



0000102111

1                   BEFORE THE ARIZONA CORPORATION

2           IN THE MATTER OF THE                    )

3           APPLICATION OF UNS GAS, INC.        )

4           FOR THE ESTABLISHMENT OF JUST) DOCKET NO.G-04204A-08-0571

5           AND REASONABLE RATES AND            )

6           CHARGES DESIGNED TO REALIZE A) PUBLIC COMMENT

7           REASONABLE RATE OF RETURN ON        )

8           THE FAIR VALUE OF THE                )

9           PROPERTIES OF UNS GAS, INC.        )

10          DEVOTED TO ITS OPERATIONS         ) SPECIAL OPEN MEETING

11          THROUGHOUT THE STATE OF         )

12          ARIZONA.                                )

9           At:           Nogales, Arizona

10          Date:          August 17, 2009

11          Filed:         August 31, 2009

RECEIVED  
 2009 AUG 31 P 1:15  
 AZ CORP COMMISSION  
 DOCKET CONTROL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Arizona Corporation Commission  
DOCKETED

AUG 31 2009

DOCKETED BY [Signature]

ARIZONA REPORTING SERVICE, INC.  
 Court Reporting  
 Suite 502  
 2200 North Central Avenue  
 Phoenix, Arizona 85004-1481

ORIGINAL

24          Prepared for:                                By: Katherine A. McNally

25          ACC    Reporter

**FOR  
INTERNAL  
&  
INTERAGENCY  
USE  
ONLY**

Pursuant to the contract with Arizona Reporting Service all transcripts are available electronically for internal agency use only.

Do not copy, forward or transmit outside the Arizona Corporation Commission.

1 BE IT REMEMBERED that the above-entitled and  
2 numbered matter came on regularly, to be heard before the  
3 Arizona Corporation Commission at Nogales City Hall  
4 Chambers, 777 North Grand Avenue, Nogales, Arizona,  
5 commencing at 6:22 p.m., on the 17th day of August, 2009.

6

7 BEFORE:

8

KRISTIN K. MAYES, Chairman  
PAUL NEWMAN, Commissioner  
SANDRA D. KENNEDY, Commissioner

9

10

11

12

13

14

15

KATHERINE A. McNALLY  
Reporter

16

17

18

19

20

21

22

23

24

25

1 (Proceedings commenced at 6:22 p.m.)

2 CHMN. MAYES: All right. Let's go ahead and  
3 get started.

4 This is the public comment session scheduled  
5 for the UniSource Natural Gas rate case in Nogales.

6 Thank you all for being here. We really  
7 appreciate it.

8 Again, I want to apologize for being late. We  
9 were in Tucson for the Sulphur Springs Valley Electric  
10 Coop rate case and then got a little bit detoured by a  
11 traffic accident on the highway.

12 So it's wonderful to be here in Nogales and to  
13 be here to hear your thoughts about this proposed rate  
14 increase by UniSource Natural Gas.

15 The hearings are going on right now as we  
16 speak. I spent the last week in hearings on the bench,  
17 and my colleagues have been there as well, asking  
18 questions on your behalf about this proposal.

19 As you probably know, the company came in  
20 asking for roughly an 8 percent rate increase. Our Staff  
21 recommended a much smaller rate increase, roughly  
22 2 percent. And other parties are participating, including  
23 RUCO, the Residential Utility Consumer Office -- and they  
24 are represented here; and -- and there are other -- even  
25 other parties as well in the case, including Cynthia Zwick

1 from the Arizona Community Action Association, who  
2 represents low income customers.

3 So it's been an interesting case so far. It's  
4 not over, so this is a very timely meeting. And we know  
5 that these rate increase requests come at the worst  
6 possible time for consumers. It's a tough economy, and  
7 it's never been more important to have a Commission that  
8 cares about consumers and that asks tough questions of  
9 these utility companies.

10 And that's -- that's what we're here to do,  
11 it's why you elected us, that's what you're paying us to  
12 do, and that's what we're doing. So we do look forward to  
13 hearing your comments. I look forward to the rest of the  
14 case and to rendering a decision.

15 For those of you who are not familiar with the  
16 Commission's process, it's very much like a trial. The  
17 various parties, including the company and our Staff, put  
18 on evidence, witnesses are put under oath, and the cases  
19 are heard, and then -- by an Administrative Law Judge.  
20 And then they come to the Commissioners for a final  
21 determination.

22 The Administrative Law Judge will write a  
23 recommended opinion and order in this case, issue that to  
24 the Commissioners, and then the Commissioners at an open  
25 meeting will make a final decision. We can accept the

1 recommendation of the judge, we can deny it, or we can do  
2 anything in between. So that's why these meetings are so  
3 very important.

4 I want to give my colleagues an opportunity to  
5 make some opening remarks.

6 Commissioner Kennedy?

7 COM. KENNEDY: Thank you, Madame Chairman. I  
8 don't know if this is on; I'll try to speak very loudly.  
9 I would like to ditto the comments of the Chairman  
10 tonight -- or the Chairwoman tonight, and would like to  
11 thank you for coming out and sharing with us your issues,  
12 your concerns. We are listening very attentively. Again,  
13 thank you.

14 CHMN. MAYES: Commissioner Newman?

15 COM. NEWMAN: Thank you, Madam Chair.

16 For me, this is a homecoming. It's good to  
17 take the testimony tonight. Both Commissioner Kennedy and  
18 I are newly elected commissioners, just elected in  
19 November. And I know that we had a traffic accident today  
20 that delayed us a little bit, but there was a major  
21 hearing on some of the Santa Cruz County customers and  
22 Cochise County customers.

23 And to be coming down to Nogales is a  
24 homecoming in many, many ways because I used to be the  
25 state representative here and I lived in Bisbee for

1 20 years. I had to move over to -- up to Tucson to be a  
2 little bit closer to Phoenix, so I'm sort of, you know,  
3 being a little bit halfway. But it's very good to take  
4 testimony in Nogales and see a lot of friends in the  
5 audience.

6 And I just wanted to make one statement about  
7 the Commission. It's a very, very important Commission.  
8 A lot of people don't realize that it's a separate branch  
9 of government, it's really the consumer arm of  
10 government. It is a very important article in the  
11 constitution, Article [148] sets it up as an independent  
12 body really to regulate monopolies. And we regulate  
13 pipelines, we regulate all of the utility and telephone  
14 monopolies. We share that with the federal government as  
15 well.

16 But like the Chairwoman said, We serve as that  
17 consumer body, but we also have to guarantee a certain  
18 rate of return to companies under the constitution.  
19 That's how it currently works. That's -- that's what the  
20 constitution says. That might change one day, but that's  
21 the way it works.

22 And I -- I also ditto the Chairwoman's remarks  
23 about how it's ultimately our decision. We're three out  
24 of the five commissioners that will decide the case. One  
25 of the commissioners fell ill and the other commissioner

1 had to go back up to Phoenix, in fact, to prepare -- we  
2 have a very big case involving Arizona Public Service on  
3 Wednesday morning.

4 So -- but it's very good to be out here to take  
5 this public comment and we're doing it as much as we can  
6 under the Chair's lead.

7 CHMN. MAYES: Great. Thank you, Commissioner  
8 Newman.

9 I want to start out with the mayor, Mayor  
10 Garcia.

11 MAYOR GARCIA: Thank you. Thank you.

12 CHMN. MAYES: Good to have you here. Thank  
13 you, very much, for coming.

14 MAYOR GARCIA: Thank you, and welcome to  
15 Nogales. Let me begin by thanking -- thanking all of you  
16 for taking the time.

17 Madam chairwoman, members of the board,  
18 constituents, and members of our community, thank you, for  
19 taking an interest and taking the time in being here today  
20 hopefully to oppose this rate increase.

21 Let me begin by stating, on record, that I  
22 strongly oppose the rate increase in our community.  
23 This -- I've got to tell you -- this news comes at the  
24 worst time, at the worst time of economics here in  
25 Nogales.

1 I believe -- I strongly believe that there are  
2 other remedies that can move forward, instead of the rate  
3 increase, and maybe perhaps take the recommendations that  
4 you have set forward to them.

5 Also, I am strongly opposed of the closing of  
6 the store. A lot of our constituents, a lot of our  
7 community members really struggle to make the payments  
8 through phone and certainly struggle to make a trip up to  
9 Tucson to make these payments. We have found, when I  
10 campaigned in going door-to-door and meeting with my  
11 constituents and speaking to them that that is certainly  
12 very, very important for them to have that face-to-face  
13 contact with the store -- with the store members that are  
14 taking payments.

