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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

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IN THE MATTER OF THE APPLICATION)
OF UNS ELECTRIC, INC. FOR THE)
ESTABLISHMENT OF JUST AND)
REASONABLE RATES AND CHARGES)
DESIGNED TO REALIZE A REASONABLE)
RATE OF RETURN ON THE FAIR VALUE)
OF THE PROPERTIES OF UNS ELECTRIC,)
INC. DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF)
ARIZONA, AND FOR RELATED)
APPROVALS.)

DOCKET NO.E-04204A-15-0142

TESTIMONY OF CYNTHIA ZWICK ON BEHALF OF
THE ARIZONA COMMUNITY ACTION
ASSOCIATION

Arizona Corporation Commission
DOCKETED

NOV 05 2015

DOCKETED BY

Enclosed please find the testimony of Cynthia Zwick on behalf of the Arizona Community Action Association in the matter of Unisource Electric, Inc.'s rate case.

RESPECTFULLY submitted this 5th day of November, 2015

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1 **Q. Please state your name and business address.**

2 A. My name is Cynthia Zwick. My business address is 2700 N 3rd St., Ste. 3040, Phoenix, AZ
3 85004.

4 **Q. What is your position at the Arizona Community Action Association?**

5 A. I serve as the Executive Director of Arizona Community Action Association (ACAA). I've
6 served in this position for over twelve years.

7 **Q. Please describe your background and work experience.**

8 A. ACAA is a non-profit organization that advocates on behalf of Community Action Agencies and
9 the low-income community throughout Arizona. ACAA works with community partners
10 throughout the State to: educate the community about issues related to poverty, improve public
11 policy, and ensure low-income families have access to the tools needed to become and sustain
12 self-sufficiency.
13

14 **Q. What is the purpose of your testimony today?**

15 A. The purpose of my testimony is to request that the Arizona Corporation Commission consider the
16 low-income customers of UNS Electric Inc. (UNSE) in this rate case. Specifically, with regard to
17 this filing, I request that you:
18

- 19 • Hold harmless low-income CARES customers from the modifications in UNSE's
20 deposit rules;
- 21 • Maintain the length of a deferred payment plan as six months; do not decrease it to
22 three months;
- 23 • Set a goal of increased participation in the CARES rate schedule of 50%;
- 24 • Modify the Termination Notice Requirement to contain the contact information for
25 local Bill Assistance and Weatherization agencies;
- 26 • Offer a current limiter as an alternative to disconnection for low-income customers;
27 and
28

- Provide the agencies that distribute Warm Spirit Assistance with a 10% Program Delivery Fee.

Q. In what ways are low-income utility customers uniquely challenged?

Low-income customers face a number of challenges not present in the larger community. Specifically, low-income customers experience a higher energy burden than the average population. The energy burden, defined as a measure of energy costs divided by total income, measures the strain that utility bills put on a household budget. Typically, the energy burden is about 3% for the average population. For Arizonans in poverty, their energy burden is 14%. That's roughly one in every seven dollars coming in the home going out again to provide the basic heat and light the family needs to be safe and secure. For Arizonans in deep poverty, the numbers are even more dire. The energy burden for households with income less than 50% of the Federal Poverty Guideline is 19%. That's nearly one in every five dollars of income going right out the door to keep the lights on. The burden is slightly more severe in Mohave County, and even greater in Santa Cruz County.¹

Many such customers seek assistance through programs such as the federal Low-Income Home Energy Assistance Program (LIHEAP). A survey of LIHEAP recipients found that nearly 90 percent of recipient households have at least one vulnerable member—defined as someone who is age 60 or older, age 18 or younger, or disabled— for whom a loss of heat in the winter or cooling in the summer could have serious health and safety implications. As many as 37 percent went without medical or dental care, and 34 percent did not fill a prescription or took less than their full dose of prescribed medication. Twenty-three percent of LIHEAP recipients kept their homes at temperatures they felt were unsafe or unhealthy, and 21% of the recipients left home for part of the day to save energy and avoid an unaffordable energy bill. Many LIHEAP recipients had difficulty paying for housing, in part because of their energy burden. Almost one-third did not

¹ Home Energy Affordability Gap, http://www.homeenergyaffordabilitygap.com/03a_affordabilityData.html

1 make their full mortgage or rent payment. Six percent were evicted from their homes or
2 apartments, and four percent faced foreclosure on their mortgages.² In Arizona, less than 5% of
3 the eligible households received assistance in 2014.³ This is a result of Arizona receiving the
4 least amount of LIHEAP assistance per eligible household in the nation, precipitating even
5 greater strains on tight budgets.

