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Arizona Corporation Commission

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8 IN THE MATTER OF THE APPLICATION OF THE
 9 ARIZONA ELECTRIC DIVISION OF CITIZENS
 10 COMMUNICATIONS COMPANY TO CHANGE THE
 11 CURRENT PURCHASED POWER AND FUEL
 12 ADJUSTMENT CLAUSE RATE, TO ESTABLISH A
 13 NEW PURCHASED POWER AND FUEL
 14 ADJUSTMENT CLAUSE BANK, AND TO
 15 REQUEST APPROVED GUIDELINES FOR THE
 16 RECOVERY OF COSTS INCURRED IN
 17 CONNECTION WITH ENERGY RISK
 18 MANAGEMENT INITIATIVES.

Docket No. E-01032C-00-0751

13 IN THE MATTER OF THE APPLICATION OF
 14 CITIZENS COMMUNICATIONS COMPANY,
 15 ARIZONA GAS DIVISION, FOR A HEARING TO
 16 DETERMINE THE FAIR VALUE OF ITS
 17 PROPERTIES FOR RATEMAKING PURPOSES,
 18 TO FIX A JUST AND REASONABLE RATE OF
 19 RETURN THEREON, AND TO APPROVE RATE
 20 SCHEDULES DESIGNED TO PROVIDE SUCH
 21 RATE OF RETURN.

Docket No. G-01032A-02-0598

17 IN THE MATTER OF THE JOINT APPLICATION OF
 18 CITIZENS COMMUNICATIONS COMPANY AND
 19 UNISOURCE ENERGY CORPORATION FOR THE
 20 APPROVAL OF THE SALE OF CERTAIN
 21 ELECTRIC UTILITY AND GAS UTILITY ASSETS IN
 22 ARIZONA, THE TRANSFER OF CERTAIN
 23 CERTIFICATES OF CONVENIENCE AND
 24 NECESSITY FROM CITIZENS COMMUNICATIONS
 COMPANY TO UNISOURCE ENERGY
 CORPORATION, THE APPROVAL OF THE
 FINANCING FOR THE TRANSACTIONS AND
 OTHER RELATED MATTERS.

Docket No. E-01933A-02-0914

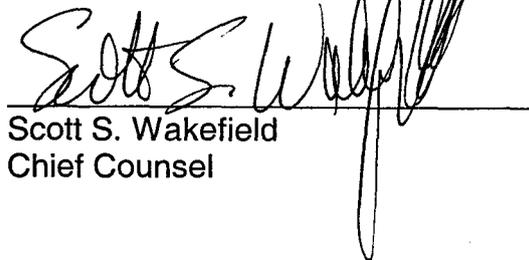
Docket No. E-01032C-02-0914

Docket No. G-01032A-02-0914

1 **NOTICE OF FILING**

2 The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing
3 the Direct Testimony of Marylee Diaz Cortez in the above-referenced matters.

4 RESPECTFULLY SUBMITTED this 21st day of April, 2003.

5 
6 _____
7 Scott S. Wakefield
8 Chief Counsel

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1 AN ORIGINAL AND
2 TWENTY-ONE COPIES
3 of the foregoing filed this 21st day of
4 April, 2003 with:

5 Docket Control
6 Arizona Corporation Commission
7 1200 West Washington
8 Phoenix, Arizona 85007

9 COPIES of the foregoing hand delivered/
10 mailed this 21st day of
11 April, 2003 to:

12 Dwight D. Nodes
13 Assistant Chief Administrative Law Judge
14 Hearing Division
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, AZ 85007

John D. Draghi
Susan Mikes Doherty
Huber, Lawrence & Abell
605 3rd Avenue
New York, NY 10158

18 Christopher Kempley
19 Chief Counsel
20 Legal Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, AZ 85007

John White
Deputy County Attorney
Mohave County Attorney's Office
PO Box 7000
Kingman, AZ 86402

24 Ernest Johnson
Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Walter W. Meek
AUIA
2100 North Central Avenue
Suite 210
Phoenix, AZ 85004

L. Russell Mitten
Citizens Communications Company
3 High Ridge Park
Stamford, CT 06905

Holly J. Hawn
Martha S. Chase
Santa Cruz Deputy County Attorneys
2150 North Congress Drive, Suite 201
Nogales, AZ 85621

