

MARCH 2017



Word on the Street

BY GARY YAQUINTO

This past year was unusual for the large number of complex filings progressing through the Corporation Commission. Last December, the Commission issued its decision on the Value of Solar docket, which identified alternative methodologies for determining the price of renewable energy exported to the grid. Additionally, ACC Staff was involved in various stages of processing complex rate case filings of several of the State's largest investor-owned utilities.

2017 is the year for deciding the fate of complex rate cases filed in 2015 and 2016.

Although not exactly on par with "speed of business" – at least not yet -- the cases have progressed on schedule, and parties to the cases have reached settlement over most issues.

It's important to note that credit rating agencies and equity analysts look favorably when complex rate matters can reach agreement among parties. Settlement Agreements often provide for speedier resolution

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and more creative solutions to complex matters that might not be possible within the stricter confines of full litigation. The give and take process of settlement discussions enable expansive thinking and can produce win-win opportunities for

those involved, while promoting public interest.

At this month's open meeting, the Commission approved a settlement agreement reached between Liberty Utilities Entrada del Oro Sewer Company and ACC Staff, which authorizes a rate increase to be phased in over a 5-year period.

Recently reached Settlement Agreements for Southwest Gas Corporation, EPCOR Water Arizona and APS, among others will come before the Commission sometime this year for decision.

BREAKING NEWS

- APS reached agreement on its rate case with ACC staff, RUCO and over 20 other intervenors. The settlement agreement was filed on March 27th, 2017 by ACC staff. The hearing is set for April 24th.

- Legal Briefs in EPCOR Rate Case filed on March 24th, 2017.

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ARIZONA INVESTMENT COUNCIL

OSBORN
MALEDON

CONSENT AGENDA

The March 2017 Open Meeting of the Arizona Corporation Commission convened at 10:00 a.m. on Tuesday March 14, 2017 in the Phoenix Office. Commissioner Tobin, while in Sierra Vista, was able to join the meeting using the Commission's new audio and video technology.

Agenda Item 2, Staff's Motion to Amend I-Wireless, Inc. Decision No. 75795 was removed from consideration.

The following items were approved on the Chairman's Consent Agenda:

TELECOMMUNICATIONS



Telecommunications Certificates of Convenience and Necessity (CC&N) were canceled for the following companies: **Total Call International, Inc.** to provide resold interexchange telecommunications service (Docket No. T-04004A-16-0362); **Encompass Communications, L.L.C.** to provide resold interexchange telecommunications service (Docket No. T-03957A-16-0332); **Curatel, LLC** to provide competitive resold long distance, resold local exchange, facilities-based long distance, and facilities based local exchange services (Docket No. T-20579A-16-0430); and **TeleDias Communications, Inc.** to provide resold interexchange telecommunications service (Docket No. T-04141A-16-0456)

The Commission relinquished **Total Call Mobile, Inc.**'s Eligible Telecom Carrier (ETC) status and canceled its Arizona tariff; it will no longer provide Lifeline services in Arizona. (Docket No. T-20870A-16-0436)

Qwest Corporation dba CenturyLink QC received approval to increase its maximum recurring and non-recurring rates. This increase in maximum rates was necessary because a few maximum rates were at or near the current actual rate for several services in Arizona, and the Company needs the flexibility

to increase or decrease prices based on market conditions. (Docket No. T-01051B-16-0259)

Accipiter Communications Incorporated dba Zona

Communications received approval from the Commission to secure a loan of \$4,000,000 to be used by its new corporate parent, Pinpoint Holdings, as part of a bankruptcy agreement to help Pinpoint fund the purchase price of \$5,250,000 for the Company's new common stock. Customer deposits, prepayments and advances must be excluded from the encumbrance. (Docket No. T-02847A-16-0482)

GAS



The Commission approved modifications to UNS Gas, Inc.'s Rules and Regulations to confirm with changes made to Code of Federal Regulations (CFRs) governing the installation of Excess Flow Valves (EFVs). An EFV is a device installed on a gas service line that will automatically shut off or limit the flow of gas to a customer in case of a full severance or break of the downstream service line. (Docket No. G-04204A-16-0455)

WATER AND WASTEWATER

Arizona Water Company will institute a new CAP Surcharge. The Commission approved the implementation of a Central Arizona Project (CAP) Water Surcharge for the Pinal Valley and White Tanks service area, in accordance with the Company's Plan of Administration (POA). The Pinal Valley surcharge is \$0.1584 per thousand gallons and White Tanks surcharge is \$0.4485 per thousand gallons. The surcharge will be in effect for 12 months starting March 1, 2017. All future filings will become effective 30 days after AWC files with Docket Control its request for a CAP

adjustment, unless Staff files a request to extend the time or to make an exception. (Docket No. W-01445A-15-0277)

Sherman Pines Water Company, Inc., wholly owned by Sherman Pines Homeowner Association, was adjudicated not a public service corporation because it satisfies the criteria listed in the Commission's policy directive contained in Decision No. 55568 (May 7, 1987). (Docket No. W-01671A-14-0334)