6 Fifty-one percent of Arizona's families have gross annual incomes of \$50,000 or less, with an
7 average after-tax income of \$23,540, less than \$2,000 per month. Energy costs are consuming
8 the after-tax household incomes of Arizona's low- and middle-income families at levels
9 comparable to other necessities such as housing, food, and health care. Arizona households aged
10 65 or more, 25% of all households, have a median pre-tax income of \$39,097, 25% below the
11 U.S. median. Senior households in Mohave and Santa Cruz Counties fare even worse, with
12 median pre-tax incomes of \$34,285 and \$26,186, respectively. These relatively low pre-tax
13 median incomes indicate that low-income and senior households in UNSE's service territory are
14 among those most vulnerable to energy price increases such as rising household utility bills.⁴

15 The U.S. Census Bureau reports that the average incomes of American households have declined
16 across all five income quintiles since 2001, measured in constant 2013 dollars. The largest
17 percentage losses of income are in the two lowest income quintiles. Households in the lowest
18 quintile lost 13% of their real income between 2001 and 2013, while households in the second
19 lowest quintile lost 9% of their real income. Declining real incomes increase the vulnerability of
20 low- and middle-income households to energy price increases such as rising utility bills. The
21 price of residential electricity in Arizona has increased by 36% since 2005, and is 18% above
22 2005 levels measured in real, inflation-adjusted terms.⁵

26 _____
27 ² http://neada.org/wp-content/uploads/2013/05/NEA_Survey_Nov11.pdf

28 ³ <http://neuac.org/AZ-LAD%202015%20State%20Sheet.pdf>

⁴ <http://www.americaspower.org/sites/default/files/ARIZONA-Energy-Cost-Analysis-315R.pdf>

⁵ http://americaspower.org/sites/default/files/Trisko_2014_1.pdf

1 In the recently released poverty data for 2014, 21.2% of Arizonans were at or below the poverty
2 line. Arizona now has the third highest poverty rate in the country. The state has the fourth-
3 highest rate of residents in “deep poverty,” at or below 50% of the Federal Poverty Guideline.⁶
4 Childhood poverty is even worse, with Arizona at a staggering 25.2% of children below the
5 poverty level. Families in Arizona have median income in the bottom 25% of states. Arizona
6 ranks third-worst in children without health insurance, leaving one in every ten children
7 uninsured. To put Arizona’s children at a higher disadvantage, three quarters of Arizona
8 households live without a broadband internet subscription, and 20% don’t have internet
9 subscriptions at all. This can severely hamper the ability of a child to do their homework, or an
10 adult to pay their bills, or apply for work, or otherwise engage in society.⁷

11 The rates of poverty in Santa Cruz and Mohave Counties, although down from their peak values
12 in 2011, have still not reached pre-recession levels. Indeed, the poverty rate in Santa Cruz is 28%
13 above its pre-recession level, and the deep poverty rate is more than double its pre-recession
14 total.⁸ The poverty rate in Mohave County is 64% higher than it was in 2007, and the deep
15 poverty rate is more than 40% above its pre-recession levels. This has happened in spite of the
16 fact that increased percentages of Arizonans in poverty and deep poverty were working, either
17 full time or part time, from 2007 to 2014.⁹

18 With budgets this tight, families are forced to make difficult choices to make ends meet. In the
19 *Hunger In America 2014* study, a survey of food bank clients reported 65% of households being
20 forced to choose between paying for food and paying for utilities in the past 12 months, with 25%
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22
23
24
25

26 ⁶ <http://www.azcentral.com/story/money/business/economy/2015/10/04/arizona-remains-among-worst-poverty/73234934/>

27 ⁷ Source: U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates

28 ⁸ Source: U.S. Census Bureau, 3-Year American Community Survey

⁹ Source: U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates

1 facing this choice every month.¹⁰ A survey of the cities whose mayors are members of the U.S.
2 Conference of Mayor's Task Force found that utility costs ranked among the top three causes of
3 hunger in 13% of cities, and that utility assistance programs are essential to combatting hunger.¹¹
4 A recent report from the Federal Reserve found that 47% of Americans could not cover an
5 emergency expense of \$400. Thirty-one percent of respondents reported going without medical
6 care in the past year because they were unable to afford it.¹² Low-income households often report
7 cutting back on food and clothing purchases in order to pay utility bills.¹³ Indeed, utility costs
8 were cited as a primary driver of homelessness among families with children.¹⁴ No family should
9 be forced into such a difficult position over family finances, and every effort should be made to
10 prevent such crises in Arizona.