15 If they, at any moment, disagree with anything  
16 on their payment, it is very, very difficult for them to  
17 get on the phone and -- and sit for however -- however  
18 many minutes they have to sit, and certainly maybe not get  
19 the point across that they would like to. And so it is --  
20 it is my statement that we -- at least I strongly oppose  
21 the rate increase and certainly strongly oppose the  
22 closing of the stores.

23 CHMN. MAYES: Mayor, thank you for being here.

24 And I'm particularly interested in your  
25 comments about the closure of the offices. You are --

1 because this has been an issue.

2 And Commissioner Kennedy and I attended the  
3 hearings when this came up -- when this issue of the  
4 office closures was discussed. They are proposing to  
5 close offices in other parts of the state too.

6 Are you referring to the closure of the  
7 company's office for payment?

8 MAYOR GARCIA: The company's offices. And  
9 again, I think that there are other options to explore,  
10 like cutting hours, perhaps -- but not the closing of the  
11 store completely. I think that exploring and identifying  
12 and being creative with their stores, I think it could  
13 have a better result in our community.

14 And again, I want to rectify by saying that  
15 maybe cutting hours -- cutting hours could certainly be an  
16 option.

17 CHMN. MAYES: Okay. The company has proposed  
18 in the case to replace the -- the offices with payment  
19 options at Wal-Mart. What are your thoughts about that?

20 MAYOR GARCIA: I can tell you firsthand -- and  
21 this is certainly very key -- my family used to be a  
22 franchisee for check-cashing stores. We owned several in  
23 Southern Arizona. And we, at one point, did take -- did  
24 take payments from UniSource and that became a huge  
25 disaster. It was hard to keep inventory. It was hard to

1 manage, and certainly very, very difficult to answer  
2 questions to those who had questions on a particular  
3 bill.

4 So if they go to -- if they go to a Wal-Mart  
5 employee and certainly have a question on their bill, that  
6 Wal-Mart employee will certainly not have the knowledge to  
7 answer those questions.

8 CHMN. MAYES: Okay. One of the reasons, when I  
9 asked the company questions about this issue, because I --  
10 I worry about it too, you know. They closed an office in  
11 my hometown, Prescott, and people -- it didn't go over  
12 very well there either, by the way.

13 And I worry about this because now they want to  
14 close these other stores or other offices, and it concerns  
15 me.

16 The reason that the company told the  
17 Commissioners they were deciding to close the offices was  
18 they -- they were worried about the safety of their  
19 employees when people brought in cash.

20 Can you comment on that? I mean, do you --  
21 (Laughter.)

22 MAYOR GARCIA: My office has -- yes.

23 COM. NEWMAN: I'm sorry.

24 CHMN. MAYES: Well, I mean, this is -- this is  
25 truly what the company has said. I think Commissioner

1 Kennedy and I --

2 MAYOR GARCIA: My office has absolutely no  
3 knowledge of any crime experience in any of the -- of the  
4 stores by this company.

5 CHMN. MAYES: Yeah. And I asked -- I asked --  
6 (Laughter.)

7 MAYOR GARCIA: Let me follow up by saying that  
8 we do have a great police department that would certainly  
9 never allow it or try to eliminate as much problems as  
10 possible.

11 But -- but going back to the point, my office  
12 has never received nor -- has ever received a complaint of  
13 any type of crime at any of those stores.

14 CHMN. MAYES: And I have to tell you, I asked  
15 that question in the hearing there, and the answer was no,  
16 they had never actually been robbed, so -- at any store or  
17 any office.

18 MAYOR GARCIA: And let me again say that I  
19 commend all of you for the work that you do and the time  
20 that you've dedicated to this issue, because it's  
21 certainly a very, very delicate but important issue in our  
22 community that certainly needs -- needs the attention it  
23 deserves.

24 CHMN. MAYES: Commissioner Newman?

25 COM. NEWMAN: Yeah, just if you -- it's been a

1 while since --

2 MAYOR GARCIA: Well, welcome back.

3 COM. NEWMAN: -- since I've been here.

4 I just wanted you to draw a picture of the  
5 economy right now in Nogales -- the unemployment rate,  
6 things like that. That -- that would be perfect.

7 MAYOR GARCIA: Well, I think -- I think that we  
8 are -- we are certainly experiencing a rough economic  
9 times everywhere in the nation. It's just not -- it's not  
10 only Nogales.

11 Certainly the city council and myself and the  
12 administration are doing everything in our power to make  
13 sure that we support, as much as we can, our decisions  
14 through these economic times. And that's why I stand  
15 before you here today to protect those interests of our  
16 community and protect our constituents that I know are  
17 going through a very difficult economic time.

18 COM. NEWMAN: There -- there -- I haven't -- I  
19 haven't made a decision about this -- but the Chairwoman  
20 was talking about the community action folks. And I have  
21 run amendments on some cases -- and it's actually a  
22 controversial kind of amendment -- but it has to do with  
23 fairness in societies and distribution of wealth and  
24 things like that.

25 But basically the amendment tries to diminish

1 the hit on -- on those who are least able to afford it.

2 MAYOR GARCIA: Sure.

3 COM. NEWMAN: And -- and it is controversial  
4 because it does change the rate increase for those who are  
5 making a fairly good living.

6 Do you have a comment on that kind of  
7 amendment?

8 MAYOR GARCIA: Sure. Well, if you're looking  
9 at the -- if you're looking at the moral of things, rest  
10 assured -- and I know I speak for the rest of the  
11 community -- that the city of Nogales and our community  
12 has certainly been very, very, very good to UniSource.  
13 And for them to turn their back on us and shut their  
14 doors, when we most need their support, I think is  
15 certainly a slap in the face.

16 COM. NEWMAN: And would you support -- would  
17 you support some sort of amendment -- that I have not  
18 drawn up yet -- that I might consider to -- to lessen the  
19 hit on those making less money in your community?

20 MAYOR GARCIA: Absolutely, absolutely. And I  
21 would certainly commend -- commend those efforts, and I  
22 will do everything in my power to support those efforts  
23 together with you.

24 COM. NEWMAN: Thank you.

25 CHMN. MAYES: Thank you, Mayor, very much, for

1 coming.

2 MAYOR GARCIA: Thank you, very much. And  
3 again, thank you for taking the time, and thank you  
4 everyone for being here and participating. Thank you.

5 CHMN. MAYES: Okay. Flavio Gonzalez?

6 Mr. Gonzalez, good to see you again.

7 MR. GONZALEZ: Chairwoman Mayes, Commissioners,  
8 I, too, would like to welcome you to Nogales, and it is  
9 good seeing you again.

10 My name is Flavio Gonzalez. I'm the utilities  
11 director and acting public works director for the City of  
12 Nogales. I've been here -- I'm on my third year with the  
13 City. The city of Nogales is an interesting city to live  
14 in.

15 I -- we purchased a home here, and my wife and  
16 I are residents of Nogales and we still have a home in  
17 Goodyear, but we really enjoy our stay here, and we really  
18 like this community in which we serve.

19 As the utilities director, I would have to echo  
20 what our good mayor just said, and I, too, would be  
21 opposed to this rate increase.

22 And the only thing that I would ask that --  
23 that if this rate increase were to be granted that it be  
24 truly grounded to reality. You know, does it really merit  
25 this great increase that they're asking? And especially,

1 again, as our good mayor stated, that we do have kind of a  
2 local bad economy, and especially in a community this  
3 close to the border.

4 With that being said, you know, there's times  
5 where we -- we do work with UniSource. I have a good  
6 rapport with the natural gas side, I have a good rapport  
7 with the electrical side. And we do keep in contact with  
8 them, through Blue Stake and things of that nature, so we  
9 do have a common bond there.

10 But I, too, would also have to ask that we take  
11 into consideration that they do not close the office --  
12 and for various reasons. Some of the people that live  
13 here in the city and how they make their payments, they --  
14 they have auto pay, I know that the UniSource offers  
15 payments through the Internet.

16 But I've noticed here in the city of Nogales  
17 that everybody does deal with more cash than they do with  
18 plastic. And there are a lot of people here that do not  
19 have access to the Internet, and by paying with cash, it  
20 makes it kind of hard to go on the Internet and navigate  
21 that avenue. And we do have a lot of elderly and aging  
22 people here, and we have a lot of low income.

