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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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DOUG LITTLE, Chairman
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TOM FORESE
ANDY TOBIN

NOV 14 2016

DOCKETED BY

GB

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER COMPANY
FOR APPROVAL OF ITS 2016 RENEWABLE
ENERGY STANDARD IMPLEMENTATION
PLAN.

DOCKET NO. E-01933A-15-0239

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER COMPANY
FOR ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE
OF THE PROPERTIES OF TUCSON
ELECTRIC POWER COMPANY DEVOTED
TO ITS OPERATIONS THROUGHOUT THE
STATE OF ARIZONA AND FOR RELATED
APPROVALS.

DOCKET NO. E-01933A-15-0322

**POST-HEARING RESPONSE BRIEF
OF TUCSON MEADOWS, LLC**

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Tucson Meadows, LLC, ("TM") files its Post-Hearing Response Brief addressing the Initial Post-Hearing Brief of Tucson Electric Power Company ("TEP").

TEP's naked assertion that the Mobile Home Park Electric Service Rate Schedule GS-11F "is highly subsidized and should not be unfrozen"¹ is without any merit and is not supported by a shred of evidence or analysis in the case. Rate Schedule GS-11F is part of the GS rate class which, under every revenue allocation proposal in this case, is proposed to be a subsidy payer. TEP's cost of service model allocates costs at the class level only and does not provide any analysis or insight whatsoever into the relative performance of the various rate schedules—including Rate Schedule GS-11F—within each class. Thus, TEP's claim that the mobile home park rate is subsidized must be dismissed because the claim is not substantiated by the cost of service study or any other evidence or analysis in this case.

¹ Initial Post-Hearing Brief of Tucson Electric Power Company at 35, lines 17-18.

1 Moreover, TEP's claim that "[t]he Commission froze the special mobile home rate 15
2 years ago"² misstates the facts and misses the point of TM's argument in this case. The mobile
3 home park rate is not frozen. In fact, TEP is proposing a significant increase in Rate Schedule
4 GS-11F in this case.³ What is frozen is access to Rate Schedule GS-11F. However, TM witness
5 Kevin Higgins testified that there is no public interest served by the continuing freeze of the
6 mobile home park rate schedule to existing manufactured home communities.⁴ He testified that
7 TM is charged for electricity under TEP's LGS-13 commercial rate schedule, yet TM may only
8 charge its tenants for the electricity they use at the rates contained in TEP's residential tariff, due
9 to the legal restriction imposed in A.R.S. § 33-1413.01.⁵ He testified that master-metered
10 manufactured home parks such as Tucson Meadows which, for whatever reason, are not served
11 under the mobile home park rate schedule are forced to take service under a commercial rate
12 schedule which has no nexus to residential rates.⁶ He testified that the commercial LGS-13 rate
13 schedule is not well suited for a customer such as TM which has a residential load profile.⁷ He
14 testified that the LGS-13 rate schedule, with its 75% demand ratchet, creates significant risk for
15 a mobile home park community.⁸ He testified that the issue is not complicated and requires a
16 simple, straightforward solution.⁹ He testified that the requested solution inconveniences no
17 one.¹⁰ TEP has not addressed any of these facts.

18 The rate design and revenue requirement for Rate Schedule GS-11F are entirely within
19 the Commission's control, and it is up to the Commission to approve a rate design and revenue
20 requirement which are in the public interest. Thus, if for some reason, the Commission were to
21 conclude that Rate Schedule GS-11F is being subsidized (despite the lack of any evidence that
22 such is occurring), then the Commission can remedy that issue by approving a different rate.

23 ² *Id.* at lines 15-16.

24 ³ In this rate case, TEP is proposing to change the name of Rate Schedule GS-11F to Mobile Home Park
Electric Service (GS-M-F).

25 ⁴ Hearing Transcript Vol. V at 954-955.