11 Low-income families are not immune from price increases in the housing market, either. The
12 amount of cost-burdened renters, who pay more than 30% of their income for housing, is now up
13 to 50%, increasing 12 percentage points in the past decade. The rise was even more substantial
14 among renters facing severe cost burdens (paying more than half of their income for housing);
15 their numbers increased 19%. According to a study published by the Joint Center for Housing
16 Studies at Harvard University, "[t]hese levels were unimaginable just a decade ago, when the fact
17 that the severely cost-burdened share was nearly 20 percent was already cause for serious
18 concern."¹⁵ In the report *Out Of Reach*, the National Low-Income Housing Coalition tallied the
19 income required for vulnerable populations to make ends meet. In order to make enough to
20
21
22

23 ¹⁰[http://help.feedingamerica.org/HungerInAmerica/FB164_AZ_Mesa_report.pdf?s_src=W15AREFER&s_referrer=](http://help.feedingamerica.org/HungerInAmerica/FB164_AZ_Mesa_report.pdf?s_src=W15AREFER&s_referrer=www.stl.unitedway.org%2F2015%2F05%2F5-tough-choices-people-who-cant-afford-food-make%2F&s_subsrc=http%3A%2F%2Fwww.feedingamerica.org%2Fhunger-in-america%2Four-research%2Fhunger-in-america%2Fkey-findings.html&_ga=1.207809686.522753187.1445819108)
24 [www.stl.unitedway.org%2F2015%2F05%2F5-tough-choices-people-who-cant-afford-food-](http://help.feedingamerica.org/HungerInAmerica/FB164_AZ_Mesa_report.pdf?s_src=W15AREFER&s_referrer=www.stl.unitedway.org%2F2015%2F05%2F5-tough-choices-people-who-cant-afford-food-make%2F&s_subsrc=http%3A%2F%2Fwww.feedingamerica.org%2Fhunger-in-america%2Four-research%2Fhunger-in-america%2Fkey-findings.html&_ga=1.207809686.522753187.1445819108)
25 [make%2F&s_subsrc=http%3A%2F%2Fwww.feedingamerica.org%2Fhunger-in-america%2Four-research%2Fhunger-](http://help.feedingamerica.org/HungerInAmerica/FB164_AZ_Mesa_report.pdf?s_src=W15AREFER&s_referrer=www.stl.unitedway.org%2F2015%2F05%2F5-tough-choices-people-who-cant-afford-food-make%2F&s_subsrc=http%3A%2F%2Fwww.feedingamerica.org%2Fhunger-in-america%2Four-research%2Fhunger-in-america%2Fkey-findings.html&_ga=1.207809686.522753187.1445819108)

26 ¹¹ http://usmayors.org/pressreleases/documents/hungerhomelessnessreport_121208.pdf

27 ¹² <http://www.federalreserve.gov/econresdata/2014-report-economic-well-being-us-households-201505.pdf>

28 ¹³ [http://www.feedingamerica.org/hunger-in-america/our-research/in-short-supply/in-short-supply-](http://www.feedingamerica.org/hunger-in-america/our-research/in-short-supply/in-short-supply-executive.pdf)
[executive.pdf](http://www.feedingamerica.org/hunger-in-america/our-research/in-short-supply/in-short-supply-executive.pdf)

¹⁴ COLORADO STATEWIDE HOMELESS COUNT Winter, 2007

¹⁵ http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf

1 afford a two bedroom apartment at fair market rent and not be cost-burdened, a minimum wage
2 worker in Arizona would need to work 84 hours per week. Assuming a head of household is
3 working full-time, they would need an hourly wage of \$16.87, or an annual income of \$35,090.¹⁶
4 In the 2014 American Community Survey, 35% of Arizona households make less than this
5 amount. This means that 857,000 households in Arizona are unable to find affordable housing
6 based on their income. The 2009 Residential Energy Consumer Survey shows that low-income
7 households excel at conserving energy; low-income families consume less energy per person and
8 per household than households with incomes above 150% of the Federal Poverty Guideline.
9 However, low-income households consume 15% more energy per square foot than higher income
10 households. This is most likely due to low-income families living in older residences that are less
11 energy efficient with older appliances. In light of their desire to manage their energy bills,
12 combined with the difficulties not only with housing stock but also food insecurity, among other
13 budgetary challenges, it is in the public interest to provide special consideration for low-income
14 customers to ensure they have the ability to access the essential commodity that is electricity.
15

16 DEPOSIT RULES

17 **Q. What are UNSE's current rules regarding deposits?**

18 **A.** In Section 3.B.1.a of the Rules and Regulations, UNSE requires an additional deposit if a
19 customer is delinquent in payment "more than twice in the last twelve (12) consecutive months or
20 was... disconnected for nonpayment." Additionally, in Section 3.B.3.a, it states:
21

22 "Residential Customers – Deposits or other instruments of credit will automatically
23 expire or be refunded or credited to the Customer's account, after twelve (12) consecutive
24 months of service during which time the Customer has not been delinquent more than
two (2) times in a twelve (12) month period."¹⁷

25 and Section 3.B.4 says:

26
27
28 ¹⁶ http://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf

¹⁷ <https://www.uesaz.com/doc/customer/rates/electric/UES-903.pdf>

1 "The Company may require a Customer to establish or reestablish a deposit if the
2 Customer became delinquent in the payment of three (3) or more bills within a twelve
3 (12) consecutive month period, or has been disconnected from service during the last
4 twelve (12) months, or the Company has a reasonable belief that the Customer is not
5 credit worthy based on a rating from a credit agency utilized by the Company."

