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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE - CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. E-04204A-15-0142
UNS ELECTRIC, INC. FOR THE)	
ESTABLISHMENT OF JUST AND)	
REASONABLE RATES AND CHARGES)	NOTICE OF FILING INITIAL
DESIGNED TO REALIZE A REASONABLE)	POST-HEARING BRIEF
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.)	

UNS Electric, Inc., through undersigned counsel, submits its Initial Post Hearing Brief, a copy of which is attached.

RESPECTFULLY SUBMITTED this 25th day of April, 2016.

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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-15-0142
UNS ELECTRIC, INC. FOR THE)
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THE PROPERTIES OF UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA)
AND FOR RELATED APPROVALS.)

INITIAL POST-HEARING BRIEF
OF UNS ELECTRIC, INC.

April 25, 2016

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Summary of Recommendations

The purpose of this section is to provide a high-level summary of some, but not all, of the Company's recommendations that are described in more detail throughout this Initial Post-Hearing Brief. The Company recommends that the Commission approve the following:

- An effective date of new rates of August 1, 2016.
- A net increase in retail revenues of \$3.7 million, which reflects an increase in non-fuel retail revenues of \$15.1 million offset by lower fuel and purchased power costs and a reduction in revenues currently collected through an adjustor mechanism.
- An authorized return on equity ("ROE") of 9.5%.
- Optional two-part and three-part rates for non-DG residential and small general service ("SGS") customers (collectively, "non-DG Customers").
- Grandfather DG customers with systems installed or submitted complete DG applications on or before of June 1, 2015.¹
- New residential and SGS DG customers after June 1, 2015 will be subject to (i) one of two three-part rates and (ii) modifications to net metering that include the elimination of banking and the provision of bill credits for excess generation at the Renewable Credit Rate ("RCR").
- A new economic development rate ("EDR").
- An increase in funding for the Company's low-income bill assistance discount program to approximately \$1.3 million annually -- double the current funding level.

¹ Such applications must have been approved by the Company.

1 **I. Introduction.**

2
3 **A. New rates should be effective no later than August 1, 2016.**

4
5 UNS Electric's original application, filed on May 5, 2015, requested new rates with an
6 effective date of May 1, 2016. Primarily as a result of the proposed changes in rate design and net
7 metering, there were 20 parties to this proceeding that included 18 Intervenors representing various
8 stakeholder interests. There were 47 individual witnesses that provided testimony in an
9 evidentiary hearing that was conducted over four (4) weeks with 3741 pages of transcript.

10 Because this extensive Intervenor participation resulted in a more lengthy hearing than
11 initially anticipated, UNS Electric is now asking the Commission to make the proposed rates and
12 charges effective on August 1, 2016 consistent with the Commission's time clock rule, A.A.C.
13 R14-2-103(B)(11) and A.R.S. § 40-256.

14
15 **B. The record supports a non-fuel revenue increase of \$15.1 Million.**

16
17 UNS Electric originally requested a \$22.6 million increase to adjusted test year non-fuel
18 revenues. However, since the filing of the Application, the Company, the Commission's Utilities
19 Division ("Staff"), and the Residential Utility Consumer Office ("RUCO") have agreed to reduce
20 UNS Electric's requested non-fuel revenue increase to \$15.1 million, a reduction of more than
21 33%. The increase is driven primarily by the acquisition of an interest in Gila River Unit 3, the
22 Company's first base-load generating resource, as well as other rate base investments supporting
23 the delivery of safe, reliable service. The non-fuel revenue increase is partially offset by lower
24 fuel and purchased power costs of \$7.1 million and a \$4.3 million reduction in revenues currently
25 collected through an adjustor mechanism.

1 **C. UNS Electric’s current rate design does not provide for sufficient fixed cost**
2 **recovery.**

3
4 A large portion of the Company’s fixed costs are currently recovered volumetrically on a
5 per-kilowatt hour (“kWh”) rate structure. However, sales volumes and use per customer continue
6 to trend downward, which has led to significant under-recovery of costs over time, particularly as
7 the Company’s cost of service has increased. The inability to recover fixed costs through
8 volumetric rates is compounded by a confusing and ineffective inclining block rate structure—
9 where more of the fixed costs are collected at higher usage levels.

10 UNS Electric’s test year retail sales are nearly 8% *below* the June 30, 2012 test year used in
11 the Company’s last rate case. The significant decline in sales is due to several factors, including:
12 (i) the shutdown or curtailment of operations by certain large customers leading to a 50% reduction
13 in sales to industrial and mining customers; (ii) the continued decline in usage by residential
14 customers which fell nearly 4% between 2012 and 2014; and (iii) the slow pace of economic
15 recovery.²

16 Relying heavily on volumetric sales to recover fixed costs is an antiquated rate design that
17 may have been appropriate when metering technology was less advanced and in times when
18 increasing sales and customer usage offset growing service costs. However, this approach has
19 made it nearly impossible for UNS Electric to have a reasonable opportunity to recover its
20 authorized revenue requirement as required by the Arizona Constitution and case law as well as
21 U.S. Supreme Court decisions. In addition, this volumetric inclining block rate structure does not
22 allow adequate recovery of fixed service costs from customers with little or no consumption in
23 some months. While such customers rely on all of UNS Electric’s grid services, some customers,
24 such as DG customers, avoid paying their equitable share of the fixed costs necessary to provide
25

26
27 ² Ex. UNSE-3 (Hutchens Direct) at 5.

1 those services, including operating and maintaining the electric system and delivering safe, reliable
2 power any time they flip the switch.³

3 A number of UNS Electric's residential and small general service customers fall into this
4 category, including seasonal homeowners, vacant structures and increasing amounts of users of net
5 metered rooftop solar systems.

6 In addition, the Commission's Renewable Energy Standard and Tariff ("REST") and
7 Electric Energy Efficiency Standard ("EE Rules") require the Company to take steps that result in
8 lower kWh sales. However, the Company is allowed to recover only a portion of its fixed
9 distribution and transmission costs through the lost fixed cost recovery mechanism ("LFCR")
10 when sales are reduced by complying with the REST and EE Rules.⁴

11
12 **D. UNS Electric requests that the Commission approve rate designs that are**
13 **similar to the proposals included in the Company's Application and Direct**
14 **Testimony.**

15
16 While UNS Electric supports Staff's proposal to implement a three-part rate design for all
17 residential and small general service customers, it has become apparent through public comment in
18 this docket that UNS Electric's customers have been exposed to a tremendous amount of what the
19 Company believes to be misleading information about three-part rates.⁵ As a result, the Company
20 is concerned that with the high degree of customer confusion, it will take much longer than the
21 Company had originally anticipated to inform and educate customers about how three-part rates
22 work and how they can manage their demand in addition to other ways to save on their electric
23 bills.

24
25

³ Ex. UNSE-3 (Hutchens Direct) at 11.

26 ⁴ Ex. UNSE-31 (Jones Direct) at 74.

27 ⁵ See Ex. UNSE-5 (Hutchens Rejoinder) at 3.

1 While the Company believes that three-part rates have many advantages for all customers
2 including sending more accurate price signals, more accurately matching costs and revenues, and
3 more effectively incentivizing customers to reduce peak demand on the system, it initially
4 proposed a two-part rate with an increased basic service charge for standard residential customers.
5 In light of all the misleading information that UNS Electric's customers have received as
6 evidenced by the public comment submitted in this docket, the Company believes that this is not
7 the time to implement three-part rates for all residential and small general service customers.

8 UNS Electric is now requesting that the Commission adopt rate structures for non-DG
9 residential and small general service customers that are very similar to what the Company initially
10 proposed in its Application.

11 There would be five rate options for non-DG customers, including:

- 12 (i) a basic two-part rate;
- 13 (ii) a two-part time-of-use ("TOU") rate;
- 14 (iii) a two-part super-peak TOU rate for residential customers;
- 15 (iv) a three-part rate that includes a monthly basic service charge, a demand charge and
16 a volumetric energy charge; and
- 17 (v) a three-part TOU rate that includes a monthly basic service charge, a demand charge
18 and on- and off-peak energy charges.

19
20 The proposed monthly basic service charge under all rate options for residential and small
21 general service customers is \$15 and \$25, respectively. Under each of the two-part residential
22 options, the volumetric energy rate would be comprised of two tiers, 0 – 400 kilowatt hours (kWh)
23 and over 400 kWh. The proposed three-part rate has a single tier for all energy consumption.

24 Each of these rate options are designed to recover similar amounts of revenues from the
25 typical residential or small general service customer. The Company is proposing these changes to
26
27

1 its rate design to help ensure that all customers pay a more equitable share of the fixed, ongoing
2 costs of providing safe and reliable service.

3
4 **E. The evidence in the record shows that DG customers are different than non-**
5 **DG customers, and therefore should be subject to a different rate design.**
6

7 Like the Company's initial proposal, UNS Electric proposes that residential and small
8 general service DG customers be subject to a three-part rate on the effective date of the rates
9 approved herein (unless the DG customer is eligible for grandfathering). As UNS Electric's
10 President and CEO, David Hutchens, explained:

11
12 The level of service UNS Electric provides to solar DG customers is even greater
13 than other customers receive, since the Company must manage the intermittent
14 and unpredictable push and pull of electricity from their solar arrays. Yet under
15 the Company's current rates, which feature a tiered rate design that relies heavily
16 on volumetric sales to recover fixed costs, solar DG users are not asked to pay for
17 their fair share of the electric system. Instead, those costs are shifted to other
18 customers.⁶

19
20 The Company believes that a three-part rate design sends more appropriate price
21 signals, allows customers to reduce their bills by managing their energy
22 consumption through EE or DG, and helps mitigate the DG cost shift by better
23 aligning rates with the way customers use the Company's electric system.⁷
24

25
26 UNS Electric is not seeking to recover more fixed costs from a DG residential customer
27 than it would recover from a non-DG residential customer. DG customers will take service from
tariffs available to non-DG customers. However, because of the partial requirements nature of
their consumption, DG customers should be limited as to the residential rates under which they can

⁶ Ex. UNSE-3 (Hutchens Direct) at 13.

⁷ Ex. UNSE-3 (Hutchens Direct) at 10.

1 take service. Requiring DG customers to receive service under one of the proposed three-part rates
2 will help reduce – but not eliminate – the cost shift that imposes burdens on non-DG customers.

