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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- BOB STUMP, Chairman**
- GARY PIERCE**
- BRENDA BURNS**
- SUSAN BITTER SMITH**
- BOB BURNS**

IN THE MATTER OF THE APPLICATION OF)
 TUCSON ELECTRIC POWER COMPANY)
 FOR THE ESTABLISHMENT OF JUST AND)
 REASONABLE RATES AND CHARGES)
 DESIGNED TO REALIZE A REASONABLE)
 RATE OF RETURN ON THE FAIR VALUE OF)
 ITS OPERATIONS THROUGHOUT THE)
 STATE OF ARIZONA.)

DOCKET NO. E-01933A-12-0291

**NOTICE OF FILING OF
SOUTHERN ARIZONA WATER
USERS ASSOCIATION**

Southern Arizona Water Users Association hereby provides notice of filing of the prepared Direct Testimony of Richard L. Darnall in support of the Settlement Agreement in the above-captioned and above-docketed proceeding.

Dated this 14th day of February 2013.

Respectfully submitted,

Lawrence V. Robertson, Jr.
Attorney for Southern Arizona Water Users Association

The original and thirteen (13) copies of the foregoing will be filed the 15th day of February 2013 with:

Docket Control Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

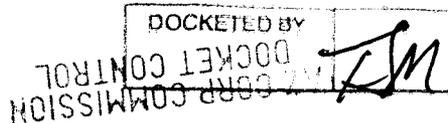
A copy of the same served by e-mail or First class mail that same date to:

All Parties of Record

Arizona Corporation Commission

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Prepared Direct Testimony
Of
Richard L. Darnall
For
Southern Arizona Water Users Association
In
Support of Settlement Agreement

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**Prepared Direct Testimony
Of
Richard L. Darnall
For
Southern Arizona Water Users Association
In Support of Settlement Agreement**

INTRODUCTION

Q.1 Please state your name and business address.

A.1 My name is Richard L. Darnall and my business address in 4645 South Lakeshore Drive, Tempe, Arizona, 85282.

Q.2 Are you same Richard L. Darnall whose prepared Direct Testimony in this case was filed on behalf of the Southern Arizona Water Users Association (“SAWUA”) on January 11, 2013?

A.2 Yes, I am.

Q.3 You stated in your prepared Direct Testimony that SAWUA’s participation in this case would be limited to the review and analysis of allocated cost of service and rate design issues and the presentation of proposals that SAWUA deemed to be appropriate for its members, is that correct?

A.3 Yes.

Q.4 Since the filing of your prepared Direct Testimony, TEP, ACC Staff and the interveners participated in several meetings to discuss a possible settlement of this case. Did you personally participate in the discussions related to cost allocation and rate design?

A.4 Yes.

1 **Q.5 The ACC Staff filed on February 4, 2013 a document called the “Rate Case**
2 **Settlement Agreement” (“Settlement Agreement”) that among other matters**
3 **addresses the proposed rates and tariffs provisions that are designed to settle**
4 **this case. Have you had an opportunity to review the rate design portions of**
5 **the Settlement Agreement and the portions of Attachment “J” to the**
6 **Settlement Agreement which would affect SAWUA’s members?**

7 A.5 Yes, I have.

8
9 **Q.6 Has SAWUA signed the Settlement Agreement?**

10 A.6 Yes. More specifically, on February 4, 2013, SAWUA’s President, Chris E. Ward,
11 executed a signatory page on behalf of SAWUA. However, that signature page
12 was not released for filing with the Settlement Agreement until SAWUA’s Board
13 of Directors could meet and receive an explanation as to how the proposed
14 Settlement Agreement and related rate design proposals would address and provide
15 for the interests of SAWUA’s members, which I had discussed at pages 3-4 of my
16 prepared Direct Testimony. A meeting of SAWUA’s Board of Directors for that
17 specific purpose was held in Tucson, Arizona on February 6, 2013. At that time,
18 SAWUA’s Board of Directors voted to support the Settlement Agreement and to
19 ratify Mr. Ward’s February 4, 2013 execution of a signature page to be attached to
20 the Settlement Agreement. In that regard, it is my understanding that the signature
21 page executed by Mr. Ward was subsequently transmitted by SAWUA’s attorney
22 in this proceeding to the Commission’s Docket Control for filing, and that copies
23 of the same were served on all parties of record.

24
25 **Q.7 Were you in attendance at the February 6, 2013 meeting of SAWUA’s Board**
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of Directors?

A.7 Yes. I participated by speaker phone. During the meeting, SAWUA’s attorney of record and I each discussed the proposed new Rate Schedule GS-43, which is the one of interest to SAWUA’s members; and, he and I responded to questions from the Board of Directors as they considered whether or not to support and sign the Settlement Agreement.

Q.8 Were you in attendance throughout the Board of Directors meeting, including when they voted to support the Settlement Agreement and ratify SAWUA’s President’s previous execution of a signature page?

A.8 Yes, I was.

Q.9 Please describe how proposed Rate Schedule GS-43 addresses and provides for the interests of SAWUA’s various members.

A.9 As a result of the settlement which was negotiated, TEP’s previously proposed new Rate Schedule GS-43 has been modified in several important ways from SAWUA’s perspective to create the now proposed Rate Schedule GS-43, which is included in Attachment “J” to the Settlement Agreement.

The first two (2) changes appear in the “Availability” section, where the second and third paragraphs have been added. For ease of understanding, the proposed new “Availability” section is set forth below, and the two paragraphs which have been added appear in italicized font.

**“Water Pumping Service (GS-43)
AVAILABILITY**

Available for service to the City of Tucson Water Utility and private water Companies where the facilities of

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the Company are of adequate capacity and are adjacent to the premises.