23 And so, as I think about the closure of the  
24 office, who would these customers go to? How would they  
25 deal with their complaints?

1           And again, like I said, you know, a lot of  
2 people here pay with cash.

3           I, too, have never heard of anything happening,  
4 and -- but it has been our experience in dealing with the  
5 water industry, which I'm over, a lot of people do come in  
6 and make their payments by cash and they come here. And  
7 so they like the association and actually they like the  
8 face-to-face contact they have, and they build good  
9 relationships here. And we try to be customer service  
10 oriented in that aspect.

11           But as we consider this rate case, I hope that  
12 you will take this into consideration.

13           CHMN. MAYES: Flavio, can I ask you -- this is  
14 interesting. So you're saying that the City of Nogales  
15 does accept payments here in cash --

16           MR. GONZALEZ: On a daily basis.

17           CHMN. MAYES: -- from utility customers?

18           MR. GONZALEZ: On a daily basis.

19           CHMN. MAYES: Okay. And folks come in and they  
20 can talk to somebody.

21           MR. GONZALEZ: And they do. They like that  
22 association. I run into quite a few of the customers  
23 here. I also get complaints, you know, and I try to deal  
24 with them.

25           CHMN. MAYES: Yeah, yeah. And when we asked

1 about this, when we asked about this in the hearing,  
2 Commissioner -- as I said Commissioner Kennedy and I were  
3 there at the time that the issue was raised, they -- the  
4 company said that they were -- that -- that basically that  
5 the doors would be locked most of the time at their -- at  
6 their offices, so people would have to ring a doorbell or  
7 something like that, or knock on the door to get in.

8 And then we asked questions about -- well, and  
9 then -- and then they -- they changed their position  
10 midway through the case and decided that, well, people  
11 could come in and sit at a kiosk or sit at a computer, but  
12 I think there's still questions about exactly whether  
13 they'd be able to -- I mean, I don't think they're  
14 planning on letting people pay.

15 And there's questions about whether there would  
16 be people there to take -- to answer questions. And that  
17 issue really hasn't been decided yet, although I know it's  
18 the company's intention to close these offices on  
19 October 1st, so I -- we are still raising questions about  
20 it. And I appreciate your input and your comments about  
21 what happens here at the city of Nogales.

22 MR. GONZALEZ: What I've found here, this is  
23 one of the most friendliest towns we live in.

24 CHMN. MAYES: Thank you, very much.

25 Commissioner Newman?

1 COM. NEWMAN: Just a quick question.

2 How's the quality of service, being you've been  
3 here for a while now? What are -- what are you hearing  
4 about the quality of service?

5 MR. GONZALEZ: From UniSource?

6 COM. NEWMAN: Yes.

7 MR. GONZALEZ: I think they deliver. I, too,  
8 am a customer. I heat by natural gas in my home and I  
9 have the electrical. I question a little bit about the  
10 electrical, but I've never, ever had an issue with natural  
11 gas. I think they provide a good service. We just wish  
12 they would continue to do that.

13 COM. NEWMAN: Thank you.

14 CHMN. MAYES: Thanks, Flavio.

15 Mr. McGruder, Marshall McGruder, who was busy  
16 commenting at the Commission today.

17 MR. McGRUDER: I've got some handouts.

18 CHMN. MAYES: Marshall was with us in Tucson  
19 too.

20 MR. McGRUDER: Yeah, again.

21 Good afternoon, Madam Chairman, Commissioners.  
22 My name's Marshall McGruder and I'm from Tubac. I've got  
23 a handout that we'll cover, and I'll try to go through it  
24 fairly rapidly so I don't have to repeat all the things in  
25 the handout.

1           Last November they filed a rate increase  
2           requesting about \$9.5 million in additional revenue to,  
3           quote, make the books match and make it so they got what  
4           they considered a reasonable return, which -- which raises  
5           the service and volumetric delivery changes approximately  
6           19 percent.

7           In Paragraph 2, I have underlined in 1 December  
8           2007, today it's \$8.50 a service charge, but in August  
9           2003, before UNS Gas took over, it was \$5, and then they  
10          had a Phase 1 to go to 10; a Phase 2 to -- or they  
11          requested 10 in Phase 1, and then a Phase 2 to 12, and  
12          then another one to \$14.

13          They also want to slightly reduce their  
14          delivery charges for a couple years, and then as they do,  
15          increase it and then decrease it -- I don't understand  
16          that philosophy.

17          But the rationale in their testimony is that we  
18          who live in warmer climates are being subsidized by those  
19          who live in colder climates.

20          And we went through this on the last rate  
21          case. It -- they almost didn't even change. It's the  
22          same argument. I really think they're off base again,  
23          because they pay more money for gas because -- in  
24          Snowflake.

25          Do you know why they have higher bills in

1 Snowflake, compared to Lake Havasu City? There's just a  
2 real reason why Snowflake has higher bills and why Lake  
3 Havasu City is lower. Do the -- and do the people in Lake  
4 Havasu City say that their electric bills are higher in  
5 the summer, and try to get money from the people in  
6 Snowflake?

7 And -- and so I think there's a problem here.  
8 And I realize, Madame Chairman, you're from Prescott. And  
9 I remember reading -- I have read through the entire  
10 transcripts and all the complaints, and your community has  
11 had lots of complaints.

12 But when we go to the second page here, I have  
13 a table that was from their customer. And you can see the  
14 first column is how many therms they use, and you can see  
15 the present average bill. And this is the annual average  
16 bill for service charge plus the volumetric or delivery  
17 charge. It does not include the costs of gas, which is  
18 the major charge. Okay?

19 So in Phase 1, there'll be different numbers  
20 for the different communities, and that's because they use  
21 more volume in different communities. And if we look at  
22 what they're going to raise it in Phase 2 and in Phase 3,  
23 we can see that.

24 And in Phase 1, for example, in Santa Cruz  
25 County, it'll be on the average customer a \$45 rate

1 increase and a 19.1 percent rate increase overall. And  
2 when you look at Phase 3, it goes to \$57 and is  
3 24.3 percent. But those guys in Lake Havasu City, they're  
4 going to end up with a 33.3 percent rate increase.

5 And we go down to the bottom, and the coldest  
6 community -- at least from the records in the testimony --  
7 was Flagstaff recorded. And they're only going to get a  
8 15.2 rate increase at the end of Phase 3. But you notice  
9 at the end of Phase 1, it's all about 19 percent. And I  
10 think it's round-off error why they're not about  
11 19 percent, the percent increase for Phase 1.

12 So my recommendation concurs with that made by  
13 the ACC Staff and with RUCO, and that is that Phase 2 and  
14 Phase 3 rate increases not be implemented, okay? And what  
15 that does is shown on the paper here.

16 RUCO is at \$10 a month for service charge, ACC  
17 Staff is at \$9.50. There's a little bit difference in  
18 delivery charge -- one's a little less on RUCO, but  
19 they're charging more for service charge; where the Staff  
20 has more for delivery charge and less for the fixed rate,  
21 and frankly, those are fairly close. But the differences  
22 in percent -- RUCO only recommends a 1.7 percent -- it's  
23 1.67 percent -- if you want to go to another decimal  
24 place -- rate increase; where ACC Staff is 6.3 percent.

25 Frankly, I -- if you want me to have my

1 preference, I think you can see which number any ratepayer  
2 would say, and it's 1.7 percent.

3           The difference between these two numbers is  
4 what is allowed for the increase in revenue. The revenue,  
5 as looked at it from RUCO, is about \$800,000 -- not the  
6 9.5 million they requested. The amount of revenue  
7 requested by the Staff is about 3 and a half million.  
8 So -- and that's -- those are traumatic impacts on the  
9 company. But that's what happens on the numbers.

10           Next, let's talk about the other -- there's  
11 another group of customers -- they're called the CARES  
12 people. These are people who earn less than 150 percent  
13 of the -- of poverty level. And during the last rate  
14 case, Cynthia Zwick and I were -- were both intervenors.  
15 And -- and through the discussions, it appeared that not  
16 more than 25 percent of those eligible are CARES  
17 customers. In other words, we're only getting about one  
18 out of four of the lower income people.

19           I do taxes for H&R Block. Guess what happens  
20 on April 15th when I finish a tax return. I know their  
21 numbers. You know what, I give them the card to go get on  
22 CARES. And I do it for TEP and I do it for Southwest Gas  
23 and I do it for a municipal water company in Tucson, and I  
24 do it for the -- all of those people.