3
4 **F. The record supports the Company’s proposed modifications to the Net**
5 **Metering Tariff (Rider).**

6
7 UNS Electric also is proposing to modify its net metering tariff to reduce the inequitable
8 subsidies provided to net metered customers and limit the costs shifted to other non-DG customers.
9 Specifically, the Company is proposing to (i) eliminate the “banking” of excess energy produced
10 by a DG system to offset future energy usage and (ii) compensate DG customers for exported
11 energy at the Renewable Credit Rate.

12
13 **G. This brief addresses the questions raised in the letter filed by Commissioner**
14 **Burns in this docket on April 13, 2016.**

15
16 In this brief, the Company discusses (i) two-part rate options, including time-of-use rates;
17 (ii) a voluntary three-part demand-based rate for non-DG customers; (iii) the “minimum bill”
18 concept; and (iv) the proposed return on equity (“ROE”) of 9.5%.

19
20 **H. These proposed rates will provide the Company with a reasonable opportunity**
21 **to recover its fixed costs and earn a fair return on its investment, provide more**
22 **equitable rates, and are in the public interest.**

23
24 The rate design proposals contained herein represent a meaningful first step in modernizing
25 and promoting fairness in the Company’s rates by: (i) reducing the Company’s reliance on
26 volumetric sales to recover fixed costs, thus improving the Company’s ability to earn its authorized

1 rate of return; (ii) lowering the subsidies provided to DG customers by implementing a three-part
2 rate design and modifying the current net metering tariff for new DG customers; (iii) introducing
3 optional three-part rates to non-DG customers; and (iv) allocating costs more equitably between
4 customer classes, thereby reducing inter-class cross-subsidies.

5 As Mr. Hutchens stated in his Rejoinder Testimony:

6
7 I want to make sure we don't lose sight of our obligations to customers in
8 this increasingly crowded and contentious docket. Many of the parties
9 who have intervened in this matter have no real interest in the bills our
10 customers pay. Rather, they hope to use this proceeding as a proxy for an
11 industry debate that has filled the pages of trade journals, driven up
12 consulting fees and influenced stock prices. We must remain focused on
13 the true purpose of this proceeding: approving rates that fairly reflect our
14 prudently incurred costs and provide solid support for our continued
15 efforts to provide safe, reliable and affordable service to customers. That
16 remains our first and only priority and the best way to ensure that the
17 public interest is served.⁸

18
19 **II. The Commission should approve the \$15.1 million increase in non-fuel revenue**
20 **requirement as agreed by UNS Electric, Staff and RUCO.**

21
22 **A. The key factors driving the need for a rate increase to maintain UNS Electric's**
23 **financial health.**

24 UNS Electric was formed when UNS Energy acquired these systems from Citizens
25 Communications Company in 2003. Since that time, UNS Electric has made "substantial progress
26 in improving its financial health."⁹ UNS Electric now has a "healthy mix of debt and equity
27 capital"; rating agencies have recognized these improvements by raising UNS Electric's credit

⁸ Ex. UNSE-5 (Hutchens Rejoinder) at 5-6.

⁹ Ex. UNSE-8 (Grant Direct) at 3.

1 rating, allowing it to refinance its debt at lower rates and increasing the Company's access to trade
2 credit in the power and gas markets.¹⁰ These benefits flow directly to the ratepayers.

3 In order to retain its financial health and maintain these benefits, UNS Electric requires a
4 rate increase. The need for a rate increase is driven by three (3) key factors:

5 1. The most important factor is UNS Electric's acquisition of a 25% share of Gila
6 River Unit 3. This purchase was a historically significant milestone for UNS Electric. When
7 UNS Electric was formed in 2003, its only generation resources were combustion turbines in
8 Nogales. As a result, the Company was largely reliant on, and exposed to, the wholesale power
9 markets. In the intervening years, UNS Electric acquired combustion turbines in Mohave County
10 to meet peaking needs there, but remained dependent on wholesale power for baseload and
11 intermediate power.¹¹ Gila River Unit 3 is UNS Electric's first baseload unit, and it satisfies much
12 of it the Company's baseload and intermediate needs. Before the purchase, UNS Electric was
13 dependent on the market for nearly 70% of its capacity; after the purchase, UNS Electric depends
14 on the market for less than 40% of its capacity.¹² Moreover, this modern, efficient plant was
15 purchased at a very favorable price.¹³ UNS Electric's customers will benefit from Gila River Unit
16 3 for decades to come. This case offers the first opportunity to recover the costs of Gila River
17 Unit 3 through customer rates. While this will increase UNS Electric's non-fuel base rates, it will
18 be partially offset by a decrease UNS Electric's purchased power costs. Reflecting this critical
19 baseload resource in rates is at the heart of this rate case. Despite the importance of Gila River
20 Unit 3, it was only briefly discussed at the hearing—because none of the many parties to this case
21 disputed the acquisition. No party disputes the prudence of the acquisition; no party disputes that
22 Gila River Unit 3 should be included in rate base; and no party disputes that the associated non-
23 fuel operating expense should be reflected in rates.

24
25 ¹⁰ Ex. UNSE-8 (Grant Direct) at 3.

26 ¹¹ Ex. UNSE-16 (Sheehan Direct) at 2-3; see also Ex. UNSE-3 (Hutchens Direct) at 8-10.

27 ¹² Ex. UNSE-16 (Sheehan Direct) at 12, Chart 2.

¹³ Ex. UNSE-16 (Sheehan Direct) at 9-11; see also Ex. UNSE-3 (Hutchens Direct) at 8-10.

2. A second major factor driving the rate increase is that UNS Electric's largest retail customer—a mine—ceased operations.¹⁴

3. A third significant factor is the loss of revenues as customers reduce their usage.¹⁵ Because the current rate design recovers a significant part of the fixed costs through volumetric usage charges, this reduced customer usage has a significant impact on UNS Electric. The reduced usage is a result of customer conservation efforts, energy efficiency programs, a slowly recovering economy in UNS Electric's service territory, and the proliferation of rooftop solar. The LFCR addresses only part of these lost fixed costs. These unrecovered fixed costs contribute to the need for a rate increase.

What is not driving this rate increase is perhaps as important as what is. The Company has remained disciplined in controlling its operating expenses. UNS Electric is accepting the same cost of equity—9.5%—as was approved in its last rate case. As noted above, interest rates on the Company's debt have decreased. Moreover, all costs associated with the Fortis merger have been excluded from this case.¹⁶

B. The proposed \$15.1 million non-fuel revenue increase is reasonable and is supported by UNS Electric, Staff, and RUCO.

Staff, RUCO and UNS Electric agree on a non-fuel revenue increase of \$15.1 million, a \$7.6 million reduction from the Company's initial request of \$22.6 million. UNS Electric, Staff and RUCO also agree that the Company's adjusted Original Cost Rate Base is \$270,292,780, its Fair Value Rate Base is \$353,999,449 and its Fair Value Increment is \$83,706,669.¹⁷ In doing so,

¹⁴ Ex. UNSE-8 (Grant Direct) at 4.

¹⁵ Ex. UNSE-8 (Grant Direct) at 4.

¹⁶ Ex. UNSE-11 (Lewis Direct) at 20:3-9; Ex. UNSE-8 (Grant Direct) at 13-14.

¹⁷ See Ex. UNSE-13 (Lewis Rejoinder), Exhibit DLJ-RJ-1.

1 UNS Electric has accepted—for the purposes of compromise and to limit the issues in this case—a
2 number of Staff and RUCO adjustments that it may not accept in a future case.

3 UNS Electric submitted a late-filed exhibit (Exhibit UNSE-48) that sets forth the
4 adjustments to the Company's initial proposal resulting in the \$15.1 million non-fuel revenue
5 increase. As indicated on Exhibit UNSE-48, many of the adjustments are typical adjustments that
6 have been proposed in other rate cases and are explained in the direct testimony of the parties in
7 this docket. Moreover, the adoption of a 9.5% Return on Equity and a 0.50% Return on Fair
8 Value Increment resulted in a \$3.3 million reduction in the revenue requirement.

9 The \$3.1 million Gila River Deferred Costs adjustment is related to the Company's recent
10 Accounting Order (set forth in Decision No. 74911 (January 22, 2015) and modified in Decision
11 No. 75485 (March 10, 2016)). In its Application, UNS Electric had proposed to return deferred
12 savings to customers through the PPFAC during the first year of new rates (estimated at \$9.3
13 million) and to recover deferred costs over three years (\$3.1 million). Therefore, UNS Electric
14 included the \$3.1 million as an expense for recovery through base rates. However, based on the
15 modification of the accounting order, the deferred costs and deferred savings are now to be offset
16 against each other. This avoids a "yo-yo" effect from the PPFAC credit and reduces the
17 Company's non-fuel expense by \$3.1 million (thus, the adjustment).¹⁸

18 UNS Electric believes that the proposed \$15.1 million increase in the non-fuel revenue
19 requirement is fully supported by the record and should be adopted.

20
21 **C. The Commission should approve the 9.5% cost of equity.**
22

23 In setting the cost of equity (or return on equity, or "ROE"), the Commission must protect
24 the financial integrity of the utility and allow a return commensurate with those returns earned by
25 businesses with similar risks. As the Supreme Court explained in the *Bluefield* case:

26
27 ¹⁸ See Ex. S-9 (Keene Surrebuttal) at 2.

1 A public utility is entitled to such rates as will permit it to earn a return on the value
2 of the property which it employs for the convenience of the public equal to that
3 generally being made at the same time and in the same general part of the country
4 on investments in other business undertakings which are attended by
5 corresponding, risks and uncertainties; but it has no constitutional right to profits
6 such as are realized or anticipated in highly profitable enterprises or speculative
7 ventures. The return should be reasonably sufficient to assure confidence in the
8 financial soundness of the utility and should be adequate, under efficient and
9 economical management, to maintain and support its credit and enable it to raise
10 the money necessary for the proper discharge of its public duties.

11 *Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679, 692-93 (1923).

12 The Court reiterated these principles in the *Hope* case:

13 By that standard the return to the equity owner should be commensurate with
14 returns on investments in other enterprises having corresponding risks. That return,
15 moreover, should be sufficient to assure confidence in the financial integrity of the
16 enterprise, so as to maintain its credit and to attract capital.

17 *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944).

