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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ARIZONA CORP COMMISSION
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IN THE MATTER OF THE
REORGANIZATION OF UNS ENERGY
CORPORATION.

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

CLOSING BRIEF

The Residential Utility Consumer Office (“RUCO”) hereby files its Closing Brief in the above matter. RUCO supports the proposed acquisition as set forth in the Settlement Agreement (“Settlement”, or “Agreement”). The Settlement was the result of a collaborative process which all parties had a full and fair opportunity to be involved and resulted in an Agreement that is fair, balanced and in the public interest.

RUCO has seen the Closing Brief of the Company and joins in the Company’s positions. RUCO further agrees with the Company’s legal arguments including the A.A.C. Rule 14-2-803(C)(3) argument and has nothing further to add. The balance of this Brief will explain in a little more detail the aspects of the Settlement that were of the most importance to RUCO.

What discussion would be complete without looking at the terms of the Settlement which provide benefits to the residential consumer?

- Ratepayer credits totaling \$30 million over 5 years (Condition 1)

- 1 • Within 60 days of closing FORTIS will infuse \$220 million of equity into UNS
2 (Condition 2) which among other things will improve the utilities' equity ratio.
- 3 • FORTIS is a much larger Company than UNS Energy which when acquired, should
4 result in greater access by the utility to the financial markets as well as cheaper debt
5 and equity. The ratepayers should see lower rates overall as a result.
- 6 • Any tax benefits realized from the sale and buy back of treated coal will be passed
7 onto the TEP ratepayers through the PPFAC (Condition 3)
- 8 • All future Rate Cases filed through 2020 shall show that the proposed rate increases
9 are lower than they would have been absent the acquisition (Condition 4)
- 10 • Several provisions about not seeking recovery from the ratepayers of a variety of
11 costs associated with the acquisition (Conditions 5 thru 11,13)
- 12 • Several provisions to improve UNS' capital structure and credit quality (Conditions
13 16 thru 25)
- 14 • The Company will maintain or improve service quality (Conditions 28 thru 30)
- 15 • Commitment to maintain Corporate governance in Tucson, Arizona (Conditions 39
16 thru 42)¹

17 While this is a big merger, the above are serious benefits to the ratepayer. For example,
18 the one provision which will require the Company to show that future rate cases through 2020
19 would result in lower rates than in the absence of the merger, is better than the status quo.
20 Other benefits include a substantially superior financial situation that will result in lower rates to
21 ratepayers. The utility will have access to greater financial resources and credit which should
22

23 _____
24 ¹ For ease of reference, all exhibits will be identified by exhibit number and all transcript references will be
identified by page number in the transcript. RUCO-1 at 5-6.

1 result in cheaper interest which will net lower rates. Service quality will remain at the very least
2 at the present level and is likely to improve.

3 Moreover, the Company will maintain a local presence through the structure of TEP's
4 current management and employees. RUCO believes that this is an important aspect of the
5 Agreement.

6 The Agreement satisfies the public interest from RUCO's perspective in that it provides
7 favorable terms and key protections for residential consumers as defined above. Taken
8 together the Settlement's conditions adequately mitigate the risk identified in the testimonies of
9 Ralph Smith and Lon Huber. The Agreement also satisfies the public interest by providing a fair
10 and balanced approach in supporting the acquisition of UNS by FORTIS and allowing the
11 Company the opportunity to be successful. Further, the acquisition will not impair the utilities
12 financial position, but rather enhance it. RUCO 1 at 6-7.

13 RESPECTFULLY SUBMITTED this 9th day of July, 2014.

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15 

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18 AN ORIGINAL AND THIRTEEN COPIES
19 of the foregoing filed this 9th day
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