25           And the city of Tucson -- of Nogales, for

1 example, that helps low income people doing taxes. So I  
2 really think the City should work with the program,  
3 because I think 100 percent of these lower income people  
4 should be enrolled.

5 And I do not like what the company is doing to  
6 get these people enrolled. The handout they send in their  
7 mailer only has dollars you earn per month. Well, a lot  
8 of people don't get paid per month. They get paid per  
9 hour, they get paid per week, they get paid per biweekly,  
10 they get paid semimonthly. And so they can't even convert  
11 those numbers. I know because I do their taxes. They  
12 don't have any idea how much they earn.

13 So you've got to get it to something that  
14 matches their paycheck. And -- and I've suggested that  
15 they put out all the numbers, because the numbers are the  
16 same. You just have to divide it by 52 and so forth. And  
17 that would make it so maybe you could get more people.

18 SEAGO is our local group. We don't use Cynthia  
19 Zwick, we use a different group. And SEAGO needs to get  
20 off their dime and start pushing this.

21 The Nogales International has been excellent in  
22 writing stories on this subject, but it only has a  
23 distribution of 3,400 copies. There's 22,000 people in  
24 the city and another 20,000 in the county that are all UNS  
25 Gas customers. So that doesn't quite, through the media,

1 get it. I don't know if it's a radio, I don't know how to  
2 do it.

3 But at least when you do your taxes, at least  
4 one time you get to chew it up. And you can't believe  
5 trying to -- I don't know if Mr. Heyman is going to like  
6 this -- but I've been sending you CARE customers in Tucson  
7 by the gross load.

8 And I'm trying to get at H&R Block's corporate  
9 nationwide policy to look at all tax returns and get  
10 people into low income programs. I'm looking -- I'm  
11 looking at much more than Nogales on this. I'm pushing it  
12 at my corporate, my little seasonal job, which is just a  
13 little more than minimum wage. But -- but I enjoy doing  
14 that because I like to talk to people and see how their  
15 income works.

16 And the next area is cost of gas, that's a  
17 pass-through and there's no real change there. And I  
18 really don't recommend messing around with the purchase  
19 gas adjusters. I really don't. That's too sensitive, and  
20 besides it's got its own review process.

21 Demand side management, they've got \$113,000  
22 low weather in -- weatherization programs -- \$2,000 per  
23 person, well, up to 2,000. That's a total of 66 homes a  
24 year, for 144,000 customers. That's not very many homes  
25 and it's only 2,000. I mean, it's -- you know, 66

1 homes -- there's at least in this poorer part of the  
2 company it's only about 20 percent or so of UNS Gas.  
3 We're a small part of UNS Gas. So we might get five or  
4 six in Santa Cruz County. So that -- that's not going to  
5 help.

6 Next area is the gas efficiency, home heating  
7 program. This is great. You get -- you get a new heater  
8 for your home furnished. You're going to get up to \$325.  
9 I don't know anyone who I've ever talked to in this county  
10 that knows about this program. It's part of my problem  
11 with demand side management.

12 I am a big proponent of demand side  
13 management. But I'm very concerned that the people who  
14 buy air -- furnaces don't know that if they get one that  
15 has an AFE rating 90 or higher, they're going to get a  
16 \$325 refund.

17 What I really think the company needs to do is  
18 wherever a furnace is sold, give them a statement that  
19 they staple or they put on with scotch tape saying, Take  
20 this -- buy this furnace, if it's above AFE 90, and send  
21 this letter, self-addressed sealed letter, with the serial  
22 number or whatever it takes, so they can get the money.  
23 Because right now you go to Wal-Mart -- I mean, you go to  
24 Home Depot and you look at the furnaces, you don't know  
25 which ones you're going to get the \$325 on or not -- or

1 not. So it's just not -- not really known.

2 Energy Smart homes -- well, they're talking  
3 about 1,050 Energy Smart homes. Well, I can tell you,  
4 they're not going to make that goal this year. It's a  
5 good program. I'm absolutely in favor of Energy Smart  
6 homes, where you get \$400 if you build a home that's --  
7 that's tight and properly sealed, but they're not going to  
8 make it. So they should take some of that money and  
9 that's 200 -- \$420,000 and -- and shove it into some of  
10 these other programs.

11 The next is the Commercial Energy Solutions  
12 Program. It's \$200,000 -- up to \$20,000 for a small  
13 commercial business. This is a good program. This is so  
14 you can -- a guy -- somebody who has a restaurant wants to  
15 make it so it can -- it can be -- use less energy, put in  
16 new stove tops and stuff like that, and -- and make -- and  
17 improve your business -- your ability to make money. And  
18 so I think that's important.

19 The problem is -- and one of the things is that  
20 school districts, which 99 -- I discovered, reading  
21 this -- the school districts are allowed up to \$25,000 a  
22 year to improve the efficiency of their buildings.

23 I have a former school district executive  
24 here -- I'm sure he's never heard of this program. And so  
25 no one has ever heard of these programs. They're not --

1 the word isn't getting out.

2 And -- and I am the proponent. I am the one  
3 that talks to the Board of Supervisors about once a month  
4 and tells them to get the word out. I don't know.

5 I think the company doesn't even have a  
6 representative that lives in this county. Their manager  
7 lives in Tucson and he wears a T-shirt that says "TEP" on  
8 it. That's not my company. That is an independent public  
9 service company.

10 I want to mention the word "service" because  
11 that's the next area I'm going to go into about the  
12 service we receive from their office. But service is what  
13 this company is all about. It's called a service charge.  
14 It's -- part of their job is to serve their customers.

15 But one area that they're making some other  
16 changes in is reconnect rates and extensions and I'm not  
17 going to get into that because that's -- that's too  
18 emotional.

19 Next is paying bills. On 1 October, they will  
20 stop receiving bills. Now Mr. Hutchinson has submitted  
21 a -- I don't know if it's rebuttal or rejoinder or  
22 something, just recently, saying that you can -- that they  
23 will leave the offices open, but you can't pay the bills  
24 there. Well, that's sure not going to be great. You've  
25 got a drive-through and you pay the bill. I mean why?

1 Why? Because I don't -- I think it's poor management.

2 This company -- and I have yet to meet a  
3 utility in this state -- none of them are ISO 9000.  
4 ISO 9000 is quality management standard. There are  
5 millions of companies in this country that are ISO 9000  
6 certified. There are 19 business processes you go through  
7 for certification. You get review -- you write your  
8 policies, and it doesn't matter whether it's a utility  
9 company. This city can be ISO 9000. You can be a  
10 government entity. But it makes sure what policies you  
11 establish for your organization are, in fact, carried  
12 out.

13 You've first got to have a policy. The policy  
14 has got to be good. But then you've got to carry it out.  
15 And then the better companies have self-wrecking  
16 mechanisms to revise their policy and make it better and  
17 better and better. And that's how you get better.

18 And I worked for Hughes Aircraft. I think we  
19 were the superior aerospace company in the country. We  
20 laughed when we started ISO 9000 certification. We  
21 thought it wasn't worth it. Nope, we weren't good  
22 enough. We got better and we got better. And I really  
23 think utility companies should do this.

24 There's a second one -- an ISO 14400, and  
25 that's for environmental management. All that it says is

1 that every decision made by management should consider the  
2 environment, and you make it a practice. And that's why  
3 you have a little box by the Xerox machine to put the old  
4 paper in. That's the type of thing that that ISO does --  
5 you know, it calls for recycling. The city has a  
6 recycling program. It makes it so you manage that. You  
7 look at this stuff.

8 I'm a little off the track. Let me come to my  
9 recommendations here. But I really think that that office  
10 thing is serious.

11 One of the things is the Internet -- you pay on  
12 the Internet with your two credit cards -- they charge you  
13 \$4.50. Who else do you know charges you \$4.50 for using a  
14 credit card? I think that's a lot.

15 Okay, let me give you my recommendations.  
16 First, I recommend -- and I've already said it -- RUCO's  
17 \$10-a-month service charge and their 30 cents -- 30 or  
18 27 cents therm -- per therm -- thermal delivery charge for  
19 a 1.7 percent rate increase.

20 Second, not to adopt the Phase 2 and 3 proposed  
21 increases.

22 Third, require annual goals in their DSM  
23 program. What I'm saying there is that you need  
24 checkpoints. They come in to you every year, you give  
25 them money for a year. Did they meet their goals? And

1 that's in terms of watts or therms, in terms of measurable  
2 things.