Steven W. Cheifetz
Robert J. Metli
Cheifetz & Iannitelli, P.C.
3238 North 16th Street
Phoenix, AZ 85016

Marshall Magruder
Lucy Magruder
PO Box 1267
Tubac, AZ 85646-1267

1 Gary Smith
Citizens Communications Company
2 2901 West Shamrell Blvd.
Suite 110
3 Flagstaff, AZ 86001

4 Raymond Mason
Director, Corporate Regulatory Affairs
3 High Ridge Park
5 Stamford, CT 06905

6 Deborah R. Scott
Citizens Communications Company
7 2901 North Central Avenue
Suite 1660
8 Phoenix, AZ 85012

9 Thomas H. Campbell
Michael T. Hallam
Lewis & Roca, LLP
10 40 North Central Avenue
Suite 1900
11 Phoenix, AZ 85004

12 Andrew Bettwy
Assistant General Counsel
13 Southwest Gas Corporation
5241 Spring Mountain Road
14 Las Vegas, NV 89150

15 Jose Machado, City Attorney
Hugh Holub, Attorney
City of Nogales
16 777 North Grand Avenue
Nogales, AZ 85621

17 Robert A. Taylor, City Attorney
City of Kingman
18 310 North 4th Street
19 Kingman, AZ 86401

20 Nicholas J. Enoch
Lubin & Enoch, P.C.
21 349 North 4th Avenue
Phoenix, AZ 85003

22
23 By 
Jennifer Rumph
24

TESTIMONY
OF
MARYLEE DIAZ CORTEZ

ON BEHALF OF
THE
RESIDENTIAL UTILITY CONSUMER OFFICE

APRIL 21, 2003

| | | |
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1 **INTRODUCTION**

2 Q. Please state your name, occupation and business address.

3 A. My name is Marylee Diaz Cortez. I am a Certified Public Accountant. I
4 am the Chief of Accounting and Rates for the Residential Utility Consumer
5 Office (RUCO) located at 1110 W. Washington, Suite 220, Phoenix,
6 Arizona 85004.

7

8 Q. Please state your educational background and qualifications in the field of
9 utility regulation.

10 A. Appendix I, which is attached to this testimony, describes my educational
11 background and includes a list of rate case and regulatory matters in
12 which I have participated.

13

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony is to discuss and provide comment on an
16 agreement entered into between the Commission Staff, UniSource, and
17 Citizens (the "Parties"). The Parties' agreement pertains to all matters
18 currently pending in Docket Nos. G-01032A-02-0598 ("Gas Rate Case"),
19 E-01032C-00-0751 ("PPFAC Case"), and E-01933A-02-0914, E-01302C-
20 02-0914, G-01302C-02-0914 ("Sale and Transfer Case") (collectively the
21 "Consolidated Cases"). The terms of the Parties' agreement are
22 contained in a document that was filed on April 1, 2003 entitled
23 "Settlement Agreement UniSource Energy Corporation's Acquisition of

1 Citizens Communications Company's Gas and Electric Utility Assets".
2 (settlement agreement")

3

4 Q. Was RUCO a party to the discussions and negotiations that led to the
5 Parties' agreement?

6 A. No.

7

8 Q. Has RUCO had an opportunity to review the terms of the Parties'
9 settlement agreement?

10 A. Yes.

11

12 Q. Do you believe that the settlement resolves the issues of the Consolidated
13 Cases in a fair and unbiased manner?

14 A. For the most part, yes. There is much to be liked in the settlement
15 agreement. It goes a long way to resolve many issues that have arisen
16 as a result of the failure of energy markets to develop, and to mitigate the
17 adverse impacts of dysfunctional energy markets.

18

19 **The Electric Properties**

20 Q. Please discuss the some of the issues have arisen as a result of recent
21 events concerning Citizens' electric properties.

