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BEFORE THE ARIZONA CORPORATION

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

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
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IN THE MATTER OF THE COMMISSION'S
INQUIRY INTO CONSIDERATION OF
DEVELOPING PROCEDURES FOR RATE
CASES OR OTHER UTILITY SPECIFIC
APPLICATION PROCESSES IN ORDER TO
STUDY AND CONSIDER RATE DESIGN
OPTIONS FOR ELECTRIC AND GAS PUBLIC
SERVICE CORPORATIONS.

DOCKET NO. AU-00000C-14-0329

STAFF'S NOTICE OF FILING

ORIGINAL

Recently, there have been suggestions that an extended rate design proceeding may be necessary in order to update and substantially modify the rate structures of certain electric and gas utilities. Discussion has centered on whether potential rate design changes should be examined in a generic proceeding or whether they should be examined in specific utility rate cases.

At the September Open Meeting, the Commission directed Staff to suggest a procedure whereby rate design issues could be considered at the *beginning* of a utility's rate case. The attached outline provides a sample process that might be used to accomplish that objective.

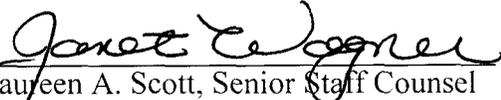
The suggested process is intended to be optional. If a utility were to elect to file a rate application under the sample process set forth herein, the utility would need to file a request for procedural order at (or shortly following) the initiation of its case. Staff and other interested parties would then have an opportunity to respond to the utility's request. The Hearing Division would evaluate the parties' suggestions and then decide on a procedural schedule. In other words, the procedural order for the case would need to specifically address the incorporation of this alternative process.

Staff expects that stakeholders will have extensive comments about this filing. Staff asks that interested parties file their comments by October 20, 2014, which is roughly twenty days from the date of this filing. Comments should include specific details and/or specific alternative processes.

1 As of this filing, there is no established service list for this docket. Stakeholders who file
2 comments by October 20, 2014, will automatically be included on the service list. Stakeholders who
3 do not file comments by October 20, 2014, but who wish to be included on the service list should file
4 a specific request to that effect. All filings should include appropriate contact information, including
5 e-mail addresses.

6 RESPECTFULLY SUBMITTED this 29th day of September 2014.

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**STAFF SAMPLE PROCESS
FOR
RATE DESIGN ISSUES
RELATED TO
ELECTRIC AND GAS UTILITIES GENERAL RATE CASE APPLICATIONS
DOCKET NO. AU-00000C-14-0329**

Staff believes the easiest way to describe this Sample process is to use a hypothetical example. Assume ACME Electric Company ("ACME" or "Company") plans to file a rate case on June 1, 2016, using a test year ending December 31, 2015. ACME could use the following process to have its substantial rate design changes discussed outside of the timeclock limitations, thereby providing a better chance for its rate case to be completed within the Commission's timeclock requirements, *i.e.*, no timeclock tolling or extensions:

1. Approximately 8 to 9 months (September or October of 2015) before filing its rate case application, ACME would docket a pre-filing with the Commission.
2. ACME shall notify Staff and RUCO of its plan to use this optional rate design pre-filing process at least 90 days prior to its pre-filing.
3. The pre-filing shall contain all the information and schedules to be filed in its June 1, 2016 filing, including all pro-forma adjustments.
4. The schedules in the pre-filing shall contain actual numbers through June 30, 2015.
5. The schedules in the pre-filing shall contain projected numbers for July 1 through December 31, 2015.
6. The pre-filing shall contain a full cost of service study as required by Commission rules.
7. The pre-filing shall contain all the rate design changes ACME will be requesting in its rate case to be filed June 1, 2016, including any new proposed adjustors/surcharges and any modifications to existing adjustors/surcharges.
8. The pre-filing shall contain ACME's testimony explaining in detail its reasons for requesting the substantial rate design changes.
9. ACME's pre-filing testimony shall contain a detailed discussion and table showing the bill impacts to the average and median use customers for both summer and winter for all customer classes due to both the revenue increase and the proposed rate design changes, including all adjustors. These bill impacts shall be provided for a revenue increase of 100%, 75%, 50%, 25% and 0% of ACME's requested revenue increase.
10. The docket number assigned to the pre-filing shall be the docket number under which ACME's June 1, 2016 rate case application will be filed.
11. The timeclock for ACME's June 1, 2016 rate application shall not begin until June 1, 2016 (*i.e.*, sufficiency period for rate case begins June 1, 2016).

12. Within 20 days of ACME'S docketing of its pre-filing, the Hearing Division shall set the timeframe for interested parties to intervene in this docket and shall also require ACME to provide notice to all customers and interested parties of ACME's intended rate increase and rate design changes.
13. Within 30 days of setting the timeframe for intervention, the Hearing Division shall schedule a procedural conference to discuss and set up a schedule for:
 - a. Technical conferences for parties to discuss ACME's proposed rate design.
 - b. Date for parties to file a document listing all rate design issues/concepts on which parties (any or all) agree.
 - c. Date for parties to file testimony on all rate design issues/concepts on which they do not agree.
 - d. Date for parties to file testimony on any other rate design issues/concepts not proposed or discussed by ACME in its pre-filing.
 - e. Date(s) for hearing to present rate design issues/concepts on which parties agree and/or disagree.
14. Hearing Division shall set up the above schedule such that the Commission can vote on a Recommended Opinion and Order ("ROO") on the rate design at the Commission's Regular Open Meeting in June 2016 (during the rate case sufficiency period). Alternatively the Hearing Division shall take the rate design issues under advisement and shall issue a single ROO that addresses all rate case issues within the timeframe that would be applicable to the revenue requirements phase of the proceeding.
15. For purposes of discussion only, the revenue requirement contained in ACME's pre-filing will be used for all rate design technical conferences and testimony.
16. No decision will be made by the Commission on the appropriateness of ACME's rate base, expenses, or rate of return, *i.e.*, revenue requirement, until after ACME files its full rate case on June 1, 2016. In other words, ACME's revenue requirement shall be decided as is typically done.
17. Any decision issued by the Commission on the rate design issues shall not be construed as a decision on any portion of the revenue requirement questions.
18. ACME's June 1, 2016 rate case filing shall contain all actual numbers for the 2015 test year, *i.e.*, no projected numbers.
19. ACME's June 1, 2016 rate case filing shall not have a revenue increase that is more than one (1) percent higher than that contained in its pre-filing.
20. Because this process may substantially increase rate case expense, the Company shall agree to forego recovery of any rate case expense that is associated with this new process.