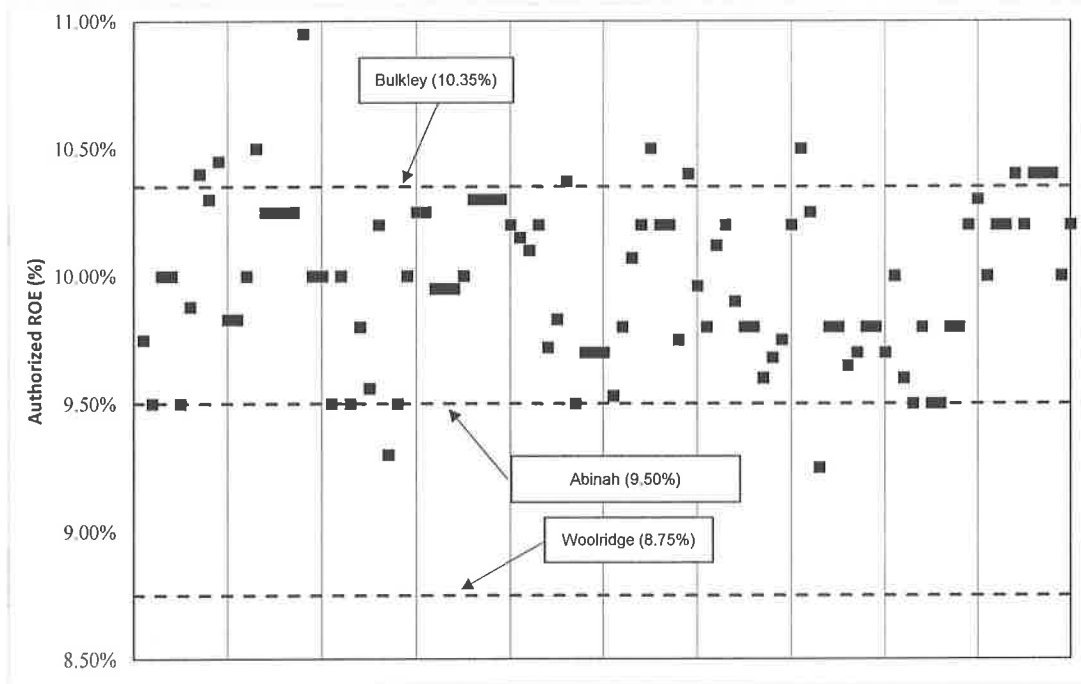
18 UNS Electric, Staff, RUCO and Wal-Mart have agreed to a 9.5% ROE, which is the same
19 ROE approved in UNS Electric's last rate case.¹⁹ The 9.5% cost of equity will be adequate—
20 albeit barely—to preserve UNS Electric's financial integrity. The only witness to suggest a lower
21 ROE was TASC witness J. Randall Woolridge, who proposes a cost of equity of 8.75%. TASC's
22 proposal is far below any ROE approved in recent years by any utility commission in the United
23 States; it is clearly unreasonable and must be rejected.

24 UNS Electric witness Bulkley explained that while the 9.5% ROE agreed to by Staff,
25 RUCO and Wal-Mart is quite low, UNS Electric is accepting it in the spirit of compromise. Ms.

26
27 ¹⁹ Ex. S-3 (Abinah Direct) at 2, 6.

Bulkley's analysis supports a cost of equity of 10.35%.²⁰ Ms. Bulkley also demonstrates, in great detail, the numerous flaws in Dr. Woolridge's estimate.²¹ For example, she shows that Dr. Woolridge's 8.75% estimate is far below the range of costs of equity approved for any vertically integrated electric utility in the last four years:²²

Chart 1: ROE Decisions for Integrated Electric Utilities – 2012-2016



Further, the majority of ROE decisions since 2012 have been above 10.0%²³, and the average ROE awarded to Dr. Woolridge's own proxy group was 10.0%.²⁴ Thus, Dr. Woolridge's estimate of 8.75% is far outside the norm. Dr. Woolridge's arguments simply do not produce a reasonable result based on the evidence.

Dr. Woolridge argues that the current market conditions support a reduced cost of equity, as compared to recent years. But as Ms. Bulkley explains, current market conditions do not

²⁰ Ex. UNSE-23 (Bulkley Rebuttal) at 14-15.

²¹ Ex. UNSE-23 (Bulkley Rebuttal) at 44-74.

²² Ex. UNSE-24 (Bulkley Rejoinder) at page 10, chart 1.

²³ Ex. UNSE-24 (Bulkley Rejoinder) at 26.

²⁴ Ex. UNSE-24 (Bulkley Rejoinder) at 26; Ex. UNSE-44 (Table of Proxy ROEs); Tr. (Woolridge) at 3498.

1 support reductions in cost of equity.²⁵ Interest rates are expected to increase, which will place
2 upward—not downward—pressure on ROEs. It is not reasonable to suppose that the current
3 historically low interest rates will continue for years to come. Further, the spread between utility
4 bonds and government bonds is also increasing. This also supports an increased cost of equity,
5 because utility equity risks (and thus rates) are by definition higher than utility bond risks (and
6 rates). What's more, the current volatility in equity markets also suggests that investors' expected
7 return on equity would be higher, not lower. All of these factors are inconsistent with Dr.
8 Woolridge's thesis of falling costs of equity.

9 Thus, TASC witness Woolridge's 8.75% estimated cost of equity must be rejected. RUCO
10 and Wal-Mart both support the proposed 9.5% cost of equity. Indeed, 9.5% is Wal-Mart witness
11 Chriss's recommendation. He also reports an average authorized cost of equity of 9.98% for
12 electric utilities since 2012.²⁶ Even RUCO witness Mease supports 9.5%.²⁷

13 TASC's 8.75% fails the *Hope* and *Bluefield* tests by producing returns unrealistically
14 below that of comparable utilities. It is far outside the norm and must be rejected. In contrast, the
15 9.5% ROE supported by UNS Electric, Staff, RUCO and Wal-Mart, while on the low end, is
16 reasonable and sufficient to preserve UNS Electric's financial integrity so long as the rate design
17 approved in this case provides the Company with an opportunity to earn a 9.5% ROE.

18
19 **D. UNS Electric's actual capital structure should be used.**
20

21 The Commission has typically adopted a hypothetical capital structure only when the
22 utility's capital structure is significantly different from the proxy group, so that the utility's
23 financial risk is different than the proxy group. Even then, adopting a hypothetical capital
24

25
26 ²⁵ Ex. UNSE-24 (Bulkley Rejoinder) at 10-18.

27 ²⁶ Ex. Wal-Mart-1 (Chriss Direct) at 8

²⁷ Ex. RUCO-4 (Mease Surrebuttal) at 21-22.

1 structure is far from certain. *See e.g. Quail Creek Water Company, Inc.*, Decision No. 75306 (Oct.
2 27, 2015) at Finding of Fact No. 15 (approving capital structure with 100% equity).

3 Here, only TASC supports a hypothetical capital structure. TASC's hypothetical capital
4 structure should be rejected. UNS Electric's capital structure is similar to the proxy groups used
5 by the various cost of capital witnesses. Further, utility management should be given some
6 discretion in determining the appropriate capital structure, with hypothetical capital structures
7 employed only when there is a significant variance from the proxy groups.

8 TASC witness Woolridge proposes a hypothetical capital structure of 50% equity.²⁸ UNS
9 Electric, Staff, and RUCO support using the Company's actual test year capital structure of 52.8%
10 equity and 47.2% debt. As UNS Electric witness Grant explains, the actual capital structure is
11 only slightly higher than the proxy group average and is well within the range of capital structures
12 in the proxy groups.²⁹ The actual capital structure is also comparable to the capital structure
13 approved in UNS Electric's last rate case and in the last APS rate case.³⁰ In addition, Mr. Grant
14 explains that "[b]y deploying less debt in its capital structure, UNS Electric enjoys a slightly
15 higher credit rating, resulting in more favorable debt pricing and improved access to credit,
16 benefits which ultimately accrue to the Company's customers."³¹ Thus, if TASC's hypothetical
17 capital structure were adopted, UNS Electric's cost of debt should be increased to match the
18 capital structure used. TASC witness Woolridge did not propose such an adjustment. Lastly, the
19 Fortis order restricts UNS Electric's ability to pay dividends for a period of time until its equity
20 ratio reaches 50%,³² suggesting that this was the minimum equity ratio the Commission was
21 comfortable with. UNS Electric's actual 52.8% equity ratio is only slightly higher than this
22 minimum target and is a key component of maintaining the Company's investment grade credit
23 rating.

24
25 ²⁸ Ex. TASC-22 (Woolridge Direct) at 13-14.

26 ²⁹ Ex. UNSE-9 (Grant Rebuttal) at 2.

27 ³⁰ Ex. UNSE-9 (Grant Rebuttal) at 2.

³¹ Ex. UNSE-9 (Grant Rebuttal) at 3.

³² Decision No. 74689 (August 12, 2014) at Exhibit A, Attachment A, Condition No. 16.

1 In short, UNS Electric's actual equity ratio of 52.8% is reasonable and well within the
2 range of industry averages. TASC's hypothetical capital structure should be rejected.

3
4 **E. Return on Fair Value Increment.**
5

6 In the spirit of compromise, UNS Electric has accepted Staff's proposal to apply a 0.5%
7 rate of return to the fair value increment of rate base. This continues the approach used in UNS
8 Electric's last rate case, and should be approved here.³³ No party has expressly opposed the use of
9 this rate of return on the fair value increment.

10
11 **III. The revenue allocation among customer classes should reflect a significant movement**
12 **towards actual cost of service.**
13

14 One of UNS Electric's goals in this rate case is to move the revenue recovery from each
15 class closer to its actual cost of service. This will begin to reduce the interclass subsidies. In the
16 interest of gradualism, the Company did not propose a revenue allocation that matched the results
17 of the Class Cost of Service Study ("CCOSS"). However, as the revenue requirement was
18 reduced and as the other parties expressed their positions on revenue allocation (particularly Staff),
19 UNS Electric's proposed revenue allocation evolved.³⁴ In reaching its final proposal, UNS
20 Electric considered both (i) the need to have a larger portion of the revenue requirement increase
21 allocated to the residential class based on the CCOSS and (ii) the bill impacts on all of the
22 customer classes. Ultimately, UNS Electric reduced the revenues allocated to the residential class
23 in a way that slightly increased the bill impacts to all other customer classes – even though the
24 CCOSS suggested that more revenue should be allocated to the residential class.³⁵

25
26 ³³ See Ex. S-3 (Abinah Direct) at 11; Ex. UNSE-8 (Grant Direct) at 8-9.

27 ³⁴ See Ex. UNSE-33 (Jones Rejoinder) at 3-4.

³⁵ See Ex. UNSE-33 (Jones Rejoinder) at 3-4.

