



Word on the Street

BY GARY YAQUINTO

The Corporation Commission's July open meeting produced a big win for Arizona's electric cooperatives. The Commission voted unanimously to unburden the coops of several reporting requirements required under ACC rules.

The compliance items waived by the Commission include: net metering facilities reports; energy conservation plans and up-dates; retail electric competition reports; consumer information labels for affected utilities and load-serving entities; and first and final bill reporting required in a prior Commission order.

With the Commission's actions in July to further streamline and reduce regulatory burdens on the State's electric cooperatives, the Commission has signaled its growing confidence in these member-owned cooperatives' elected governing

boards to look out for their members' best interests without overly prescriptive regulation by the ACC. While about half of states do not regulate member-owned electric cooperatives, the ACC's responsibility for co-op regulation is embedded in the Arizona Constitution.

The Commission also decided several other cases at its July meeting, including granting compliance extensions for several utilities and rate increases for Ray Water Company and Dixie Escalante Rural Electric Association. Our report this month

details the amount of increases granted by the Commission.

Given the brevity of the July agenda, the open meeting concluded in almost record fashion, adjourning in just 44 minutes.

The major item yet to come forward for full Commission consideration and action, and what many of us have been waiting for is ALJ Jibilian's recommendation on the pending APS rate case.

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ARIZONA INVESTMENT COUNCIL

OSBORN
MALEDON

CONSENT AGENDA

The July 2017 Open Meeting of the Arizona Corporation Commission convened at 10:00 a.m. on Tuesday July 11, 2017 in the Phoenix Office. Commissioner Burns was excused.

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

TELECOMMUNICATION



The Commission granted **Network Enhanced Technologies, Inc.**'s application to cancel its CC&N to provide resold interexchange telecommunication services. (Docket No. T-03257A-17-0129).

Securus Technologies, Inc. received approval to pledge or otherwise encumber its Arizona assets up to an aggregate principal amount of \$2.6 billion, in connection with a new, amended, and restated financial arrangement. The financing arrangements are in connection with a proposed transfer of indirect control of Securus to SCRS Acquisition Corporation via the acquisition of all the stock. (Docket No. T-03479A-17-0144).

The Commission granted **Mobilitie Management, LLC** a Certificate of Convenience and Necessity (CC&N) to provide radio frequency transport services, resold local exchange, and facilities based local exchange telecommunications services.

GAS



Southwest Gas Corporation received an additional 120 days to file a tariff and plan of administration (POA) to govern a pilot program for an expanded gas transportation service with Desert Valley Natural Gas, LLC. (Docket No. G-01551A-16-0107).

WATER AND WASTEWATER

The Commission approved **Arizona Water Company's** request to extend the deadline to file its next rate case for the Northern Group by 365 days, until August 31, 2018. The extension was requested for two reasons: (1) the timing of the Arizona Supreme Court decision that upheld the constitutionality of the SIB, and (2) the fact that AWC has yet to request a SIB surcharge for the Northern Group. (Docket No. W-01445A-12-0348).

ELECTRIC



Arizona Public Service Company received approval for an extension of time to file its 2018 Demand Side Management (DSM) Plan until September 1, 2017. APS continues to work on appropriate and cost-effective strategies to use DSM programs to address evolving system conditions, including demand management and peak reduction, but putting the plan together has taken longer than anticipated. (Docket No. E-01345A-17-0134).

The Commission approved a borderline agreement between **Trico Electric Cooperative, Inc.** and **Tucson Electric Power Company** for service to a residential customer. While the residential property is located within TEP's service territory, Trico has facilities located closer to the property and can extend service for significantly less money than TEP. The customer will (1) execute an application for service with Trico, (2) pay any and all costs for the line extension or upgrade of Trico's facilities necessary to provide the requested service, (3) secure any and all easements and permits required, and (4) pay all applicable deposits, fees, rates and charges. (Docket Nos. E-01461A-17-0121 & E-01933A-17-0121).

COMMISSION STREAMLINES COMPLIANCE REQUIREMENTS FOR CO-OPS.

Early in 2017, the Grand Canyon State Electric Cooperative Association requested that the Commission streamline the rules and processes for the Cooperatives (Co-Ops), including eliminating a number of compliance items. The Commission responded by waiving the following requirements: (1) Net Metering Facilities reports (A.A.C. R14-2-2308); (2) Energy Conservation Plans and up-dates in accordance with A.A.C. R14-2-213 because that provision has been superseded by the requirements in the Energy Efficiency Standards contained in A.A.C. R14-2-2401 et seq.; (3) Retail Electric Competition Reports and Consumer Information Labels for Affected Utilities and Load-Serving Entities under A.A.C. R14-2-1613(A) and (B), and R14-2-1617(A), (D), and (G)(4); and (4) first and final bill reporting in accordance with Finding of Fact No. 13 of Decision 64180. Chairman Forese expressed his enthusiasm that the Commission is able to further Governor Ducey's goal of creating more efficiency in government by eliminating these obsolete or duplicative compliance requirements.

