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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP – Chairman
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AZ CORP COMMISSION
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IN THE MATTER OF THE REORGANIZATION
OF UNS CORPORATION.

DOCKET NO. E-04230A-14-0011
DOCKET NO. E-01933A-14-0011

**NOTICE OF FILING
OF TESTIMONY OF
SHANE DILLE**

Notice is hereby provided that the City of Nogales is submitting the Testimony of its City
Manager, Shane Dille.

Respectfully submitted on this 30th day of April, 2014 to all parties,

NOGALES CITY ATTORNEY'S OFFICE

By _____

Arizona Corporation Commission
DOCKETED

MAY 01 2014

MICHAEL J. MASSEE
Deputy City Attorney
777 N. GRAND AVENUE
NOGALES, AZ 85621
(520) 287-6571

mmassee@nogalesaz.gov

Attorneys for Intervenor City of Nogales

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ARIZONA CORP. COMM
400 W CONGRESS STE 218 TUCSON AZ 85704

1 Original and 13 copies of the foregoing
2 filed this 30th day of April, 2014 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered/
8 mailed this 30th day of April, 2014 to:

9 Jane L. Rodda
10 Administrative Law Judge
11 Hearing Division
12 Arizona Corporation Commission
13 400 West Congress
14 Tucson, Arizona 85701

15 Steve Olea
16 Director, Utilities Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007
20
21
22
23
24
25
26
27
28

1 Copy electronically delivered this
2 30th day of April, 2014 to:

3 Michael Patten
4 mpatten@rdp-law.com

5 Brian E. Smith
6 Bridget A. Humphrey
7 Legal Division
8 Arizona Corporation Commission
9 1200 West Washington Street
10 Phoenix, Arizona 85007
11 besmith@azcc.gov

12 Daniel W. Pozefsky
13 Chief Counsel
14 Residential Utility Consumer Office
15 1110 West Washington Street, Suite 220
16 Phoenix, Arizona 85007
17 dpozefsky@azruco.gov

18 C. Webb Crockett
19 Patrick Black
20 Fennemore Craig PC
21 2394 E. Camelback Road, Suite 600
22 Phoenix, Arizona 85016
23 Attorneys for Freeport McMoran and AECC
24 wrockett@fclaw.com

25 Lawrence V. Robertson Jr.
26 P.O. Box 1448
27 Tubac, Arizona 85646
28 Attorneys for Noble Americas Energy Solutions LLC
tubaclawyer@aol.com

TESTIMONY OF SHANE DILLE

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

3 A. My name is Shane Dille and I am the City Manager for Intervenor City of Nogales.
4 I have held this position since April, 2010. My business address is Nogales City Hall, 777 N.
5 Grand Avenue, Nogales, AZ 85621.
6

7 Q. Please state the interest of the City of Nogales in this Arizona Corporation
8 Commission administrative matter.

9 A. The City's interest in this matter is to make sure that UNS Energy and its affiliates,
10 and especially the re-organized entity should the Commission approve the pending applications,
11 do not lose sight of their obligations under Order No. 62011 entered in Docket No. E-01032A-
12 99-0401 that a second electrical transmission line to Nogales be built. The original deadline for
13 this second line to be constructed was 2003, but due to line-siting difficulties, the Commission
14 has to date refrained from assessing daily fines. Nevertheless, the basic requirement remains
15 that a second line, for redundancy and reliability purposes, be constructed as soon as feasible.
16

17 Q. What would you like the Commission to do regarding the required second
18 transmission line?
19

20 A. Any merger should be conditioned on Fortis, Inc. and/or the reorganized entity
21 proving to the satisfaction of the Commission that it has the financial resources to construct the
22 second transmission line ordered more than ten years ago.

23 Q. Does the City have any other concerns about the proposed merger?
24

25 A. Yes. There are currently a number of service-related issues that are yet unresolved
26 between the City and UNS Energy. First is UNS Energy's failure to comply with the terms of
27 the franchise agreement that it was granted by the City in 2004 by reason of its refusal to
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1 maintain a customer service office in Nogales. This has resulted in a sizable number of its
2 customers in Nogales who do not have checking accounts having to pay bill-collection fees to
3 either Wal-Mart or other retail establishments in Nogales. From information made available to
4 us, these establishments charge the customer from \$2 to \$4 per monthly UNS bill for processing
5 the payment.
6