6 **Q. What changes have been proposed?**

7 A. In Section 3.B.1.a, UNSE has removed the phrase " more than," requiring additional deposits if a
8 customer has been delinquent twice in the past twelve months. Section 3.B.3 has been changed to
9 require a deposit from a residential customer if they become delinquent in two or more bills in a
10 twelve month period. Additionally, deposits will not expire or be refunded if the customer has
11 "been disconnected for non-payment , [or] ... the Customer has filed bankruptcy in the last
12 twelve (12) months."

13 **Q. What are the reasons given by UNSE for the rule change?**

14 A. In the testimony of Denise Smith, it is stated that one of UNSE's largest customers filed for
15 bankruptcy, leaving UNSE with a large unpaid bill.

16 **Q. Do you support these changes?**

17 A. No. I do not.

18 **Q. Why not?**

19 A. The problem being addressed is one with Commercial and Industrial customers, but the solution
20 is being applied to Residential customers. The average low-income residential customer's
21 deposit and arrearage pale in comparison to the bills and arrearages paid and owed by large
22 commercial and industrial customers. This is solving a problem before it exists, with the
23 potential to cause serious harm to low-income customers.
24

25 **Q. How specifically will this affect low-income customers?**

26 A. Requiring additional and more frequent deposits would present a substantial strain on the budgets
27 of vulnerable community members. Recall from above that 47% of households surveyed by the
28

1 Federal Reserve were unable to pay a \$400 emergency expense, which would certainly describe
2 an additional deposit at a time when just paying the bills is tough enough. The response was even
3 more severe for households making less than \$40,000 per year; over two-thirds of them reported
4 that they could not cover the expense, or would be forced to sell something or borrow the money
5 to cover it. Of the people who were unable to pay a \$400 emergency expense, they were asked
6 how much of an emergency they could pay off; 39% said the largest expense they could cover
7 with cash on hand is \$100, while an additional 16% said they could cover an expense between
8 \$100 and \$200. With the possibility of an additional deposit being over a thousand dollars, the
9 Federal Reserve data shows that a significant portion of low-income households cannot cover the
10 additional cost of a deposit. This would have the effect of shutting off these customers'
11 electricity, which would be disastrous to low-income households in Arizona. Fifty-five percent
12 of Arizona homes have electric water heating, 76% of Arizonans cook primarily with electricity,
13 86% of Arizonans use microwaves to prepare meals and snacks, 60% of Arizonans primarily use
14 electricity for heating, and 95% of Arizona households use air conditioning.¹⁸ UNSE customers
15 assisted by WACOG, the Community Action Agency serving Mohave County, have reported
16 being unable to replace spoiled food after disconnections; this happens most often with elderly
17 clients and families with children. By causing these additional shutoffs, UNSE would be
18 hampering every aspect of a low-income customer's life while providing barely any additional
19 financial well-being for the Company. Furthermore, requiring an additional deposit when a
20 customer files bankruptcy creates an additional stressor for a family going through an extremely
21 difficult time financially.
22
23

24 Moreover, if low-income customers are delinquent on their payments, it is likely due to the fact
25 they don't have the funds to pay the bill in the first place. Charging them additional fees is
26 counterintuitive and will only create greater hardship.
27

28 ¹⁸ 2009 RECS Survey, EIA DOE

1 Instituting harsher requirements for the refund of deposits likewise imposes an unfair burden on
2 low-income customers. Thirty-two percent of Arizonans are in asset poverty, and 46% percent of
3 Arizonans are one step away from falling into abject poverty.¹⁹ In these circumstances, a
4 refunded deposit could make the difference of whether a family can afford to put gas in the car to
5 get to work or put food on the table, or be forced to go without. With one in four Americans not
6 able to pay their bills on time,²⁰ it's likely that many of the low-income customers will fall victim
7 to this enhanced criteria and not be able to receive a much-needed refund or worse, lose
8 electricity.
9

10 **Q. What solution do you propose?**

11 A. Low-income customers should be exempted from these more stringent deposit and refund rules.
12 This should be extended to customers who are on the CARES rate as well as customers who have
13 received bill assistance in the past 12 months. These additional deposits would prove to be a
14 substantial hardship for low-income customers, and as CARES customers make up 6% of all
15 customers and just 3% of all kilowatt-hour sales in the test year, exempting low-income
16 customers from additional deposit requirements does not represent a significant financial risk for
17 the utility.
18

