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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

MAY 22 2017

DOCKETED BY
GB

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. 76094
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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4. 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.

5. 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.

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

Staff Analysis

7. 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.

8. 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 balances 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

9. 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)

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.

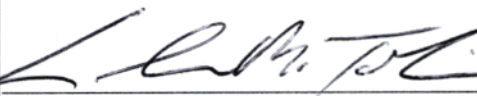
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN FORESE



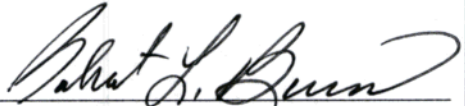
COMMISSIONER DUNN



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 22nd day of May, 2017.



TED VOGT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:BLS :vsc/BES

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

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