7 Second is the matter of UNS Electric's stated policy to the effect that it disclaims any
8 responsibility for the maintenance of underground electrical utility lines. These underground
9 lines in Nogales typically were built by residential developers and have been the means for
10 distribution of electrical power in various neighborhoods in Nogales for more than fifteen years.
11 Nevertheless, UNS Electric has taken the position that when a street light that is served by
12 underground power lines has a power failure, prior to repairing the service outage the City must
13 be willing to pay for the repair to the underground line. Its representative has expressly stated
14 that UNS Electric, the sole service provider in Nogales, is not responsible for any underground
15 power lines anywhere in the city.
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18 Third is the issue of the quality and reliability of electrical power in and around Nogales.
19 The City has had to replace two water pumps in Kino Springs at a cost of over \$15,000 each
20 because the pumps burned out due to one of the phases in the electrical power provided by UNS
21 Electric being faulty or non-existent. The Commission therefore should review UNS Energy's
22 commitment to providing quality electrical power to Nogales and its surrounding areas.
23 Reliability has been an issue for more than a decade, and prompted the City to file a complaint
24 with the Commission in 1999. While UNS Electric has made some upgrades, notably replacing
25 utility poles, by no means has it completely resolved this issue and more remains to be done.
26
27
28 More power poles need to be replaced, a second transmission line needs to be built, and power

1 outages need to be reduced. During the summer storm season, when Nogales, Arizona is in the
2 dark, our sister city in Mexico remains lit. Simply achieving the reliability of Mexican
3 electrical power would be a noted improvement.
4

5 Fourth is the serious situation in Nogales of insufficient natural gas supplies. Lack of
6 adequate natural gas supplies has been a long-standing problem for the residents of Nogales and
7 surrounding communities. In designing the upgrades to the Nogales International Wastewater
8 Treatment Plant over ten years ago, the City had to incorporate more costly and dirtier diesel
9 back-up generators because of the seriously constricted natural gas supplies in the region. The
10 situation has not improved since then. Further, Nogales is one of only two non-attainment areas
11 in Arizona, and the lack adequate supplies of clean-burning natural gas has meant that local
12 industry, such as the NIWWTP, must forego using this cleaner energy in favor of more reliable
13 sources.
14

15 Fifth is the general unsightliness and lack of aesthetic landscaping at UNS Electric's
16 Valencia substation in Nogales. This is located in an important commercial center of the city,
17 right across the street from Wal-Mart and next to a couple of car dealerships. Wal-Mart has
18 invested substantial sums to repair a sewer and repave the street and one of the car dealerships
19 has invested in upgrading and enlarging its building. The overall aesthetic effects of these
20 projects are unnecessarily limited by the continued bleak appearance of this plant. UNS
21 Electric, with a modest budget, could invest in a screening fence, enhanced as appropriate by
22 native vegetation, to vastly improve this corner.
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25 Sixth is another aesthetic issue: for many of those utility poles that UNS Electric has
26 replaced in Nogales, it has kept the older pole located side-by-side with the new pole, with other
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1 utilities still using the older pole. The overall effect is a ramshackle appearance that completely
2 undermines the City's efforts at aesthetic street enhancement. The old poles should be
3 completely removed, with the other cables placed on the new poles.
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5 Q. What action would you like the Commission to take in this matter with respect to the
6 concerns of the City of Nogales?

7 A. The Commission should approve the merger only upon a showing that the resulting
8 entity intends to continue with UNS Energy's slow but steady efforts to improve safe,
9 reasonable and adequate electrical and gas power supplies to Nogales and its surrounding areas.
10 At a minimum, the resulting entity should acknowledge that it intends to fully comply with all
11 of the commitments and obligations that currently bind UNS Energy and its affiliates. An
12 important question is whether the new entity will commit additional capital funds to improve
13 the reliability and quality of electric and natural gas service to the local area.
14

15 In particular, Fortis, Inc. should acknowledge that as part of its acquisition of UNS
16 Energy, it must move forward expeditiously, demonstrating concrete plans with realistic
17 timelines, for the construction for the second electrical transmission line to Nogales. Extensive
18 discussion of the characteristics of such a line was made in Docket No. E-01032A-99-0401,
19 especially by intervenor Marshall Magruder, a systems engineer who has devoted enormous
20 time and energy toward making a second transmission line that meets the needs of the rate-
21 payers a reality.
22

23 The Commission should also condition the merger on a meaningful demonstration by
24 the resulting entity to increasing natural gas supplies, not only because such supplies are
25 urgently needed, but also because natural gas is a much cleaner fuel than the alternatives
26 currently being used.
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1 Finally, the resulting entity must show a stronger commitment to serving the needs of its
2 residential customers in Nogales, many of whom operate solely in the cash economy. In
3 negotiating franchise agreements with UNS Electric and UNS Gas in 2004, the City quite
4 deliberately sought to advocate for these residential rate-payers by insisting that UNS Energy
5 maintain a customer service office in Nogales. The new entity must show that it is willing and
6 able to comply with this term of the franchise agreements.
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Shane Dille, Nogales City Manager

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