3           Keep -- keep open the office so that you can  
4 pay utility bills, cease accepting payments from  
5 independent payment processors. They have stopped,  
6 effectively, in Santa Cruz County. But last year the  
7 company spent \$25,002 to pay ACE, American Cash Exchange,  
8 \$25,002 for accepting bill payments, and it was in  
9 Mr. Hutchinson's testimony that ACE was still included.  
10 So they haven't quite gotten out of that mode yet.

11           And I'm sorry, I might have some people to  
12 disagree with me on this -- but I don't want to get in  
13 trouble with the mayor.

14           Next is work on enrollment with -- with CARES.  
15 I've said that.

16           This particular case was filed -- the last rate  
17 increase went in on 1 December. This rate increase they  
18 want to go into, I believe, also on 1 December, a year  
19 later. You know, they spent \$200,000 on this rate case.  
20 This -- the -- RUCO is recommending that they get an  
21 \$800,000 revenue increase -- that's 4 to 1 -- the cost to  
22 request the rate increase versus what they get. I don't  
23 think that's a good ratio.

24           I think you should, in your order, say, Wait  
25 two years, not one year, before you come back, because

1 you're spending more money in the cost of the rate case,  
2 more often. I'm not trying to say don't do it. But --  
3 but they even filed too early, and the Staff sent it back  
4 and said, You've got to wait longer because you've got to  
5 have a new year so you can start a new test year. So I  
6 don't want them to -- but I think they should wait longer  
7 because they're wasting my money in getting all -- going  
8 too often in these things.

9           And then the last thing that came up from the  
10 discussion today concerning Sulphur Springs Valley  
11 Electric Coop, as you noticed in the testimony in that  
12 case, they did not know that a gas line went through  
13 Sonoita -- it does. The El Paso natural gas line goes  
14 through Sonoita. It's within a mile of Sonoita. It goes  
15 right up the road, but you know, it goes -- it doesn't go  
16 right on the road. It goes a little off the road here and  
17 a little off the road there.

18           So they have gas. They have natural gas  
19 there. And I wish UNS Gas would be directed to work with  
20 Sulphur Springs and to get those generators we talked  
21 about to handle the sunless and the windless time, and so  
22 they can sell gas to these people who needs gas. The more  
23 you use gas in the winter, the lower the electrical demand  
24 will be.

25           And they do have some places -- downtown

1 Sonoita, downtown Patagonia -- not big towns. But if they  
2 can get some more connections, I'm pushing for UNS Gas to  
3 be more aggressive in their service territory -- because  
4 this is all in their service territory -- in selling gas  
5 to the people in those two communities, because that will  
6 help reduce the demand on Sulphur Springs.

7 And also when we get UNS Electric working with  
8 Sulphur Springs -- if we can get that tie in south of  
9 Patagonia, I think that would also be very beneficial.

10 I think those are a couple of comments. I  
11 appreciate you guys coming here again.

12 I couldn't afford to intervene. It costs too  
13 much money. And this is really the only time you're going  
14 to see me, I think, on this case, unless Mr. Heyman wants  
15 me to come and talk to you. And I don't think he will.

16 Thank you, very much.

17 CHMN. MAYES: Marshall, before you go --

18 MR. McGRUDER: Yes, yes.

19 CHMN. MAYES: That does explain or answer one  
20 of my questions, which is, Where were you this time? But  
21 I understand.

22 MR. McGRUDER: It costs a couple thousand  
23 dollars just for me to intervene. And I -- I don't get  
24 paid. I don't want pay. But -- and I just decided that,  
25 Gee, I did a gas case a year ago -- and then I looked at

1 it and it's the same stuff. I said, Why do I want to  
2 write testimonies and surrebuttals and briefs? That's a  
3 lot of work, especially when I have no support.

4 And I've got to go to Tucson to get repos. I  
5 mean, it's really hard; it's lots of work.

6 CHMN. MAYES: Well, let me ask you this, you  
7 know, this issue of notice to the customers about the  
8 various DSM programs and CARES, especially, has come up in  
9 the hearing. And Cynthia Zwick has raised that as an  
10 issue, and -- and I asked the company, you know, what they  
11 would be willing to do or what the Commission should order  
12 them to do, quite frankly, in terms of increasing their  
13 advertising.

14 Do you think it's just a matter of increasing  
15 the amount of money that they spend on advertising?  
16 Changing the way they advertise CARES and the other  
17 programs? What -- if you could wave a magic wand on that  
18 issue, what would you do?

19 MR. McGRUDER: Okay. A couple years ago,  
20 before UNS Electric, we had a local manager. He was also  
21 president of the Chamber of Commerce for a year. He was  
22 in the community; he worked with the community; he was a  
23 part of the community. Right now, I've seen this guy  
24 three times since 2003.

25 CHMN. MAYES: Who was it then and who is it

1 now?

2 MR. McGRUDER: It was Ernesto Ojeda. And who  
3 is it now? I can't remember, I've got to look it up.

4 And the third time I saw him was because I had  
5 to go out and count telephone poles for a different case  
6 that had to do with a complaint I made against a company  
7 and we were out counting utility poles looking at how old  
8 they were.

9 But I'm a believer that working with the  
10 community house-to-house, door-to-door, in the community,  
11 living in the community, the hearts and minds are in the  
12 community, and they do need to have an active role in this  
13 city and in this county.

14 And I really recommend -- I think that's good  
15 for the utility company. I think it's good for them to --  
16 to be on the Chamber of Commerce and to go to the monthly  
17 meetings. And he can give a handout -- oh, here's the  
18 latest on our demand-side-management program. And who's  
19 he giving it to? All the Realtors. And the Realtors go,  
20 Oh, we have --

21 And there's one person who just left, I guess.  
22 But Dr. Varona, he's on Planning and Zoning. He will not  
23 let a subdivision get by without 10 percent of the houses  
24 to be ENERGY STAR houses. Every subdivision in this  
25 county, in the last year, has had to have 10 percent or

1 more of its houses ENERGY STAR.

2 Well, what does that do for a subdivision?

3 Maybe there's only 40 houses in a subdivision. That means  
4 four. What does that mean to a contractor? He has to  
5 get -- go through and make the process work for building  
6 four.

7 We had one guy said, I'm doing them all. We  
8 had another guy said, Elite -- one guy said, I'm doing  
9 Elite Silver and ENERGY STAR. Another guy said, I'm doing  
10 Energy -- Elite Silver -- Elite Gold, 82 houses. So  
11 that's all right. I'm all for that type of competition  
12 amongst these contractors, because that's where we make  
13 money -- make gains.

14 I've never seen -- we've had one discussion, to  
15 the best of my knowledge, since 2003, on demand side  
16 management to a Board of Supervisors. I believe we also  
17 gave that same discussion to the city council, which is  
18 fine.

19 I've done 25 discussions on demand side  
20 management to the -- to these people. They're tired of  
21 me. But -- and I'm not -- I'm not the person to see.

22 And how do you put a solar system in? I ran a  
23 solar expo -- had 150 people two years ago. Last fall,  
24 last spring we had one in Sonoita, 350 people.

25 I plan to have one in Rio Rico this fall, but

1 the problem is I've got to go to the high school now and  
2 get the gymnasium, because I can't put them in our little  
3 place in Tubac anymore, so -- and I've got a group of  
4 people wanting to put one in Nogales. We'll do another  
5 one in Nogales. And they want to go back to the  
6 fairgrounds, next spring, in Sonoita.

7 It just takes a little bit of stirring up the  
8 pot and getting out there. And when I did the first solar  
9 expo, there were three homes in this county that had  
10 photovoltaic -- that's not very many. As a matter of  
11 fact, I ordered one two years before, and I spent six  
12 months working with the contractor -- and I'll give you  
13 the name of the store -- it's Solar Store, a very  
14 reputable store in Tucson.

15 And after two -- after six months they were  
16 unable to make an agreement with the utility company to  
17 figure out how to plug it in. Because that was one of my  
18 demands, is I wanted to be plugged into the utility  
19 company, using standard IEEE or whatever it is. I wanted  
20 standard connection, so it's -- because standards are  
21 good. Standards have a benefit, and so I just wanted a  
22 standard.

23 And after six months I said, Send me back my  
24 50 percent down payment, we're not going to get there.  
25 Because they didn't know how to do it.