Turner Ranches Water & Sanitation Company

received approval to implement a loan surcharge. In 2016, the Company was authorized to incur long term-debt, and as a compliance item was required to file a notice of the loans execution and file an application requesting to implement a surcharge. The surcharge amount is \$5.32 per month for Unmetered Residential Irrigation Customers and \$26.68 per month for Metered Irrigation customers. (Docket No. W-01677A-16-0076 & W-01677A-16-0074)

BN Leasing Corporation DBA Aubrey Water Company's deadline to complete the system leak survey, as required by Decision No. 75460, is extended to August 11, 2017. (Docket No. W-03476A-15-0286)

ELECTRIC



Graham County Electric Cooperative, Inc., received a waiver from A.A.C. R14-2-203(A)(2), allowing the Company to share customer-specific information with the Town of Thatcher in connection with the customers that will be removed from the Company's certificated area and annexed by the Town of Thatcher. (Docket No. E-01749A-16-0337)

The Commission approved **Navopache Electric Cooperative, Inc.**'s request

CONSENT AGENDA, CONTINUED

to incur \$9.5 million in long-term debt from the National Rural Utilities Cooperative Financing Corporation. The loan will be used to pay off or retire a current United States Department of Agriculture Rural Development loan. (Docket No. E-01787A-16-0480)

UNS Electric, Inc.’s Customer Communications Plan to educate its residential and small commercial customers on the new option of Time-of-Use (TOU), Demand and Demand TOU rate plans was approved by the Commission. In addition to traditional methods of communicating new rates, such as bill inserts, website updates, news releases and direct-mail letters, the Company will use new technology, like social media, an interactive web portal, mobile application, and a new newsletter. (Docket No. E-04204A-15-0142)

The Commission granted **Double Diamond Utilities, Inc.** an extension of time until December 31, 2026 to comply with all deadlines contained in Decision No. 70352. (Docket No. WS-20543A-07-0435)

UNS Electric Customer Communication Plan will use new technology, like social media, an interactive web portal, mobile application and a new newsletter.

REGULAR AGENDA

TELECOMMUNICATIONS



The Commission approved new emergency rules for the **Arizona Universal Service Fund (AUSF)**. As discussed in previous Open Meeting Monitors, the Commission, the Arizona Department of Education, and the Arizona State Library and Archives have partnered to take advantage of the FCC’s E-rate program to fund the installation of broadband internet in rural Arizona schools and libraries. The Commission authorized a change to the AUSF rules that will collect funds from telecommunication companies as a way of providing matching funds to the federal funds available for qualifying school and library construction projects. These

state matching funds make applicants eligible for an extra 10 percent in federal funding. Since the rulemaking establishes an additional component to the AUSF surcharge, the Commission is adopting the rules pursuant to its exclusive ratemaking authority as set forth in the Arizona Constitution. Therefore, the rules are exempt from the Arizona Attorney General certification provisions of the Arizona Administrative Procedure Act and are exempt from the Attorney General’s review and approval. The new rule will be added to the Arizona Administrative Code as A.A.C. R14-2-1218 – 1223.

There were a number of elected officials present, including Secretary of State Michele Reagan, during

the Commission’s deliberation. Commissioners and champions of the rules alike were grateful and thankful for all the hard and swift work completed by Commission Staff, the industry and stakeholders. Commissioner Tobin specifically thanked Commission Staff for “moving at the pace of business,” and demonstrating a commitment to enacting this beneficial rule change.

Staff proposed two amendments that contained modifications to the previously filed rule. The modifications ranged from stylistic edits to conforming language to reflect secretary of state requirements to modifications requested from Solix Inc., the AUSF administrator.

The new emergency AUSF rules, as amended, were unanimously approved.

REGULAR AGENDA, CONTINUED

WATER AND WASTEWATER

Liberty Utilities, Entrada Del Oro Sewer Company (Liberty EDO), received approval to increase its rates and take out a loan. The Company serves approximately 333 residential customers in Pinal County. A comprehensive settlement agreement was reached between utilities division Staff and the Company, which received significant support from the EDO community.

The Settlement Agreement agreed to a fair value rate base (FVRB) finding of approximately \$1.9 million and a rate of return on FVRB of 5.50 percent based on a capital structure comprised of 19.75 percent debt at a cost of 3.50 percent, 46.08 percent equity at a cost of 9.70 percent, and 34.17 percent fair value increment at a cost of 1.0 percent. The Settlement Agreement provided for a 54 percent revenue requirement increase, a total gross revenue increase of \$151,844, and a total revenue requirement of \$433,132. Because of the large increase, the Company has agreed to phase-in the rate increase over five years; and as part of the settlement agreement, agreed to forgo recovery of lost revenue and carry costs caused by phasing-in.

Liberty EDO also received authorization to incur \$1.75 million in long-term debt from its parent company. The financing is to rebalance the Company's capital structure from its current 100 percent equity structure to a more balanced capital structure of 70 percent equity and 30 percent debt.

