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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

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

2013 MAY - 7 A 8:15

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
DIXIE-ESCALANTE RURAL ELECTRIC
ASSOCIATION, INC. FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS PROPERTY AND FOR AN ORDER
SETTING JUST AND REASONABLE RATES.

DOCKET NO. E-02044A-12-0419

**STAFF'S NOTICE OF FILING RATE
DESIGN AND COST OF SERVICE DIRECT
TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Rate Design and Cost of Service Direct Testimony of Patrick Lowe in the above-referenced docket.

RESPECTFULLY SUBMITTED this 7th day of May 2013.

Brian E. Smith
Attorney, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
7th day of May 2013 with:

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

Arizona Corporation Commission
DOCKETED

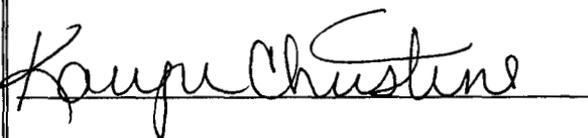
MAY 7 2013

DOCKETED BY

1 Copy of the foregoing mailed this
7th day of May 2013 to:

2 John V. Wallace
3 GCSECA
2210 South Priest Drive
4 Tempe, Arizona 85282

5 LaDel Laub
Dixie Escalante Rural Electric
6 Association
71 East Highway 56
7 Beryl, Utah 84714

8
9 A handwritten signature in cursive script, appearing to read "Kaye Christine", is written over a horizontal line. The signature is positioned between line numbers 8 and 9.

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP

Chairman

GARY PIERCE

Commissioner

BRENDA BURNS

Commissioner

BOB BURNS

Commissioner

SUSAN BITTER SMITH

Commissioner

IN THE MATTER OF THE APPLICATION OF)
DIXIE ESCALANTE RURAL ELECTRIC)
ASSOCIATION, INC. FOR A)
DETERMINATION OF THE FAIR VALUE)
OF ITS PROPERTY AND FOR AN ORDER)
SETTING JUST AND REASONABLE RATES)
_____)

DOCKET NO. E-02044A-12-0419

DIRECT

RATE DESIGN

TESTIMONY

OF

PATRICK LOWE

PUBLIC UTILITIES ANALYST I

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MAY 7, 2013

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**EXECUTIVE SUMMARY
DIXIE ESCALANTE RURAL
ELECTRIC ASSOCIATION, INC.
DOCKET NO. E-02044A-12-0419**

My testimony in this proceeding addresses the issue of rate design and service charges for Dixie Escalante Rural Electric Association, Inc.

1 **INTRODUCTION**

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

3 A. My name is Patrick Lowe. I am a Public Utilities Analyst employed by the Arizona
4 Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”).
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Briefly describe your responsibilities as a Public Utilities Analyst.**

8 A. In my capacity as a Public Utilities Analyst I review and analyze utility applications filed
9 with the Commission, and prepare memoranda and proposed orders for Open Meetings. I
10 also assist in the management of rate cases.

11
12 **Q. Please describe your educational background and professional experience.**

13 A. In 2011, I graduated magna cum laude from Arizona State University, receiving a
14 Bachelor of Science degree in Finance. My course of studies included classes in corporate
15 finance, accounting, economics and supply chain management.

16
17 **Q. What is the scope of your testimony in this case?**

18 A. In this Direct Testimony I will address rate design and service fees with respect to Dixie
19 Escalante Rural Electric Association, Inc.’s (“Dixie” or “Company”) electric sales.

20
21 **RATE DESIGN**

22 **Q. Has Staff prepared a schedule showing the existing rates and Staff’s recommended
23 rates?**

24 A. Yes. Schedule PML-1 shows existing rates and Staff’s recommended rates which are the
25 same as those proposed by Dixie. Staff has also prepared Schedule PML-2 which shows
26 the impact of the rate increase proposed by Dixie and Staff.

1 **Q. Are there any significant differences between the existing rate structure and the**
2 **proposed rate structure?**

3 A. Yes. Dixie has proposed the elimination of its Interruptible Irrigation and General Service
4 rates. Dixie is also recommending that the customer charge be increased for many of its
5 customer classes (refer to PML-2).

6
7 **Q. Does Staff concur with this proposal?**

8 A. Yes. Dixie does not have the automated equipment in place to facilitate the interruption of
9 irrigation customers and the cost to upgrade the equipment would be excessive for the one
10 customer that is currently on this rate. The General Service rate serves little purpose for
11 Dixie as it currently has Small and Large Commercial Customer classes; the one customer
12 that is currently on this rate would see a rate decrease were it moved to the Small
13 Commercial rate.

14
15 In regard to the increased customer charges, many of Dixie's distribution-related costs are
16 fixed. Using fixed charges to collect fixed costs helps to alleviate cash flow shortages and
17 surpluses that result from a rate design that is heavily weighted toward a kWh charge.