19 **Q. Has this been implemented by any other Arizona utilities?**

20 A. Yes. In Decision 71448, APS implemented the following deposit exemption for low-income
21 customers:

22 “APS will waive the collection of an additional security deposit from customers on low-income
23 rate schedules (E-3 and E-4) under the following circumstances: (1) the customer has had more
24 than two late payments in the previous 12 months, or (2) the customer has been disconnected for
25 nonpayment.”
26

27 ¹⁹ <http://scorecard.assetsandopportunity.org/latest/state/az>, <https://morrisoninstitute.asu.edu/news/who-are-arizonas-vulnerable-populations>

28 ²⁰ https://www.nfcc.org/wp-content/uploads/2015/04/NFCC_2015_Financial_Literacy_Survey_FINAL.pdf

1 In that ratecase, representatives from APS noted that, on occasion, “a customer can come up with
2 the money to pay the delinquent bill, but because of this security deposit requirement, they cannot
3 get reconnected or there is a delay in their reconnection.”²¹ I appreciate APS’s consideration and
4 desire to keep low-income customers connected, and I hope that we can create a similar exception
5 for UNSE so that low-income customers don’t get hit with the “double hammer” of requiring an
6 additional deposit on top of any past due bills.²² It is in the public interest to keep low-income
7 customers connected to electricity, and waiving additional security deposits will further that
8 interest.
9

10 DEFERRED PAYMENT PLAN

11 **Q. What is UNSE’s current deferred payment plan?**

12 A. UNSE allows qualifying customers to participate in a deferred payment plan to “to retire unpaid
13 bills for electric service.” Currently, customers are able to pay their unpaid bills through the
14 deferral plan over a period of six months.

15 **Q. How has UNSE proposed to change it?**

16 A. UNSE has proposed to decrease the time period for a deferred payment plan from six months to
17 three months, halving the time customers have to pay off their debts.

18 **Q. Is this likely to increase the amount of late payments collected from low-income customers?**

19 A. No. A low-income customer who has engaged in a deferred payment plan is committed to paying
20 off what they owe. Cutting their payment time in half makes it that much harder to pay their
21 unpaid bills, likely contributing to UNSE’s uncollectible “bad” debt.

22 **Q. How would this affect low-income customers?**

23 A. As I mentioned above, low-income customers are often in the position of choosing between
24 paying for utilities or buying food, and several studies have shown that they put off medical care
25
26

27
28 ²¹ Thomas Mumaw, E-01345-08-0172 Transcript, Volume I, 8/19/2009, pg 57.

²² Jeff Guldner, E-01345-08-0172 Transcript, Volume V, 8/27/2009, pg 1216.

1 and clothing purchases to keep the lights on. Most of the clients seen by SEACAP and WACOG
2 (the Community Action Agencies in UNSE's service territory) live paycheck to paycheck, so
3 when a hot summer month pushes their bills up into the hundreds of dollars, they'll likely need
4 more than three months to pay it off. This change would force their clients, along with thousands
5 of other low-income households, to cut their budget to the bone or to allow their power to be
6 disconnected. As these people depend on their electricity to heat and cool their home, provide hot
7 water, and cook their food, this would put these clients in an impossible situation and cause undue
8 hardship.
9

10 **Q. How would you address this?**

11 A. This proposal should be rejected outright. If, however, that does not happen, then low-income
12 customers should be exempted from the stringent timeline and allowed six months to make a
13 deferred payment. They are more likely to need the additional time to pay off any delinquent
14 bills, and the small number of customers and kilowatt-hours consumed by low-income customers
15 will not substantially affect UNSE's financial position.
16

17 **CARES PARTICIPATION**

18 **Q. Can you describe the CARES program?**

19 A. The Customer Assistance Residential Energy Support (CARES) Program offers monthly
20 discounts for limited-income customers who need support in meeting their energy costs. It
21 provides a discounted fixed charge, a discounted volumetric charge, an option to pay a decreased
22 LFCR, and a percentage discount off the whole bill based on usage.
23

24 **Q. Who is eligible for the CARES program?**

25 A. Households with a combined income of 150% of the Federal Poverty Level or less are eligible to
26 participate in the CARES rates. In 2015, for a family of four that amounts to \$36,375 per year or
27 \$3,031.25 per month. After taxes, that comes to an annual salary of \$29,305.82 or monthly
28

1 income of \$2,442.15.²³ According to the MIT Living Wage calculator, the living wage in Santa
2 Cruz County is \$46,108 and the living wage in Mohave County is \$47,261. The households who
3 qualify for CARES do not make a living wage.

4 **Q. How many people are currently using the CARES rate?**

5 **A.** In UNSE's rate case application, the Company said there are 6,112 actual customers on average
6 in the test year on the CARES rate and 6,236 adjusted average number of customers.

