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AZ CORP COMMISSION  
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April 13, 2016

RE: In the Matter of UNS Electric, Inc., Docket No. E-04204A-15-0142

Dear Colleagues, Stakeholders and Parties:

Like several of you, I had the opportunity to attend the public comment sessions on this matter in Nogales, Kingman and Lake Havasu City. A consistent theme emerged throughout these sessions, namely that the two major counties UNS Electric serves have large retirement communities on fixed incomes and a large proportion of citizens in these counties qualify for low-income assistance. The main point of contention appeared to be the implementation of a brand new three-part rate design that includes higher monthly minimum and mandatory demand charges.

It is unfortunate we were unable to hear many of these comments prior to the rate case hearing because I believe they would have provided helpful context to the multi-week hearing. During the hearing, the Company conceded that the three-part rate design may not be the only rate design option that would allow it an opportunity to earn its rate of return, but I do not believe there were sufficient substantive rate design options proffered by the parties and discussed at the hearing.

I have serious concerns about implementing a mandatory demand charge, particularly in the case at hand, and would like to see more in-depth rate design alternative evidence from the parties. I would like these alternatives to include the traditional two-part rate design and how a *voluntary* demand charge as part of a three-part residential rate would look. I would also like to see redesigned time-of-use rates, including mandatory or default time-of-use rate design and a minimum customer bill in lieu of an increased monthly minimum charge. I would like to see more evidence from the parties on RUCO's rate design proposals and the non-export rate design option introduced by RUCO in its direct testimony, specifically. I recognize these alternatives, including the minimum customer bill with mandatory time-of-use rates, were discussed at the hearing, but there were several comments about how additional modeling and/or discussion was needed in order to understand how they would really look if implemented. I would like to see additional evidence on how these rates, particularly the minimum bill + mandatory time-of-use rate option, would work in practice.

In addition to the information requested above, I would like the parties' input on the following topics:

- (1) The Company mentioned it would consider a 9.5% ROE reasonable if the three-part rate design or its original proposal were adopted. If the Commission opted not to adopt the three-part rate that includes a mandatory demand charge, what ROE would the Company consider reasonable?
- (2) If the Commission opts to move to a three-part rate design, the timeline for implementation of demand meters and a new three-part rate design seems too ambitious. It is my understanding the Company plans to have all demand meters installed by October 2016 and will be prepared to implement the new rates in approximately March of 2017. I am not convinced that this is

sufficient time to adequately educate customers on their usage prior to the implementation of mandatory demand charges. I would like a more thoughtful discussion of how the Company believes achieving this timeline is reasonable, particularly in terms of ensuring sufficient customer education and outreach.

In sum, I have concerns about the mandatory demand charge proposal but do not feel that I have enough information from the hearing to effectively consider alternative rate design proposals. I look forward to reviewing your responses and believe they will assist me in my full consideration of this matter. Additionally, I am pleased we have another public comment session in Lake Havasu City next week and look forward to hearing additional comments from the public about this matter.

Sincerely,



Robert L. Burns  
Commissioner