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1 MOYES SELLERS & HENDRICKS
Jay I. Moyes, AZ Bar No. 7207
2 Jason Y. Moyes, AZ Bar No. 25864
1850 North Central Avenue, Suite 1100
3 Phoenix, Arizona 85004
Telephone: (602) 604-2141
4 jmayes@law-msh.com
jasonmoyes@law-msh.com

5 *Attorneys for Fresh Produce Association*
6 *of the Americas*

7 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 **COMMISSIONERS:**
9 **SUSAN BITTER SMITH, Chairperson**
10 **BOB STUMP**
11 **BOB BURNS**
12 **DOUG LITTLE**
13 **TOM FORESE**

14 IN THE MATTER OF THE
15 APPLICATION OF UNS ELECTRIC,
16 INC. FOR THE ESTABLISHMENT OF
17 JUST AND REASONABLE RATES AND
18 CHARGES DESIGNED TO REALIZE A
19 REASONABLE RATE OF RETURN ON
20 THE FAIR VALUE OF THE
21 PROPERTIES OF UNS ELECTRIC, INC.,
22 DEVOTED TO ITS OPERATIONS
23 THROUGHOUT THE STATE OF ARIZONA
24 AND FOR RELATED APPROVALS

DOCKET NO. E-04204A-15-0142

**NOTICE OF FILING DIRECT
TESTIMONY OF LANCE S.
JUNGMEYER ON BEHALF OF
FRESH PRODUCE ASSOCIATION
OF THE AMERICAS**

25 The Fresh Produce Association of the Americas ("FPAA"), through its undersigned
26 counsel, hereby provides notice that it has this day filed the attached direct testimony of
Lance S. Jungmeyer.

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Arizona Corporation Commission

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1 DATED this 9th day of December, 2015.

2 MOYES SELLERS & HENDRICKS

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4 
5 Jason Y. Moyes
6 Jay I. Moyes

7 *Attorneys for Fresh Produce Association
8 of the Americas*

8 ORIGINAL and 13 COPIES of
9 the foregoing filed this
10 9th day of December, 2015 with:

11 Docketing Supervisor
12 Docket Control
13 Arizona Corporation Commission
14 1200 W. Washington
15 Phoenix, AZ 85007

16 COPIES of the foregoing
17 electronically mailed this
18 9th day of December, 2015 with:

19 All Parties of Record

20 COPIES of the foregoing
21 Mailed via Regular Mail this
22 9th day of December, 2015 to:

23 Janice Alward
24 Arizona Corporation Commission
25 1200 W. Washington
26 Phoenix, AZ 85007

Dwight Nodes
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Thomas Broderick
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

1 Robert (Kip) Martin
Coogan & Martin, PC
2 825 North Grand Ave, Suite 200
Nogales, American Samoa 85621

3
4 Doug Adams
3000 Highway 66 South
Kingman, AZ 86413

5
6 Ken Wilson
Western Resource Advocates
2260 Baseline Road, Suite 200
7 Boulder, Colorado 80302

8 Rick Gilliam
1120 Pearl St, Ste 200
9 Boulder, Colorado 80302

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1 **I. EXECUTIVE SUMMARY**

2 Lance S. Jungmeyer is the President of the Fresh Produce Association of the
3 Americas ("FPAA"). Mr. Jungmeyer describes FPAA's concerns regarding the use of
4 ratcheted demands by UNSE in the existing large general service class, which has caused
5 a significant financial burden on FPAA members.

6 FPAA has over 100 member companies involved in the importation and
7 distribution of fresh produce from Mexico. Mr. Jungmeyer describes the cyclical seasonal
8 operations of FPAA members, which includes a dormant late summer season. Mr.
9 Jungmeyer proposes that FPAA members' lack of use of the system is likely a benefit to
10 UNSE during the late summer months when utilities struggle to deliver power.

11 Mr. Jungmeyer is requesting UNSE and this Commission to reconsider the current
12 rate design and use of ratcheted demands.