7 **Q. About how many people are eligible in the UNSE's service territory?**

8 **A.** It's difficult to know exactly how many people are eligible in UNSE's territory. UNSE has
9 75,847 residential customers, and 29% of Arizona's population is at or below 150% of the federal
10 poverty level, so a rough estimate would say that 21,671 of UNSE's customers are eligible.²⁴ In
11 the rate case application, Terry Nay stated that the company has approximately 74,000 customers
12 in Mohave County and 19,000 customers in Santa Cruz County; of those customers, 88% are
13 residential. This implies that there are approximately 65,000 residential customers in Mohave
14 County and 16,000 residential customers in Santa Cruz County. Mohave County has 35% of its
15 population at 150% of poverty, and 43% of Santa Cruz County's population is at 150% of the
16 poverty level or below.²⁵ Given these rates of poverty, the following calculations yield an
17 estimate of CARES-eligible customers:
18
19

20

Area	Customers	Residents at 150% FPG	Customers Eligible for CARES (Column 2 * Column 3)
Mohave	65,000	35%	22,750
Santa Cruz	16,000	43%	6,880
Total			29,630

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22
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27 ²³ http://www.taxformcalculator.com/state_tax/arizona.html

²⁴ U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates

28 ²⁵ Santa Cruz data is sourced from U.S. Census Bureau, 2011-2013 3-Year American Community Survey. It is the most recent data available from the county.

To take a more granular approach, I'll identify the major cities and census-designated places (CDPs) served by UNSE and count the number of people who live there at 150% of FPG or less.

Factoring in the average household size yields the number of households at 150% of FPG:

Area ²⁶	Total Population	Population at 150% FPG	Number of HH	Average HH size	Number of HH at 150% FPG
Mohave County Cities/CDPs					
Kingman	27,370	9,465	11,057	2.48	3,824
Oatman	124	53	88	1.41	38
Lake Havasu City	52,459	13,402	22,727	2.31	5,806
Yucca	50	6	25	2.00	3
Golden Valley	7,983	2,337	3,576	2.23	1,047
Chloride	213	122	140	1.52	80
Dolan Springs	2,124	438	969	2.19	200
White Hills	311	100	149	2.09	48
Meadview	587	259	358	1.64	158
Fort Mohave	14,189	3,573	5,951	2.38	1,499
Bullhead City	39,302	14,177	16,679	2.36	6,016
Peach Springs	756	352	182	4.15	85
Mohave Valley	2,939	743	1,096	2.68	277
Temple Bar Marina	(not included in 2013 ACS)				
Santa Cruz County Cities/CDPs					
Nogales	20,490	10,540	6,314	3.25	3,248
Patagonia	639	239	327	1.95	122
Tubac	1,248	195	710	1.76	111
Tumacacori-Carmen	407	171	208	1.96	87
Amado	165	7	106	1.56	4
Rio Rico	(not included in 2013 ACS)				
Total HH in UNSE territory at 150% FPG					22,653

Q. Given these calculations, how many more people are eligible for the CARES rate in UNSE's territory?

²⁶ The data for the Cities listed is from the U.S. Census Bureau, 2011-2013 3-Year American Community Survey, while the data from the CDPs is from the U.S. Census Bureau, 2009-2013 5-Year American Community Survey

1 A. The range of households derived through these calculations was 21,671, 22,653, and 29,630. By
2 these calculations, there are at least 3.5 times as many customers, and possibly 4.9 times as many
3 customers who are eligible for CARES but are not currently enrolled.

4 **Q. Why is it so important for low-income customers to obtain the CARES rate?**

5 A. Low-income Arizonans are in a tough spot financially. Arizona hasn't seen a true recovery from
6 the Great Recession, and almost half of our households are one misstep away from abject
7 poverty. Electricity is essential for any household, even more so for a struggling household – the
8 need to store and prepare healthy food, keep one's home at a safe temperature, provide light and
9 information for work and homework – without these necessities, provided by electricity, a
10 struggling household could seriously fall behind. The discount offered by the CARES rate takes
11 significant pressure off the budgets of the households that use it, helping them maintain self-
12 sufficiency and helping them to thrive.

13 **Q. What would be a reasonable target for an increase?**

14 A. Given that the likely amount of CARES-eligible customers is 355%-485% higher than the current
15 number of customers on CARES, I believe a 50% increase in enrollment is feasible. This should
16 be planned for in the next few years, with an outreach plan published shortly after the conclusion
17 of this rate case.

