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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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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

**INITIAL BRIEF OF
ARIZONA UTILITY RATEPAYER ALLIANCE**

The Arizona Utility Ratepayer Alliance hereby submits its Initial Joint Brief in the above-captioned case.

Respectfully submitted on April 25, 2016, by:

Arizona Corporation Commission

DOCKETED

APR 25 2016

DOCKETED BY

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**INITIAL BRIEF OF
ARIZONA UTILITY RATEPAYER ALLIANCE**

1 The Arizona Utility Ratepayer Alliance (“AURA”) hereby submits its Initial Brief in the
2 above-captioned docket concerning the rate application of UNS Electric, Inc. (“UNSE”).

3 **I. INTRODUCTION**

4 This case is highly unusual for at least two reasons. First, in most rate cases, the biggest
5 disputes concern cost of service, with rate design of relatively little interest. But here, cost of
6 service has attracted little interest. Instead rate design is hotly disputed. Second, in most rate
7 cases the major issues are emphasized in the application. But in this case, the major issue in this
8 case—rate design—was not even hinted at until Staff filed its rate-design testimony on
9 December 9, 2015, over seven months after UNSE’s application and initial testimony, and seven
10 weeks after the intervention deadline. Staff proposed, for the first time in Arizona to implement
11 for residential customers a mandatory three-part rate design, including a demand charge. But
12 this remained only a Staff proposal until January 19, 2016, when UNSE abandoned its initial
13 rate-design proposal and supported Staff’s radical rate redesign. Only at that time did it become

1 apparent that the major issue in the case would be an unprecedented new residential rate design –
2 mandatory three-part rates, including a demand charge.

3 There simply has not been enough time to fairly consider UNSE’s radical rate-redesign.
4 Due process requires more. Further, UNSE has not submitted sufficient evidence to allow the
5 Commission to evaluate the effect of the cost shifts. In fact, the evidence suggests that low-
6 income customers will actually see costs overly assigned to them. To fairly evaluate a rate
7 redesign of this magnitude, UNSE needed to collect, organize, and analyze at least one year of
8 customer data from its new electronic meters so that the parties and the Commission can begin to
9 understand what the effects might be. This is not the right place for the Law of Unintended
10 Consequences to be given full rein. Finally UNSE needs to develop and submit a comprehensive
11 customer-education proposal. The overall record discussion was at best preliminary and sketchy.

12 For these reasons, AURA generally recommends that UNSE use its transition rate design
13 until its next rate case, or in the alternative, until a second phase of this case following adequate
14 notice to customers and interested parties.¹

15 **II. RUSH TO JUDGEMENT**

16 UNSE’s unprecedented residential rate-redesign filing came less than six weeks before
17 hearings began. It included 330 pages of rate-design testimony from five UNSE witnesses,
18 including lengthy supporting testimony from PhD Economist H. Edwin Overcast.

19 As a result of UNSE’s abrupt enthusiasm for three-part residential rate design, the
20 intervenors faced a difficult, if not impossible task. Preparing surrebuttal testimony normally is a
21 relatively minor task compared to preparing initial testimony, where the applicant sets forth its
22 entire case including rate design. Although the task is typically larger, intervenors normally have
23 six-months or more to evaluate the applicant’s filing, conduct discovery, and prepare testimony.
24 Yet, in this case, UNSE abandoned its initial filing at the very last instant and submitted
25 essentially a new rate-design case. Yet, intervenors were allowed only one month for evaluation,
26 discovery, and testimony-preparation.

¹ AURA will make specific recommendations in Section VII.

1 The problem is compounded by the fact that the UNSE case, one for a relatively small
2 electric utility, may also determine Commission rate-design policy for Tucson Electric (Docket
3 No. E-01933A-15-0322) and APS (rate filing due later this year). So the outcome of the
4 skirmishes on this relatively minor battlefield may also determine the winners of a larger war.

5 Finally, many other organizations did not become aware of the scope and importance of
6 UNSE's rate-design overhaul in time to intervene in the case. There was nothing in the customer
7 notice at all that indicated UNSE wanted to radically redesign its residential rates to include a
8 mandatory demand charge. Nor did they know that this would be the first skirmish in a utility
9 campaign to transform Arizona rate design.