1 All parties seek to reduce the inequitable allocation of costs and the related subsidies of the
2 residential class by the non-residential classes. But all parties have a different view of how
3 quickly to shift revenue recovery to the residential class. The larger customer intervenors continue
4 to press for more revenue to be allocated to the residential class (and less to them) than proposed
5 by the Company. Staff, on the other hand, proposes allocating less revenue to the residential class.
6 Staff Exhibit S-18 provides a helpful overview of a range of options for allocating revenues. Staff
7 suggests that moving halfway to actual cost of service is appropriate in this case with a possible
8 movement to actual cost of service in the next rate case – a “two-case jump to parity”.³⁶ However,
9 in the next rate case the jump to parity would require a larger revenue allocation shift than is
10 proposed by Staff in this case. UNS Electric believes that its revenue allocation proposal makes
11 the “two case jump to parity” more fair, reasonable and attainable.

12 Ultimately, the revenue allocation is a policy decision for the Commission. It must decide
13 what level of cross-subsidization is appropriate and how quickly it would like to move towards a
14 more equitable allocation of costs. UNS Electric believes it set forth a reasonable request that the
15 Commission should adopt.³⁷

16
17 **IV. Residential and Small General Service Rate Designs.**

18
19 **A. UNS Electric’s antiquated rate design should be updated.**

20
21 UNS Electric’s current residential rate design is antiquated and flawed. It collects a large
22 amount of fixed costs through volumetric rates. Although this approach was less of an issue when
23 residential load profiles were relatively similar and there was customer load growth in the
24

25
26 ³⁶ See Tr. (Solganick) at 2761-62.

27 ³⁷ The Company’s proposed revenue allocation is set forth in Ex. UNSE-33 (Jones Rejoinder), Exhibit CAJ-RJ-2 (Schedule H-1). Ex. S-18 also reflects UNS Electric’s proposal, as well as Staff’s proposal.

1 Company's service territory, changing residential load profiles (including DG and EE) are creating
2 unacceptable inequities under the current rate structure.³⁸

3 In its Application, UNS Electric proposed changes to its residential and small general
4 service rate structure to: (i) begin to address its customers' evolving use of the electric system, (ii)
5 better align rate design with cost causation and reduce inter- and intra-class inequities; (iii) reduce
6 the level of cross-subsidies among customers; and (iv) enhance the Company's ability to recover
7 its fixed costs. The Company's rate design proposals set forth in the Application included: (i) an
8 increased basic service charge for both residential and small general service customers; (ii) the
9 elimination of the third volumetric rate tier for residential customers; (iii) an optional three-part
10 rate structure for residential and small general service customers that includes a monthly service
11 charge, a demand component and a volumetric energy component; and (iv) a mandatory three-part
12 rate structure for customers with DG (except for grandfathered DG customers).³⁹ This rate design
13 provides for a more equitable sharing of the cost of UNS Electric's infrastructure which is the
14 backbone of providing safe and reliable service to all of its customers.

15 In its rate design testimony, Commission Staff proposed mandatory three-part rates for all
16 residential and small general service customers.⁴⁰ Staff's proposal clearly and directly recognized
17 and addressed the flaws in the current rate design and called for significant steps towards
18 accurately aligning cost causation with cost recovery. In the interest of gradualism, Staff's rate
19 design included a "first step" demand rate that only recovers a portion of fixed capacity and
20 distribution costs, and that continues to recover a significant portion of fixed costs through a
21 volumetric energy charge.⁴¹

22 In its Rebuttal Testimony, the Company agreed with Staff that three-part rates provide the
23 most appropriate rate design to address the issues of inequitable fixed cost recovery and undue
24

25 ³⁸ Ex. UNSE-28 (Dukes Direct) at 10-12.

26 ³⁹ Ex. UNSE-3 (Hutchens Direct) at 10-16.

27 ⁴⁰ Ex. S-16 (Broderick Rate) at 2-7.

⁴¹ Tr. (Solganick) at 2748-50.

1 inter-class and intra-class subsidies.⁴² Given Staff's proposed transition plan, UNS Electric would
2 be able to install the necessary metering in time to transition customers to three-part rates as
3 contemplated by Staff.⁴³ Therefore, the Company supported Staff's proposal for mandatory three-
4 part rates, subject to some modifications. The Company also maintained that if the Commission
5 did not support mandatory three-part rates for all residential and small general service ("SGS")
6 customers, then the Company's initial rate design proposal was a necessary step to address
7 problems facing the Company and its customers.

8
9 **B. Overview of UNS Electric's Proposed Rate Design.**

10
11 UNS Electric firmly believes that three-part rates are the single most equitable rate design
12 for all customers. Three-part rate rates recover fixed costs based on how the utility incurs costs to
13 serve customers and how customers use the grid. The Company also believes that mandatory
14 three-part rates would require sufficient customer education regarding the benefits of three-part
15 rates and the ways that customers can manage their energy costs.⁴⁴

16 It has become apparent through the public comment submitted in this docket that UNS
17 Electric's customers have been exposed to a variety of misinformation about three-part rates.⁴⁵
18 The Company believes that, in time, it will be able to overcome misconceptions about demand
19 charges and develop a comprehensive customer education program so that customers can
20 effectively manage their demand and energy costs should they so desire. However, even with the
21 robust transition plan proposed by Staff and the Company, UNS Electric is concerned that it will
22 take more time and effort than initially contemplated for the Company to be in a position to

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24
25 ⁴² Ex. UNSE-4 (Hutchens Rebuttal) at 5-6.

26 ⁴³ Ex. UNSE-29 (Dukes Rebuttal) at 10-12.

27 ⁴⁴ Ex. UNSE-29 (Dukes Rebuttal) at 9-10; Ex. S-17 (Broderick Surrebuttal) at 14-16.

⁴⁵ Ex. UNSE-5 (Hutchens Rejoinder) at 3

1 transition all of its residential and small general service customers to three-part rates in the near
2 future.

3 Therefore, UNS Electric is now requesting that the Commission adopt a rate structure for
4 non-DG residential and small general service customers that is very similar to what the Company
5 initially proposed in its Application. The Company also had indicated during the hearing that such
6 a proposal would be appropriate if the Commission did not adopt three-part rates for all customers.
7 For residential customers, there would be five rate options: (i) a basic two-part rate; (ii) a two-part
8 time-of-use ("TOU") rate; (iii) a two-part super-peak TOU rate; (iv) a basic three-part rate that
9 includes a monthly basic service charge, a demand charge and a volumetric energy charge; and (v)
10 a TOU three-part rate that is the same as the basic three-part rate except that the volumetric energy
11 charges will be TOU-based. SGS customers will have similar rates made available to them with
12 the exception of the super-peak TOU rate.

13 The two-part rates and the three-part rates are designed to recover similar amounts of
14 revenues from a similarly sized typical residential customer. Residential and small general service
15 customers with DG would be limited to the three-part rates that are available to other non-DG
16 customers (unless they are grandfathered).

17 UNS Electric would use the time between now and the next rate case to provide
18 information to customers on their demand and how they could reduce their bills by reducing their
19 demand. The Company also will analyze load research data from customers who opt in to three-
20 part rates to determine if further rate design changes are necessary before proposing the use of
21 three-part rates for all residential and small general service customers in a future rate case.

22 UNS Electric's net metering tariff also must be modified, as discussed in more detail in the
23 Net Metering section of this brief. As a result of continued fixed cost recovery through volumetric
24 rates (even under UNS Electric's proposed three-part rates) and the banking provision in the net
25 metering tariff, a significant portion of fixed costs are being shifted from all DG customers to non-
26

1 DG customers.⁴⁶ This creates inequities among customers with respect to paying for the costs of
2 the grid on which they all rely for safe and reliable electric service. Moreover, the net metering
3 tariff compensates DG users for excess energy at a rate far above what is fair for other customers
4 to pay for renewable energy. Therefore, UNS Electric continues to propose to eliminate the
5 banking of excess DG energy and instead to compensate such excess energy with a monthly bill
6 credit paid at the Renewable Credit Rate for all DG customers (unless those customers are
7 grandfathered onto the existing net metering tariff as described in Section V).

8 Finally, should the Commission decide to adopt mandatory three-part rates for all UNS
9 Electric residential and SGS customers, the Company would support that decision. In connection
10 with such a decision, the Company supports Staff's position that the transition period be flexible in
11 duration and not require UNS Electric to transition to three-part rates by a date certain. The
12 Company will need adequate time to overcome the misconceptions about demand rates and to
13 develop a comprehensive customer education program so that customers can effectively manage
14 their demand and energy costs.

15
16 **C. UNS Electric's Residential Rate Tariffs for Non-DG Customers.**
17

18 UNS Electric is proposing a residential rate structure that is basically the same as it
19 proposed in its Application except that the rates are based on a lower non-fuel revenue
20 requirement increase of \$15.1 million and a lower basic monthly service charge of \$15 instead of
21 \$20.

22 Specifically the Company proposes, as it did in its Direct Testimony, that residential
23 customers without DG will remain on a two-part rate with the option to select one of the following
24 rates: (i) a two-part TOU rate; (ii) a two-part super peak TOU rate; (iii) a standard three-part rate;
25

26
27 ⁴⁶ See Ex. UNSE-28 (Dukes Direct) at 20-22; Ex. UNSE-34 (Overcast Rebuttal) at 15-20.

1 and (iv) a TOU three-part rate. For qualifying low income customers, the Company will continue
2 to offer a CARES discount.

3 The Company has attached a summary of the proposed rates as **Exhibit 1** and a summary
4 of anticipated bill impacts as **Exhibit 2**.⁴⁷

5 For all residential rates, the Company is proposing to move the basic service charge closer
6 to the appropriate minimum system cost recovery level. And for all two-part residential rates, the
7 Company is removing one of the rate tiers from the volumetric energy charge. These changes will
8 provide for more equitable recovery of fixed costs and help reduce intra-class subsidization. The
9 Company is proposing these changes at a level that it believes is gradual but will provide for
10 significant improvement of the rate structures.

11 12 **1. Basic Service Charge.**

13
14 UNS Electric has reduced its proposed basic monthly service charge from \$20 to \$15
15 under all of its proposed residential rates. The basic service charge is designed to recover costs
16 that utilities incur each month, which includes meters, billing and collection, meter reading, the
17 service line or drop and the other components needed to form the minimum system.⁴⁸ Staff agrees
18 that recovery of these minimum system costs through the basic service charge is appropriate.⁴⁹
19 Such an approach provides customers with a more accurate price signal that reflects the costs
20 incurred to assure minimum service from the electrical grid to provide safe and reliable service.⁵⁰
21 And by coupling the higher customer charge with the elimination of the third tier (discussed
22

23
24 ⁴⁷ The actual volumetric rates and bill impacts will depend on the class revenue allocation. The proposed
rates and estimated bill impacts attached hereto reflect the customer class revenue allocation proposed by
the Company.

