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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

ORIGINAL

Arizona Corporation Commission

DOCKETED

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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

SWEEP COMMENTS AND PROPOSED REVISIONS TO HEARING DIVISION AMENDMENT #4

The Southwest Energy Efficiency Project ("SWEEP") provides these comments and proposed revisions to Hearing Division Proposed Amendment #4 filed on August 5, 2016. SWEEP appreciates the efforts of Judge Rodda and the Hearing Division to recommend rate designs for residential and SGS customers that are appropriate for the UNSE service territory and UNSE customers. SWEEP supports much of Hearing Division Proposed Amendment #4, except for the treatment of the basic service charges for residential and Small General Service ("SGS") rates.

SWEEP submits the following comments and proposed revisions to Hearing Division Proposed Amendment #4 for the Commission's consideration.

I. THE BASIC SERVICE CHARGE SHOULD BE DETERMINED USING THE BASIC CUSTOMER METHOD AND THE CUSTOMER COST EVIDENCE IN THIS PROCEEDING.

The current basic service charge for UNSE residential customers is \$10 per month. SWEEP recommends a basic service charge of \$10 per month for the standard two-part rate -

1 equivalent to the current basic service charge – or lower. SWEEP does not support arbitrary
2 increases in the basic service charge, to \$13 or \$15 per month or other levels, that are not
3 supported by the evidence in the record, and that are not in the public interest.

4 The basic customer method and the customer cost evidence in the record should be used
5 to determine the basic service charge. The basic customer method is consistent with the
6 principles established by Professor Bonbright. According to Bonbright, the definition of
7 customer cost is “operating and capital costs found to vary with the number of customers,
8 regardless, or almost regardless, of power consumption.” Bonbright, James C. 1961. Principles
9 of Public Utility Rates. P. 347. The basic customer method includes only the costs for direct
10 basic customer service – i.e., the cost to hook up, bill, and maintain a customer’s account. The
11 basic customer charge should not include grid-related costs of transmission and distribution
12 plant, which are driven largely by the amount of customer usage and demand. The basic
13 customer method also appears to be the method the Company relied on its 2009 and 2012 rate
14 cases. The basic customer method should continue to be the reasonable and appropriate method
15 used to determine the basic service charge. The amount of the basic service charge should be
16 determined based on the per customer costs accounted for using the basic customer method, as
summarized above and as described in SWEEP’s testimony.

17 SWEEP and Vote Solar calculated that the basic service charge for residential customers
18 should be less than \$10 per month using the basic customer method (SWEEP and Vote Solar
19 testimony), and RUCO agreed that the current charge of \$10 should not be increased (RUCO
20 Exhibit 6 at page 24).

21 There is no cost-based justification or evidence for increasing the residential basic service
22 charge in this case and deviating from the basic customer method to derive the basic service
23 charge. UNSE’s attempts to increase the basic service charge are simply efforts on the part of
24 the Company to move as many costs as possible out of volumetric rates and into fixed charges.
25 High basic service charges reduce customer control over their utility bills, reduce customer
26 incentives to save money and electricity, reduce customer engagement in UNSE energy
27 efficiency programs, and disproportionately impact low usage customers many of whom are also
28 low income customers.

1 SWEEP recommends that the residential basic service charge for the standard two-part
2 rate be set at \$10 per month.

3 SWEEP also recommends that the basic service charge for the Small General Service
4 (SGS) standard two-part rate be increased from \$10 to \$15 per month, as proposed by UNSE in
5 its Opening Brief, which is less than the increase to \$20 per month recommended in Hearing
6 Division Proposed Amendment #4.

7
8 **II. THERE SHOULD BE A POSITIVE INCENTIVE TO ENCOURAGE**
9 **CUSTOMERS TO SELECT TOU AND THREE-PART RATES, IN THE FORM OF A**
10 **DECREASE IN THE BASIC SERVICE CHARGE. CUSTOMERS SHOULD RETAIN A**
11 **HIGH AMOUNT OF CONTROL OVER THEIR ENERGY USAGE AND ENERGY**
12 **BILLS.**

13 As discussed above, SWEEP does not recommend an increase in the basic service charge
14 for the residential standard two-part rate because an increase is not justified, is not supported by
15 the customer cost evidence in this proceeding, and is not in the public interest. Therefore,
16 SWEEP does not support an increase in the basic service charge for the residential standard two-
17 part rate to \$13 per month. And SWEEP does not support the increase from \$13 to \$15
18 recommended in Hearing Division Proposed Amendment #4 after the implementation of new
19 rates.