In regards to capital structure, Commissioner Little was interested in why the Company was taking a loan from its parent company as opposed to using a more conventional rate making mechanism, like a hypothetical capital structure. Liberty EDO explained that it was part of a Company and multi-system wide plan.

A unanimously approved Hearing Division Amendment made a few clarifying modifications. The item was unanimously approved as amended. (Docket No. SW-04316A-16-0078 & SW-04316A-16-0085)

ELECTRIC

Trico Electric Cooperative, Inc., 2017 Renewable Energy Standard Implementation Plan was approved by the

Commission. Trico received approval to continue the following six REST programs: (i) the Green Energy Purchase Program, (ii) the SunWatts Residential and Commercial PV Interconnection Program, (iii) the Utility Scale Generation Program, (iv) the SunWatts Educational Grant Program (with expanded renewable energy education outside the classroom), (v) the SunWatts Habitat for Humanity Program, and (vi) the Generation Metering Program. The budget will be increased by approximately 50 percent for a total 2017 budget of \$1.5 million.

Trico will continue offering zero in up-front or new performance based incentives for customer-owned and leased PV systems, but will continue its UFI rebate for solar hot water heaters. The REST surcharge for residential and non-residential customers will be reset to \$0.006093 per kWh and \$0.001121 for government and agricultural customer; the monthly maximums will be: \$3.00 for residential customers, \$148.75 for non-residential customers using less than 3,000 kW, \$2,837.50 for non-residential using at least 3,000 kW), and \$46.25 for government and agricultural customers.

The plan was unanimously approved without discussion. (Docket No. E-01461A-16-0229)

UNS Electric's 2017 Renewable Energy Standard Implementation Plan (REST plan) was approved by the Commission. The REST Plan describes

TEP's expansion of its utility-scale generation portfolio and enhancing its Bright Arizona Solar Buildout Plan, UNSE intends to meet the REST annual requirement.

A budget of \$9 million to implement its REST plan was approved, and it is comprised of \$6.3 million collected through the REST surcharge and \$2.7 million carried over the 2016 budget. The REST surcharge will be set at \$0.010 per kWh, and the respective caps will be set at \$3.60 per month for residential customers, \$100 per month for Small, Medium and Large General Service, Interruptible Power Service and Lighting Service customers, and \$10,500 for Industrial and mining customers.

UNSE will continue offering zero up-front incentives for residential and non-residential DG installations. The Company also received a waiver from its compliance with the non-residential portion of A.A.C. R14-2-1805(D), which requires annual DG Requirement to be met by 50 percent residential applications and the other 50 percent from non-residential, non-utility applications.

The REST Plan was unanimously approved without discussion. (Docket No. E-04204A-16-0237)

Tucson Electric Power Company's 2017 Renewable Energy Standard Implementation Plan (REST Plan)

was approved by the Commission. A number of new studies and/or programs will receive funding through the REST Plan, such as: the Grid Integration Penetration Study to help TEP understand the potential impacts of increasing installation of distributed solar generation on the distribution grid; Solar Resources for Distribution Optimization, a distribution-level automation and telemetry study to harness the locational benefits of distributed generation resources; and Modeling and Simulation of DER Hosting Capacity to develop a

REGULAR AGENDA *continued*

methodology to model and simulate the hosting capacity for Distributed Energy Resources on individual distribution feeders. However, TEP did not seek approval to continue funding the Bright Tucson Solar Buildout Plan through the REST plan because the Company intends to invest in and recover renewable energy projects through traditional methods, like general rate proceedings. TEP will continue offering zero in up-front incentives for residential and non-residential DG installation.

TEP's REST Plan budget is \$53.7 million, which is around \$3 million less than the previous year's budget. TEP will recover approximately \$52.3 million of the budget through the REST surcharge and the remainder will be carryover funds from the 2016 budget. The REST surcharge will be set at \$0.01300 per kWh, and the monthly caps will set at \$5.10 for residential customers, \$160.00 for small general service customers, \$1,600 for large general service customers, \$16,500 for industrial and mining customers, and \$140 for lighting customers.

The REST Plan was unanimously approved without discussion. (Docket No. E-01933A-16-0235)

The Commission approved a new prepaid tariff for Mohave Electric Cooperative Inc.'s small commercial customers. The new prepaid service for small commercial customers is modeled after the residential prepaid program, which has been available since 2012. The service is only available to commercial and residential customers on standard rates, not time-of-use rates, net metering customers or customers on the Budget Payment Plan. Commercial customers that wish to be on this new program will have to fill out an application and sign an agreement, pay the establishment fee of \$40, and establish an initial credit balance of at least \$100. Customers will be notified

when their credit balance falls below an amount specified in the tariff by e-mail, phone message, or text message. Customers will be disconnected when their account has zero remaining credits, and only during normal business hours. The Commission additionally approved modifications to the Company's residential prepaid program, the prepaid service agreement, and other rules and regulations to conform with the new commercial prepaid program.

The Commission unanimously approved a Staff Amendment that corrected language regarding notification of a customer's low balance. Without discussion, the item was unanimously passed. (Docket No. E-01750A-16-0393)