25 ⁴⁸ See Ex. UNSE-28 (Dukes Direct) at 17; Ex. S-5 (Solganick Rate) at 28; Ex. UNSE-35 (Overcast
Rejoinder) at 8-9.

26 ⁴⁹ See Ex. S-5 (Solganick Rate) at 28; Tr. (Solganick) at 2838; Tr. (Solganick) at 2839.

27 ⁵⁰ See Ex. UNSE -28 (Dukes Direct) at 17.

below), the intra-class subsidy regarding payment of fixed costs will be reduced.⁵¹ This is important for moving to rates that meet cost causation and matching principles.

2. Elimination of Third Volumetric Tier.

UNS Electric is proposing to eliminate the third volumetric energy tier in its residential rates. This proposal was outlined in the Company's Application.

The Company's current rates include higher kWh charges at higher levels of consumption – a feature typically described as an inclining block structure. This type of rate design was first implemented when economic growth and higher residential consumption levels resulted in sales of electricity increasing year after year, providing electric utilities with a fair opportunity to recover fixed system costs. However, the “new normal” of flat or declining sales – resulting primarily from the use of EE and DG – limits the Company's opportunity to recover its costs through rates that feature an inclining block structure. This problem is exacerbated by DG customers whose energy usage rarely reaches the upper rate tiers, thus shifting fixed costs to other customers who use more energy. UNS Electric is proposing to eliminate certain upper tiers to reduce this cost shift and enhance the Company's ability to recover its fixed costs.⁵²

Although the Company's current two-part rates have three inverse block volumetric tiers, the Company has eliminated the third tier in order to better align the rate design with cost-causation.⁵³ Because fixed costs are recovered through the volumetric energy rates, the third tier resulted in excess recovery of fixed costs from customers whose usage pushed into the third tier.⁵⁴ UNS Electric has retained a lower volumetric rate tier for usage from 0 to 400kWh. All usage above 400 kWh will be billed at a higher volumetric rate.

⁵¹ Ex. UNSE-34 (Overcast Rebuttal) at 39.

⁵² Ex. UNSE-3 (Hutchens Direct) at 13.

⁵³ Ex. UNSE-31 (Jones Direct) at 42.

⁵⁴ Ex. UNSE-31 (Jones Direct) at 42.

1 Staff also has indicated that elimination of the third tier in a two-part rate would be
2 appropriate if the Commission did not adopt three-part rates for all residential customers.⁵⁵

3
4 **D. Residential DG Rates.**

5
6 The Company does not propose to recover any additional fixed costs from a DG customer
7 beyond what it would recover from a non-DG customer. However, as discussed below, DG
8 customers use the grid in materially different ways than non-DG customers. Moreover, allowing
9 DG customers to take service under any of the two-part residential rates would exacerbate the cost
10 shift, even if the net metering tariff is modified as requested by the Company. It is therefore
11 appropriate to limit the rate options under which DG customers can take service. Therefore, under
12 the Company's proposal, DG customers would take service under one of the three-part rates that
13 are available as an option to non-DG customers.

14 UNS Electric also proposes to grandfather DG customers that submitted completed
15 interconnection applications by June 1, 2015 on the existing net metering tariff. These
16 grandfathered customers also would not be limited to the three-part residential rate; rather, they
17 would have the option to select any residential tariff for service. Although this grandfathering
18 approach would "lock-in" the existing cost shift, the Company is sensitive to the significant
19 economic decisions that certain of our customers have made, particularly those who also received
20 upfront incentives to install their systems.

21
22 **1. DG customers use the grid differently.**

23
24 DG customers are the only customers that produce their own energy and push excess
25 energy back into the grid (as with partial requirements customers.) They are still wholly

26
27 ⁵⁵ Tr. (Broderick) at 3713.

1 dependent on the grid to supply electricity when their DG systems are not producing (or not
2 producing enough), for voltage and frequency regulation and for other ancillary electric services
3 necessary to import or export energy. Indeed, DG customers place additional costs on the grid in
4 terms of additional maintenance costs from reverse flow caused by excess energy being pushed
5 back onto the grid, and increased ancillary services — such as load balancing, frequency support,
6 voltage support, spinning reserves and non-spinning reserves — needed due to the intermittent
7 nature of solar DG and the utility's inability to monitor and control the solar DG systems.⁵⁶
8 Moreover, the intermittent nature of DG resources require the utilities to incur generation costs to
9 deal with that intermittency, such as "gas combustion turbines, fast-start turbines, or reciprocating
10 engines."⁵⁷

11 DG customers also do not reduce the demand on the grid. The Company must be prepared
12 to meet the DG customers' demand at a moment's notice if their system production slows or stops.
13 Moreover, DG customers can cost more to serve due increased reserve requirements, VAR
14 requirements and reduced life of voltage regulation devices.⁵⁸

16 2. DG Customers are not similar to other low-use customers.

17
18 There were claims made by the solar industry that DG customers that are low usage in
19 terms of the amount of energy they take from the grid are no different than low usage homes that
20 are vacant or seasonal and therefore disparate rate treatment for DG customers is not justified.
21 This is an "apples to oranges" comparison that makes no practical sense. Homes that are vacant or
22 seasonal in nature that are connected to the utility's distribution system, still pay a customer
23 charge to help cover minimum system costs, as well as any energy that the home still may be
24

25

⁵⁶ Ex. UNSE-25 (Tilghman Direct) at 4-6.

26 ⁵⁷ Tr. (Sheehan) at 540.

27 ⁵⁸ Ex. UNSE-34 (Overcast Rebuttal) at 26-27.

1 using (such as security lighting or a refrigerator.). The actual demands that these low usage homes
2 are placing on the grid are minimal.

3 Conversely, a DG customer that has a net zero bill or is otherwise considered low usage
4 uses the grid in a very different manner than the home that is seasonal or vacant. The low usage
5 DG customer is heavily relying on the grid 24 hours a day, 7 days week as it not only takes energy
6 from the grid, but it is also pushing energy back onto the grid.⁵⁹ Moreover, if a cloud comes
7 overhead, unlike a seasonal or vacant home in which the energy demand is minimal, steady and
8 predictable to the utility system regardless of the weather or time of day, for a DG customer, the
9 utility must stand ready, willing and able to supply all of the DG homes' energy needs
10 instantaneously.⁶⁰ Indeed, all the vacant homes in a neighborhood do not all become occupied at
11 the same moment but all the DG homes in a neighborhood need energy at the same moment when
12 a cloud passes over or when the sun sets. Additionally, unlike a vacant or seasonal home, the
13 utility must take the DG customer's excess energy, figuratively store or bank it for the customer at
14 no cost to the DG customer for this service, and then send it back when the DG customer needs it.
15 Therefore, the argument that low use DG customers are no different than low use seasonal or
16 vacant home customers is erroneous.

17
18 **3. Limiting rate options for DG Customers is necessary, appropriate, and**
19 **in the public interest.**

20
21 Many of the costs solar DG customers impose on the system are demand-related costs.
22 Thus, these customers should be placed on a mandatory three-part rate. As Mr. Dukes explains,
23 “Simply stated, the Company’s current two-part rate design options do not account for how these
24 customers use the system and will never properly recover a fair level of fixed costs. **The two-part**
25

26 ⁵⁹ Ex. UNSE-25 (Tilghman Direct) at 4-6.

27 ⁶⁰ Tr. (Tilghman) at 679-80.

1 rates are designed to recover costs based on the average consumption levels of full-
2 requirements customers - and as presently designed and proposed rely on energy charges to
3 recover fixed cost.”⁶¹ Staff witness Solganick agreed that if mandatory three-part rates are not
4 adopted for all customers, then a demand rate and other net metering changes should be
5 considered for DG customers. He explained that “a two-part rate doesn't work for DG, then a
6 three-part rate would help in the collection of fixed costs. Because they have, to my knowledge,
7 they have less energy, but similar demands.”⁶²

8 Despite these additional impacts (and costs of service), UNS Electric is not seeking to
9 recover more fixed costs from a DG customer than it would recover from a non-DG customer.
10 Under the Arizona Constitution, discrimination is prohibited when “rendering a like and
11 contemporaneous service.” Ariz. Const. art. XV, § 12. Further, the Commission’s constitutional
12 power to determine “just and reasonable classifications” permits the Commission to recognize the
13 differences between different types of customers. *Tonto Creek Estates Homeowners Ass’n v.*
14 *Arizona Corp. Comm’n*, 177 Ariz. 49, 58, 864, P.2d 1081, 1090, (App. 1993); Ariz. Const. Art.
15 XV, § 3. Solar DG customers are very different than other residential customers. UNS Electric is
16 simply proposing to only limit which tariffs DG customers can use for residential service based on
17 the different impact DG customers place on the grid. Moreover, DG customers are choosing to
18 install DG systems – they are not forced to do so. They have created the situation which makes
19 them not similarly situated to non-DG customers. As Dr. Overcast explained, DG customers have
20 different cost causation and load characteristics, so limiting DG customers to certain rates is
21 appropriate and not discriminatory.⁶³

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24
25 ⁶¹ Ex. UNSE-28 (Dukes Direct) at 28:8-12 (emphasis in original).

26 ⁶² Tr. (Solganick) at 2919-30.

27 ⁶³ Ex. UNSE-34 (Overcast Rebuttal) at 14-27.

1 Mandatory three-part rates for these customers will reduce the fixed cost subsidy these
2 customers receive.⁶⁴ Even with all of these changes, solar DG customers will still receive a fixed
3 cost subsidy—just a smaller one—and they will still see savings on their bills.⁶⁵

4 5 **4. Measuring and Billing for Demand**

6
7 The measurement and billing demand under the currently proposed three-part rate is identical
8 to what UNS Electric proposed in its Direct Testimony as follows:

- 9 • The Company will measure demand over a one-hour period.⁶⁶ Like the three-part rate
10 proposed by Staff, the measurement will occur during on-peak hours only (excluding
11 weekends and holidays.)⁶⁷
- 12 • Since the rate is being made available to non-DG customers, a tiered demand charge is
13 necessary in order to maintain parity among all rate options. Customer demand within a
14 given month ranging from 0-7 kW will be billed at one rate, while the incremental demand
15 above 7 kW will be billed at a higher rate.⁶⁸ The Company had proposed the two-tiered
16 demand charge in its initial rate design proposal.⁶⁹

17 18 **E. Small General Service Rates.**

19
20 The Company proposes a rate structure that parallels the rate structure for residential
21 service. The Basic Service Charge would be set at \$25 per month, which reflects the minimum
22

23
24 ⁶⁴ Ex. UNSE-28 (Dukes Direct) at 28-29.