10 **III. ADEQUATE NOTICE WAS NOT PROVIDED**

11 R14-2-105(A) requires that:

12 Every public service corporation shall give notice to customers affected of any
13 hearing at which the fair value of that corporation's property is to be determined
14 and just and reasonable rates and charges are to be established.

15 In accordance with the rule, Hearing Division provided a form of notice for UNSE to
16 provide to its customers. In relevant part, it stated that UNSE was proposing "modifications to
17 its rate design" and continued: "If you have any questions concerning how the Company's rate
18 proposal will affect your bill or have other substantive questions about this application, you may
19 contact the Company" Finally, the notice stated how to obtain a copy of UNSE's rate
20 application.

21 Nowhere did the notice state that the hearing would be considering an unprecedented
22 change to residential rate design. Nor could a customer have obtained this information by
23 contacting UNSE or by reading every word of the rate application. Of course, this was because
24 the radical rate redesign proposal was not even at issue until Staff proposed it seven weeks after
25 the intervention deadline. Further, until mid-January 2016, no customer or interested party could
26 have known that UNSE would largely accept Staff's proposal, over three months after the
27 intervention deadline.

1 We can look at the adequacy of the notice another way. Once it was clear that—for the
2 very first time—an Arizona electric utility was proposing mandatory demand charges for its
3 residential customers, this case attracted intense interest from the existing parties. Rate design
4 issues normally take at most a day to resolve for a small utility. Instead, this case saw thousands
5 of pages of testimony and weeks of hearings concerning rate design. Further, multiple parties
6 sought and were denied intervention because their requests were made well past the intervention
7 deadline. This is strong evidence that the initial notice was inadequate. If the notice had clearly
8 spelled out that UNSE was proposing a radical new three-part residential rate design, parties
9 could have intervened far earlier and had adequate time to prepare their cases. And it would not
10 have been necessary to deny so many motions to intervene.

11 Finally, including “modifications to rate design” in the laundry list of UNSE proposals
12 did not provide adequate notice that UNSE would ultimately propose an unprecedented rate
13 redesign, one that has motivated thousands of customers to voice their displeasure in public
14 comment sessions only held after the evidentiary hearings.

15 **IV. AURA INITIAL RATE DESIGN TESTIMONY**

16 AURA’S initial rate design testimony was filed on December 9, 2015, before any
17 proposals had been made to implement mandatory residential rate design. As such, it primarily
18 focused on UNSE’s proposals in its Direct Testimony that focused on distributed generation
19 (“DG”) customers.

20 **A. Thomas Alston (AURA-2)**

21 Mr. Alston first discussed the entire issue of customer subsidies.² UNSE singles out DG
22 customers as a significant source of under-recovery of fixed costs despite the statistic in the
23 UNSE filing indicating that 70% of their residential customers do not cover associated fixed
24 charges. In 2015, UNSE residential customers installed 229 DG systems for a total of 404
25 systems since 2012. This represents under a half of one percent of UNSE’s 81,000 residential
26 customers. Yet, two of the proposed rate design changes apply solely to DG customers. UNSE

² This paragraph, AURA-2 at 2.

1 disproportionately focuses on a very small customer class, while ignoring cross-subsidization of
2 the remaining residential customers. UNSE does not explain why it focused only on alleged DG
3 customer subsidies. For the Commission to make an informed decision, the financial burden of
4 alleged subsidizations of DG customers must be compared against the burden imposed on other
5 classes by the 70% of the residential customers that UNSE identifies as subsidized.

6 Mr. Alston testified that UNSE's proposed rate-design changes for the DG customer class
7 are so severe and focused that they have the potential to eliminate the economic benefits of
8 installing residential solar systems.³ In the UNSE Filing there is little discussion of the benefits
9 of DG which have been well proven and extensively studied.⁴ AURA supports a thorough
10 investigation of DG costs and benefits, as part of a larger investigation into the costs and benefits
11 of all customer subsidies.⁵

12 UNSE's initial proposal was to impose mandatory demand charges only on residential
13 DG customers. Mr. Alston concluded his testimony by discussing why these charges would be
14 difficult for UNSE to implement and for customers to understand.⁶ Little did he know that
15 UNSE would ultimately propose to impose mandatory demand charges on all residential
16 customers.

