFAC balance becomes over-collected by more than \$10 million, UNS Electric must either file for a PPFAC rate adjustment within 45 days; or contact Staff to discuss why a PPFAC rate adjustment is not necessary at that time.

The PPFAC bank balance is predicted to be over-collected by \$10 million in May 2017; therefore, UNS Electric proposes to implement a temporary PPFAC credit of \$0.0125 per kWh for the period of June 1, 2017, through October 31, 2017. The Company also requests that the temporary credit be terminated in the event the PPFAC bank balance reaches zero at any time during the proposed term.

Further, the Company requests expedited treatment of this application to ensure that the adjustment is effective as of June 1, 2017.

#### STAFF ANALYSIS AND RECOMMENDATIONS

The proposed credit would be applied to customers' bills during the peak summer usage period of June through October. This will provide a benefit to ratepayers during the period when electricity bills are the highest.

UNS Electric considered a range of credit rates including a \$0.01 per kWh credit, a \$0.0125 per kWh credit or a \$0.015 per kWh credit. UNS Electric identified the \$0.0125 credit as its preferred alternative resulting in a decrease of \$12.30 per month (11.8%) in an average monthly residential summer bill. The impacts of the various credit rates on the typical residential consumer bill and the projected 2017 corresponding bank balance are summarized in Table I below.

**Table I**  
**Residential Bill Savings**

CURRENT RATES WITH PPFAC CREDITS				
June-October 983 kWh	No Credit	\$0.01/kWh Credit	\$0.0125/kWh Credit	\$0.015/kWh Credit
Expected Bill	\$104.15	\$94.31	\$91.85	\$89.39
Monthly Savings		\$9.84	\$12.30	\$14.76
Projected October 2017 Bank Balance	\$15+ Million	\$7.5 Million	\$5.5 Million	\$3.5 Million

UNS Electric's projections indicate that, without a credit to ratepayers, the PPFAC bank balance will continue to increase (absent a dramatic price increase in natural gas and wholesale power) with a projected over-collection by the end of October 2017 in excess of \$15 million. Although the over-collected bank balance would be lowest at a \$0.015 kWh credit rate, Staff believes that there would also be an increased risk that a relatively small increase in natural gas and wholesale

THE COMMISSION


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power prices could result in under-collection and possibly the need for a surcharge. UNS Electric has expressed this very concern regarding selection of an overly aggressive credit rate, and has requested the right to terminate the credit in the event that the bank balance reaches zero.

Staff recommends that the Commission approve a temporary credit adjustment of \$0.0125 per kWh to the PPFAC rate beginning June 1, 2017, through October 31, 2017.

Staff further recommends that the Company be authorized to terminate the temporary credit in the event the PPFAC bank balance reaches zero at any time during the proposed term, provided that the Company notifies the Commission within 15 days of its decision to terminate the credit.



Elijah O. Abinah

Acting Director

Utilities Division

EOA:BLS:vsc\BES

ORIGINATOR: Beth Soliere

THE COMMISSION

April 25, 2017

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On this 25th day of April, 2017, the foregoing document was filed with Docket Control as a Utilities Division Memorandum & Proposed Order, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

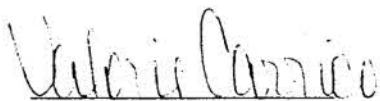
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By:



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Executive Assistant

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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE  
Chairman  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
ANDY TOBIN  
Commissioner  
BOYD DUNN  
Commissioner

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-17-0082  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
May 9 and 10, 2017  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNS Electric" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On March 27, 2017, UNS Electric filed an application for approval of a temporary Purchased Power and Fuel Adjustment Clause ("PPFAC") credit adjustment of \$0.0125 per kilowatt-hour ("kWh") for the period of June 1, 2017 through October 31, 2017.

3. The PPFAC rate tracks the changes in the cost of obtaining power supplies based upon a historical 12-month rolling average of fuel, purchased power, and purchased transmission costs. The PPFAC is adjusted monthly, but under Decision No. 74235, it is banded so that it cannot increase or decrease by more than 0.83% from the preceding month's rate.

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...

