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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, CHAIRMAN
MIKE GLEASON, Commissioner
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WILLIAM MUNDELL, Commissioner
GARY PIERCE, Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
UNS GAS, INC. FOR ESTABLISHMENT OF JUST
AND REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE OF
THE PROPERTIES OF UNS GAS, INC. DEVOTED
TO ITS OPERATIONS THROUGHOUT THE
STATE OF ARIZONA

DOCKET NO. G-04204A-06-0463

IN THE MATTER OF THE APPLICATION OF UNS
GAS, INC. TO REVIEW AND REVISE ITS
PURCHASED GAS ADJUSTOR

DOCKET NO. G-04204A-06-0013

IN THE MATTER OF THE INQUIRY INTO THE
PRUDENCE OF THE GAS PROCUREMENT
PRACTICES OF UNS GAS, INC.

DOCKET NO. G-04204A-05-0831

**ARIZONA COMMUNITY ACTION ASSOCIATION'S RESPONSE TO
UNS, GAS, INC'S FIRST SET OF DATA REQUESTS**

February 27, 2007

UNSG 1-1: Among utility rate increases, should low income customers be shielded
from increases in:

- a. water rates?
- b. electricity rates?

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- c. telephone rates?
- d. other utility rates?

ANSWER: The short answer is yes, low income customers should be shielded from increases in water, electricity, telephone and other utility rates. In fact, in most instances, low income customers are currently provided a discounted rate by the major electric companies, many private and municipal water companies, and telecommunications companies through two programs referred to as LIFELINE and Telephone Assistance Program or TAP.

ACAA believes that low income customers, at the level defined as 150% of poverty, need to have reduced utility rates for essential services. Essential services include heating, cooling, basic levels of electricity usage, basic telephone service and access to clean water services. ACAA is even more concerned however with utility services that can reach \$300 per month, consuming 15% or 20% of the monthly income just for one utility service alone. This can easily happen with both gas and electric service in Arizona, whereas other utility services can provide basic service for \$30-40 per month throughout the year.

UNS Gas customers currently living at 100% of poverty, families of three making less than \$17,170 a year, are already going without important needs. Access to basic utility services should not be among them.

UNSG 1-2: Who should fund low-income assistance programs to shield low income customers from utility rate increases? How should those funding mechanisms operate?

ANSWER: ACAA suggests that all remaining customers fund the low income assistance programs. In this way, the impact on these remaining customers is minimized.

The funding mechanism should continue as presented in this case, that is the CARES customers continue to have a revenue contribution consistent with maintaining their costs at current levels. The revenue requirement for the remaining customer groups is calculated with what will be a minor addition to provide the subsidy to the limited number of CARES customers.

UNSG 1-3:

Ms. Scheier recommends rejection of UNS Gas' proposed discounted customer charge under the low income discount program in favor of the current program of discounts based on sales. In colder climates, Ms. Scheier states that the current method will result in a larger discount – because the discount applies to the amount of gas used. Would the current rate design – with higher volumetric charges and lower customer charges – result in a higher bill because of the higher consumption associated with colder climates (before applying the discounts)? Do you agree that UNS Gas' proposed rate design avoids having customers in colder climates subsidize those in warmer climates?

ANSWER:

It is ACAA's position that higher bills will be incurred by users in warmer and colder climates if their usage increases. When comparing the current and proposed rate design, low users will contribute a higher margin under the proposed rates than under the current rates – about \$100 per year more for a 200 therm user. Users at 1053 therms per year will contribute an equal margin under the proposed and current rates. Users above this level will contribute less to this margin. While usage is generally higher in colder climates, usage also depends on house size and quality of housing stock, including the energy efficiency of the home and appliances, and we believe it is likely there are numerous cases where factors other than climate substantially impact usage. Furthermore, there are numerous low

income residents in the coldest climates who have usage under 1053 who experience higher costs under the proposed rate increase.

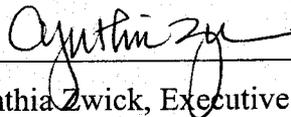
Attached to this response is a spreadsheet that reflects data pulled from the UNS filing that shows the annual increases that will be incurred with the increase proposed, compared with the current rates. As we have previously stated, any increase in a low income home is too much. Additionally, though the annual bill reduction a customer using 2000 therms annually may receive under the proposed rates is beneficial, it is still a problem for that household, and assistance still needs to be available. An annual bill of approximately \$2000 (for a 2000 therm user) is still too high for a low income customer to manage, and therefore those households still needs a usage base discount. The idea of providing the same discount for a customer in Lake Havasu as a customer in Flagstaff really makes no sense.

Additionally, ACAA feels very strongly that the discount on the CARES program should increase from 100 therms to at least 250 therms per month in order to cover the actual usage of the low income customer.

As to the question of whether ACAA agrees that the proposed rate design avoids having customers in colder climates subsidize those in warmer climates, we have not undertaken that analysis in this case except in the context of the large versus lower consumer of gas. And as we have previously stated, for a low income customer, any increase will be difficult at best for a low income family to manage, and if they are unable to make regular payments to the Company, the Company also suffers.

RESPECTFULLY SUBMITTED this 28th day of February 2007

By



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**ANNUAL BILLS BY USAGE
UNS GAS, INC.**

Annual bills by usage

Usage	Present	proposed	Change \$	Change %
200	\$304	\$401	\$97	32.0%
300	\$414	\$500	\$86	20.7%
400	\$524	\$598	\$74	14.2%
500	\$634	\$697	\$63	9.9%
600	\$744	\$796	\$52	6.9%
700	\$854	\$894	\$40	4.7%
800	\$964	\$993	\$29	3.0%
900	\$1,074	\$1,091	\$17	1.6%
1000	\$1,184	\$1,190	\$6	0.5%
1100	\$1,294	\$1,289	-\$5	-0.4%
1200	\$1,404	\$1,387	-\$17	-1.2%
1300	\$1,514	\$1,486	-\$28	-1.9%
1400	\$1,624	\$1,584	-\$40	-2.4%
1500	\$1,734	\$1,683	-\$51	-2.9%
1600	\$1,844	\$1,782	-\$62	-3.4%
1700	\$1,954	\$1,880	-\$74	-3.8%
1800	\$2,064	\$1,979	-\$85	-4.1%
1900	\$2,174	\$2,077	-\$97	-4.4%
2000	\$2,284	\$2,176	-\$108	-4.7%

assumes gas cost of \$.80/therm for base gas cost +PGA, no surcharge
excludes taxes, which range from about 8-11%

1045	\$1,233.50	\$1,234.37	0.1%
1046	\$1,234.60	\$1,235.36	0.1%
1047	\$1,235.70	\$1,236.34	0.1%
1048	\$1,236.80	\$1,237.33	0.0%
1049	\$1,237.90	\$1,238.31	0.0%
1050	\$1,239.00	\$1,239.30	0.0%
1051	\$1,240.10	\$1,240.29	0.0%
1052	\$1,241.20	\$1,241.27	0.0%
1053	\$1,242.30	\$1,242.26	0.0%
1054	\$1,243.40	\$1,243.24	0.0%