25 ⁶⁵ Ex. UNSE-28 (Dukes Direct) at 29-30; Ex. UNSE-29 (Dukes Rebuttal) at 21-22; Ex. UNSE-30 (Dukes
26 Rejoinder) at 14-15.

27 ⁶⁶ Ex. UNSE-28 (Dukes Direct) at 24.

⁶⁷ Ex. S-16 (Broderick Rate) at 8.

⁶⁸ Ex. UNSE-28 (Dukes Direct) at 24.

⁶⁹ See Ex. UNSE-28 (Dukes Direct) at 24.

1 system cost for those customers.⁷⁰ SGS customers without DG could take service under a two-
2 part rate, a two-part TOU rate and standard and TOU three-part rates. SGS customers with DG
3 would be limited to taking service under the three-part rates.

4
5 **F. Bill Impacts.**
6

7 As shown on **Exhibit 2**, the bill increase for an average residential customer on a standard
8 two-part rate is approximately \$8.10 per month under the Company's proposal set forth herein. If
9 that same customer chooses the Company's proposed standard three-part rate, the bill impact
10 would be approximately \$8.02 per month. The average bills for low-income CARES customers
11 would increase by approximately \$5.88 per month. **Exhibit 2** also shows that new DG customers
12 will experience substantial bill savings under the Company's proposal.

13
14 **G. Comparison of Rate Design Options.**
15

16 In his April 13, 2016 letter to this docket, Commissioner Burns requested consideration of
17 several rate design options other than the three-part rates. Given UNS Electric's residential rate
18 design proposal, **Exhibit 1** sets forth five different rate design options for residential customers: a
19 basic two-part rate; two different two-part TOU rates; and standard and TOU three-part rates that
20 include a demand charge.

21 **Exhibit 1** does not include a "minimum bill" proposal, which was suggested as a possible
22 option by RUCO and others. The concept of a minimum bill raises several issues including what
23 the amount of the minimum bill should be, how it impacts small usage customers and what
24

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⁷⁰ See Ex. UNSE-47.

1 services should be covered by a minimum bill. Staff and the Company expressed significant
2 reservations about a minimum bill concept.⁷¹

3
4 **V. The Net Metering Tariff should be modified to reflect the reality of the services being**
5 **provided but it is appropriate to grandfather certain existing Net Metering**
6 **Customers.**

7
8 The Company is proposing to modify its net metering rider.⁷² UNS Electric is proposing
9 the adoption of Rider-10, Net Metering for Certain Partial Requirements Service (NM-PRS), post
10 June 1, 2015.⁷³ Rider 10 will not apply to customers that submitted interconnection applications
11 before June 1, 2015.⁷⁴

12 The current net metering tariff has two serious flaws. First, under the tariff, solar DG
13 customers are paid for energy their systems push onto the grid at the full retail rate; UNS Electric
14 makes all of its other energy purchases at wholesale—not retail—rates. Second, the “banking”
15 feature seriously distorts the price signals sent to the customer, while also shifting some costs to
16 other customers and leaving other fixed costs unrecovered by the Company. This is in part because
17 DG customers push excess energy onto the grid in the winter and shoulder months (when the
18 utility’s cost of power is lower) and bank the power (credits) until the summer months when the
19 utility’s energy costs are much higher -- effectively using the utility’s system as virtual storage to
20 store the excess DG energy (credits) for months).⁷⁵ These flaws result in a serious cost shift;
21 unless this cost shift is addressed, UNS Electric’s regular, non-solar DG customers have been
22 paying the costs for these flaws.

23
24 ⁷¹ Tr. (Solganick) at 2723-24; Ex. UNSE-32 (Jones Rebuttal) at 43; Tr. (Jones) at 2014--15 (Jones); Ex.
UNSE-35 (Overcast Rejoinder) at 16-17.

25 ⁷² The modifications are the same as set forth in its application in Docket No. E-04204A-15-0099 (that
application was withdrawn on April 20, 2015).

26 ⁷³ Ex. UNSE-28 (Dukes Direct) at 19.

27 ⁷⁴ Ex. UNSE-28 (Dukes Direct) at 19.

⁷⁵ Ex. UNSE-34 (Overcast Rebuttal) at 13-14, 33.

1 Under the Company's proposed new net metering rider:

- 2 • New net metered customers would pay the currently proposed and applicable retail rate
3 for all energy delivered by UNS Electric. The applicable retail rates will be limited to
4 the demand based rate options; and
- 5 • New net metered customers would be compensated for any excess energy their DG
6 system produces and delivers to UNS Electric with bill credits calculated using the
7 Renewable Credit Rate. New net metered customers could carry over unused bill
8 credits to future months if they exceed the amount of their current UNS Electric bill.⁷⁶

9
10 Eliminating the banking option for excess energy and simply purchasing the excess
11 energy from the customer during their billing cycle will send more accurate price signals to Net
12 Metered customers about their true energy costs.⁷⁷ It also helps to partially alleviate the bypass of
13 fixed cost recovery that occurs when customers self-generate a portion of their energy
14 requirements. Under the current rate design and net metering tariff, DG customers avoid paying
15 a significant amount of fixed costs.⁷⁸ This under-recovery of fixed costs from DG customers is a
16 subsidy that leads to the cost shift that everyone but the solar industry acknowledges – it is a
17 simple matter of arithmetic given how the current rates are designed to recover fixed costs and
18 how the current net metering tariff operates.

19
20 **A. The credit for DG energy should be changed to reflect the wholesale solar**
21 **price.**

22
23 The Renewable Credit Rate is proposed to be 5.84 cents per kWh initially and is equivalent
24 to the most recent utility scale renewable energy purchased power agreement connected to the

25
26 ⁷⁶ See Ex. UNSE-1 (Application) at 9; Ex. UNSE-28 (Dukes Direct) at 19.

27 ⁷⁷ Ex. UNSE-28 (Dukes Direct) at 20.

⁷⁸ See Ex. UNSE-20 (Dukes Direct) at 20-22.

1 distribution system of UNS Electric's affiliate, TEP.⁷⁹ This is a reasonable proxy. The
2 Renewable Credit Rate should be adjusted annually. The Company intends to file an annual
3 Renewable Credit Rate filing as part of the annual REST filing based on the most recent
4 comparable utility scale purchased power agreement for renewable energy that is connected to the
5 Company's or TEP's distribution system. The Company could support having the effective
6 Renewable Credit Rate at the time of DG interconnection being locked in for that customer for a
7 set period of time.

8 It is important to understand that the modified net metering tariff does not eliminate the
9 subsidy and cost shift; however, it will mitigate it significantly.⁸⁰ Because the volumetric rates
10 will still be recovering fixed costs, the DG customers will still be avoiding a portion of the fixed
11 costs allocated to them.

12 The current net metering tariff forces the utility to buy all of the solar DG customer's
13 excess power, regardless of whether the utility needs it, and without regard to the location on the
14 system or utility's peak needs. South-facing solar panels produce much less energy in the late
15 afternoon, just as the utility system reaches its daily peak load period. Thus, the solar DG
16 customer typically sells less valuable off-peak power to the utility, and uses these banked kWh
17 credits to offset more costly on-peak power. These kWh are treated the same, even though they
18 have very different values.

19 A credit at the full retail rate simply makes no sense. Essentially, the utility is purchasing
20 wholesale power at a retail price from the solar DG customers, to be sold on to other customers
21 (setting aside issues such as line losses). As Staff witness Solganick explained, there is no
22 evidence that the utility would ever voluntarily buy energy at this inflated price, and the difference
23 between the wholesale and retail rates is another subsidy received by the solar DG customer
24 ultimately paid by non-DG customers.⁸¹ In the end, why would the utility—and consequently, the

25 ⁷⁹ Ex. UNSE-25 (Tilghman Direct) at 7.

26 ⁸⁰ See Ex. UNSE-20 (Dukes Direct) at 20-22.

27 ⁸¹ Tr. (Solganick) at 2737; see also Tr. (Solganick) at 2758-59.

1 non-DG customers—pay the higher retail rate for this energy, when much lower-priced wholesale
2 solar energy is available? It would not—except that it is forced to do so by the current net
3 metering tariff. The current retail credit rate is simply too high. And that is not even considering
4 other issues that further reduce the value of solar DG to the utility, such as line losses,
5 intermittency, phase in-balances, and reverse flow (which increases wear-and-tear on distribution
6 equipment).⁸²

7 Thus, it simply makes sense, that if there is a credit, the credit should be based on the
8 wholesale cost of renewable power, not the utility’s retail rate. This is UNS Electric’s proposal.
9 Solar DG customers would receive a credit based on the “Renewable Credit Rate”, determined by
10 recent wholesale solar costs.⁸³ UNS Electric proposes setting the Renewable Credit Rate at the
11 cost of power from solar facilities tied to the distribution grid for TEP or UNS Electric.⁸⁴

12
13 **B. The banking option should be eliminated.**

14
15 The banking option sends the wrong message to customers. As Mr. Dukes explains,
16 “eliminating the banking option for excess energy production will no longer give DG customers
17 the impression that their excess energy can be stored on UNS Electric’s system for future use.”⁸⁵
18 Banking sends a distorted price signal to customers, misleading them about their “true energy
19 costs.”⁸⁶

20 Further, banking amplifies the lost fixed cost recovery caused by DG systems. Mr. Dukes
21 explains that “DG customers’ usage patterns and load profiles are no longer those of a full
22 requirements customer – in which the standard volumetric rate is designed to recover cost-based
23

24
25 ⁸² Tr. (Tilghman) at 1074-84.

26 ⁸³ Ex. UNSE-29 (Dukes Rebuttal) at 20 and footnote 13.

27 ⁸⁴ Tr. (Tilghman) at 1062.

⁸⁵ Ex. UNSE-28 (Dukes Direct) at 20.

⁸⁶ Ex. UNSE-28 (Dukes Direct) at 20.

1 upon.”⁸⁷ The rates for DG customers must reflect their usage and load profiles, or subsidies and
2 lost fixed costs will result. The problem is worsened because the rate design recovers a significant
3 amount of fixed costs through volumetric (per kWh) charges.⁸⁸ Many solar DG customers have
4 little or no volumetric use shown on their bills. Thus, a “net zero” customer will not pay these
5 volumetric charges, and thus will not contribute to paying their fair share of fixed costs.