22 A. Due to dysfunctional electric markets during the 2000 to 2001 time frame
23 that drove the cost of power to unprecedented highs, Citizens electric

1 division has accrued a liability of approximately \$135 million in
2 unrecovered power costs. In the PPFAC case, Citizens had sought
3 recovery of these costs through its Purchased Power and Fuel Adjustor
4 Clause ("PPFAC"). Recovery of the unrecovered power costs would result
5 in an approximate 45% increase in customers' rates.

6
7 Q. How does the settlement agreement mitigate this situation?

8 A. As part of UniSource's purchase of the Citizens gas and electric properties
9 UniSource has agreed to forfeit any right to recover any of the \$135 million
10 electric power cost liability, and hold ratepayers completely harmless from
11 the impacts of the dysfunctional power markets of 2000 and 2001. This
12 term of the agreement also has the effect of reducing generation stranded
13 costs to zero.

14
15 Q. Does this mean that Citizens electric customers will experience no change
16 in rates?

17 A. No. Although Citizens' power is now supplied on a fixed rate contract,
18 which protects customers from market fluctuations, the fixed cost of the
19 power in the contract exceeds the cost of power that is embedded in
20 current electric rates. Pursuant to the terms of the PPFAC, the
21 incremental cost generally is recoverable through the PPFAC. This
22 incremental cost will increase electric commodity rates per kwh by
23 \$0.01824, or approximately 22%.

1 Q. If the electric properties did not transfer to UniSource, would Citizens
2 ratepayers still experience a rate increase?

3 A. Yes. The fixed cost of the power is the same whether Citizens retains
4 ownership of the electric operations or transfers them to UniSource.
5 Because Citizens, as yet, has not flowed through the fixed contract price
6 to ratepayers, a 22% increase for the going-forward cost of power would
7 still be necessary, absent the sale to UniSource. The advantage of the
8 settlement agreement is that the necessary increase is limited to the going
9 forward incremental cost of power and does not include recovery of the
10 \$135 million liability. Absent this agreement the rate increase would be
11 45% rather than 22%.

12
13 Q. What other terms of the settlement agreement benefit Citizens' electric
14 customers?

15 A. The electric customers will experience a permanent write down of
16 \$93,624,000 in electric rate base. As a result, in future rate cases the
17 level of investment for which UniSource is allowed to recover and earn a
18 return will be \$93.6 million less than it otherwise would be in Citizens'
19 hands. The reduction in annual electric revenue requirement as a result of
20 this write down is approximately \$17 million.

21
22 The agreement also provides for a three year rate moratorium for electric
23 customers. UniSource is precluded from seeking a rate increase during

1 this time period. The agreement is therefore beneficial to electric
2 customers by providing assurance of rate stability.

3
4 The agreement also requires UniSource to negotiate in good faith with
5 Pinnacle West for more favorable terms in the purchased power contract.
6 To provide an incentive for UniSource to seriously undertake this
7 endeavor, the agreement provides for a 60/40 sharing between ratepayers
8 and shareholders of any savings realized through the renegotiation. The
9 contract savings would serve to directly reduce the required 22% rate
10 increase through the PPFAC.

11 12 **The Gas Properties**

13 Q. Please discuss recent events that have impacted Citizens' gas properties.

14 A. During the same time frame that the electric industry was experiencing
15 large price spikes in the cost of power, natural gas prices jumped also. As
16 a result of these large increases in natural gas prices, Citizens was
17 required to significantly raise its PGA rate in the late fall of 2001. While
18 gas prices have subsequently declined from these highs, other pressures
19 have been brought to bear on the gas rates, which include the conclusion
20 of the gas "build-out" program, the expiration of the higher gas rates for
21 "build-out" customers, and as well as general inflationary pressures since
22 the last gas rate case in 1995. These events coupled with a request from

1 the Commission that Citizens file a rate case by June 2002, resulted in
2 Citizens application for an approximate increase in rates of 29%.

3
4 Q. How does the settlement agreement mitigate this situation?

5 A. UniSource has agreed to a lesser rate increase of 20.9%. Again, as with
6 the electric properties, UniSource has agreed to a rate base write down of
7 approximately \$32 million. The reduction in annual gas revenue
8 requirement as a result of this write down is approximately \$5.5 million.
9 This will serve to mitigate the need for future rate increases.

