

George & Cynthia Naanes  
4832 N. Creosote Canyon Dr.  
Tucson, AZ 85749  
Ph 520-638-6650  
April 27, 2016



0000170346

ORIGINAL

RECEIVED

2016 MAY 16 A 11:08

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
Utilities Division  
1200 W. Washington  
Phoenix, AZ 85007-2996

Arizona Corporation Commission  
DOCKETED

MAY 16 2016

DOCKETED BY *AKG*

**PROTEST AND OBJECTION TO PROPOSED  
RATE INCREASES BY TUCSON ELECTRIC  
POWER - DOCKET NO. E-01933A-15-0322**

E-01933A-15-0239

George & Cynthia Naanes  
4832 N. Creosote Canyon Dr.  
Tucson, AZ 85749  
Ph 520-638-6650  
April 27, 2016

## **HISTORY**

TEP-UNS is a subsidiary of a Multi-Billion Dollar Company based outside of the United States. Not a U.S. Based Corporation!

## **CURRENT PROPOSED RATE INCREASE BASES:**

In November 2015 TEP filed a general rate application ("GRA") with the Arizona Corporation Commission ("ACC") requesting new retail rates to be effective January 1, 2017, using the year ended June 30, 2015 as a historical test year. Since its last approved rate order in 2013, which used a 2011 historical test year, TEP's total rate base has increased by approximately US\$0.6 billion and the common equity component of capital structure increased from 43.5% to approximately 50%. The application also addresses rate design changes that would reduce the reliance on volumetric sales to recover fixed costs, and a new net metering tariff that would ensure that customers who install distributed generation pay an equitable price for their electric service.

## **ADMISSION:**

*Fortis and UNS admit in their fourth quarter 2015 annual report the following as it relates to Southern Arizona:*

*"The business of UNS Energy is concentrated in the State of Arizona. In recent years economic conditions in Arizona have contributed significantly to a reduction in retail customer growth and lower energy usage by the Company's residential, commercial and industrial customers. While it is expected that economic conditions in Arizona will improve in the future, if they do not or if they should worsen, retail customer growth rates may stagnate or decline and customers' energy usage may further decline."*

George & Cynthia Naanes  
4832 N. Creosote Canyon Dr.  
Tucson, AZ 85749  
Ph 520-638-6650  
April 27, 2016

## **BACKGROUND**

UNS Energy is a subsidiary of Fortis, the largest investor-owned electric and gas distribution utility in Canada. Fortis' regulated utility subsidiaries serve more than 3 million customers across Canada and in the United States and the Caribbean. Fortis also owns non-regulated hydroelectric generation assets in Canada, Belize and upstate New York.

In the fourth quarter of 2015, Fortis Reported 2015 Earnings of \$728 Million Targets Annual Dividend Growth of 6% through 2020 Announces Acquisition of ITC Holdings Corp. for US \$11.3 Billion.

- Factors that resulted in growth in adjusted earnings per common share included:

A full year's contribution from UNS Energy in Arizona, which was acquired in mid-August 2014, partially offset by corporate finance charges and an increase in the weighted average number of common shares outstanding associated with the acquisition.

In November 2015 Tucson Electric Power Company ("TEP"), UNS Energy's largest utility, filed a general rate application with the Arizona Corporation Commission requesting new retail rates to be effective January 1, 2017, using the year ended June 30, 2015 as a historical test year. Since its last approved rate order in 2013, which used a 2011 historical test year, TEP's total rate base has increased by approximately US\$0.6 billion and the common equity component of capital structure increased from 43.5% to approximately 50%.

On a pro forma basis, 2016 forecast midyear rate base of Fortis is expected to increase by approximately \$8 billion to approximately \$26 billion, as a result of the acquisition of ITC. Following the Acquisition, Fortis will be one of the top 15 North American public utilities ranked by enterprise value, with an estimated enterprise value of \$42 billion. Additionally, ITC's midyear rate base, including construction work in progress, is expected to increase at a compound annual growth rate of approximately 7.5% through

George & Cynthia Naanes  
4832 N. Creosote Canyon Dr.  
Tucson, AZ 85749  
Ph 520-638-6650

April 27, 2016

2018, based on ITC's planned capital expenditure program. Fortis continues to target 6% average annual dividend growth through 2020. This dividend guidance takes into account many factors, including the expectation of reasonable outcomes for regulatory proceedings at the Corporation's utilities.