6 If these customers were not causing fixed costs, that would not be a problem. But the
7 reality is that solar DG customers rely heavily on services that have fixed costs—(non-fuel)
8 generation during peak late afternoon hours, and during nighttime hours, as well as the
9 transmission and distribution networks needed to deliver that power to them, and all the ancillary
10 services needed to make the system work. As Dr. Overcast testified, “solar DG customers cause
11 delivery costs that are the same or higher than comparable full requirements customers, but pay a
12 much smaller share of the cost...”⁸⁹ Dr. Overcast noted that the cost shift is so extreme, that the
13 current net metering rates are not just and reasonable, “You have got to take into account that rates
14 have to be just and reasonable. And they aren't just and reasonable when some customers get a
15 huge break from costs that they cause.”⁹⁰

16 As Mr. Dukes shows, all DG systems result in the loss of fixed cost recovery; but banking
17 increases the amount of fixed costs that go unrecovered.⁹¹ Thus, eliminating banking will
18 reduce—but not eliminate—the subsidy to solar DG customers.⁹²

24 ⁸⁷ Ex. UNSE-28 (Dukes Direct) at 23.

25 ⁸⁸ Ex. UNSE-28 (Dukes Direct) at 23.

26 ⁸⁹ Tr. (Overcast) at 1391.

27 ⁹⁰ Tr. (Overcast) at 1486.

⁹¹ Ex. UNSE-28 (Dukes Direct) at 20-22.

⁹² Ex. UNSE-28 (Dukes Direct) at 22-23.

1 **C. Waiver of the Net Metering Rules.**

2
3 The current Net Metering Rules include a provision for banking or “roll over” of net
4 metering credits.⁹³ For the reasons described above, the banking provision should be eliminated.
5 Thus, UNS Electric requests a waiver of this A.A.C. R14-2-2306.⁹⁴ Other than the banking
6 provision, UNS Electric’s net metering proposals—including Riders R-10 and R-11—are
7 consistent with the Commission’s Net Metering Rules. However, to the extent there is
8 disagreement on this issue, UNS Electric requests a waiver of any other provision of the Net
9 Metering Rules that the Commission believes is necessary to allow Riders R-10 and R-11 to go
10 into effect.

11
12 **D. Grandfathering.**

13
14 UNS Electric proposes to grandfather DG customers that submitted completed
15 interconnection applications by June 1, 2015 on the existing net metering tariff. These
16 grandfathered customers also would not be limited to the three-part residential rate; rather, they
17 would have the option to select any residential tariff for service. Although this grandfathering
18 approach would “lock-in” the existing cost shift, the Company is sensitive to the significant
19 economic decisions that certain of our customers have made, particularly those who also received
20 upfront incentives to install their systems.

21 The Company has taken significant efforts to fully inform post June 1, 2015 DG
22 customers, though Commission-mandated disclaimers and other documentation, that they could be
23 subject to new rates and potential revisions to the net metering tariff. Therefore, UNS Electric
24 strongly believes that June 1, 2015 is the appropriate cut-off date for any grandfathering regarding
25

26 ⁹³ A.A.C. R-14-2-2306.

27 ⁹⁴ Ex. UNSE-25 (Tilghman Direct) at 7; see Ex. UNSE-1 (Application) at 14, 15.

any rate tariffs or the current net metering tariff. Since this change will only apply prospectively, there is no retroactivity whatsoever.

VI. Other Rate Design Issues.

A. Modification of General Service/Industrial Customer Tariffs.

As part of its continuing efforts to modernize its rate structure and move closer to having revenue recovery better match cost of service, the Company is proposing to redesign the current Large General Service (“LGS”) and Large Power Service (“LPS”) tariffs in a way that is designed to more appropriately recover fixed costs in the fixed portion of rates. Basic service charges for the non-residential classes also need to be increased to amounts closer to levels indicated by the cost of service study.

1. Medium General Service Class.

For a traditional general service customer, UNS Electric presently has only SGS and a Large General Service (“LGS”) customer classes. The current LGS customer class contains a wide range of customer load sizes. The Company is proposing to create a new MGS rate that will contain all but a few of the former LGS customers. The design of the new MGS rate will be the same as the current and new LGS rate (e.g. 75% ratchet). The new LGS rate will not undergo a rate design change (e.g. the 75% ratchet will remain), however the rates will be recalculated to blend about 10 of the largest former LGS customers and about 7 of the former LPS customers (those taking LPS service at less than 69 kV – distribution level voltage).⁹⁵

⁹⁵ Ex. UNSE-32 (Jones Direct) at 35.

1 Staff agrees that the creation of the MGS customer class is appropriate.⁹⁶ Staff also set
2 forth recommendations for the MGS and LGS tariffs.⁹⁷ The Company agrees with the
3 recommended modifications and will include them in the compliance tariffs for the MGS and LGS
4 service.

5 6 **2. Modifications to the LPS Tariff.**

7
8 The LPS class will not undergo a rate design change, but will only be available to
9 customers taking service at greater than or equal to 69 kV – transmission level voltage.⁹⁸ Staff
10 agrees that the modified LPS class is appropriate.⁹⁹ Staff also set forth recommendations for the
11 LPS tariffs.¹⁰⁰ The Company agrees with the recommended modifications and will include then in
12 the compliance tariffs for the LPS service.

13 Although Nucor seeks revisions to the LPS tariff structure, the Company believes such
14 revision is unnecessary and inappropriate.¹⁰¹ The LPS customer class will see a small rate
15 increase as a result of the Company's proposal in this rate case. Modifying the demand rate and
16 off-peak prices would simply shift more costs to other customer classes or would increase other
17 parts of Nucor's bill.¹⁰² Moreover, Nucor's proposal regarding off-peak rates ignores the
18 Company's marginal cost of energy and the need to maintain an appropriate spread between that
19 cost and the off-peak rate.¹⁰³

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21
22
23 ⁹⁶ Ex. S-5 (Solganick Rate) at 32-33.

24 ⁹⁷ Ex. S-5 (Solganick Rate) at 33-35.

⁹⁸ Ex. UNSE-32 (Jones Direct) at 35.

⁹⁹ Ex. S-5 (Solganick Rate) at 36.

¹⁰⁰ Ex. S-5 (Solganick Rate) at 36.

¹⁰¹ Ex. UNSE-32 (Jones Rebuttal) at 32-34; Tr. (Jones) at 2618-24.

¹⁰² See Ex. UNSE-32 (Jones Rebuttal) at 32-35.

¹⁰³ See Tr. (Jones) at 2616-18.

1 **B. Interruptible Power Service Tariff.**

2
3 The Company is proposing to freeze the current Interruptible Power Service (“IPS”) rate.
4 The provisions of the tariff will be unchanged for the customers currently being served on the rate
5 and the rates will be increased.¹⁰⁴

6 In its place, the Company proposed an interruptible rider similar to the rider that was
7 recently approved for TEP.¹⁰⁵ This not only allows a rate that is more cost-based, but can be
8 offered in a manner more consistent with TEP and allow for a more consistent application of the
9 rate.¹⁰⁶ This rider provides for a customer to pay standard tariff rates, but allows the customer to
10 designate a portion of their load as interruptible and receive a credit on their bill for the amount of
11 capacity they offered as interruptible.¹⁰⁷ This results in a more cost-based credit for the real value
12 of interruptible capacity in the year it is offered and protects the remaining customers.

13 Staff accepted the Company’s proposed new Interruptible Rider-12 and has not opposed
14 our freezing the current IPS rate, thereby limiting it to the currently existing customers on this
15 rate.¹⁰⁸ Staff has also recommended the existing (and soon to be frozen) IPS tariff be eliminated in
16 the Company’s next rate case.¹⁰⁹ The Company agrees to propose this in the next rate case.

17
18 **C. Other Tariff Changes.**

19
20 UNS Electric proposed minor changes to its existing Community Solar rates, its three
21 Qualifying Facilities tariffs, its Lighting tariff rates, its School TOU rates for the SGS, MGS and
22 LGS classes.¹¹⁰ The Company also proposed to add a tier to the TOU volumetric rates.¹¹¹ Staff

23
24 ¹⁰⁴ Ex. UNSE-31 (Jones Direct) at 52-53.

25 ¹⁰⁵ Ex. UNSE-31 (Jones Direct) at 52-53.

26 ¹⁰⁶ Ex. UNSE-31 (Jones Direct) at 52-53.

27 ¹⁰⁷ Ex. UNSE-31 (Jones Direct) at 52-53.

¹⁰⁸ See Ex. S-5 (Solganick Rate) at 41.

¹⁰⁹ Ex. UNSE-31 (Jones Direct) at 52-53.

¹¹⁰ Ex. UNSE-31 (Jones Direct) at 49-51.

1 raised several questions regarding certain revisions to the tariffs, which the Company believes it
2 has addressed.¹¹² No other party opposed those revisions and the Company requests that the
3 Commission approve the revisions.

4
5 **D. Modification to Service Fees.**

6
7 UNS Electric proposed several changes to its service fees.¹¹³ Staff made several
8 recommendations regarding the service fees that are acceptable to the Company.¹¹⁴ UNS Electric
9 requests that the Commission approve the service fees recommended by Staff. The Company will
10 submit the modified service fees on its Statement of Charges that will be filed as part of its
11 compliance tariffs.

12
13 **E. The current demand ratchet for general service customers is reasonable and**
14 **appropriate.**

15
16 In UNS Electric's last rate case, it requested a 100% demand ratchet for large and medium
17 general service customers, but settled for a 75% ratchet as part of a comprehensive settlement.¹¹⁵
18 The Commission approved this demand ratchet, stating that Mr. Dukes explained that a "ratchet"
19 is a billing provision under which the demand charge for each month is based on the highest
20 measured or billed demand over a period of time in the previous year.... He indicated that the 75
21 percent ratchet would help ensure a stable level of demand revenue and would more closely align
22 cost recovery with the cost causer.¹¹⁶ In this case, UNS Electric simply seeks to continue the

23
24 ¹¹¹ Ex. UNSE-31 (Jones Direct) at 49.

25 ¹¹² See Ex. S-5 (Solganick Rate) at 37; Ex. UNSE-32 (Jones Rebuttal) at 18-19. Staff did not further
26 address these tariffs in Surrebuttal.

27 ¹¹³ Ex. UNSE-31 (Jones Direct) at 69-73 and Exhibit CAJ-3.

¹¹⁴ See Ex. S-5 (Solganick Rate) at 46-47; Ex. UNSE-32 (Jones Rebuttal) at 22.