10
11 The agreement also provides for a rate case moratorium of three years,
12 which will facilitate near term rate stability. UniSource also commits to the
13 maintenance and continuation of current safety and quality of service
14 standards.

15
16 **The Overall Transaction**

17 Q. Beyond the mitigation of the gas and electric rate increases what other
18 benefits will be realized from the sale and transfer transaction?

19 A. Certain aspects of the sale and transfer itself, as well as specific
20 provisions in the settlement agreement provide benefits to ratepayers.
21 They are as follows:

- 1) A plan for operational consolidation, or in the alternative coordination of operations of the Santa Cruz electric division with the TEP electric system;
- 2) Guaranteed building of equity in acquired properties via a moratorium on the issuance of dividends in excess of 75% of earnings until such time as equity investment reaches 40%;
- 3) Required maintenance of quality of service and safety standards;
- 4) Ratepayers to be held harmless from any excess transaction costs resulting from any delays in the transfer process;
- 5) Potential for economies of scale resulting from a common ownership of the Citizens gas and electric properties with the TEP electric properties; and
- 6) Increased potential for renegotiation of the Pinnacle West power supply contract to more favorable terms.

RUCO'S POSITION

Q. Has RUCO joined Staff, Citizens, and UniSource as a signatory to the settlement agreement?

A. No. Despite all the benefits and mitigation of prior adverse events provided for in the settlement agreement, RUCO is unable to sign the agreement as it now reads.

1 Q. Why?

2 A. Staff did not allow RUCO to participate in the negotiation of this
3 settlement. As a result, the agreement reflects a resolution of the utilities'
4 and the Commission Staff's concerns. In large part the Parties concerns
5 parallel RUCO's concerns, and thus are resolved by the agreement.
6 However, RUCO has some concerns that are not addressed by the
7 agreement.

8

9 Q. What are those concerns?

10 A. While the settlement goes a long way in mitigating the adverse rate
11 impacts of prior events, it still has the unfortunate effect of resulting in rate
12 increases for both the Citizens electric and gas customers of just over
13 20%. Even though these increases are much lower than would be absent
14 the proposed transaction and settlement agreement, a 20% increase is
15 still substantial. While RUCO recognizes the historical circumstances
16 contributing to the need for the increases, at the same time RUCO
17 recognizes the need to keep customers rates relatively affordable.

18

19 **RUCO'S RECOMMENDATION**

20 Q. What modifications and/or additions could be made to the settlement
21 agreement to address RUCO's concerns?

22 A. The following modifications to the settlement agreement would address
23 RUCO's remaining concerns:

- 1 1) Increase electric Demand Side Management ("DSM")
2 expenditures in the newly acquired service territory from the
3 current level embedded in rates of \$175,000 per year to
4 \$1,000,000 a year¹;
- 5 2) Modify Part D, paragraph 28, of the settlement agreement to
6 set the sharing of any savings realized through the
7 renegotiation of the Pinnacle West contract to reflect 10% to
8 UniSource and 90% to electric ratepayers.

9

10 Q. Please explain why with these additions/modifications RUCO could
11 support the settlement agreement as consistent with the public interest.

12 A. The increased funding of electric DSM programs will provide ratepayers
13 with the tools to practice conservation of electric power and to control their
14 energy usage. RUCO recognizes, that while arguably unavoidable, a 20%
15 rate increase is significant and will create hardships for certain customers.
16 The good news, however, is that the 20% increase is embedded 100% in
17 UniSource's commodity rate. Thus, customers have the ability to mitigate
18 the magnitude of the rate increase through reduced consumption. In fact,
19 a 19% reduction in consumption would hold an average residential
20 customer harmless from the rate increase. Likewise, any reduction in
21 usage of less than 19% will still serve to proportionally diminish the
22 magnitude of the increase an individual customer will experience. The

¹ See Appendix II for the specific details of incremental DSM expenditures.

1 additional DSM expenditures will provide customers with the knowledge,
2 tools, and program vehicles to practice energy savings, and in turn control
3 the impact of the rate increase.

4
5 Q. Please continue.

