

ORIGINAL

EXCEPTION



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9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 DOUG LITTLE - Chairman
11 BOB STUMP
12 BOB BURNS
13 TOM FORESE
14 ABDY TOBIN

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

Docket No. E-04204A-15-0142

**ACAA EXCEPTIONS TO
RECOMMENDED OPINION
AND ORDER**

25 Arizona Community Action Association (“ACAA”) submits the following
26 exceptions to the Recommended Opinion and Order issued by the Administrative Law
Judge in this matter.

1. DSM Calculation for CARES Customers

The Recommended Opinion and Order (“ROO”) states “[t]hus, when UNSE
calculates the appropriate discount under the new rates approved herein, it should

1 include the current DSM discount as part of the calculation and adjust the overall
2 discount accordingly. Under this approach it would be appropriate to assess the DSM
3 surcharge to CARES customers.”¹ ACAA believes that if the CARES customers are
4 subjected to the DSM Surcharge, the CARES discount be increased so as to hold low-
5 income customers harmless from the surcharge. According to the Company’s original
6 filing, the adjusted kilowatt-hour consumption for CARES customers during the test
7 year was 58,840,325 kWh, and the adjusted number of CARES customers during the
8 test year was 6,236.² With a DSM surcharge of \$0.0015/kWh,³ in order to hold the
9 CARES class harmless from the DSM surcharge each customer would require a \$1.18
10 per month credit.

11 **2. Auto-Enrollment**

12 The ROO recognizes the importance of increasing enrollment in the CARES
13 rate. Furthermore, it is encouraging that automatic enrollment in the CARES rate is
14 being considered as an option to address the issue. However, more must be done than
15 simply investigating automatic enrollment. Too many of UNSE’s customers are
16 suffering due to unnecessarily high energy burdens when they are eligible for a discount
17 to make their bills more manageable.

18 To that end, either a process-oriented plan and/or a results-oriented plan should
19 be implemented by the Company. In a process-oriented plan, after a sufficient amount
20 of time (90 or 180 days), UNSE would report to the docket its plan to implement
21 automatic enrollment. After receiving comment and finalizing the plan, the company
22 would implement it within a set amount of time (30 or 90 days). If the company found
23 it infeasible, it would accept suggestions from other parties as to how to successfully
24 adopt automatic enrollment.

25 ¹ ROO at p. 72, lines 2-5.

26 ² Company Proposal, Schedule H-2-1, Page 1 of 1. Part 3 of 3, Pg 266.

³ Exhibit CAJ-3, Original Sheet Number 801-1.

1 If, for some reason, this process does not work, then a result-oriented goal
2 should be implemented. During the test year, UNSE received approximately \$200,000
3 in LIHEAP money for bill assistance. Assuming the maximum grant amount of \$640
4 per client (the most conservative estimate for our purposes), this would result in 312
5 clients receiving assistance. If they were all automatically enrolled into CARES, they
6 would represent a 5% increase in participation.⁴ If UNSE has a better way to increase
7 CARES enrollment by 5% in a year, they should implement it. If not, then it is
8 imperative that this program be implemented to assist several hundred of the thousands
9 of families struggling to get by in UNSE's service territory.

10 Salt River Project implemented automatic enrollment for their low-income
11 customers approximately a year ago, and would be a great resource for the
12 implementation of auto-enrollment.

13 **3. Opt-in TOU Rate for CARES Customers**

14 The Recommended Order suggests that Time-of-Use rates be the default for
15 customers, with the ability to opt-out and a \$2/month fixed charge disincentive for
16 doing so.

17 There is very little solid evidence on how low-income customers adapt to time-
18 of-use pricing. In a report from the University of Waterloo,⁵ it is noted that low-income
19 customers use less energy but also live in less efficient housing stock with inefficient
20 appliances. The report contrasts how customers respond to increased energy costs by
21 income group: high income customers invest in conservation, while low-income
22 customers are forced to make "lifestyle cutbacks." This problem is exacerbated for

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24 ⁴ This is assuming that none of the LIHEAP clients were previously enrolled in CARES, which
25 may not be the case. This assumption is counterweighted by the fact that LIHEAP recipients
26 don't all receive the maximum grant amount; the average value in 2015 was \$472. In light of
these countervailing assumptions, the 5% increase is a reasonable estimate.

⁵ <https://uwaterloo.ca/sustainable-energy-policy/sites/ca.sustainable-energy-policy/files/uploads/files/Simmons.pdf>

1 renters, as they are unlikely to invest in upgrades to their landlord's property, leaving
2 cutbacks as their only way to save.