Available for interruptible service agricultural pumping customers throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

The service points being billed under the PS-43 and GS-31 rate classes as of the effective date of this tariff, but do not meet the above criteria, will be allowed to stay on this rate as long as they meet all other requirements specified in the tariff.”

Q.10 Why are these two new paragraphs important to SAWUA’s members and their respective interests?

A.10 As I discussed in my January 11, 2013 prepared Direct Testimony, SAWUA’s members in the aggregate comprise several different types of entities which purchase electricity from TEP for several different water pumping purposes. As may be noted from the “Availability” section of the proposed tariff quoted above, the first paragraph (which also appears in TEP’s existing Rate Schedule PS-43) makes the proposed new Rate Schedule GS-43 available to “the City of Tucson Water Utility and private water Companies.” But, it is silent as to municipal systems which currently purchase electricity from TEP for water pumping purposes under the Company’s existing Rate Schedule PS-43, which will cease to exist if the now proposed new Rate Schedule GS-43 is approved.

However, these existing municipal water pumping entities are provided for in the language of the second new paragraph (or the third physical paragraph) under the “Availability” section quoted above. That is because they satisfy the “service points being billed under the PS-43 and GS-31 rate classes as of the effective date of this tariff, but do not meet the above criteria” language. In that regard, “the above criteria” language there being referred to is the first paragraph in

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the "Availability" section, which has been carried forward from TEP's existing Rate Schedule PS-43.

The other paragraph addition which is important to SAWUA's members is the first new (or the second physical) paragraph which appears in the "Availability" section of the Rate Schedule GS-43 tariff quoted above. This paragraph provides for those members of SAWUA who purchase electricity from TEP on an interruptible basis for agricultural pumping.

Each of these two new paragraphs under the "Availability" section of the now proposed Rate Schedule GS-43, and the understanding of the role and intended purpose of each which I have described above, was crucial to the decision of SAWUA's Board of Directors to support and sign the Settlement Agreement.

Q.11 You previously mentioned another change to the now proposed language of Rate Schedule GS-43 which also was important to SAWUA's members. What is the nature of that change and where does it appear?

A.11 That change is in the form of a new sentence which has been added to the "Applicability" section of the now proposed Rate Schedule GS-43. That section is set forth below. The new sentence is indicated with italicized font.

"APPLICABILITY

Applicable for service to booster stations and wells used for domestic water supply. *For Interruptible service this is applicable to separately metered interruptible agricultural water pumping service for irrigation-purposes of the Customer only.* Not applicable to resale, breakdown, temporary, standby, or auxiliary service."

This language is important to those of SAWUA's members who purchase electricity from TEP on an interruptible basis for their own agricultural pumping

1 purposes. It confirms that they will be able to continue to do so under Rate
2 Schedule GS-43.

3 Additionally I would point out that the first sentence of the "Availability"
4 section is carried forward from TEP's current Rate Schedule PS-43, and it
5 compliments and confirms the intent of the second new (or third physical)
6 paragraph under the "Applicability" section which I discussed above, as the same
7 pertains to SAWUA's municipal water pumping members.
8

9 **Q.12 In your original testimony filed on January 11, 2013, you referred to three**
10 **TEP rate schedules under which SAWUA members were currently**
11 **purchasing electricity for water pumping purposes: GS-31, PS-43 and PS-45.**
12 **There are also a number of references in TEP's July 2, 2012 Application to**
13 **Rate Schedule PS-45. In that regard, on page 47 of Craig A. Jones testimony**
14 **on behalf of Tucson Electric Power Company, filed on July 2, 2012, the**
15 **following question and answer appear:**

16
17 **"Q. There are three Water Pumping Rates [i.e. GS-31, PS-43**
18 **and PS-45]. What changes are being proposed for these rates?**

19 **A. The Company is proposing that all water pumping rates be**
20 **rolled into a single rate schedule. For the water pumping**
21 **customer that prefers to stay on the interruptible option, the**
22 **Company is proposing to create a separate PPFAC rate to**
23 **reflect a discounted fuel cost. This will afford those customers**
24 **some benefit in the event an interruption is necessary to prevent**
25 **the Company from having to make a peak period purchase**
26 **which would otherwise result in higher system fuel costs."**

23 **However, there is no reference to Rate Schedule PS-45 in the Settlement**
24 **Agreement or Attachment "J" to the Settlement Agreement.**

25 **Is it SAWUA's and your understanding that while there are nominally**
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three rate schedules that are proposed to be “rolled into” the now proposed Rate Schedule GS-43, there are in fact only two currently published tariffs (GS-31 and PS-43) that would be eliminated in the process?

A.12 Yes. It is our understanding that the PS-45 rate schedule refers to the interruptible rate schedule portion within the current Rate Schedule PS-43 tariff. It does not represent a separate and distinct tariff at this time; and, there would not be any occasion to refer to PS-45 hereafter, if the now proposed Rate Schedule GS-43 is approved by the Commission.

Q.13 Is it further SAWUA’s and your understanding that those who are currently purchasing electricity under the interruptible rate schedule portion of Rate Schedule PS-43 would be eligible for service under the interruptible service portion of the now proposed Rate Schedule GS-43, and under the new tariff language in the “Availability” section in the now proposed Rate Schedule GS-43, as discussed above?

A.13 Yes, and SAWUA’s support for the Settlement Agreement and Rate Schedule GS-43, as set forth in Attachment “J,” is also based on this understanding.

Q.13 Does this conclude your Direct Testimony in support of the Settlement Agreement which has been filed in this case?

A.13 Yes, it does.