1           And so you've got to get going, you've got to  
2 get moving. And that's -- that's what I recommend.

3           And that -- this is -- the gas is -- I think if  
4 we do not have Phase 2 and 3, I think that's the first  
5 major hurdle. The difference between -- and they're  
6 really about the same, sort of, between the Staff and  
7 RUCO -- that's your decision, I can't make that. But  
8 frankly, I'd like to go to RUCO.

9           But they -- those hearings are still going on.  
10 They will determine the revenue. They've got some more  
11 filings to go. I know how this sort of works. And  
12 eventually whatever the revenue is turns out what they  
13 get.

14           I've looked very hard at how to change the  
15 structure of the rates, you know, using tiers. But the  
16 tiers aren't fair here. That's where we're going to hurt  
17 the people in Snowflake. And I'm -- and so now do I want  
18 to do a reverse tier instead of the regular tier? I don't  
19 know.

20           But I think that when you leave your home, and  
21 if you go for -- we have a lot of snowbirds, okay? A  
22 snowbird, when they leave, let's say, in April, to go back  
23 to Illinois and they come back in September or October,  
24 they have to pay that service charge the whole time  
25 they're gone.

1           And so what you're doing -- that's just free  
2 money for the company. You know, they're not buying any  
3 gas. It's just sitting there earning money. And if they  
4 disconnect and then reconnect when they come back, which  
5 some of them do, they have to pay the reconnect fee, which  
6 is another \$35, plus they have to pay all the in-arrears.

7           So I -- I'm not pushing for snowbirds. But  
8 that's why putting the service charge -- getting it too  
9 high, you will start hurting other people that you don't  
10 even think you're involving.

11           Those are my comments.

12           CHMN. MAYES: Thank you, Marshall.

13           Commissioner Kennedy?

14           COM. KENNEDY: Madam Chairman, thank you.

15           Mr. McGruder, first, let me say thank you for  
16 you timeless efforts that you put into all that you do to  
17 speak out for those who are not here tonight.

18           But you talked about or you mentioned SEAGO.  
19 And the acronym is new to me, so can you tell me what that  
20 means?

21           MR. McGRUDER: Southeast Arizona Government's  
22 Association.

23           COM. NEWMAN: Pretty good -- Organization.

24           MR. McGRUDER: Organization.

25           COM. NEWMAN: I used to be on the board of

1 directors.

2 MR. McGRUDER: Okay. I can't ask you  
3 questions, but I assume you would say that's the type of  
4 organization that does this stuff.

5 COM. NEWMAN: Yes. It's the regional  
6 organization that acts as a pass-through for many of the  
7 federal grants. And I used to be on the board. Nogales  
8 is represented and all the cities are represented in  
9 Southeastern Arizona, and it includes all the area in  
10 Greenlee, Cochise, and Santa Cruz Counties.

11 CHMN. MAYES: So it's like --

12 COM. NEWMAN: Yes.

13 MR. McGRUDER: Yeah. It's just like Cynthia  
14 Zwick. When Cynthia Zwick and I sat, we -- we could  
15 talk. Even though I wasn't from SEAGO, I can go and sit  
16 next to Cynthia Zwick. That's -- that was a good  
17 experience.

18 COM. KENNEDY: Thank you, so much.

19 MR. McGRUDER: Thank you, very much,  
20 Commissioner.

21 Any more questions?

22 CHMN. MAYES: No.

23 MR. McGRUDER: Okay, thank you.

24 CHMN. MAYES: Thank you, Marshall.

25 Mayor, did you want to say something else?

1           MAYOR GARCIA: Madam Chair, I just want to  
2     thank Mr. McGruder for his enthusiasm and his knowledge,  
3     because I think that he makes very valid points. And I  
4     think one of the most valid points that he made is he has  
5     put so much time into this project and he has dedicated a  
6     lot, a lot of work for free, if I may add. But  
7     nevertheless, he doesn't know who the representative of  
8     this particular company is here in our area. That really  
9     has to tell you something. I mean, he has dedicated so  
10    much work into this and he -- and he has proven to be so  
11    knowledgeable in this area, and yet, he does not know who  
12    represents us here at this particular company. I think  
13    that tells you something about the service.

14           Something that I also failed to mention, and  
15    that I would like to add, is that I will be presenting a  
16    resolution to the City Council to hopefully gain the  
17    support to unanimously oppose this initiative.

18           Thank you.

19           CHMN. MAYES: Thanks, Mayor. Appreciate those  
20    additional comments.

21           Rich Bohman? Rich?

22           MR. BOHMAN: Madam Chairwoman, Commissioners,  
23    my name is Rich Bohman. I'm from the Tubac area.

24           And I, too, as a ratepayer, am opposed to the  
25    proposal that UNS is putting forth on this gas rate

1 increase.

2           We are at a time right now -- they may say,  
3 Well, this is -- this is just a certain percentage  
4 increase on your gas. But if you look in the past, we had  
5 a fairly major rate increase on electrical last fall, I  
6 believe. Many communities throughout the county are  
7 currently looking at proposals for rate increases on their  
8 water, even though it's not the same utility company, and  
9 then cumulatively, when you add on this proposal for gas,  
10 it's tough. It's tough on working families, it's tough on  
11 fixed-income families. And that's why I'm opposed.

12           Now, having said that, a utility company  
13 deserves to make a fair profit. They can't operate in the  
14 red. And that's why we -- customers, like myself -- and I  
15 know there's some exceptions -- my good friend, Marshall  
16 McGruder, and this gentleman here, certainly can look into  
17 the case and probably figure out what that -- what that  
18 increase should be to get that company profitable versus  
19 being in the red.

20           But the rest of us have to rely on the good  
21 work that the ACC Staff does and the good work that the  
22 RUCO folks to look out on behalf of us, the customers.  
23 And having said that, I support their recommendation.

24           Obviously, as Marshall said, I like the RUCO  
25 one a little better, because it's a little lower. But I

1 think both of them seem to be fairly -- err in the  
2 ballpark to get away from that -- the proposal of changing  
3 every year on the rates. They just have one fixed rate,  
4 and I -- and I concur with that.

5 So having said that, I -- I definitely hope  
6 that you folks will look at their recommendations and --  
7 and find that UniSource Gas can -- can be profitable, but  
8 not with the huge markup they're asking for.

9 Thank you.

10 COM. NEWMAN: Thank you.

11 CHMN. MAYES: Thank you, Rich. Appreciate you  
12 coming out tonight --

13 MR. BOHMAN: Thank you.

14 CHMN. MAYES: -- and providing those comments.  
15 Nubar Hanessian? Sorry about that.

16 MR. HANESSIAN: Chairwoman, Commissioners, a  
17 lot has been said. And basically all of it is, I agree  
18 with. Just a couple of things I have seen.

19 Mr. McGruder, you know, when I called UniSource  
20 about two years ago or three years ago about ENERGY STAR  
21 refrigerators or ENERGY STAR furnaces, they don't have  
22 that program in Santa Cruz County. It's in Pima County,  
23 but not in Santa Cruz County.

24 A couple years back, they had, if you bought an  
25 ENERGY STAR refrigerator, you would -- you would take it

1 to the UniSource office or TEP, and they would go ahead  
2 and check on it and give you \$100 rebate. No such deal in  
3 Santa Cruz County.

4 Also on the CARE, if -- if these figures are  
5 correct, they should have 70 percent of Nogales on there.  
6 I mean, you know, they have a deal here, I mean you have  
7 to make over \$2,800 if it's a family of four. If you look  
8 at the state figures, basically, you know, 70 percent of  
9 Nogales is under those figures. I would love to see their  
10 data on it. I'm sure they don't have a hundred people in  
11 the whole city of Nogales that are getting it.

12 The city of Nogales also has a problem with  
13 it. I happen to be on the City Council also. We have a  
14 program called Nogales Ride, and again this will give  
15 anybody, senior citizens, whatever that is, a free ride  
16 anywhere in Nogales, and they will pick you up and deliver  
17 you. Again, very, very hard to let everybody know.

18 But here, unless they really add a very strong  
19 program, door-to-door, they can send all the mail they  
20 want, 90 percent of Nogales will just throw it in the  
21 garbage, right? And then they don't want to be bothered  
22 with it. They say, \$15 a month, they don't want to do  
23 it.

24 But there's a lot of people here that really  
25 could -- could use that money, especially right now. I

1 mean, if you look at Nogales, Sonora, the maquiladoras  
2 industry is cutting down, other industries cutting down.  
3 There is no tourism. I mean, the last tourism in Nogales  
4 was about two years ago -- for the American tourist,  
5 right. There are -- there is no more tourism.