3 As a result, time-of-use rates for low-income customers could have one of three
4 impacts. The first possibility is that a low-income customer is a "natural saver" and
5 they already use most of their energy off-peak, in which case these rates may be
6 beneficial for them. There are also customers whose load is flexible, and they are able
7 to shift their load to off-peak hours. The final category contains customers who aren't
8 able to shift their energy usage from a high-peak time, and as such will bear the brunt of
9 this increase. This group would contain busy families, seniors, people who are
10 housebound, people who work various shifts, and people who work from home, among
11 many others.

12 When EEI simulated customers experiencing dynamic rates without changing
13 their load profiles, they found similar results to what was described above. Some low-
14 income customers did see decreases, but over a third saw their bills increase, some by
15 more than 10%.⁶ These vulnerable customers who can't shift their load shouldn't be
16 forced to shoulder such a steep increase. These CARES customers should be given the
17 option to opt-in to the time-of-use rate.

18 Additionally, during the six month transition, information should be presented to
19 customers showing what their bill would have been if they had been on the time-of-use
20 rate. This information should continue to be presented to CARES customers regardless
21 of their choice to opt-in so that they can be better informed as to what the right rate is
22 for them.

23 4. Deposits

24 The ROO makes note of the fact that the company "may" require additional
25 deposits, allowing for flexibility. With that flexibility must come transparency.

26 ⁶ http://www.edisonfoundation.net/IEE/Documents/IEE_LowIncomeDynamicPricing_0910.pdf

1 According to discovery from UNSE, if the company were to collect a deposit for every
2 CARES customer who makes two or more late payments, the amount of deposits
3 collected would increase 442%.⁷ To ensure that low-income customers aren't seeing
4 an exorbitant rise in deposit requirements, the Company should be required to regularly
5 report the number of deposits taken from low-income customers and how it compares to
6 what was taken in the previous period.

7 **5. Payment Plans**

8 The Company originally proposed to change its rules to reduce the period for
9 deferred payment plans from six months to three months. However, Company witness
10 Denise Smith testified that the Company changed its mind and decided to maintain its
11 deferred payment plan length of six months rather than shorten it to three months.⁸
12 This change was not reflected in the proposed rules submitted by the Company in its
13 initial brief.⁹ Per Ms. Smith's testimony, the length of the deferred payment plan
14 should be maintained as six months.

15 **6. Consumer Education**

16 The ROO states clearly that education around Time-of-Use pricing should be
17 undertaken during the transition period. However, the type and quality of the education
18 is not specified. The education must consist of more than a bill insert or a media buy;
19 there must be community-focused education involving the affected community
20 members. These education materials should include not just information but also,
21 where appropriate, tools and technologies (such as efficient appliances or smart
22 thermostats) to better impart useful knowledge to the community members. ACAA
23 would be happy to assist in this education effort.

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25 ⁷ UNSE Electric's Response to ACAA's First Set of Data Requests, ACAA 1.06.b, ACAA 106.h

26 ⁸ Trans., Vol. III at p. 638, lines 12-15 ("So we would be willing to keep the current level at the
six month for a payment plan. And that's in Section II.I.2.C of the Company's rules and regs.")

⁹ <http://images.edocket.azcc.gov/docketpdf/0000169936.pdf>

1 **7. Warm Spirits Program Delivery**

2 ACAA appreciates the Company's agreement to provide program delivery funds
3 for the Warm Spirits assistance program. This represents a positive step forward in
4 providing service for UNSE's most vulnerable customers when they are in need of
5 crisis assistance.

6 **8. Bill Assistance and Weatherization Information on the
7 Disconnect Notice**

8 ACAA appreciates the Company's agreement to include weatherization and bill
9 assistance information on disconnect notices. By providing this information to clients
10 who need it most, we are able to streamline the provision of assistance and ensure that it
11 is being made available to households in need.

12 **9. Increased Fixed Charges**

13 The ROO recommends that fixed charges be raised to \$13 per month for the
14 time-of-use rate and \$15 for the two-part non-TOU rate. Increasing fixed charges
15 reduces low-income customers' ability to control their bills by forcing them to pay
16 more money before they've even flipped a light switch on. As was shown in ACAA's
17 direct testimony, the most frequent bill range for CARES customers during the test year
18 was 401-500 kWh per month.¹⁰ Furthermore, increases in fixed charges are regressive
19 in nature. Lower-use, often low-income customers see a steep increase in rates, while
20 customers who can afford to use more electricity often see a decrease. Punishing
21 customers who are unable to shift their load to take advantage of a time-of-use rate is
22 unfair. Time-of-use and non-time-of-use customers are calling the same call centers
23 and paying the same bills, but the non-time-of-use customers are paying more for the
24 same service.