13 **II. INTRODUCTION**

14 **Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

15 A. My name is Lance Jungmeyer. My business address is P.O. Box 848,
16 Nogales, AZ 85628. I am the President of the Fresh Produce Association of the Americas
17 ("FPAA"), an association focused on critical business objectives that ensure the health
18 and viability of the produce industry.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS
20 COMMISSION?**

21 A. No.

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?**

23 A. The purpose of my testimony is to describe the FPAA and its interest as an
24 Intervenor in this case. In particular, as the policy witness for Intervenor FPAA, I am
25 describing FPAA's operations and economic contributions to the Santa Cruz valley. I am
26 also describing the FPAA's concerns with the current and proposed UniSource Energy

1 Services ("UNSE") rate design for medium and large general service customers, in
2 particular the use of ratchet demand rates, and their financial impact on FPAA members.

3 **Q. PLEASE DESCRIBE THE FRESH PRODUCE ASSOCIATION OF**
4 **THE AMERICAS.**

5 A. The FPAA was founded by produce distributors in 1944. Today the FPAA
6 has over 100 member companies involved in the importation and distribution of fresh
7 produce from Mexico. The members of the FPAA consist of U.S. distributors and
8 associate members. Distributors directly import fresh produce from growing operations in
9 Mexico. Associate members consist of a variety of companies, from unique buyers
10 procuring product from distributors to industry-associated companies such as custom-
11 house brokers, seed companies, packaging providers, trucking firms, financial institutions,
12 insurance companies and more.

13 The Nogales produce industry imports approximately 5.5 billion pounds of produce
14 at a value of approximately \$3 billion each year. Nearly all of this produce crosses
15 through the Mariposa Port of Entry in Nogales, Arizona and is held in commercial
16 warehouses located in Santa Cruz County. Mexico represents 39 percent of all imported
17 fruits and vegetables consumed in North America annually. Arizona accounts for about
18 40 percent of all Mexican produce imported into the U.S. by volume.

19 **Q. CAN YOU BRIEFLY DESCRIBE THE ECONOMIC BENEFITS**
20 **THAT FPAA MEMBERS PROVIDE TO SANTA CRUZ COUNTY?**

21 A. Yes. A recent University of Arizona study¹ highlighting the economic
22 impacts of the fresh produce import industry in Santa Cruz County reached the following
23 conclusions:
24

25 ¹ The 2013 study was conducted by The University of Arizona (Eller College of Management, Economic & Business
26 Research Center, and the College of Agriculture & Life Sciences) and made possible by a grant from the US
Economic Development Authority, administered by Nogales Community Development. The study can be viewed at:
http://www.azmc.org/wp-content/uploads/2014/06/fresh_produce_and_production_sharing_Nogales_Santa_Cruz_County_Arizona_9_25_13.pdf

- 1 • Fresh produce imports account for \$437.7 million in direct and secondary
2 economic output in Santa Cruz County (this is more than 1/3 of the county's
3 economic output).
- 4 • Fresh produce imports account for \$45 million in tax revenues to the state and
5 county.
- 6 • Fresh produce imports account for about 4,000 direct and secondary jobs,
7 representing \$190 million in wages (representing more than 22% of total jobs and
8 nearly 25% of total wages).
- 9 • There is a multiplier effect from the fresh produce import industry, benefitting
10 more than 80 local services, from commercial equipment and packaging to legal
11 and insurance services.
- 12 • Arizona is poised to benefit from expanding fresh produce imports. From 2002-
13 2012, Mexican produce imports have grown 42% -- from 8 billion pounds to more
14 than 14 billion pounds -- according to the United States Department of Agriculture.
- 15 • More than 85% of the 750,000 annual commercial truck crossings between Arizona
16 and Mexico flow through the Mariposa Port of Entry in Nogales, Arizona.

17 **Q. DOES FPAA HAVE AN OPINION REGARDING UNSE'S USE OF**
18 **RATCHET DEMAND RATES.**

19 A. Yes. FPAA members provide refrigeration services for fresh produce primarily
20 from October through June, and facilities go nearly entirely dormant during the July
21 through September period. During the dormant portion of the summer, our facilities
22 require very little electrical service from UNSE. Since UNSE began the use of a ratcheted
23 demand rate effective January 1, 2014, our Members have experienced significant
24 financial hardship from the ratcheted demand charges being imposed during the dormant
25 periods when the facilities are non-operational. More importantly, our members are
26 providing zero or minimal refrigeration and distribution service sales during the dormant

1 months; therefore, little to no revenues are being collected that could be used by our
2 members to help cover the cost burden caused by the ratcheted demand charges. It would
3 seem that our members actually offer a material, involuntary "demand-side-management"
4 ("DSM") benefit to UNSE by significantly reducing their demand during the hottest
5 months of the year when Arizona utilities generally face the most difficulty and expense
6 meeting their customers' peak demands. We believe UNSE should incentivize the DSM-
7 like benefits implicit in our members' counter-cyclical demand reductions, rather than
8 penalizing them with an imputed demand via the ratchet. I am requesting UNSE and this
9 Commission to reconsider the current rate design and use of ratcheted demands.