6 COM. NEWMAN: Except for the Minutemen.

7 MR. HANESSIAN: Pardon?

8 COM. NEWMAN: Except for the Minutemen.

9 MR. HANESSIAN: But anyway, going to Nogales,  
10 Sonora, you need to have a passport. That, to a big  
11 extent, almost eliminated tourism.

12 Also on the office here in Nogales -- and I  
13 don't know if this has been brought up or not -- but if  
14 you use the drop box, if you go there and you use the drop  
15 box, it's going to take a week to ten days before your  
16 account gets credited, right? That -- some people came to  
17 me and they said that they received the calls that they  
18 were cutting off their -- their electricity and their gas,  
19 and they -- you know, they had taken their money to the  
20 drop box.

21 I went with them and we talked to UniSource and  
22 they said anything that goes into the drop box is picked  
23 up and shipped to wherever all their checks go. They send  
24 it out there. By the time they get it and by the time  
25 they receive it, they say you will not get credited

1 between -- it's a week to ten days.

2 Here -- people, here in Nogales, I mean,  
3 when -- when they're hurting, they -- they're going to pay  
4 their utility bill the day it's due, right? I mean, the  
5 people here aren't accustomed to saying, Well, let's send  
6 the money out, you know, 10 days in advance. Even if  
7 you're sending out the money to where they tell you to  
8 mail it, you have to mail it out 10 days in advance,  
9 right?

10 If you do hand-deliver it here, yes, they --  
11 you will get credit that day. And that's why most people  
12 do it. And if they don't get there and the lock -- and  
13 the drop box is there, they will drop it there.

14 And also, yes, Nogales is a cash community. I  
15 mean if you looked at Wal-Mart in Nogales, you will see  
16 the transactions, you know, 80 percent is cash.

17 I mean, I have -- I have a store here in  
18 Nogales. Again, I have to say 70 percent of my  
19 transactions are in cash. I mean, you can ask the  
20 government.

21 Nogales basically runs on cash. Why? The  
22 people just don't, you know, have never reacted to it. A  
23 very low percentage of people that receive their social  
24 security is direct deposit. You know, they want to look  
25 at the check. Most of these people go to the bank and

1 they don't have an account. They're willing to pay.

2 And I don't know what UniSource does. But I'm  
3 sure if you're going to be set up on your credit card, I'm  
4 sure there's a set-up fee, and I'm sure there's a charge  
5 for -- for them to charge your -- your credit card.

6 Again, most people in Nogales aren't into, or you're going  
7 to have a very small percentage.

8 I personally -- and I've been here all my  
9 life -- I personally go hand deliver my check to  
10 UniSource, right. Again, I just never got involved in --  
11 in sending the check to UniSource in, I think in -- where  
12 is it -- Arkansas, where you send the check to --

13 FEMALE SPEAKER: Prescott.

14 MR. HANESSIAN: Where? Oh, Prescott? Okay, if  
15 it's -- it might be another place. It could be Prescott.  
16 I don't know. But that's -- that's what it takes, right.  
17 I've never sent them one check. And I -- and I pay, like  
18 maybe, 10 different electrical bills and gas bills, but  
19 I -- it's never been sent there.

20 But again, you know, if you look at the state  
21 statistics, Nogales actually is up to, like, 14 percent  
22 unemployment. These things here, I mean, I can't believe  
23 this. I mean, 70 percent of Nogales should be in there.  
24 Of course, all these they want to send in the mail, the  
25 people will not react.

1           You know, I would also make the comment, here  
2   in Nogales, a lot of people, if you ask them, Would you  
3   like a nuclear reactor next to their house? they would  
4   say, All right. Really, really there's no reaction to  
5   it.

6           The same thing here, you know, unless somebody  
7   goes there and actually helps the people fill out the  
8   information -- and if they did an outreach program instead  
9   of, let's just say, paying Wal-Mart to pick up their money  
10   or McDonalds or whoever -- if they spent that kind of  
11   money in actually going out and getting people involved, I  
12   think it would be much, much better, and -- and again, it  
13   would -- it would really help the people in Nogales a  
14   lot.

15           Also I mean, today -- I don't know if you saw  
16   the stock market -- oil prices came down, natural gas came  
17   down -- everything. I mean, the oil was down to \$65 a  
18   barrel, right. Natural gas is down to, you know, the  
19   lowest -- the lowest it's been for the year,

20           So I mean, you know, instead of looking for an  
21   increase -- and it doesn't look like natural gas is going  
22   up soon, right, if anything it seems to be going lower. I  
23   mean, it was what, at least double a year ago, so -- so  
24   actually they -- they should be getting a lot of money  
25   just strictly on the way natural gas is going down, right.

1 CHMN. MAYES: Almost -- it was triple or  
2 quadruple a year ago.

3 MR. HANESSIAN: Yes. It was way, way up  
4 there -- way, way up there, right.

5 CHMN. MAYES: Yeah.

6 MR. HANESSIAN: And I mean, all -- all the --  
7 all the natural gas stock plummeted. El Paso was down  
8 today. All of them were down today, right.

9 So I mean, if -- if anything they should be  
10 quiet and not say anything and accept that the natural gas  
11 is going down in price.

12 But anyway, Chairwoman, Commissioners, thank  
13 you, very much.

14 CHMN. MAYES: Commissioner Newman?

15 COM. NEWMAN: Before you go, first of all, I  
16 haven't seen you since election time when you were  
17 running. Congratulations on your -- on your victory.  
18 Really cogent testimony, very, very good.

19 And we have a Commission -- we are simply in  
20 open session where we can actually discuss this a little  
21 bit. We're taking comment.

22 But what I -- one of the things I've noticed is  
23 that it's hard for the Commission to get the word out  
24 about things. We have a web site, but it's not very  
25 closely watched. It probably needs to be improved.

1           But your comments about CARE are very  
2 interesting to me, because if I do run an amendment, it  
3 could affect the case inordinately in Nogales.

4           But I -- I'm just struggling, trying to figure  
5 out what is the best way to get the word out for the  
6 Commission, with regard to low income assistance.

7           We -- you know, there is testimony about the  
8 low circulation in Nogales International, whatever, even  
9 though it is the only -- only outlet, or one of the few  
10 that -- I -- I guess you have community access television  
11 here or used to have.

12           MR. HANESSIAN: Yeah. But again, the people  
13 here, you know, you have to go out there. I mean, I  
14 remember one time, trying to get them to come out and  
15 vote, I -- I promised to pick them up at their house. I  
16 promised to do that. I mean, it was tough. I mean, I go  
17 there, I wait. You know, I'm chauffeuring them anywhere  
18 they want to go. And no reaction, right?

19           So I mean it takes somebody -- and there's some  
20 people here that go out there and actually get them to  
21 sign up to vote. And -- and the only way they can do it  
22 is they have to go there with the people, they have to  
23 stay there, they -- they're going to spend time with  
24 them. They've got to talk to them, and then finally after  
25 45 minutes, okay, they'll -- they'll go ahead and sign up

1 to -- so they can vote.

2 It's -- again, it's -- it's a program that here  
3 in Nogales, UniSource would really have to come up with a  
4 very, very strong outreach program, and again, if this is  
5 correct, match them up to the Arizona figures, you know,  
6 70 percent of Nogales should be on this program.

7 And again, other programs are not -- for  
8 whatever reason, Santa Cruz County is not involved in all  
9 the other programs.

10 COM. NEWMAN: Well, it's -- it's hard. I mean,  
11 I used to serve on the board of SEAGO, and they do have  
12 something to do with this. I also was on the board of  
13 Southeastern Arizona Community Action Program, which is  
14 really the program set up to educate people on this. And  
15 it was -- you know, it was a problem for them.

16 MR. HANESSIAN: Right.

17 COM. NEWMAN: Their funds are cut. It's  
18 difficult. They're serving four counties. Don't have,  
19 you know, a lot of people working.

20 But it's true that -- that it is -- that it is  
21 something that perhaps the Commission could look at some  
22 outreach with some of the SEAGO organizations to help get  
23 the word out, because they are technically in charge.  
24 These community action programs are all over the state,  
25 and they're in charge of communicating, but I know for a

1 fact that they have a hard time doing it.