6 A. The modification to reflect a 10/90 shareholder/ratepayer sharing of any
7 savings realized through the renegotiation of the Pinnacle West power
8 supply contract will allow customers to realize a greater portion of any
9 saving, while at the same time preserve UniSource's incentive to
10 renegotiate the contract to more favorable terms. Under the Parties'
11 agreement as it now reads UniSource shareholders would realize 40% of
12 any energy cost savings it could achieve. Presumably this is intended to
13 incent UniSource to negotiate aggressively. While an incentive may be
14 appropriate in this case, the magnitude of the incentive renders this
15 provision more akin to a windfall.

16
17 Q. Please explain.

18 A. Assuming a 40/60 sharing, as provided for in the agreement, and a
19 negotiated 10% reduction in the contract price, UniSource would realize
20 additional profits of over \$3 million a year. This truly represents a windfall
21 considering that absent the 40/60 agreement, ratepayers would be entitled
22 to 100% of any power cost savings. An incentive can be created without
23 the need to provide UniSource with windfall profits. RUCO recommends

1 that an effective, yet equitable, incentive can be created through a 10/90
2 sharing of the savings.
3

4 Q. With these additions and modifications would RUCO support the
5 settlement agreement?

6 A. Yes. With the above discussed modifications and additions RUCO
7 believes the settlement agreement is a reasonable solution for dealing
8 with the impacts of the 2000/2001 dysfunctional energy markets, and
9 accordingly is in the public interest.
10

11 Q. Does this conclude your direct testimony?

12 A. Yes.
13
14
15
16
17
18

APPENDIX

I

APPENDIX I

Qualifications of Marylee Diaz Cortez

- EDUCATION:** University of Michigan, Dearborn
B.S.A., Accounting 1989
- CERTIFICATION:** Certified Public Accountant - Michigan
Certified Public Accountant - Arizona
- EXPERIENCE:** Audit Manager
Residential Utility Consumer Office
Phoenix, Arizona 85007
July 1994 - Present

Responsibilities include the audit, review and analysis of public utility companies. Prepare written testimony, schedules, financial statements and spreadsheet models and analyses. Testify and stand cross-examination before Arizona Corporation Commission. Advise and work with outside consultants. Work with attorneys to achieve a coordination between technical issues and policy and legal concerns. Supervise, teach, provide guidance and review the work of subordinate accounting staff.

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona 85004
October 1992 - June 1994

Responsibilities included the audit, review and analysis of public utility companies. Prepare written testimony and exhibits. Testify and stand cross-examination before Arizona Corporation Commission. Extensive use of Lotus 123, spreadsheet modeling and financial statement analysis.

Auditor/Regulatory Analyst
Larkin & Associates - Certified Public Accountants
Livonia, Michigan
August 1989 - October 1992

Performed on-site audits and regulatory reviews of public utility companies including gas, electric, telephone, water and sewer throughout the continental United States. Prepared integrated proforma financial statements and rate models for some of the largest public utilities in the United States. Rate models consisted

of anywhere from twenty to one hundred fully integrated schedules. Analyzed financial statements, accounting detail, and identified and developed rate case issues based on this analysis. Prepared written testimony, reports, and briefs. Worked closely with outside legal counsel to achieve coordination of technical accounting issues with policy, procedural and legal concerns. Provided technical assistance to legal counsel at hearings and depositions. Served in a teaching and supervisory capacity to junior members of the firm.

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

| <u>Utility Company</u> | <u>Docket No.</u> | <u>Client</u> |
|-------------------------------|-----------------------|---|
| Potomac Electric Power Co. | Formal Case No. 889 | Peoples Counsel of District of Columbia |
| Puget Sound Power & Light Co. | Cause No. U-89-2688-T | U.S. Department of Defense - Navy |
| Northwestern Bell-Minnesota | P-421/EI-89-860 | Minnesota Department of Public Service |
| Florida Power & Light Co. | 890319-EI | Florida Office of Public Counsel |
| Gulf Power Company | 890324-EI | Florida Office of Public Counsel |
| Consumers Power Company | Case No. U-9372 | Michigan Coalition Against Unfair Utility Practices |
| Equitable Gas Company | R-911966 | Pennsylvania Public Utilities Commission |
| Gulf Power Company | 891345-EI | Florida Office of Public Counsel |