17 **B. Pat Quinn (AURA-4)**

18 Mr. Quinn generally discussed the inconsistency of UNSE's support for Economic
19 Development Rates ("EDR") at the same time that UNSE proposed significant rate increases for
20 DG customers.⁷ UNSE's proposed an EDR with lower prices for large businesses users meeting
21 certain requirements. It was inconsistent for UNSE to base its EDR cost shift on alleged
22 economic development benefits, while taking the opposite view concerning DG despite the

³ This paragraph, AURA-2 at 4-5.

⁴ Synapse Energy Economics, Inc., "Net Metering in Mississippi: Costs, Benefits and Policy Considerations." Prepared for the Public Service Commission of Mississippi, September 19, 2014.

⁵ Such as the Commission is conducting in its generic docket (E-00000J-14-0023) on the cost and value of solar.

⁶ Because the initial UNSE proposal was superseded by its proposal to impose three-part rates on all residential customers, AURA will not summarize this testimony here.

⁷ This paragraph, AURA-4 at 4.

1 proven and well-studied economic development benefits associated with adoption of DG. The
2 lower revenue received from these EDR customers has the same effect as the cost shifts caused
3 by certain other customers. Less of the total revenue requirement will be covered by EDR
4 customers than if they paid the normal rate. This means non-EDR customers will have to make
5 up additional lost revenue. While on the surface EDR seems like a good idea there remain too
6 many unanswered questions, particularly when UNSE proposes to increase costs to DG
7 customers.

8 Concerning Energy Efficiency (“EE”), AURA supports the positions of the Southwest
9 Energy Efficiency Project (“SWEEP”) in this docket.⁸ EE is a low-cost energy resource, which
10 should receive increased funding, with a more streamlined method of approving the Integrated
11 Resource Plan. To ensure continued funding of EE programs, a more stable cost-recovery
12 mechanism than is currently utilized must be approved. SWEEP's proposal to fund EE in base
13 rates is a viable alternative.

14 **V. AURA’S SURREBUTTAL TESTIMONY**

15 **A. Tom Alston (AURA-3)**

16 Mr. Alston testified that demand charges are more difficult to understand than time-of-
17 use charges.⁹ Large companies often hire sophisticated consultants to help them effectively
18 manage demand charges. Residential customers do not have access to these resources. To date,
19 voluntary residential demand charges have traditionally favored upper-income home owners with
20 the time, resources, and education to understand complex rate designs and bills.

21 Mr. Alston reviewed a typical APS residential bill that includes demand charges as a
22 basis to demonstrate what residential customers would need to understand in order to adjust
23 behavior to minimize charges.¹⁰ A customer would need to know the following:

- 24 1. On peak vs off peak per-kWh charges and when peak times occur;
- 25 2. What a per-kW demand charge actually is;

⁸ This paragraph, AURA-4 at 5.

⁹ This paragraph, AURA-2 at 1.

¹⁰ This paragraph, AURA-2 at 1-2.

3. When the demand charge occurred and what was going on in the house to cause usage to spike;
4. Whether or not peak demand only occurs during on-peak hours;
5. What percentage of the bill can be attributed to per kWh charges vs demand charges (there are several demand charges on this bill that would have to be added together);
6. How to control demand by limiting total usage; for instance, it is intuitive to make sure that lights in a house are turned off when not in use but less intuitive to make sure an AC unit does not kick on while doing laundry; and

The Commission needs to decide if the answer to these questions can be reasonably derived from bills, such as the one below, by the average residential customer.

Mr. Alston presented a table that showed how three-part vs. two-part rates align with best practices for reflecting capacity costs in rates.¹¹ The table showed that Time-of use rates better embody best practices.