10 **Q. IF THIS COMMISSION DOES NOT SUPPORT RATE RELIEF FOR FPAA**
11 **MEMBERS, WHAT OTHER OPTIONS MIGHT FPAA HAVE?**

12 A. Texas economic development groups have hosted meetings in Nogales to lure
13 away importers. They offer considerable concessions in the form of tax breaks, more
14 permissive building codes, utility rate policies, and economic improvement zones. Some
15 members of the FPAA have already left the Santa Cruz Valley, and others are considering
16 leaving.

17 **Q. DOES THIS CONCLUDE YOUR TESTIMONY IN THIS CASE?**

18 A. Yes.
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26

Lance S. Jungmeyer

■ ljungmeyer72@yahoo.com ■ 520.398.5803 (home) ■ 520.903.4314 (cell) ■ Sahuarita, AZ

EXPERIENCE

■ Fresh Produce Association of the Americas, Nogales, AZ

MAY 2010 – PRESENT, PRESIDENT

Serves as chief executive for association representing U.S.-based importers of Mexican fruits and vegetables. In Arizona alone, the FPAA represents more than \$2.5 billion in imported fruits and vegetables. As President of FPAA, engages in government relations at the local, state and federal levels. Administers a budget of \$1 million a year. Oversees a staff of six persons. In this capacity, is part of the following industry and civic groups:

- Greater Nogales/Santa Cruz Port Authority
- Government Relations Council of the United Fresh Produce Association
- Supply Chain Logistics Council of the United Fresh Produce Association
- Produce Traceability Initiative Association Interest Group
- North American Trade Task Force, a committee of the Canadian Produce Marketing Association

■ EnvironmentalLeader.com

FEBRUARY 2009 – MAY, 2010, EDITOR

Served as chief editor for leading Web site for business executives, with topics including corporate energy efficiency, renewable energy and sustainability. Researched and wrote in-depth case studies on corporate use of solar and wind energy, and related state and federal incentives.

■ Missouri Department of Conservation

JULY 2008 – DECEMBER 2008, DIGITAL COMMUNICATIONS MANAGER

Directed all digital content for *mdc.mo.gov* and related public sites. Supervised Web and video content teams.

■ The Packer, published by the food360° division of Vance Publishing Corp., Lenexa, Ks.

MAY 2005 – JULY 2008, EDITOR

Led top-rated weekly newspaper covering the \$100 billion fresh fruit and vegetable industry. Managed a staff of 20 reporters and editors. Directed two annual books — *Fresh Trends*, a consumer research report, and *The Guide*, an A-to-Z desk reference. Started Spanish-language industry Web site.

APRIL 2003 – MAY 2005, MANAGING EDITOR

Developed and executed a \$1.5 million budget. Added *The Packer 25*, an annual profile of industry leaders. Traveled to China to write a 3-part series on the garlic export industry.

MAY 1999 – APRIL 2003, NEWS EDITOR

Directed 14 writers for print and Web. Traveled to Cuba to examine post-Castro agricultural potential.

APRIL 1997 – MAY 1999, ASSISTANT NEWS EDITOR

Directed more than 120 enterprise sections a year. Supervised five writers.

AUGUST 1995 – APRIL 1997, STAFF WRITER

■ Mexico City Business Journal

JANUARY 1995 – JULY 1995, PRODUCTION DIRECTOR, COPY EDITOR & WRITER

EDUCATION

■ University of Missouri, Bachelor of Science in Journalism, with honors

AWARDS

- Best opinion column — 2007 Vance Editorial Awards
- Finalist — Best B2B Web site under 100,000 unique visitors, 2007 American Business Media Neal Awards

OTHER

- **Customs and Border Protection Citizens Academy** — In 2010, was part of first-ever class in the nation to educate citizens about the role of Customs in protecting the border and facilitating commerce.