| | | |
|------------------------------------|-------------------------------|---|
| Jersey Central Power & Light | ER881109RJ | New Jersey Department of Public Advocate Division of Rate Counsel |
| Green Mountain Power Corp. | 5428 | Vermont Department of Public Service |
| Systems Energy Resources | ER89-678-000 & EL90-16-000 | Mississippi Public Service Commission |
| El Paso Electric Company | 9165 | City of El Paso |
| Long Island Lighting Co. | 90-E-1185 | New York Consumer Protection Board |
| Pennsylvania Gas & Water Co. | R-911966 | Pennsylvania Office of Consumer Advocate |
| Southern States Utilities | 900329-WS | Florida Office of Public Counsel |
| Central Vermont Public Service Co. | 5491 | Vermont Department of Public Service |
| Detroit Edison Company | Case No. U-9499 | City of Novi |
| Systems Energy Resources | FA-89-28-000 | Mississippi Public Service Commission |
| Green Mountain Power Corp. | 5532 | Vermont Department of Public Service |
| United Cities Gas Company | 176-717-U | Kansas Corporation Commission |

| | | |
|--|--------------------------|---|
| General Development Utilities | 911030-WS & 911067-WS | Florida Office of Public Counsel |
| Hawaiian Electric Company | 6998 | U.S. Department of Defense - Navy |
| Indiana Gas Company | Cause No. 39353 | Indiana Office of Consumer Counselor |
| Pennsylvania American Water Co. | R-00922428 | Pennsylvania Office of Consumer Advocate |
| Wheeling Power Co. | Case No. 90-243-E-42T | West Virginia Public Service Commission Consumer Advocate Division |
| Jersey Central Power & Light Co. | EM89110888 | New Jersey Department of Public Advocate Division of Rate Counsel |
| Golden Shores Water Co. | U-1815-92-200 | Residential Utility Consumer Office |
| Consolidated Water Utilities | E-1009-92-135 | Residential Utility Consumer Office |
| Sulphur Springs Valley Electric Cooperative | U-1575-92-220 | Residential Utility Consumer Office |
| North Mohave Valley Corporation | U-2259-92-318 | Residential Utility Consumer Office |
| Graham County Electric Cooperative | U-1749-92-298 | Residential Utility Consumer Office |

| | | |
|-------------------------------|----------------------------------|--|
| Graham County Utilities | U-2527-92-303 | Residential Utility Consumer Office |
| Consolidated Water Utilities | E-1009-93-110 | Residential Utility Consumer Office |
| Litchfield Park Service Co. | U-1427-93-156 & U-1428-93-156 | Residential Utility Consumer Office |
| Pima Utility Company | U-2199-93-221 & U-2199-93-222 | Residential Utility Consumer Office |
| Arizona Public Service Co. | U-1345-94-306 | Residential Utility Consumer Office |
| Paradise Valley Water | U-1303-94-182 | Residential Utility Consumer Office |
| Paradise Valley Water | U-1303-94-310 & U-1303-94-401 | Residential Utility Consumer Office |
| Pima Utility Company | U-2199-94-439 | Residential Utility Consumer Office |
| SaddleBrooke Development Co. | U-2492-94-448 | Residential Utility Consumer Office |
| Boulders Carefree Sewer Corp. | U-2361-95-007 | Residential Utility Consumer Office |
| Rio Rico Utilities | U-2676-95-262 | Residential Utility Consumer Office |
| Rancho Vistoso Water | U-2342-95-334 | Residential Utility Consumer Office |
| Arizona Public Service Co. | U-1345-95-491 | Residential Utility Consumer Office |
| Citizens Utilities Co. | E-1032-95-473 | Residential Utility Consumer Office |
| Citizens Utilities Co. | E-1032-95-417 et al. | Residential Utility Consumer Office |