Exhibit 3. Garfield and Lovejoy Criteria and Alternative Rate Forms

Garfield and Lovejoy Criteria	CP Demand Charge	NCP Demand Charge	TOU Energy Charge
All customers should contribute to the recovery of capacity costs.	N	Y	Y
The longer the period of time that customers pre-empt the use of capacity, the more they should pay for the use of that capacity.	N	N	Y
Any service making exclusive use of capacity should be assigned 100% of the relevant cost.	Y	N	Y
The allocation of capacity costs should change gradually with changes in the pattern of usage.	N	N	Y
Allocation of costs to one class should not be affected by how remaining costs are allocated to other classes.	N	N	Y
More demand costs should be allocated to usage on-peak than off-peak.	Y	N	Y
Interruptible service should be allocated less capacity costs, but still contribute something.	Y	N	Y

¹¹ This paragraph, AURA-2 at 3.

1 Mr. Alston testified that vacation homes in use one or two days a month could receive
2 dramatically higher bills as a large portion of each bill would be based on the few days a month
3 the property was in use.¹² This could increase electricity costs for a property by hundreds or
4 even thousands of additional dollars per year, putting a damper on the purchase of vacation
5 homes and the associated tourism that comes with it.

6 Mr. Alston also testified that demand charges would disproportionately impact low-
7 income customers.¹³ Low-income customers are often time-deprived, and as a result do not have
8 the luxury of spreading out usage load so as to avoid raising peak demand. In other words, if one
9 is pressed for time, sometimes the laundry needs to get done at the same time the air conditioning
10 is running. Low-income customers are also less likely to have access to load-limiters,
11 monitoring devices, and other energy-efficiency mechanisms that can help wealthier customers
12 limit their demand. AURA shares the concerns on this matter expressed in the testimony
13 submitted on behalf of the Arizona Community Action Association.

14 Finally, Mr. Alston testified that to AURA's knowledge no other utility in the country has
15 implemented mandatory residential demand charges.¹⁴ There is no compelling reason for the
16 Commission to lead the nation into uncharted rate-design testimony. If the Commission were to
17 approve a three-part rate, it would be forcing all residential customers to adopt a rate design that
18 has not been tested in a real-world setting. AURA has offered compelling reasons why it would
19 be premature to implement mandatory residential demand charges. And the law of unintended
20 consequences ensures that there would likely be other negative consequences that no party can
21 presently foresee.

22 Mr. Alston was questioned by AIAA counsel Meghan Grabel as to whether he had
23 empirical data concerning the potential negative effects of mandatory residential demand
24 charges.¹⁵ He generally agreed that he did not.¹⁶ Of course, this is precisely the problem with

¹² This paragraph, AURA-2 at 3-4.

¹³ This paragraph, AURA-2 at 4.

¹⁴ This paragraph, AURA-2 at 4.

¹⁵ Tr. 2946-2951.

¹⁶ Id.

1 UNSE's radical proposal. There is no empirical data—in UNSE's service territory, the State of
2 Arizona, or the United States—on any of the potential positive or negative effects of mandatory
3 residential demand charges, including how they would affect low-income customers, high-
4 income customers, low-usage customers, high-usage customers, or the far-flung, disconnected
5 districts or UNSE's service territory.¹⁷

6 Certainly, the AIAA knows that the burden of proof in this case rests with UNSE. UNSE
7 provided the Commission with virtually no empirical data to support its radical rate design, yet
8 the AIAA criticizes the lack of empirical data to support Mr. Alston's logical conclusions.

9 **B. Scott Rubin (AURA-1)**

10 Mr. Rubin performed a study to estimate the cost to serve a sample of UNSE's residential
11 customers in order to compare UNSE's rate-design options. Ultimately, he compared the
12 distribution portion of customers' bills with distribution costs.¹⁸ He made five comparisons, one
13 each for:

- 14 • UNSE's originally proposed two-part rate;
- 15 • UNSE's originally proposed three-part rate;
- 16 • UNSE's rebuttal two-part rate (termed the "transition" rate design);
- 17 • UNSE's rebuttal three-part rate with no adjustment for load factor; and
- 18 • UNSE's rebuttal three-part rate based on a minimum load factor of 15% in each
19 month.¹⁹

20 Based on his analyses, Mr. Rubin's conclusion was unequivocal:

21 I conclude that the facts do not support the assertions of UNSE rebuttal witnesses
22 that its proposed three-part rate design recovers costs more equitably, promotes
23 fairness, and reduces intra-class subsidization. In fact, precisely the opposite is
24 true. Compared to UNSE's rebuttal two-part rate design, its proposed rebuttal
25 three-part rate design is less equitable, is unfair to lower-cost customers, and
26 increases intra-class subsidization.²⁰

¹⁷ Tr. 2969-2970.

