

DOCKETED

OCT 25 1978

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- 1 ERNEST GARFIELD
Chairman
- 2 BUD TIMS
Commissioner
- 3 JIM WEEKS
Commissioner
- 4

IN THE MATTER OF THE COMMISSION ON ITS)
 OWN MOTION INVESTIGATING ESCALATION)
 CLAUSES AND/OR PURCHASED POWER FUEL)
 6 ADJUSTMENT CLAUSES OF THE ELECTRIC)
 UTILITIES OPERATING INTRASTATE IN)
 7 ARIZONA.)
 8

DECISION NO. 49438

OPINION AND ORDER

DOCKET NOS.:

- | | |
|-------------|-------------|
| 9955-E-1025 | U-1703 |
| U-1773 | U-1891 |
| U-1345 | U-1749 |
| U-1586 | U-1790 |
| 9962-E-1032 | 9979-E-1000 |
| U-1851 | U-1787 |
| U-1824 | U-1575 |
| U-2044 | U-1461 |
| | U-1933 |

- 12 DATES OF HEARING: November 2, 3, 4, 21, December 5, 6, 20, & 21, 1977
- 13 PLACE OF HEARING: Phoenix, Arizona
- 14 HEARING OFFICER: David C. Kennedy
- 15 APPEARANCES:
- 16 Evans, Kitchel & Jenckes, by Stephen W. Fogson, Attorneys for
- 17 Ajo Improvement Company, California-Pacific Utilities Company,
- 18 Citizens Utilities Company, and Morenci Water & Electric
- 19 Company
- 20 Gentry, McNulty, Borowiec & Desens, by James F. McNulty, Jr.,
- 21 Attorneys for Arizona Electric Power Cooperative, Inc., Graham
- 22 County Electric Cooperative, Inc. and Sulphur Springs Valley
- 23 Electric Cooperative, Inc.
- 24 Snell & Wilmer, by Jaron B. Norberg, and Richard L. Sallquist,
- 25 Attorneys for Arizona Public Service Company
- 26 Paul J. Crowder and Rex A. Hall, Attorneys for Columbus Electric
- 27 Cooperative, Inc.
- 28 Charles D. Wahl, Attorney for Continental Divide Electric
- 29 Cooperative, Inc., Duncan Valley Electric Cooperative, Inc.,
- 30 Garkane Power Association, Mohave Electric Cooperative, Inc.,
- 31 and Trico Electric Cooperative, Inc., Navopache Electric
- 32 Cooperative, Inc., and Sulphur Springs Valley Electric Cooperative,
- 33 Inc.
- 34 Martinez and Curtis, by Michael A. Curtis, Attorneys for
- 35 Navopache Electric Cooperative, Inc.
- 36 Lawrence V. Robertson, Jr., Attorney for Tucson Gas & Electric
- 37 Company
- 38 Bruce E. Meyerson, Attorney for Arizona Community Action
- 39 Association
- 40 Thomas M. Rogers, Attorney for the Arizona Corporation
- 41 Commission.

1 On September 13, 1978, this Commission issued its Decision No. 49333. Thereafter, timely
2 filings of applications for rehearing were submitted by various parties to the proceeding.

3 On the basis of those filings, it is our determination that those applications for rehearing
4 should be granted for the limited purpose of reviewing the record of the proceeding and
5 reconsidering our initial action in Decision No. 49333. Following that review and reconsideration,
6 we make the findings, conclusions and orders set forth hereinafter.

7 This Commission, through its order of June 8, 1977, ordered the above-named electric
8 utility companies operating intrastate in Arizona to appear and show cause why the Fuel and/or
9 Purchased Power Escalation Clauses should not be amended, revised, altered and/or cancelled.

10 This Commission first utilized fuel adjustment procedures for electric utility companies
11 in 1952, but this Commission had not been confronted with regular fuel adjustment applications
12 until the period 1973 through 1975, during which time the nation generally experienced abrupt
13 increases in the cost of fuels for generating electricity.

14 Application of the fuel adjustment clauses has brought about procedures which have been
15 confusing to the general public and which as a practical matter do not allow for complete and
16 meaningful audits and investigations by this Commission's Utilities Division. We are not in-
17 formed of any specific abuses by Arizona's electric utility companies in connection with the
18 application of the "automatic" fuel adjustment clauses; however, we are not convinced that the
19 existing procedures adequately protect the interest of the consumers of Arizona electric
20 utility companies. Month to month fluctuations in electric bills place unnecessary burdens on
21 Arizona's consumers, who are not able to anticipate the cost of a KWH. This uncertainty of
22 price makes it difficult for the consumers to adjust the usage to fit their budgets, whether
23 they be residential, commercial or industrial.