The Co-Ops impacted by these rulings include: Duncan Valley Electric Cooperative, Mohave Electric Cooperative, Trico Electric Cooperative, Sulphur Springs Valley Electric Cooperative, Graham County Utilities, and Arizona Electric Power Cooperative. (See Docket Nos. E-00000D-17-0221, E-00000A-00-0403, E-01703A-04-0558, E-01749A-04-0559, et al, G-02528A-14-0361, G-02528A-05-0687, E-01750A-10-0453, E-01750A-11-0136, E-01461A-14-0260, E-01575A-11-0439, E-01773A-00-0000, G-022527A-15-0319, and E-01749A-09-0041).

REGULAR AGENDA, CONTINUED

WATER AND WASTEWATER

The Commission unanimously approved a rate increase for **Ray Water Company, Inc.**

Ray Water is a Class D water utility providing service to approximately 1,530 customers in Tucson, Arizona. The Decision approves a revenue increase of \$133,254 for a revenue requirement of \$833,895. This produces an operating margin of 13.49 percent and a cash flow of \$219,370. An average residential customer will experience an increase of \$5.36 per month, or 19.35 percent, from \$27.71 to \$33.07. The approved rate design results in 61.2 percent of the required revenues being generated from the monthly usage charge and the first tier commodity rate, with the second tier generating 23.4 percent and the third tier generating 15.4 percent. (Docket No. W-01380A-16-0475).

Bensch Ranch Utilities, LLC received unanimous approval to extend the deadline for filing its next rate case until June 30, 2021. The extension was requested because Bensch Ranch currently serves only 25 wastewater customers, significantly below the development's anticipated build out. If Bensch Ranch were to apply for a rate increase now, it could result in a 600 percent increase for its current customers. The Company believes it can continue to operate until such a time that it has at least 100 customers. Commissioner Tobin, in a letter to the docket, shared his concern about extending the time frame for filing a rate case and having the Company continue to operate at a loss. Commissioner Tobin ultimately voted in favor of the extension, but wanted to take the opportunity to express his concern. (Docket No. SW-04026A-01-0499).

The Commission approved **Dixie Escalante Rural Electric Association, Inc.'s** application for a rate increase. Dixie Escalante is a member-owned electric distribution utility that provides service to approximately 2,300 customers in Mohave County. The approved operating revenue

is \$2,584,934, an increase of \$460,390 or 21.67 percent over the test year to provide a \$99,980 operating margin. Dixie Escalante's approved rate design will result in an average customer increase of \$11.00 per month or 15.28 percent, from the current \$72.00 to \$83.00. (Docket No. E-02044A-16-0323).

The Commission approved **Brooke Water LLC's** Motion to Amend Decision Nos. 69245, 75755, and 76102, including: (1) suspending the requirement to move the call center from Costa Rica to Arizona, but rather have that considered in the full rate case; (2) extending the deadline to file a full rate case from June 30, 2017 until September 28, 2017; and (3) extending a number of other operation and maintenance compliance deadlines. The Commission's Order specifically states that no additional extension of time will be granted to the Company and should they miss the September 28, 2017 deadline, Utilities Staff will amend the existing Order to Show Cause to include Brooke's failure to comply as an additional count, along with appropriate remedies.

The main concerns voiced from the dais during the discussion focused on the Commissioner's view that Brooke Water's action continued to demonstrate disregard for the Commission's orders. Both Chairman Forese and Commissioner Tobin specifically wanted to hold the Company accountable for meeting the extended deadlines, and therefore included the Order to Show Cause language in the Order. Additionally, Utilities Staff assured Commissioner Little that Brooke Water was making reasonable progress on the infrastructure issues and does not see a problem with the extension or consolidating issues into the rate case. The matter was unanimously approved. (Docket Nos. W-03039A-16-0322 & W-03510A-16-0322).

Agenda Item 27, **Lake Verde Water Company, Inc.'s** Application for Approval of Reinstatement of Certificate of Convenience and Necessity, was pulled

from the Agenda and will be heard at a later time. (Docket No. W-01557A-16-0471).