2 MR. HANESSIAN: Um-hmm.

3 COM. NEWMAN: And I know -- I know Nogales.

4 And -- and your testimony about cash is very interesting  
5 as well, that -- that it's a cash economy, and the closing  
6 of the office. I mean, you really brought home that the  
7 closing of the office would be -- would be very  
8 punitive --

9 MR. HANESSIAN: Yes, very, very.

10 COM. NEWMAN: -- in terms of people having to  
11 pay extra rates for past due.

12 And then -- and then your testimony regarding  
13 the -- the 10 days that you mailed in the thing and it  
14 would get to the company and it would be -- that reminds  
15 me of some of the reform that's going on in Congress right  
16 now, with regard to interest rates and -- credit card  
17 interest rates.

18 I mean, there is some way -- we need to have  
19 some way to coordinate so the company's not picking up  
20 extra charges just because nobody knows that you have to  
21 pay your bill ten days ahead of time. You know, that's --  
22 that's also another consumer issue.

23 I see RUCO taking some notes -- I think. But  
24 it's sort of a residential consumer issue.

25 But it's just a little -- it was very

1 thought-provoking.

2 MR. HANESSIAN: Also, just to mention, before  
3 you leave, go over to Wal-Mart. You'll be shocked, but  
4 all you see is cash. I mean, can you imagine Wal-Mart  
5 saying, We're not going to take any more cash? You know,  
6 it makes no sense.

7 I mean, I -- I know of nobody here in Nogales  
8 that's -- that's -- I think one Circle K, maybe ten years  
9 ago, was robbed. But other than that, I've never heard of  
10 a citizen utility being -- you know, there's too many  
11 people around. There's too many big bodies around. I  
12 mean, who is going to go rob citizens? I mean, there's --  
13 or you know, UniSource. It doesn't make any -- any sense,  
14 right.

15 COM. NEWMAN: I mean, my -- my comment on -- on  
16 the -- the theft and the reason to close down the store,  
17 I -- I laughed when I first heard it. But, you know, I  
18 used to be the county supervisor over in Cochise County.  
19 And our treasurer, for good reason, when we were  
20 collecting a boatload of money in taxes, you know, and the  
21 folks, I mean, they were a bit concerned about  
22 transporting huge amounts of money. And it had never been  
23 done before, you know, that they would have security  
24 helping them transport this money. I could understand  
25 that.

1           But -- but for -- for the monthly payments of  
2 folks in this community, it's -- you know, it does not  
3 make any sense.

4           MR. HANESSIAN: Right.

5           COM. NEWMAN: Thank you.

6           CHMN. MAYES: Now, before you go, I want to --  
7 just want to tell you I appreciate your comments about the  
8 price of gas. And it's actually been an issue in the  
9 hearings.

10           In fact, the price of gas has plummeted so low  
11 that UniSource, in their adjuster mechanism, is now  
12 actually overcollecting from their customers. And I asked  
13 them several questions in the hearing about, you know,  
14 what those overcollection amounts were going to be.

15           Right now, I think they're about -- they're  
16 approaching \$7 million overcollected from all of their  
17 customers. They'll be 10 -- they'll hit \$10 million  
18 overcollected, by the time the Commission votes on this  
19 matter.

20           And one of the questions I asked was, Why  
21 shouldn't we immediately credit that back to consumers?  
22 Why are we waiting until November or December when we --  
23 or maybe January? I don't know when we are supposed to  
24 vote on this matter. Should we call an emergency meeting  
25 to credit that back, because it will go back to consumers

1 in January when we vote on this matter.

2 But I can tell you one thing, when these  
3 utilities are undercollected, they're real quick to come  
4 in and ask for a surcharge.

5 MR. HANESSIAN: Correct.

6 CHMN. MAYES: And you know, I think the  
7 Commissioners need to decide whether we want to order this  
8 company to come in and credit that back.

9 Now, the flip side of that is, you know, maybe  
10 we should wait -- the question, Should we wait until this  
11 winter when it might, you know, help offset any -- if the  
12 Commission were to adopt a rate -- a rate increase of any  
13 kind -- even the small one that RUCO is proposing or the  
14 one that Staff is proposing -- should we wait to credit  
15 that back and that offsets it a little in the wintertime?

16 But I don't know. I mean, to me it seems like  
17 people are hurting pretty badly right now, and when a  
18 company is overcollected, they ought to be just as quick.

19 MR. HANESSIAN: This is the time they need it,  
20 right.

21 CHMN. MAYES: Yeah.

22 MR. HANESSIAN: Hopefully in two years it won't  
23 be the same.

24 COM. NEWMAN: Well, there's a converse to the  
25 argument, which is -- which is there's limited natural

1 resource. At some point, they reach a critical peak, that  
2 are -- do get -- will go up at a certain point. And so,  
3 you know, we have to find that fine balance. And it's  
4 extraordinary how those -- those prices are going. And I  
5 mean, there's -- there's lots of drilling going on in the  
6 United States. But there will come a time when natural  
7 gas prices will not be this low.

8 I actually don't quite understand that economy,  
9 if I did --

10 MR. HANESSIAN: There's supposedly a lot of  
11 natural gas. They were saying if we were really on  
12 natural gas, we could eliminate 50 percent of our oil that  
13 we're importing. And that's why they want almost  
14 everything on natural gas. And every day they find more.  
15 Now they're saying that in Russia, there's so much natural  
16 gas that, I mean, it could last you the next two million  
17 years with natural gas.

18 COM. NEWMAN: It's one reason I found  
19 Mr. McGruder's testimony about Sulphur Springs today -- he  
20 was talking about how they're trying to work with  
21 UniSource, the TEP side, the electric side, to build a  
22 \$13 million line down to Santa Cruz County.

23 And the other -- the other head of UniSource --  
24 and I imagine Mr. Bonavia was a very fine man, he's the  
25 new CEO, you know, he -- that was a very fine suggestion,

1 that perhaps we should be sending more natural gas to  
2 Santa Cruz County, and reducing electric rates.

3 We also really want to promote solar. And I'm  
4 going to have some questions about solar water -- the  
5 water heaters as well and what we could do in this  
6 community.

7 But anyway the whole thing is really  
8 fascinating. And -- and I actually -- I didn't know -- we  
9 were so busy today, I didn't even read the paper or catch  
10 the news. So that's very interesting that the rates have  
11 gone down.

12 MR. HANESSIAN: If we could find out what --  
13 how many people -- the percentage of people is going to  
14 be, but I don't think they've got 100 people in this  
15 program, where they could have --

16 CHMN. MAYES: We'll ask them.

17 MR. HANESSIAN: -- you know, 4,000 people.

18 CHMN. MAYES: That's a lot.

19 MR. HANESSIAN: Thank you.

20 COM. NEWMAN: Thank you, so much, Councilman.

21 CHMN. MAYES: Thank you, Councilman.

22 All right. I don't have anyone else signed  
23 up to speak. Would anyone else like to speak before we  
24 adjourn for the evening? No?

25 Okay. Seeing none, then we will go

1 ahead -- no one else?

2 Okay. I want to thank everyone for being  
3 here.

4 Commissioner Kennedy or Newman, did you  
5 want to say any closing remarks?

6 Thank you all, so much, and for being so  
7 patient with us, while we were making our way here. We  
8 appreciate your comments.

9 As always, it's -- you know, it's been  
10 important for us to get out of Phoenix and come to the  
11 place where these decisions we're making are -- are being  
12 felt.

13 And we've heard a lot of new information  
14 and valuable information. And I particularly value -- I  
15 mean everything that was said was interesting -- but I  
16 particularly am interested in what the mayor and others  
17 have said about the offices and the closure issue. But  
18 also the -- the impact of -- of these proposed rate  
19 increases on -- on the community.

20 So thanks again, and we're adjourned.

21 (Proceedings concluded at 7:34 p.m.)

22

23

24

25

1 STATE OF ARIZONA )  
2 ) ss.  
3 COUNTY OF MARICOPA )

4 I, KATHERINE A. McNALLY, do hereby certify that  
5 the foregoing printed pages constitute a full and accurate  
6 transcription of the proceedings had in the foregoing  
7 matter, all done to the best of my skill and ability.

8 DATED at Phoenix, Arizona, this 23rd day of  
9 August, 2009.



10 KATHERINE A. McNALLY  
11 Reporter  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

# Speaker Slips

✓ RICH BOHMAN - TUBAC  
✓ NUBAR HANESSIAN - NOGALES

✓ OCTAVIO GARCIA - VOW BOSTON @ @ @ @ @  
✓ FLAVIO GONZALEZ CITY OF NOGALES  
✓ MARSHALL MARGRITEN DUBAI UNCG CUSTOMER