18
19 **Q. Please describe Staff's proposed rate design and its effect on Dixie's customer classes.**

20 A. The proposed rate design results in Residential, Small Commercial and Irrigation class
21 revenues increasing by approximately 10 percent which is approximately the same as the
22 overall increase in revenues. The Large Commercial class ends up with an increase of less
23 than 10 percent (6.77 percent) and Street/Area Lighting rates remained the same from the
24 test year. The Off-Peak rate class would receive a decrease of approximately -23.48
25 percent (refer to PML-1). The rate design results from Dixie's board policy to keep
26 Arizona and Utah rates the same.

1 **SERVICE CHARGES**

2 **Q. Is Dixie Proposing changes to its service charges?**

3 A. Yes. Dixie is proposing several new service charges as well as increases to existing
4 fees/charges.

5

DESCRIPTION	PRESENT FEE/CHARGE	PROPOSED FEE/CHARGE	STAFF PROPOSAL
Connect Fee	\$20	\$30	\$30
After Hours Connect Fee	\$50	\$75	\$75
Disconnect Fee	\$20	\$30	\$0
Meter Testing	\$20	\$60	\$60
Meter Reread	\$20	\$30	\$30
Tampering*	\$0	\$200	\$200 or COST
Landlord Rollover Fee	\$0	\$10	\$10
Trip Charge	\$0	\$20	\$20
Insufficient Funds Check	\$15	\$25	\$25
Late Charge	1.5% per month	1.5% per month	1.5% per month
Interest on Customer Deposits	6%	6%	6%

6
7 **Q. Please discuss the charge for the Connect Fee and After Hours Connect Fee.**

8 A. Dixie is proposing to increase their current Connect Fee from \$20 to \$30 and the After
9 Hours Connect Fee from \$50 to \$75. Dixie states that these service fees need to be
10 increased to reflect the increased cost (labor, materials, overheads, etc.) of providing these
11 services. If the Customer requires reconnection after the regular working hours of the
12 Cooperative, the charge will be \$75.00 in addition to the \$30.00 reconnection charge. The
13 current charges have been in place since 1989, and Staff believes the proposed increase to
14 the Connect Fee is reasonable. However, Staff views the After Hours Connect Fee as
15 excessive when compared to other electric utilities in Arizona. Staff recommends that the
16 company only be allowed to charge the afterhour's connection fee and not the standard

1 connect fee when a customer requires reconnection after the regular working hours of the
2 Company.

3
4 **Q. Why is Staff proposing to discontinue Dixie's Disconnect Fee?**

5 A. Dixie's current disconnect fee was put in place during its last rate case in 1989 and to
6 Staff's knowledge, Dixie is the only utility in Arizona currently charging this fee. Staff
7 does not believe that customers should be charged a fee for disconnecting their service, as
8 there is little to no cost associated with doing so. However, when a customer is
9 disconnected for non-payment, a trip charge would still apply.

10
11 **Q. Should Dixie's revenue requirement be adjusted in light of this proposed change?**

12 A. No. The impact of this proposed revision to Dixie is *de minimis* and does not require an
13 adjustment to Dixie's revenue requirement.

14
15 **Q. Please discuss the proposed changes to the Meter Testing and Meter Reread charges.**

16 A. Dixie is proposing to increase its Meter Testing charge from \$20 to \$60 and the Meter
17 Reread charge from \$20 to \$30. The Meter Testing charge will only apply when a meter
18 test is less than 2 percent in error and the meter has been tested more than once during a
19 12-month period. Staff believes the proposed charges are reasonable based on the service
20 being provided for these particular situations.

21
22 **Q. Please discuss the proposed Tampering Fee.**

23 A. Dixie is proposing a Tampering Fee which would require a customer that has been
24 disconnected for meter tampering to pay a \$200 fee plus any estimated usage before
25 service is restored. Staff believes the proposed fee is reasonable but that the customer

1 should be responsible for all of the damages that they have caused. Staff recommends that
2 this fee be \$200 or the cost of the damage plus estimated usage, whichever is greater.
3

4 **Q. Please discuss the proposed Landlord Rollover Fee.**

5 A. The Landlord Rollover Fee would apply when a landlord has a renter move out but the
6 power needs to stay in the landlord's name. This fee is much less than the regular connect
7 fee, and Staff believes the proposed fee is reasonable based on the service being provided
8 for this particular situation.
9

10 **Q. Please discuss the proposed Trip Charge.**

11 A. The Trip Charge would be applied when a customer is subject to disconnection for lack of
12 payment, the service order has been processed, and a meter technician has been
13 dispatched. Staff believes the proposed fee is reasonable.
14

15 **Q. Please discuss the Insufficient Funds ("NSF") Check Charge and the Late Charge.**