20 However, SWEEP does support a positive incentive (rather than the negative incentive in
21 the form of avoiding an unjustified rate increase) to encourage customers to select TOU or three-
22 part rates when they are appropriate for the customers.

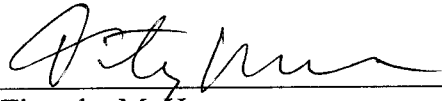
23 Starting with the implementation date for the final rates, SWEEP recommends a positive
24 incentive for customers to select the two-part TOU rate, three-part rates, or three-part TOU rates
25 by *reducing* the basic service charge to \$8 per month for these rates, and giving customers more
26 control over a larger portion of their total utility bills, while continuing the basic service charge
27 of \$10 per month for the standard two-part rate.

28 SWEEP also recommends a similar positive incentive approach for rates for SGS
customers.

1 These proposed revisions are specified in the form of an amendment attached to this
2 filing.

3
4 Thank you for the opportunity to submit these SWEEP comments and proposed revisions
5 on Hearing Division Proposed Amendment #4.

6
7 RESPECTFULLY submitted this 9th day of August, 2016

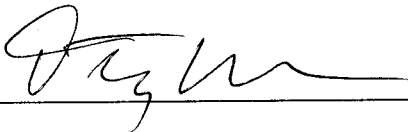
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9 
10 Timothy M. Hogan
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12 PUBLIC INTEREST
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14 Phoenix, Arizona 85003

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17 ORIGINAL and 13 COPIES of
18 the foregoing filed this 9th day
19 of August, 2016, with:

20 Docketing Supervisor
21 Docket Control
22 Arizona Corporation Commission
23 1200 W. Washington
24 Phoenix, AZ 85007

25 COPIES of the foregoing
26 electronically mailed August 9, 2016 to:

27 All Parties of Record

28 

1 **SWEEP PROPOSED REVISIONS TO**
2 **HEARING DIVISION PROPOSED AMENDMENT NO. 4**

3 TIME/DATE PREPARED: August 9, 2016

4 COMPANY: UNS Electric, Inc.

AGENDA ITEM NO.: U-22

5 DOCKET No.: E-04204A-15-0142

OPEN MEETING DATE: August 9 & 10, 2016

6
7 Purpose: Retain the current basic service charge of \$10 per month for residential customers on
8 the standard two-part rate. Starting with the implementation date for the final rates, provide a
9 positive incentive for customers to select the two-part TOU rate, three-part rates, or three-part
10 TOU rates by reducing the basic service charge to \$8 per month for these rates, and giving
11 customers more control over a larger portion of their total utility bills, while continuing the basic
service charge of \$10 per month for the standard two-part rate. Use a similar positive incentive
approach for rates for SGS customers.

12 *The proposed revisions below refer directly to the language in Hearing Division Proposed*
13 *Amendment No. 4 filed on August 5, 2016.*

14 Page 2 of the Hearing Division Proposed Amendment:

15 DELETED the text in number 2.

16
17 INSERT after 2. "The standard residential two-part rate will have a \$10 per month basic
18 service charge for the transition period."

19 Page 2 of the Hearing Division Proposed Amendment:

20 DELETED the text in number 7.

21
22 INSERT after 7. "Starting with the implementation date for the final rates, the basic
23 service charges for the residential two-part TOU rate, three-part rates, and three-part
24 TOU rates will be reduced to \$8 per month, to create a positive incentive for customers to
select these rates. The basic service charge for the residential standard two-part rate will
remain at \$10 per month."

1 Page 3 of the Hearing Division Proposed Amendment, INSERT the following:

2 "Page 67, Line 22

3 DELETE "\$13"

4 INSERT "\$10"

5
6 Page 3 of the Hearing Division Proposed Amendment, middle of page referring to page 68:

7
8 DELETE line 3 "...the initial basic service..." through line 7 "...period)."

9 INSERT after "...and (2)" "the basic service charge for the standard SGS two-part rate
10 will be increased from \$10 to \$15 per month for the transition period, and the basic
11 service charges for the two-part TOU rate and three-part rates will be reduced to \$12 per
12 month starting with the implementation date for the final rates (expected to be the March
13 2017 billing period), to create a positive incentive for SGS customers to select these rates.
14 The basic service charge for SGS customers on the standard two-part rate will remain at
15 \$15 per month after the implementation of final rates."

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Make all conforming changes