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BEFORE THE ARIZONA CORPORATION



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COMMISSIONERS
BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
SUSAN BITTER SMITH
BOB BURNS

Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF)
TUCSON ELECTRIC POWER COMPANY) DOCKET NO. E-01933A-12-0291
FOR THE ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES) **SOUTHERN ARIZONA WATER**
DESIGNED TO REALIZE A REASONABLE) **USERS ASSOCIATION'S**
RATE OF RETURN ON THE FAIR VALUE OF) **POST-HEARING INITIAL BRIEF**
ITS OPERATIONS THROUGHOUT THE)
STATE OF ARIZONA.)

Pursuant to Administrative Law Judge Jane L. Rodda's oral directive during the March 4, 2013 Pre-Hearing Conference in the above-captioned and above-docketed proceeding ("Instant Proceeding"), the Southern Arizona Water Users Association ("SAWUA") hereby submits its Post-Hearing Initial Brief in the Instant Proceeding.

I.
DESCRIPTION OF SAWUA
AND ITS INTERESTS IN INSTANT PROCEEDING

SAWUA is a nonprofit corporation under the laws of the State of Arizona, and was incorporated in 1999 for the promotion of common business interests of its members, pursuant to Section 501(c)(6) of the Internal Revenue Code. The rates that SAWUA's members pay for electricity is an example of such a common business interest, and thus SAWUA decided to participate as an Intervenor in the Instant Proceeding. As indicated in its October 25, 2012 Application for Leave to Intervene, electric rates represent a significant operating expense for SAWUA's members in connection with their respective operations.¹

SAWUA's current members are as follows: Avra Water Co-Op, BKW Farms,

¹ In that regard, as also indicated in its October 25, 2012 Application for Leave to Intervene, SAWUA's members in the aggregate provide services to several hundred thousand customer connections, who ultimately are impacted by increases in operating expenses which are reflected in SAWUA members' rates.

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1 proposed new Rate Schedule GS-43, as modified through the settlement discussions in the
2 Instant Proceeding, satisfactorily addresses the interests of SAWUA's members and thus
3 warrants their support:²

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

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

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

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

18 Available for service to the City of
19 Tucson Water Utility and private water
20 Companies where the facilities of the Company
21 are of adequate capacity and are adjacent to the
22 premises.

23 *Available for interruptible service
24 agricultural pumping customers throughout the
25 entire area where the facilities of the Company
26 are of adequate capacity and are adjacent to
27 the premises.*

28 *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?**

² In his January 11, 2013 prepared Direct Testimony, Mr. Darnall stated that as a result of his review of TEP’s schedules “G” and “H,” as revised, he had concluded that the same provided “a fair allocation of costs to the Municipal and Irrigation Pumping class of customers, and that TEP’s proposed rate design will allow TEP to recover an appropriate level of revenues with respect to that class of customers.” [See Exhibit SAWUA-2, page 3, line 23-page 4, line 3]

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

13 However, these existing municipal water pumping entities are
14 provided for in the language of the second new paragraph (or the
15 third physical paragraph) under the "Availability" section quoted
16 above. That is because they satisfy the "service points being billed
17 under the PS-43 and GS-31 rate classes as of the effective date of
18 this tariff, but do not meet the above criteria" language. In that
19 regard, "the above criteria" language there being referred to is the
20 first paragraph in the "Availability" section, which has been carried
21 forward from TEP's existing Rate Schedule PS-43.

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

28 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.

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

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

37 "APPLICABILITY

38 Applicable for service to booster stations
and wells used for domestic water supply. *For*

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

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

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

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

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

However, there is no reference to Rate Schedule PS-45 in the Settlement Agreement or Attachment “J” to the Settlement Agreement.

Is it SAWUA’s and your understanding that while there

1 are nominally three rate schedules that are proposed to be
2 “rolled into” the now proposed Rate Schedule GS-43, there are
3 in fact only two currently published tariffs (GS-31 and PS-43)
4 that would be eliminated in the process?

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

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

18 A.13 Yes, and SAWUA’s support for the Settlement Agreement and Rate
19 Schedule GS-43, as set forth in Attachment “J,” is also based on this
20 understanding.”³

21 In connection with the foregoing discussion of TEP’s proposed new Rate Schedule GS-
22 43, SAWUA believes that the correctness of its interpretation of the same is confirmed by the
23 fact that no other party in the Instant Proceeding (including TEP) filed prepared testimony on
24 March 1, 2013 questioning or challenging the completeness and accuracy of SAWUA’s
25 aforesaid understanding.

26 Thus, from both (i) a cost allocation and rate design perspective, and (ii) an
27 “Availability” and “Applicability” perspective, SAWUA and its members concluded that TEP’s
28 proposed new Rate Schedule GS-43 and Article XV (Rate Design) of the Settlement Agreement
warranted SAWUA’s support. ⁴ Accordingly, on February 6, 2013, SAWUA’s Board of
Directors ratified SAWUA’s President’s February 4, 2013 execution of the Settlement

³ See Exhibit SAWUA-2, page 3, line 14-page 7, line 18.

⁴ In that regard, as Mr. Darnall indicated during his testimony at the evidentiary hearing on March 7, 2013, but for the above-described language additions made to proposed Rate Schedule GS-43, as a result of the settlement discussions, he probably would have had to recommend to SAWUA’s Board of Directors that SAWUA not support and sign the Settlement Agreement, because of uncertainty as to the status of some of SAWUA’s members in relation to that Rate Schedule. See Tr. 375, l. 10 – Tr. 376, l. 10.

1 Agreement on behalf of SAWUA.
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4 **III.**
5 **DISCUSSION OF GENERAL REASONS**
6 **WHY SAWUA SUPPORTS SETTLEMENT AGREEMENT**

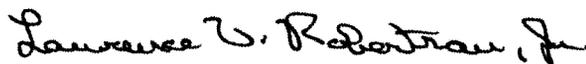
7 In addition to the reasons specific to SAWUA and its members discussed in Section II
8 above, SAWUA also supports the Settlement Agreement for several general reasons, which
9 SAWUA believes are applicable to all parties of record in the Instant Proceeding. These reasons
10 include (i) Sections 1.3, 1.4 and 1.5 as set forth in Article I (Recitals), (ii) Sections 21.4 and 21.5
11 of Article XXI (Commission Evaluation of Proposed Settlement) and (iii) Sections 22.1 through
12 22.6 of Article XXII (Miscellaneous Provisions). Further, and subject to Commission adoption
13 of the Settlement Agreement without "material change," the Settlement Agreement allows for a
14 timely conclusion of the Instant Proceeding without protracted litigation and the added
15 consumption of time and costs attendant thereto.

16 **IV.**
17 **CONCLUSION**

18 Accordingly, and pursuant to Section 1.6 of the Settlement Agreement, SAWUA
19 respectfully requests the Commission (1) to find that the terms and conditions of the Settlement
20 Agreement are just and reasonable and in the public interest, along with any and all other
21 necessary or appropriate findings, and (2) to approve the Settlement Agreement such that it and
22 the rates contained therein may become effective on July 1, 2013.

23 Dated this 21st day of March 2013.

24 Respectfully submitted,

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27 Chadwick, PLC
28 Attorney for Southern Arizona Water Users
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The original and thirteen (13) copies
of the foregoing will be filed this 21st
day of March 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