25 ¹⁰ Figure 2, ACAA Direct Testimony. Due to logarithmic scaling, there is a spike in the data at
26 1,500 kWh, but this is because that spike encompasses 1,000 kWh – 1,5000 kWh, while the peak
of the data set encompasses 400 – 500 kWh.

1 **10. Experience Paying Bills**

2 The ROO states that having CARES customers on the general rate will give
3 them “experience” with standard rates. There’s nothing new to experience: the CARES
4 rate was a two-part rate with a fixed charge and a volumetric charge, and the standard
5 rate is a two-part rate with a fixed charge and a volumetric charge. Low-income
6 households are masters at allocating scarce resources; as one researcher said, “[t]hey
7 trade, they bargain, they strategize, they give each other daycare help, they share
8 housing and food...”¹¹ Increasing their bills or making it more difficult to pay won’t
9 instill any life lessons; it’ll just make it harder for people to make ends meet.

10 **11. CARES Burden on Non-Participants.**

11 According to the ROO, UNSE states that “the CARES discounts will result in an
12 overall subsidy of approximately \$1 .3 million, which is approximately twice the
13 existing subsidy...The Company opposes increasing CARES eligibility from 150
14 percent to 200 percent of the federal poverty level because it would increase the cost of
15 the program which would be passed on to other residential customers.”¹² First of all,
16 the CARES discount isn’t doubling. The CARES discount total of \$581,326.00 is only
17 counting the volumetric discount. Including the fixed charge discount adds another
18 \$381,643.20 that CARES customers were saving. The CARES customers were also
19 exempt from the DSM adjustor; the total adjusted consumption for CARES customers
20 during the test year was 58,840,325 kWh. With a DSM surcharge of \$0.0015/kWh, this
21 yields an additional \$88,260.49 that was unaccounted for. The total CARES discount
22 during the test year was \$1.051 million. \$1.3 million is an increase, but it represents a
23 24% increase, not a doubling of the discount.

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26 ¹¹ <http://www.theatlantic.com/business/archive/2015/12/how-poor-single-moms-survive/418158/>

¹² ROO at p. 68, lines 15-16, 22-24.

1 Regarding the costs being passed on to other customers; that's an accurate
2 statement, but the benefits accrue to non-participants as well. To quote the Low-
3 Income Assistance Strategy Review, "[i]t may appear counter-intuitive, but charging an
4 affordable rate may enable a utility to receive greater net revenues than charging an
5 undiscounted rate. An affordable rate improves the payment patterns of the
6 participating customers; ... This in turn can lead to higher total net payments; a higher
7 percentage paid of a lower bill can produce more revenues than a lower percentage paid
8 of a higher bill. More customers can and do pay the affordable bill than the
9 unaffordable bills."¹³ The report goes on to cite examples from Indiana, Colorado, New
10 Jersey, Pennsylvania, Ohio, Maryland, and Missouri which have found low-income
11 affordability programs to be cost-effective. A similar analysis must be done in the
12 future to ensure the costs and benefits of the CARES rate are properly accounted for.

13 **12. Bill Impacts**

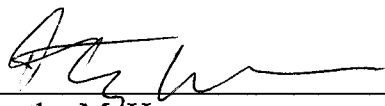
14 ACAA is reserving comment on the specific impact that the ROO will have on
15 customers' bills. As the ROO acknowledges, because it adopts a different revenue
16 allocation than either Staff or the Company and modifies the proposed monthly
17 customer charge, an exact bill impact analysis is not available until UNSE files new rate
18 schedules and proof of revenue that conform to the rates authorized in the ROO.

19 ACAA believes it is critical for the Commission and the parties to fully
20 understand the bill impacts associated with the ROO prior to the open meeting
21 scheduled to consider this matter. Therefore, ACAA requests either that the Company
22 voluntarily file the bill impact analysis prior to the open meeting or that the
23 administrative law judge direct it to do so. It is only with a full bill impact analysis that
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26 ¹³ <http://www.synapse-energy.com/sites/default/files/Low-Income-Assistance-Strategy-Review-14-111.pdf>

1 the Commission and parties can understand the impact of the ROO on customers at
2 different usage levels and during different seasons.

3 DATED this 29th day of July, 2016.

4 By 
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13 Foregoing filed this 29th day of July,
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