18 **Q. Are there any outreach methods the company should use for such an aggressive increase in
19 CARES customers?**

20 A. One possible solution is automatically enrolling customers who receive bill assistance, either
21 from Warm Spirits, LIHEAP, or any other organization that may provide assistance. Also,
22 concentrating the bill inserts in the summer months when bills are highest and customers are
23 having the greatest difficulty paying their bills could attract more participants. Additionally, I
24 believe the emphasis on community outreach events is an excellent way to increase participation,
25 and our Community Action Agencies and SNAP partners are excellent allies to provide this
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28

1 outreach. VITA Sites, affordable housing locations, job fairs, community events, working with
2 local DES offices, and presenting information at association and alliance meetings are all proven
3 outreach methods. Door to door canvassing, engaging customers on social media, automated
4 voice messaging, engaging Community-Based Organizations and Faith-Based Organizations,
5 direct mail campaigns and postcard mailers to potentially eligible customers, outreach by field
6 employees, sharing data about customers enrolled in discount rates for the gas companies in the
7 service territory, a digital newsletter to customers with energy savings tips and discount rate
8 information, coordinating with other low-income programs, and targeted online advertising were
9 all methods reported by California utilities to the Low-Income Oversight Board as effective
10 outreach.²⁷

11
12 **Q. Is there any other information you would like to add regarding the CARES rate?**

13 A. Yes. I want to say that I'm very concerned about the Company's proposal to abolish the current
14 CARES rate plan and replace it with a much smaller monthly discount. Low-income families on
15 CARES wouldn't be able to make ends meet without this rate, and taking it away could cause
16 significant hardship among a great number of UNSE customers. I'll elaborate on this point
17 further in the testimony pertaining to rate design that will be filed at a later date.

18
19 **TERMINATION NOTICE REQUIREMENT**

20 **Q. What is currently required on the termination notice requirement?**

21 A. Currently the termination notice is required to list the name of the person whose service is to be
22 terminated, the Company's Rate(s) that was violated, the date after which service may be
23 terminated, a statement advising the customer to contact the Company to work out a solution in
24 the matter, and information on how to dispute the termination of services.

25
26 **Q. What should be added?**

27
28 ²⁷ <http://www.liob.org/resultsqv.cfm?doctype=10>

1 A. Information notifying the customer of agencies providing bill assistance opportunities in their
2 area, as well as information about weatherization agencies and the CARES discount.

3 **Q. Why should it be added?**

4 A. The financial strains of living in poverty put real stress on the people experiencing it. People in
5 poverty were twice as likely to report chronic pain and mental distress as those earning \$75,000
6 or more, and three to five times more likely to have extreme pain or extreme distress.²⁸ When
7 faced with a difficult financial problem, poor people's IQ actually fell 13 points, equivalent to
8 losing a full night's sleep.²⁹ Given these results, the researchers in the "Poverty Impedes
9 Cognitive Function" study recommend that policymakers avoid cognitively taxing people in
10 poverty. Providing a list of resources, in one location, to assist someone who's had trouble
11 paying their bills greatly reduces the cognitive load of a possible utility disconnection and all of
12 the negative consequences that accompany it. This would make it easier for the people who need
13 them to access these valuable resources.

14
15 **Q. What benefit would it have for UNSE customers?**

16 A. This would likely decrease the number of customers who are ultimately disconnected, decrease
17 the stress experienced by low-income customers who are able to avoid disconnection, and
18 increase the utilization of the valuable bill assistance, weatherization, and discount rates that are
19 offered by the Company.
20

21 **CURRENT LIMITER AS AN ALTERNATIVE TO DISCONNECTION**

22 **Q. What has UNSE proposed in Section 12.H of the Rules & Regulations?**

23 A. Section 12.H of the Rules and Regulations states that, if a customer has a medical alert
24 designation and has accrued debt equivalent to a three month bill, the company may install a load
25 limiter in lieu of disconnecting the customer's service for nonpayment.
26

27 ²⁸ <http://www.brookings.edu/blogs/social-mobility-memos/posts/2015/02/19-cost-poverty-stress-graham>

28 ²⁹ <http://www.sciencemag.org/content/341/6149/976.full> "Poverty Impedes Cognitive Function", Anandi Mani1,
Sendhil Mullainathan, Eldar Shafir3, Jiaying Zhao

1 **Q. How would this affect a customer facing disconnection?**

2 A. This could be a lifesaver. In addition to whatever medical equipment the customer may need that
3 will now be able to continue to operate, this will take a significant amount of stress off of the
4 customer's mind. Recall the study referenced above that demonstrated how stress regarding
5 finances can reduce someone's IQ; removing the threat of disconnection is giving the customer
6 mental bandwidth that they can use for work or their family or to improve their life in some way.
7