### CONCLUSSION AND OBJECTION

1. The proposed increases by UNS-TEP Utilities are anything but "Just and Reasonable" to all Electric users in Southern Arizona.
2. By their own Admission, UNS-TEP knows the poor condition of the economy here in Southern Colorado and this increase would make it even worse.
3. In the last rate increase by TEP before Fortis purchased them, TEP stated that they would not ask for another rate increase for eight (8) years if the Arizona Corporation Commission approved the last increase. It has NOT been eight (8) years!
4. It is unfair and unjust to just double the "net metering Tariff" charge to all customers.
5. It is unfair and unjust to force all customers to accept a demand-metered rate. Any Demand Metering should NOT be forced on anyone who chooses to stay on their current form of metering. This was done with APS when they originally placed metered rates into effect.
6. It is unjust and totally unreasonable for the basic service charge to increase to the proposed rate. Here in Southern Arizona, we already have tiers of rates based on KwHrs of usage. The current rates even change during the winter months. With the current rates, and the added Renewable energy charges, Taxes, Assessments and added new fees for "Lost Cost Recovery EE and DG, RUCO and ACC", the current average total cost per KwHr to TEP Customers is **\$.13/KwHr.**

George & Cynthia Naanes  
4832 N. Creosote Canyon Dr.  
Tucson, AZ 85749  
Ph 520-638-6650  
April 27, 2016

**FINAL GROUNDS:**

We do NOT support the full requested rates increases in all categories.

We request restraint and common sense by the Commissioners when understanding requirements of Arizona State law, but also the financial impact on all citizens of a huge rate increase if the complete request is approved for Southern Arizona. We are already economically still in recovery. Our roads are the fourth worst in the United States, and Pima County, Arizona has the highest property tax in all of Arizona.

Please consider the economic statistics below when deciding the rate increase proposed and the effect it would have on a further decline in net income to families here.

# Economy

[Download .xls](#)

## ECONOMY OVERVIEW

The unemployment rate in Tucson, Arizona, is 5.90%, with job growth of 0.98%. Future job growth over the next ten years is predicted to be 36.10%.

**Tucson, Arizona Taxes**

Tucson, Arizona, sales tax rate is 8.10%. Income tax is 3.36%.

**Tucson, Arizona Income and Salaries**

The income per capita is \$20,393, which includes all adults and children. The median household income is \$36,939.

ECONOMY	Tucson, Arizona	United States
Unemployment Rate 	5.90%	6.30%
Recent Job Growth 	0.98%	1.18%
Future Job Growth 	36.10%	36.10%
Sales Taxes 	8.10%	6.00%

George & Cynthia Naanes  
 4832 N. Creosote Canyon Dr.  
 Tucson, AZ 85749  
 Ph 520-638-6650  
 April 27, 2016

Income Taxes	3.36%	4.72%
Income per Cap.	\$20,393	\$28,051
Household Income	\$36,939	\$53,046
Family Median Income	\$47,201	\$64,585

**ESTIMATED HOUSEHOLDS BY HOUSEHOLD INCOME**

Income Less Than 15K	19.82%	12.61%
Income between 15K and 20K	7.05%	5.33%
Income between 20K and 30K	14.32%	10.57%
Income between 30K and 40K	12.19%	9.90%
Income between 40K and 50K	9.38%	8.95%
Income between 50K and 60K	7.94%	8.08%
Income between 60K and 75K	8.66%	10.09%
Income between 75K and 100K	9.85%	12.25%
Income between 100K and 150K	7.71%	12.82%
Income between 150K and 200K	1.91%	4.78%
Income greater than 200K	1.17%	4.64%

**POPULATION BY OCCUPATION**

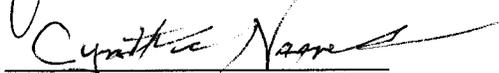
Management, business, finance	10.51%	14.36%
Engineering, computers, science	5.77%	5.24%
Community, social services	1.97%	1.66%
Legal	0.85%	1.17%
Education, library	6.54%	6.10%

George & Cynthia Naanes  
 4832 N. Creosote Canyon Dr.  
 Tucson, AZ 85749  
 Ph 520-638-6650  
 April 27, 2016

Arts, design, media, sports, entertainment	2.01%	1.88%
Healthcare practitioners and technology	4.87%	5.49%
Healthcare support	3.09%	2.47%
Firefighters, law enforcement	2.67%	2.24%
Food preparation, serving	7.42%	5.61%
Building maintenance	5.45%	3.97%
Personal care	4.68%	3.54%
Sales, office, administrative support	26.18%	24.89%
Farming, fishing, forestry	0.11%	0.73%
Construction, extraction, maintenance/repair	9.19%	8.56%
Production, transportation, material moving	8.72%	12.10%

By:

  
 George E. Naanes, CFE

  
 Cynthia E. Naanes