26 ⁵ Direct Testimony of Kevin C. Higgins (Cost of Service/Rate Design) (Hearing Exhibit AECC-8) at 48-
49.

27 ⁶ *Id.*

28 ⁷ Hearing Transcript Vol. V at 955, lines 21-24.

⁸ *Id.*

⁹ Surrebuttal Testimony of Kevin C. Higgins (Hearing Exhibit AECC-10) at 37, lines 18-19.

¹⁰ *Id.* at 38, line 13.

1 However, once the Commission has approved a rate design for Rate Schedule GS-11F that is just
2 and reasonable, there is simply no public interest to be served by denying access to that just and
3 reasonable rate by the small number of customers—or perhaps even a single customer—that
4 would benefit from moving to the schedule.¹¹ Again, as Mr. Higgins explained, master-metered
5 mobile home parks are in a unique situation because they are required by law to charge the utility's
6 residential rates to their residents. It is patently unreasonable to force a mobile home park to
7 remain on a rate schedule such as LGS-13 which does not reasonably align with residential rates.

8 Further, in seeking to move to the mobile home park rate, TM is not seeking to earn a
9 profit on the resale of power, as suggested by TEP.¹² Rather, TM is appropriately trying to avoid
10 the losses it is currently experiencing as a customer on the LGS-13 rate schedule and to avoid the
11 risk of future losses from continuing to be subject to the LGS-13 demand charge with its 75%
12 ratchet, while being required to resell power at residential rates that have no demand charge and
13 no ratchet. In an attempt to justify an unjustifiable position, TEP cites Mr. Higgins' statement
14 that he does not see any reason why Rate Schedule GS-11F should be less than the residential rate
15 as if this statement were some admission.¹³ However, this is a mischaracterization which
16 misdirects attention away from Mr. Higgins' valid point. From the beginning, Mr. Higgins has
17 consistently called attention to the important nexus between the mobile home park rate and
18 residential rates. If the mobile home park rate proposed by TEP is less than the residential rate
19 proposed by TEP, that is entirely TEP's doing. If TEP believes that the relationship between the
20 two rates should be something different, then TEP should have proposed something different.
21 TEP's apparent newfound dissatisfaction with its own rate design proposal is not grounds to
22 punish TM and any other similarly-situated customers by denying them access to a rate that the
23 Commission will ultimately approve as just and reasonable and which is specifically designed for
24 the unique circumstances of master-metered mobile home parks.

25
26 ¹¹ Despite asking, TM was unable to find out how many other master-metered home parks like TM exist
27 within TEP's service territory because TEP would not provide this information to TM. *See* Surrebuttal
28 Testimony of Kevin C. Higgins (Hearing Exhibit AECC-10) at 35, lines 16-17 (including footnote 18).

¹² Initial Post-Hearing Brief of Tucson Electric Power Company at 36, lines 5-7.

¹³ *Id.* at lines 4-5.

1 TEP blithely suggests that TM has other options, such as having “TEP take over service
2 to the individual mobile homes,”¹⁴ but conveniently leaves out the fact that TEP will only do so
3 upon the completion of prohibitively expensive upgrades by TM.¹⁵ TEP’s intransigent approach
4 is perhaps best illustrated by its proposed remedy of having TM “ask the Legislature to allow it
5 to charge more for reselling electricity.”¹⁶ As if mounting a lobbying effort to remove the
6 Legislature’s well-intended prohibition on reselling power above the residential rate would
7 somehow be a more efficient endeavor than simply granting a mobile home park access to the
8 very rate schedule that was adopted for mobile home parks.

9 TEP also raises the baseless argument that the Commission enacted A.A.C. R14-2-205 to
10 prohibit new mobile home “master meter” situations like this.¹⁷ This is clearly false. Arizona
11 Administrative Code R14-2-205 has no applicability to TM because it applies to new construction
12 or expansion of existing permanent residential home parks and Tucson Meadows is neither “new
13 construction” nor “expansion.” Moreover, A.A.C. R14-2-205 requires that residents in mobile
14 home parks be individually metered for their energy usage and TM already individually meters
15 its residents.