1 4. Under UNS Electric's PPFAC Plan of Administration, if the PPFAC balance becomes over-  
2 collected by more than \$10 million, UNS Electric must either file for a PPFAC rate adjustment within  
3 45 days; or contact Staff to discuss why a PPFAC rate adjustment is not necessary at that time.

4 5. The PPFAC bank balance is predicted to be over-collected by \$10 million in May 2017;  
5 therefore, UNS Electric proposes to implement a temporary PPFAC credit of \$0.0125 per kWh for the  
6 period of June 1, 2017, through October 31, 2017. The Company also requests that the temporary  
7 credit be terminated in the event the PPFAC bank balance reaches zero at any time during the proposed  
8 term.

9 6. The Company requests expedited treatment of this application to ensure that the adjustment is  
10 effective as of June 1, 2017.

11 **Staff Analysis**

12 7. The proposed credit would be applied to customers' bills during the peak summer usage  
13 period of June through October. This will provide a benefit to ratepayers during the period when  
14 electricity bills are the highest.

15 8. UNS Electric considered a range of credit rates including a \$0.01 per kWh credit, a \$0.0125 per  
16 kWh credit or a \$0.015 per kWh credit. UNS Electric identified the \$0.0125 credit as its preferred  
17 alternative resulting in a decrease of \$12.30 per month (11.8%) in an average monthly residential  
18 summer bill. The impacts of the various credit rates on the typical residential consumer bill and the  
19 projected 2017 corresponding bank balances are summarized in Table I below.

20 **Table I**  
21 **Residential Bill Savings**

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27 9. UNS Electric's projections indicate that, without a credit to ratepayers, the PPFAC bank  
28 balance will continue to increase (absent a dramatic price increase in natural gas and wholesale power)

1 with a projected over-collection by the end of October 2017 in excess of \$15 million. Although the  
2 over-collected bank balance would be lowest at a \$0.015 kWh credit rate, Staff believes that there  
3 would also be an increased risk that a relatively small increase in natural gas and wholesale power  
4 prices could result in under-collection and possibly the need for a surcharge. UNS Electric has  
5 expressed this very concern regarding selection of an overly aggressive credit rate, and has requested  
6 the right to terminate the credit in the event that the bank balance reaches zero.

### 7 Recommendations

8 10. Staff has recommended that the Commission approve a temporary credit adjustment of  
9 \$0.0125 per kWh to the PPFAC rate beginning June 1, 2017, through October 31, 2017.

10 11. Staff has further recommended that the Company be authorized to terminate the temporary  
11 credit in the event the PPFAC bank balance reaches zero at any time during the proposed term,  
12 provided that the Company notifies the Commission within 15 days of its decision to terminate the  
13 credit.

### 14 CONCLUSIONS OF LAW

15 1. UNS Electric, Inc. is an Arizona public service corporation within the meaning of Article XV,  
16 Section 2, of the Arizona Constitution.

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

19 3. The Commission, having reviewed the application and Staff's memorandum dated April 14,  
20 2017, concludes that it is in the public interest to approve a temporary credit adjustment to the  
21 Purchased Power and Fuel Adjustment Clause at the rate of \$0.0125 per kWh beginning June 1, 2017  
22 through October 31, 2017.

### 23 ORDER

24 IT IS THEREFORE ORDERED that a temporary credit adjustment to the Purchased Power  
25 and Fuel Adjustment Clause at the rate of \$0.0125 per kWh beginning June 1, 2017, through October  
26 31, 2017, is hereby approved as discussed herein.

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IT IS FURTHER ORDERED that UNS Electric, Inc. is authorized to terminate the temporary credit in the event the Purchased Power and Fuel Adjustment Clause bank balance reaches zero at any time during the proposed term, provided that the Company notifies the Commission within 15 days of its decision to terminate the credit.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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

CHAIRMAN FORESE

COMMISSIONER DUNN

COMMISSIONER TOBIN

COMMISSIONER LITTLE

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, TED VOGT, 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 \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
TED VOGT  
EXECUTIVE DIRECTOR

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

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

EOA:BLS :vsc/BES



1 UNS Electric, Inc.  
2 Docket No. E-04204A-17-0082

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