8 **Q. Should this be made available to all CARES customers?**

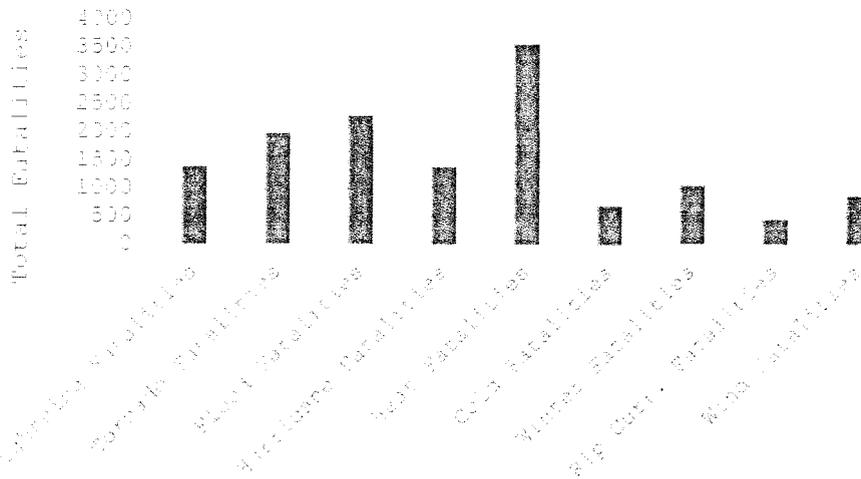
9 A. Yes.

10 **Q. Why?**

11 A. Like it or not, everyone depends on electricity to survive. As was cited above, most people in
12 UNSE's service territory rely on electricity for food storage, cooking, cleaning, heating, cooling,
13 and many other things. For Arizonans, that dependence on cooling can be critical; in the last
14 thirty years, more Americans have died from heat than any other weather-related cause, and heat
15 has killed twice as many people as cold and winter weather.³⁰ By ensuring that low-income
16 customers have enough electricity to store and prepare food, and keep their homes at a safe
17 temperature, you could be saving their lives.
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28 ³⁰ http://www.nws.noaa.gov/os/hazstats/images/weather_fatalities.pdf

American Fatalities by Weather Type Since 1985



WARM SPIRITS

Q. What is the Warm Spirits Program?

A. The Warm Spirit program is a customer donation program, with a Company match, to provide bill assistance to Unisource Electric and Gas customers.

Q. What is the impact that this program has had?

A. The program has had substantial success. Already in FY16 (beginning in July) the utility has distributed over \$6,000 in assistance. In FY15, the agencies distributed over \$13,000, resulting in a 93% expenditure of their annual allocation. In FY14, over \$14,000 was distributed in assistance, resulting in a full expenditure of their funds. Over \$11,000 was spent in energy assistance in FY13, completely spending the allocation, in FY12 they similarly spent their entire allocation of over \$7,000, and in FY11 the agencies distributed over \$9,000.

Q. What if anything could be done to improve the program?

A. Currently the Warm Spirit program does not have any program delivery associated with it; the funds can only be used to assist customers with paying their bills. Most of the bill assistance programs ACAA administers have a program delivery amount associated with their program. This allows the agency to do outreach about the program and helps to defray some of the costs of

1 providing assistance. If this program had a 10% program delivery amount, the agencies
2 distributing the funds could allocate more resources to the program, increasing the number of
3 customers assisted.

4 **Q. Won't the program delivery fee mean that fewer customers will be served?**

5 A. Not necessarily. The Warm Spirit program has two fund sources: customer contributions and up
6 to a \$25,000 match from UNSE. With the program delivery allocated to the agencies, they will
7 be able to better promote the program to the community, and it will better facilitate their ability to
8 distribute funds. The increased awareness and greater customer experience will likely lead to
9 more customer contributions, which will work to replenish the funds dedicated to program
10 delivery.

11
12 **Q. Would increased outreach have any other benefits?**

13 A. Yes. By empowering the Agencies, who have built up substantial local knowledge after years of
14 serving the community, to better provide Warm Spirit assistance to more customers, they will
15 have the ability to educate them about other programs offered by the utility and wraparound
16 services provided by the Agency. Moreover, if customers are automatically enrolled in the
17 CARES discount rate when they receive assistance (as has been proposed above), this can help
18 the company in its proposed target to increase enrollment in CARES.

19
20 **NET METERING**

21 **Q. What has the company proposed regarding net metering?**

22 A. UNSE has proposed to compensate new DG customers as of June 1, 2015 for any excess energy
23 they produce on the grid at the Renewable Credit Rate, rather than crediting them at the retail
24 rate. Customers on this new net metering plan will also be required to take on a new three-part
25 rate plan, consisting of a basic service charge equal to the RES-01 service charge, a demand
26 charge, and a volumetric charge less than what is charged for RES-01.

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28 **Q. What is your response to this?**

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A. Net metering customers are approximately 1% of UNSE's residential customer base, while low-income customers make up approximately 30% of UNSE's residential customers. As you deliberate on this issue, please consider the customers who aren't able to make ends meet, and ensure that no additional charges are assessed on a population unable to take advantage of a product in their community.

Q. Does this conclude your testimony?

A. Yes, it does. Thank you.