| | | |
|---|--|--|
| Paradise Valley Water | U-1303-96-283 & U-1303-95-493 | Residential Utility Consumer Office |
| Far West Water | U-2073-96-531 | Residential Utility Consumer Office |
| Southwest Gas Corporation | U-1551-96-596 | Residential Utility Consumer Office |
| Arizona Telephone Company | T-2063A-97-329 | Residential Utility Consumer Office |
| Far West Water Rehearing | W-0273A-96-0531 | Residential Utility Consumer Office |
| SaddleBrooke Utility Company | W-02849A-97-0383 | Residential Utility Consumer Office |
| Vail Water Company | W-01651A-97-0539 & W-01651B-97-0676 | Residential Utility Consumer Office |
| Black Mountain Gas Company Northern States Power Company | G-01970A-98-0017 G-03493A-98-0017 | Residential Utility Consumer Office |
| Paradise Valley Water Company Mummy Mountain Water Company | W-01303A-98-0678 W-01342A-98-0678 | Residential Utility Consumer Office |
| Bermuda Water Company | W-01812A-98-0390 | Residential Utility Consumer Office |
| Bella Vista Water Company Nicksville Water Company | W-02465A-98-0458 W-01602A-98-0458 | Residential Utility Consumer Office |
| Paradise Valley Water Company | W-01303A-98-0507 | Residential Utility Consumer Office |
| Pima Utility Company | SW-02199A-98-0578 | Residential Utility Consumer Office |
| Far West Water & Sewer Company | WS-03478A-99-0144 Interim Rates | Residential Utility Consumer Office |
| Vail Water Company | W-01651B-99-0355 Interim Rates | Residential Utility Consumer Office |

| | | |
|---|---|--|
| Far West Water & Sewer Company | WS-03478A-99-0144 | Residential Utility Consumer Office |
| Sun City Water and Sun City West | W-01656A-98-0577 & SW-02334A-98-0577 | Residential Utility Consumer Office |
| Southwest Gas Corporation ONEOK, Inc. | G-01551A-99-0112 G-03713A-99-0112 | Residential Utility Consumer Office |
| Table Top Telephone | T-02724A-99-0595 | Residential Utility Consumer Office |
| U S West Communications Citizens Utilities Company | T-01051B-99-0737 T-01954B-99-0737 | Residential Utility Consumer Office |
| Citizens Utilities Company | E-01032C-98-0474 | Residential Utility Consumer Office |
| Southwest Gas Corporation | G-01551A-00-0309 & G-01551A-00-0127 | Residential Utility Consumer Office |
| Southwestern Telephone Company | T-01072B-00-0379 | Residential Utility Consumer Office |
| Arizona Water Company | W-01445A-00-0962 | Residential Utility Consumer Office |
| Litchfield Park Service Company | W-01427A-01-0487 & SW-01428A-01-0487 | Residential Utility Consumer Office |
| Bella Vista Water Co., Inc. | W-02465A-01-0776 | Residential Utility Consumer Office |
| Generic Proceedings Concerning Electric Restructuring Issues | E-00000A-02-0051 | Residential Utility Consumer Office |
| Arizona Public Service Company | E-01345A-02-0707 | Residential Utility Consumer Office |
| Qwest Corporation | RT-00000F-02-0271 | Residential Utility Consumer Office |
| Arizona Public Service Company | E-01345A-02-0403 | Residential Utility Consumer Office |

APPENDIX

II

APPENDIX II

RECOMMENDED INCREMENTAL DSM PROGRAMS AND FUNDING

- * Unisource shall increase funding for DSM programs in the existing Citizens Utilities service territory by \$825,000 annually from the current level of \$175,000 annually to a total of \$1,000,000 annually. The incremental \$825,000 will be eligible for deferral and potential future recovery from ratepayers, subject to rapid deployment and successful implementation of programs. Deferrals will accrue interest at the Company's authorized cost of capital.
- * Of the total funding of \$1,000,000, \$400,000 will be contingent on the renegotiation and reduction in the APS contract power rate. \$600,000 of the DSM funding is assured, no matter what.
- * The DSM programs include additional funding for the following existing Citizens Utilities programs:
 - Residential/Commercial Education
 - Residential Incentives
 - Commercial HVAC
 - New Construction
 - Web-Based Energy Audit
- * The following new programs would be added with the additional funding:
 - Shade Trees Program
 - Weatherization
 - Commercial Lighting
 - Commercial Motors

- * All program designs will be subject to the preapproval process that was in place for Citizens electric DSM programs prior to Decision No. 59951.