¹⁸ AURA-1 at 11-12.

¹⁹ AURA-1 at 12.

²⁰ AURA-1 at 19.

1 In contrast, UNSE's rebuttal two-part design performed very well. "UNSE's rebuttal
2 transition rate does a very good job of having a customer's revenues track the cost of serving the
3 customer."²¹ Largely based on Mr. Rubin's conclusion, AURA recommends that the
4 Commission use UNSE's rebuttal transition rate design to recover the revenue requirement
5 authorized in this case.

6 There was some criticism about the small sample size used by Mr. Rubin, which he
7 addressed. He readily agreed that more data would have been even better:

8 Well, the more the merrier. You know, this isn't some, you know, statistical
9 theory that we are working with. This is utility ratemaking. And ideally what I
10 expect to have is data for every customer. And you know, most -- or I shouldn't
11 say most analysts. I certainly have the ability to analyze those very large data
12 sets. I have seen data sets like this for tens of thousands of customers. And you
13 can work with that and figure out what is going on. So that's what I prefer to have,
14 is actual data for every customer. And then we know we are getting accurate
15 billing units and we can do a proof of revenue.²²

16 Unfortunately UNSE does not have complete data for more than a few thousand customers and
17 only made that data available at the last minute. This is yet another reason why it is way too
18 early to meaningfully evaluate UNSE's various rate design proposals. Again, the burden is on
19 UNSE to provide the data to allow the Commission to determine if such a radical rate design is
20 warranted. At this time, UNSE is far short of meeting its burden.

21 Finally, Mr. Rubin discussed the need for UNSE to make and provide a Proof of Revenue
22 for the parties and Commission to evaluate. He defined "Proof of Revenue" and explained why
23 it was important in a rate case.

24 Proof of revenues is an essential part of the rate design. You have to be able to
25 show that for each customer class, the revenues you collect from the class are
26 reasonably close to the cost of serving the class. And, of course, you need to do
27 that for the utility as a whole.

28 ...

29 In the rate design phase we need to be able to prove that the rates we develop will
30 recover the revenue requirement. And to do that, you need what are called billing
31 determinants or billing units, for example, we sold, you know, X number of

²¹ AURA-1 at 15.

²² Tr. at 1743-1744.

1 kilowatt hours to the residential class, or if it is a multi-block rate we sold, you
2 know, this many kilowatt hours in the first block, this many in the second block,
3 and so on. Then you multiply those by the rate to get the revenues. And when
4 you add it up, you better be right around what the revenue requirement is, or you
5 haven't designed the rates properly and you need to go back and start over again.²³

6 And this is a glaring lack from UNSE's proposed three-part rate redesign – there is no associated
7 proof of revenues, and therefore no way to know whether UNSE would recover its revenue
8 requirement.

9 Finally, Mr. Rubin criticized UNSE's singling out of residential DG customers without
10 performing any cost-of-service study to determine if they have different characteristics, positive
11 or negative.

12 It might make sense for solar customers to be a separate customer class. If that's
13 the case, then they would need to be in the cost of service study as a separate
14 class. That hasn't been done here. It is always difficult -- I mean I would argue
15 improper, but I have seen it done occasionally – to have different customer classes
16 for rate design than you have in a cost of service study. Those two should match.
17 If you are saying these two customers have different characteristics, then the
18 characteristics should also show up in a cost of service study so they can be
19 quantified. That has not been done here for DG customers.

20 ...