16 A. Dixie is proposing to increase the NSF Check charge from \$10 to \$25. A \$25 charge for
17 NSF Checks is the approximate standard among Arizona utilities and is reasonable. Dixie
18 proposes to maintain the late charge at its current level of 1.5 percent per month. Staff
19 views these charges as reasonable.
20

21 **Q. What is Staff's recommendation regarding Dixie's interest rate on customer
22 deposits?**

23 A. Staff recommends that the interest rate on customer deposits remain at 6 percent.
24

25 **Q. Does this conclude your Direct Rate Design Testimony?**

26 A. Yes, it does.

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT & PROPOSED RATES

CUSTOMER CLASS	TEST YEAR	STAFF AND	% INCREASE	DOLLAR INCREASE
	ENDED 12/31/11	COMPANY		
	PRESENT	PROPOSED		
	RATES	RATES		
RESIDENTIAL:				
Customer Charge	\$8.00	\$14.00		
First 1500 kWh	\$0.0535	\$0.0520		
Additional kWh	\$0.0425	\$0.0520		
Total Revenue	\$1,370,675.16	\$1,520,282.06	10.91%	\$149,606.90
SMALL COMMERCIAL:				
Customer Charge	\$15.00	\$20.00		
First 1500 kWh	\$0.0510	\$0.0470		
Additional kWh	\$0.0390	\$0.0470		
First 20 kW	\$0.00	\$0.00		
Additional kW	\$8.40	\$9.00		
Total Revenue	\$254,608.13	\$279,054.95	9.60%	\$24,446.82
LARGE COMMERCIAL:				
Customer Charge	\$30.00	\$40.00		
All kWh	\$0.0220	\$0.0220		
All kW	\$8.00	\$9.00		
Total Revenue	\$178,803.04	\$190,911.04	6.77%	\$12,108.00
IRRIGATION:				
Customer Charge	\$30.00	\$40.00		
0 to 134 kWh per kW	\$0.0737	\$0.0811		
Over 134 kWh per kW	\$0.0374	\$0.0411		
Total Revenue	\$71,451.08	\$79,413.71	11.14%	\$7,962.63
INTERRUPTABLE IRRIGATION:*				
Customer Charge	\$30.00	\$0.00		
0 to 134 kWh per kW	\$0.0648	\$0.0000		
Over 134 kWh per kW	\$0.0350	\$0.0000		
Total Revenue	\$1,563.14	\$1,870.85	19.69%	\$307.71
OFF PEAK:				
Customer Charge	\$0.00	\$40.00		
Monthly Minimum	\$120.00	\$0.00		
All kWh	\$0.0216	\$0.0220		
All Off-Peak kW	\$3.60	\$4.00		
All other kW	\$30.00	\$30.00		
Total Revenue	\$1,805.76	\$1,381.84	-23.48%	-\$423.92

ELECTRIC RATE COMPONENTS - REVENUES AT PRESENT & PROPOSED RATES

CUSTOMER CLASS	TEST YEAR	STAFF AND	% INCREASE	DOLLAR INCREASE
	ENDED 12/31/11	COMPANY		
	PRESENT	PROPOSED		
	RATES	RATES		
GENERAL SERVICE**:				
First 1000 kWh (Flat Fee)	\$36.00	\$0.0000		
Additional kWh	\$0.0300	\$0.0000		
All kW	\$12.00	\$0.0000		
Total Revenue	\$3,765.15	\$3,082.92	-18.12%	-\$682.23
STREET/AREA LIGHTING:				
Street/Area Lighting (Per Light)	\$12.00	\$12.00		
State Highway Lighting	\$14.88	\$14.88		
Total Revenue	\$18,082.40	\$18,000.00	-0.46%	-\$82.40

*This rate will be eliminated - the proposed amount shown is the amount of revenue generated with these customers included in the Irrigation rate.

**This rate will be eliminated - the proposed amount shown is the amount of revenue generated with these customers included in the Small Commercial rate.

	\$1,900,753.86	\$2,093,997.38	10.17%	\$193,243.53
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TYPICAL BILL ANALYSIS

PML-2

RESIDENTIAL:

KWH	PRESENT	PROPOSED	\$ INCREASE	% INCREASE
60	11.21	17.12	\$5.91	52.72%
100	13.35	19.20	\$5.85	43.82%
200	18.70	24.40	\$5.70	30.48%
500	34.75	40.00	\$5.25	15.11%
775	49.46	54.30	\$4.84	9.78%
1000	61.50	66.00	\$4.50	7.32%
1500	88.25	92.00	\$3.75	4.25%
2000	109.50	118.00	\$8.50	7.76%
2500	130.75	144.00	\$13.25	10.13%
3000	152.00	170.00	\$18.00	11.84%
4000	194.50	222.00	\$27.50	14.14%
5000	237.00	274.00	\$37.00	15.61%