16 The facts of this case with regard to TM are simple and straightforward. TM is charged
17 for electricity under TEP’s LGS-13 commercial rate schedule, yet it may only charge its tenants
18 for the electricity they use at the rates contained in TEP’s residential tariff, due to the legal
19 restriction imposed in A.R.S. § 33-1413.01. Because TEP’s commercial rate is higher than the
20 residential rate (both under existing rates and under proposed rates), TM is unable to recoup the
21 full cost of the service that is billed by TEP and used by the residents, thereby causing a significant
22 under-recovery that is borne by TM each and every month. The end result is that electric service
23 used by residential users is charged by TEP at a commercial rate, to the financial detriment of
24 TM, which is forced to subsidize the cost of what is truly residential service. Thus, master-
25 metered manufactured home parks such as Tucson Meadows which, for whatever reason, are not

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27 ¹⁴ *Id.* at lines 9-10.

¹⁵ Surrebuttal Testimony of Kevin C. Higgins (Hearing Exhibit AECC-10) at 33-34.

¹⁶ Initial Post-Hearing Brief of Tucson Electric Power Company at 36, lines 8-9.

¹⁷ *Id.* at 35, lines 14-15.

1 served under the mobile home park rate schedule are forced to take service under a commercial
2 rate schedule which has no nexus to residential rates. This inequitable result was certainly never
3 intended by the drafters of A.R.S. § 33-1413.01. There is no public interest served by continuing
4 the freeze on access to the mobile home park rate schedule for existing manufactured home
5 communities.

6 As set forth in its Closing Brief, TM has shown that under existing rates it pays an average
7 charge of \$0.1131 per kWh under Rate Schedule LGS-13 whereas the average charge under Rate
8 Schedule GS-11F is a much lower \$0.1072 per kWh.¹⁸ The financial impact to TM of the
9 prohibition against taking service under Rate Schedule GS-11F is more than \$21,000 per year,
10 and could actually be worse due to the 75% demand ratchet associated with the commercial rate.
11 Similarly, under TEP's proposed rates, TM would pay an average charge of \$0.1215 per kWh
12 under Rate Schedule LGS-13 whereas the average charge under Rate Schedule GS-M-F (the
13 renamed rate schedule GS-11F) is still lower at \$0.1205 per kWh. If TEP's proposal to increase
14 residential rates is adopted, then both the LGS-13 and the GS-M-F rates would be lower than the
15 residential rate.

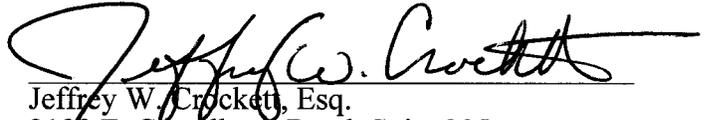
16 In conclusion, Mr. Higgins testified that TM's issue "is relatively small by rate case
17 standards, but one which is very important to the affected parties."¹⁹ TM requests that the
18 applicability criteria for rate schedule GS-11F be amended to remove the restriction on service to
19 existing mobile home park customers such as TM. In the event that TEP's proposed replacement
20 rate schedule GS-M-F is adopted, TM requests that the applicability criteria in that schedule be
21 amended so that there is no restriction on migrating to the schedule for existing master-metered
22 mobile home parks.

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27 ¹⁸ It should be noted that the charge of \$0.1131 per kWh is higher than TEP's current residential charge of
28 \$0.1117 per kWh.

¹⁹ Hearing Transcript Vol. V at 954, lines 20-23.

1 RESPECTFULLY submitted this 14th day of November, 2016.

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3 

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A handwritten signature in cursive script, appearing to read "Jeff Crockett", is written over a horizontal line.

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