21 [W]ithout the cost of service study, it is really difficult to justify a different rate
22 design.²⁴

23 **C. Pat Quinn (AURA-5)**

24 Mr. Quinn generally summarized AURA's positions and offered AURA's
25 recommendations in this case. His recommendations were generally consistent with AURA's
26 final recommendation that follow in Section VII.

27 **VI. OTHER EVIDENCE CONSISTENT WITH AURA**

28 **A. Jeff Schlegel**

29 SWEEP witness Jeff Schlegel presented Exhibit SWEEP-4, which largely confirmed Mr.
30 Rubin's testimony that the change to mandatory residential three-part rates would
31 disproportionately impact low-usage customers:

²³ Tr. at 1721, 1722.

²⁴ Tr. at 1730, 1731 (emphasis added).

1 [T]he change from the current rate to the demand three-part rate, the company's
2 proposal, first ... for extra small, small, and medium customers, the change in rate
3 is significant. It is a significant change for small customers, for example, of about
4 27 percent, not 7 percent as it is on average. It is 14 percent per medium
5 customers and 34 percent for extra small customers.²⁵

6 Conversely, high-usage customers would greatly benefit from UNSE's proposal:

7 [Y]ou can see if you look at the large and extra large that those customers either
8 have a very small rate increase, or much smaller rate increase for large, and the
9 extra large actually have a rate decrease. ... Their bills decreased by \$254 per
10 year, or \$21 per month. So that's a very significant decrease and contrasts with
11 the very significant increase that lower usage customers see.²⁶

12 **B. Briana Kobor**

13 Vote-Solar witness Briana Kobor also supported Mr. Rubin's conclusion that UNSE's
14 radical rate redesign would poorly track costs. Ms. Kobor prepared Vote-Solar-8, a scatter plot
15 for 2200 customers that graphed bill impacts versus monthly usage.²⁷ "For residential customers
16 you see that 66 percent of customers will have a bill increase, while 34 percent will have a bill
17 decrease."²⁸ She agreed with Mr. Schlegel's conclusion that low-usage customers would see a
18 large average increase as a result of UNSE's proposal, but even within a usage subgroup, actual
19 results would vary wildly. "[F]or customers in UNSE's sample that have usage between 700 and
20 900 kilowatt hours a month, they would be expected to see a range of impacts from an \$11.54
21 decrease to a \$17.17 increase."²⁹

22 Ms. Kobor's scatter plot is strong evidence that UNSE's three-part rate proposal would
23 do a poor job of allocating the rate increase, even within a small usage subgroup.

24 **C. Commissioner Burns**

25 On April 13, 2016, Commissioner Burns docketed a letter that reported on his
26 impressions from attending the very well-attended public-comment meetings throughout the
27 UNSE service territory. His letter supports AURA's view that this hearing was unduly rushed,

²⁵ Tr. at 1948-49.

²⁶ Id.

²⁷ Tr. at 2126-2127.

²⁸ Tr. at 2131.

²⁹ Id.

1 and lacked the data necessary to evaluate the various rate-design options available to UNSE.

2 The Commissioner's concerns bear repeating verbatim:

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

18 Commissioner Burns went on to ask some very specific questions, which really cannot be
19 answered without substantial additional customer data, further prefiled testimony, and many
20 more days of hearings. AURA submits that the only way to fully answer these questions would
21 be to defer them until UNSE's next rate case (AURA's Primary Recommendation) or to defer
22 them to a second phase of this case (AURA's Alternative Recommendation). These
23 recommendations are detailed in the next section.

24 **VII. AURA RECOMMENDATIONS**

25 UNSE's proposed three-part rate residential design is radical and unprecedented. For a
26 change of this magnitude, UNSE's burden of proof is heavy. UNSE has not come close to
27 carrying that burden. It has offered only limited, sketchy, conclusory testimony. And even that
28 insufficient evidence suggests that low-income customers would actually see costs shifted to
29 them.

30 For the parties and the Commission to fairly evaluate a rate redesign of this magnitude,
31 UNSE needs to collect, organize, and analyze at least one year of data from its new electronic
32 meters for every customer so that the parties and the Commission can begin to understand what

1 the effects might be. Sufficient time must be allowed for the parties to analyze the data and to
2 propose alternatives.