SMALL COMMERCIAL:

KW	KWH	PRESENT	PROPOSED	\$ INCREASE	% INCREASE
< 20	500	40.50	43.50	\$3.00	7.41%
< 20	750	53.25	55.25	\$2.00	3.76%
< 20	1000	66.00	67.00	\$1.00	1.52%
< 20	1250	78.75	78.75	\$0.00	0.00%
< 20	1500	91.50	90.50	-\$1.00	-1.09%
< 20	2000	111.00	114.00	\$3.00	2.70%
< 20	2500	130.50	137.50	\$7.00	5.36%
< 20	2750	140.25	149.25	\$9.00	6.42%
< 20	3000	150.00	161.00	\$11.00	7.33%
< 20	3250	159.75	172.75	\$13.00	8.14%
< 20	3500	169.50	184.50	\$15.00	8.85%
< 20	3750	179.25	196.25	\$17.00	9.48%
21.00	4000.00	197.40	217.00	\$19.60	9.93%
22.00	4250.00	215.55	237.75	\$22.20	10.30%
23.00	4750.00	243.45	270.25	\$26.80	11.01%
24.00	5000.00	261.60	291.00	\$29.40	11.24%

LARGE COMMERCIAL:

KW	KWH	PRESENT	PROPOSED	\$ INCREASE	% INCREASE
10	2000	110.00	130.00	\$20.00	18.18%
16	3161	156.44	182.25	\$25.81	16.50%
20	4000	190.00	220.00	\$30.00	15.79%
25	5000	230.00	265.00	\$35.00	15.22%
50	10000	430.00	490.00	\$60.00	13.95%
75	15000	630.00	715.00	\$85.00	13.49%
100	20000	830.00	940.00	\$110.00	13.25%
125	25000	1030.00	1165.00	\$135.00	13.11%
150	30000	1230.00	1390.00	\$160.00	13.01%
175	35000	1430.00	1615.00	\$185.00	12.94%
200	40000	1630.00	1840.00	\$210.00	12.88%
225	45000	1830.00	2065.00	\$235.00	12.84%
250	50000	2030.00	2290.00	\$260.00	12.81%
500	100000	4030.00	4540.00	\$510.00	12.66%
931	186120	7474.80	8415.40	\$940.60	12.58%
1250	250000	10030.00	11290.00	\$1,260.00	12.56%

TYPICAL BILL ANALYSIS

PML-2

IRRIGATION:

KW	KWH	PRESENT	PROPOSED	\$ INCREASE	% INCREASE
20.00	10000.00	501.28	558.20	\$56.92	11.35%
30.00	15000.00	736.93	817.30	\$80.37	10.91%
40.00	20000.00	972.57	1076.40	\$103.83	10.68%
50.00	25000.00	1208.21	1335.50	\$127.29	10.54%
60.00	30000.00	1443.85	1594.60	\$150.75	10.44%
70.00	35000.00	1679.49	1853.70	\$174.21	10.37%
80.00	40000.00	1915.14	2112.80	\$197.66	10.32%
90.00	45000.00	2150.78	2371.90	\$221.12	10.28%
100.00	50000.00	2386.42	2631.00	\$244.58	10.25%
120.00	60000.00	2857.70	3149.20	\$291.50	10.20%
140.00	70000.00	3328.99	3667.40	\$338.41	10.17%
160.00	80000.00	3800.27	4185.60	\$385.33	10.14%
180.00	90000.00	4271.56	4703.80	\$432.24	10.12%
200.00	100000.00	4742.84	5222.00	\$479.16	10.10%
250.00	125000.00	5921.05	6517.50	\$596.45	10.07%
300.00	150000.00	7099.26	7813.00	\$713.74	10.05%

OFF-PEAK:

KW	KWH	PRESENT	PROPOSED	\$ INCREASE	% INCREASE
3	500	129.00	61.00	-\$68.00	-52.71%
5	1000	138.00	82.00	-\$56.00	-40.58%
8	1500	147.00	103.00	-\$44.00	-29.93%
10	2000	156.00	124.00	-\$32.00	-20.51%
13	2500	165.00	145.00	-\$20.00	-12.12%
25	5000	210.00	250.00	\$40.00	19.05%
50	10000	396.00	460.00	\$64.00	16.16%
75	15000	594.00	670.00	\$76.00	12.79%
100	20000	792.00	880.00	\$88.00	11.11%
150	30000	1188.00	1300.00	\$112.00	9.43%
200	40000	1584.00	1720.00	\$136.00	8.59%
250	50000	1980.00	2140.00	\$160.00	8.08%
375	75000	2970.00	3190.00	\$220.00	7.41%
500	100000	3960.00	4240.00	\$280.00	7.07%