24 The Commission has been unable to give adequate attention to Fuel and/or Purchased
25 Power Costs in electric utility companies general rate proceedings. In consideration of the
26 volatile nature of fuel costs, the Commission believes that fuel and/or purchased power costs
27 should be examined in a regular proceeding. These proceedings will be made possible partly
28 through the Commission's new data processing capability in the Utilities Division. This
29 Commission's data processing programs will allow the Utilities Division to closely monitor fuel
30 mixtures, cost of fuels and use of the utility companies' generating plants.
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1 ACCORDINGLY, IT IS ORDERED:

2 1. The applications for rehearing which have been filed in connection with this Commission's
3 Decision No. 49333 are hereby granted.

4 2. Decision No. 49333 is hereby abrogated.

5 3. Application of the existing fuel and/or purchased power escalation clauses is hereby
6 terminated effective November 13, 1978. The rates and charges, as adjusted by the application
7 of those clauses as of November 13, 1978, shall remain in effect until such time that this
8 Commission orders otherwise. Bank accounts to be treated by a subsequent order.

9 4. Monthly reports of fuel costs, purchased power costs, and use of generating facilities
10 shall be submitted by each utility company, commencing on January 15, 1979, and continuing on
11 the 15th of each month thereafter. Detailed reporting forms will be made available by the
12 Utilities Division of this Commission within sixty (60) days after the date of this order. The
13 Utilities Division will monitor these monthly reports and will recommend to this Commission
14 when a fuel proceeding is necessary.

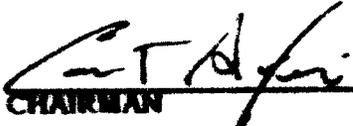
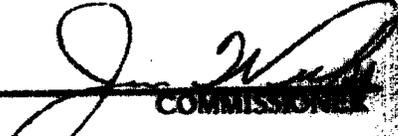
15 5. This Commission shall conduct a formal proceeding for the purpose of examining fuel
16 and purchased power costs. These proceedings shall normally be set for formal hearing no
17 earlier than six months after the date of any such previous fuel and/or purchased power hearing.
18 Hearings on fuel and/or purchased power costs will be set by this Commission ONLY upon either
19 the recommendation of the Utilities Division or upon this Commission's motion. It is intended
20 that during those proceedings, the fuel and/or purchased power costs since the last hearing
21 and forecasts for costs during the immediate future six months period will be examined in
22 detail to determine whether or not an adjustment is necessary either to protect consumers
23 against overpayments or to better assure financial stability for the public utility companies.
24 This Commission may in its discretion make full or partial adjustments in response to the
25 variations experienced by the electric utility companies. Adjustments may be made
26 effective immediately upon an order of this Commission and the filing of appropriate tariffs by
27 the electric utility companies.

28 6. This Commission hereby directs the Utilities Division, along with advisors approved
29 by the Commission, (1) to formulate monthly reporting forms which include fuel costs, purchased
30 power costs, and use of generating facilities; and (2) to determine appropriate filings and
31 format in connection with the formal proceedings contemplated herein. These functions shall
32 be completed within sixty (60) days of the date of this order.

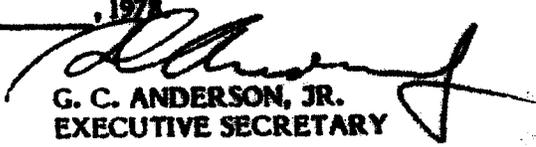
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Docket Nos. - Various
Decision No. 49438

1 The Utilities Division shall devise separate procedures for distributive electric companies,
2 generating electric companies and cooperatives where appropriate.

3 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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5 CHAIRMAN COMMISSIONER COMMISSIONER

6 IN WITNESS WHEREOF, I, G. C. ANDERSON, JR.,
7 Executive Secretary of the Arizona Corporation
8 Commission, have hereunto set my hand and caused
9 the official seal of this Commission to be affixed at
10 the Capitol in the City of Phoenix, this 25th day
11 of October, 1978


12 G. C. ANDERSON, JR.
13 EXECUTIVE SECRETARY

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