3 UNSE also failed to develop and submit a comprehensive customer-education proposal.
4 There was no meaningful written proposal to evaluate. Instead, its witnesses essentially ad-
5 libbed what would be required to educate customers. A dramatic rate redesign needs a far more
6 carefully crafted customer education proposal.

7 **A. AURA's Main Recommendation**

8 UNSE's three-part residential rate-design proposal should be rejected. Rate design
9 should be based on UNSE's rebuttal two-part rate (termed the "transition" rate) as the permanent
10 residential rate design. The residential customer charge should be set at RUCO's proposed
11 \$12.26, with any reduction in revenues spread over the usage charges once a revenue
12 requirement is approved. Given the pendency of generic docket (E-00000J-14-0023) on the cost
13 and value of solar, any changes to net-metering would be premature.

14 **B. AURA's Alternative Recommendation**

15 In the alternative, AURA recommends that this proceeding be split into two phases. The
16 first phase is nearly complete and will determine UNSE's revenue requirement. Phase 1 would
17 conclude with a Commission Decision authorizing new rates. Residential rate design would be
18 based on UNSE's rebuttal two-part rate, not UNSE's rebuttal three-part rate. The residential
19 customer charge would again be set at RUCO's proposed \$12.26, with any reduction in revenues
20 spread over the usage charges once a revenue requirement is approved. There would be no
21 changes to net metering until the generic docket on the cost and value of solar has been
22 completed and UNSE has applied to open Phase 2.

23 UNSE would have to collect, organize, and analyze at least one year of usage and
24 demand data for every customer. If UNSE still supports three-part rates after collecting this data,
25 it would also develop a comprehensive customer-education program for all parties to evaluate.
26 Only after both tasks were completed, could UNSE apply to open Phase 2 of the docket, along

1 with supporting testimony and a proof of revenue. If UNSE decides not to proceed with Phase 2,
2 then the Phase 1 rates would be permanent, with all residential rate-design issues, including net-
3 metering, deferred at least until UNSE's next rate case.

4 If UNSE does apply to begin Phase 2, the new application would be noticed to all
5 customers in a form approved by Hearing Division, including a new intervention date. A party
6 to Phase 1 would automatically remain a Phase 2 party, unless it chose to opt out.

7 The scope of Phase 2 would be limited only to residential rate-design issues, including
8 UNSE's proposal and any alternatives proposed by Staff or other parties. As the party proposing
9 radical rate-redesign, UNSE and its supporters would have the burden of proof. At the
10 conclusion of Phase 2, the Commission would then determine whether to continue with the
11 Phase 1 rate design, or it would approve a new rate design of some sort based on the Phase 2
12 evidence. If a new rate design were adopted, then the Commission would authorize new rates
13 based on the revenue requirement determined in Phase 1.

14 Another benefit of AURA's two-phase proposal would be that the parties would have the
15 benefit of the Commission's determinations from the generic investigation in Docket No. E-
16 00000J-14-0023. An additional benefit could be that the additional time would allow the parties
17 to perhaps engage in discussions to resolve some or even all of their rate-design issues.

18 **C. AURA's Third Recommendation**

19 In the unlikely event that the Commission decides to approve the UNSE proposal, its
20 customers need to be held harmless during Staff's 18-month transition period. Any rate-design
21 adjustments would need to provide for customer refunds of the difference between what they
22 would have been charged under the permanent rates and what they were actually charged during
23 the transition period. Residential customers should not foot the bill for rushing to implement a
24 radical, poorly understood, new rate design.

25 If the customer would have paid more, UNSE would have to bear that cost as part of its
26 transitional costs. Customers did not ask for a radical redesign of their rates. In fact, based on

1 the overwhelming negative customer response, as demonstrated at multiple public meetings and
2 by huge numbers of public comments, it is clear that residential customers are overwhelmingly
3 opposed to the UNSE proposal. If the Commission nevertheless were to approve the UNSE
4 rate-design proposal, it would be unfair and disruptive to go back to customers and tell them that
5 they did not pay enough during the transition period.