¹¹⁵ Decision No. 74235 (Dec. 31, 2013) at 22-23.

¹¹⁶ Decision No. 74235 (Dec. 31, 2013) at 22-23.

1 existing demand ratchet approved by the Commission. UNS Electric is not asking to extend the
2 ratchet to residential or small general service customers.

3 The demand ratchet looks at the “maximum demand used for billing purposes in the
4 preceding 11 months”, and the ratchet will apply if the demand that month is 75% of that level or
5 lower.¹¹⁷ When the ratchet applies, the demand charge is set at this 75% level. Thus, the ratchet
6 operates as a type of minimum demand charge, but allows the customer to reduce that minimum
7 charge by reducing their maximum demand during a rolling 11 month period. Therefore, the
8 demand ratchet helps ensure a minimum level of demand revenues to the utility—recognizing that
9 demand investments are relatively long-term—while giving the customer the ability to reduce the
10 minimum demand charge by reducing their maximum demand over time.

11 UNS Electric witness Craig Jones explained that the “ratchet was added in the last rate
12 case to help mitigate the intra-class subsidy and is a common method of assigning the actual
13 demand that a customer places on the system.”¹¹⁸ Mr. Jones observed that the ratchet level is
14 often set at 100%, but UNS Electric has accepted 75% as a compromise.¹¹⁹ He also notes that the
15 alternatives are to assign these costs to “be paid by other customers” or to create a seasonal rate
16 that recovered these costs by higher charges on these same customers.¹²⁰ Demand charges recover
17 long-term costs for facilities such as wires, poles and generating resources. The demand ratchet
18 helps ensure that demand revenues will cover these costs, while also sending appropriate price
19 signals to the medium and large commercial customers to reduce the demand over the long term.

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25 ¹¹⁷ Tr. (Simer) at 3029.

26 ¹¹⁸ Ex. UNSE-32 (Jones Rebuttal) at 36.

27 ¹¹⁹ Ex. UNSE-32 (Jones Rebuttal) at 36.

¹²⁰ Ex. UNSE-32 (Jones Rebuttal) at 36.

1 **F. Fresh Produce Association of the Americas.**

2
3 The Fresh Produce Association of the Americas (“FPAA”) objects to the demand ratchet,
4 and they suggest a special “Fresh Produce” rate without a demand ratchet. FPAA claims that the
5 demand ratchet harms its members. UNS Electric values the contributions of the fresh produce
6 industry to Santa Cruz County and acknowledges the leading role of the fresh produce industry in
7 the County’s economy. UNS Electric has on numerous occasions communicated with the FPAA
8 in an attempt to address FPAA’s concerns. Unfortunately, the parties have been unable to find a
9 solution, for several reasons. First, FPAA’s members have different load profiles; as FPAA
10 witness Simer testified there is “diversity between the members from... month to month.”¹²¹
11 Thus, a solution that helps one member may hurt another. Second, as with all rate design issues, if
12 the revenue doesn’t come from these customers, it will have to come from other customers in the
13 class thereby exacerbating the “cost shift” problem and creating a subsidy for FPAA members.
14 Thus, finding a good solution is difficult. However, UNS Electric remains open to dialog with
15 FPAA on this issue.

16 One of the FPAA’s arguments is that their member’s load is essentially off-peak, because
17 much of their business is in the winter, and thus FPAA members do not contribute to aggregate
18 peak demand for UNS Electric. That argument is mistaken. FPAA’s President, Lance Jungmeyer,
19 testified that their “season is growing, the vegetable produce season is growing greatly” and that
20 the grape season extends through the first week of July.¹²² Mr. Jones explained that the fresh
21 produce group “peaks in June” which is the same time as “the typical system peak in the Santa
22 Cruz territory.”¹²³ FPAA witness Simer confirmed this. He studied a sample of FPAA member

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26 ¹²¹ Tr. (Simer) at 3031.

27 ¹²² Tr. (Jungmeyer) at 3014.

¹²³ Ex. UNSE-32 (Jones Rebuttal) at 37.

1 bills, and testified that these members have a June peak and that June is “part of the summer
2 cooling season” for UNS Electric.¹²⁴

3 FPAA argues that the demand ratchet has hit their industry hard. But FPAA itself touts the
4 growth in their industry in their recent press release.¹²⁵ FPAA President Jungmeyer confirmed
5 that their members’ volume is growing from year to year.¹²⁶ He also testified about a recent study
6 that shows that fresh produce imports in the Nogales area have increased 15% in 2015 compared
7 to 2014.¹²⁷ Indeed, business is so good that there is now a seasonal shortage of warehouse
8 capacity.¹²⁸

9 Mr. Simer suggests that the demand ratchet removes the incentive to conserve—he went so
10 far as to suggest that members may just refrigerate their warehouses throughout the summer, even
11 if they are empty.¹²⁹ But Mr. Simer concedes that members can still reduce their energy (per
12 kWh) charges by turning their refrigeration off.¹³⁰ And as explained above, members have an
13 incentive to reduce their annual maximum demand to reduce the ratchet level.

14 Demand costs are long-term—wires, poles, generation, and so on. The demand ratchet
15 helps ensure that demand revenues will cover those costs, while also sending appropriate price
16 signals to the large and medium commercial customers subject to the ratchet.¹³¹ Although much
17 of FPAA’s members’ energy usage occurs during the off-peak months, their load peaks in June -
18 not in the winter.¹³² Their peak thus coincides with the system peak in Santa Cruz County.¹³³

20 ¹²⁴ Tr. (Simer) at 3029; see also Ex. FPAA-1 (Simer Direct) at 9, chart 1.

21 ¹²⁵ Ex. UNSE-40 (FPAA Press Release, Feb. 2, 2016, titled “FPAA Releases Nogales Import Report for
Season 2014 to 2015”).

22 ¹²⁶ Tr. (Simer) at 3014.

23 ¹²⁷ Tr. (Simer) at 3014-15 (Jan 2015 to Sept. 2015 compared to same period in 2014); see also Ex. UNSE-
41 (Nogales International article dated February 5, 2016, titled “Large Warehouse Project Shows Need for
Infrastructure to Match Growth”).

24 ¹²⁸ Tr. (Simer) at 3015.

25 ¹²⁹ Ex. FPAA-1 (Simer Direct) at 13.

26 ¹³⁰ Tr. (Simer) at 3027-28.

27 ¹³¹ Ex. UNSE-32 (Jones Rebuttal) at 36.

¹³² Ex. UNSE-32 (Jones Rebuttal) at 37.

¹³³ Ex. UNSE-32 (Jones Rebuttal) at 37.

1 FPAA members thus significantly contribute to the peak demand for this portion of UNS
2 Electric's system.

3 The Company has continued to work with FPAA to design a seasonal rate that would allow
4 FPAA customers to save money based on their characterization of their consumption patterns. The
5 Company analyzed a number of scenarios including: (i) no demand ratchet with a high summer
6 kW charge and a lower winter kW charge; (ii) a kW ratchet that is calculated strictly on summer
7 kW demand; and (iii) a higher kW charge that focused strictly on the peak months of June, July,
8 and August. However, when applied to the actual usage of the produce accounts, only a few of
9 those accounts would realize some savings. Indeed, it appears that based on historical usage
10 habits, most of the produce accounts would have experienced an increase as the result of these rate
11 designs.

12 If, however, the Commission makes a policy decision to offer a non-cost based rate option
13 to address FPAA's concerns, the Company proposes to create a second MGS rate tariff. This
14 second MGS rate tariff would reflect an increased basic service charge (from \$100 to \$150 for
15 those customers who opt in). The customers would also receive a credit equal to 50% of the
16 standard MGS kW rate multiplied by the amount that measured kW is less than ratchet demand for
17 the summer months (May-Oct). Of the 55 produce customers identified on the MGS standard rate,
18 32 of them could save an average of approximately \$1,600/year with this proposal. The Company
19 is proposing that this rate be available to all MGS customers. The total savings realized by the
20 new MGS rate class is estimated to be approximately \$300,000/year which the Company believes
21 should be recovered from other customers. Absent a recovery mechanism, this would result in an
22 under-recovery of the Company's revenue requirement agreed to in this proceeding. Therefore,
23 the Company proposes the net amount (estimated to be approximately \$300,000 per year) be
24 treated as a capacity purchase and be eligible for recovery through the PPFAC.

1 **VII. UNS Electric's proposed Rider 13, Economic Development Rider, should be**
2 **approved.**

3
4 UNS Electric recognizes the economic difficulties in its service areas. The Company has
5 developed its proposed Rider 13, Economic Development Rider ("EDR"). The EDR rate is
6 intended to attract new jobs and economic activity. The EDR will provide a discount to customers
7 that qualify under existing Arizona economic development tax credits.¹³⁴ The discount is
8 gradually phased out over five years.¹³⁵ To qualify, a customer must be a new customer or the
9 customer must be expanding their existing operations.

10 In addition, customers must have a minimum load factor of 75% and have a peak demand
11 of at least 1,000 kW to qualify.¹³⁶ This helps ensure that the new customer does not increase costs
12 for the system.¹³⁷ A high load factor results in higher energy sales without "undue pressure" on
13 peak demand.¹³⁸

14 In addition, the proposed discount is higher for customers that "infill" in areas with
15 existing facilities.¹³⁹ UNS Electric has lost 45 MW of industrial load in recent years—it would be
16 highly beneficial to attract new industrial customers to utilize these existing facilities.¹⁴⁰

17 UNS Electric will absorb the non-fuel costs.¹⁴¹ As Mr. Jones testified, the "non-fuel cost is
18 all on the utility."¹⁴² As Mr. Hutchens explained, UNS Electric is willing to bear these costs
19 because the "long-term benefits of attracting or retaining large, high load factor customers greatly
20
21

22 ¹³⁴ Ex. UNSE-28 (Dukes Direct) at 32.

23 ¹³⁵ Tr. (Jones) at 2073.

24 ¹³⁶ Ex. UNSE-28 (Dukes Direct) at 31.

25 ¹³⁷ Tr. at (Jones) at 1921.

26 ¹³⁸ Tr. (Dukes) at 1598-99.

27 ¹³⁹ Tr.(Dukes) at 1595.

¹⁴⁰ Tr. (Dukes) at 1595-97.

¹⁴¹ Tr. (Jones) at 2073.

¹⁴² Tr. (Jones) at 2073.

1 outweigh the short-term costs.”¹⁴³ At the time of the hearing, no party appeared to be opposed to
2 the EDR.

3
4 **VIII. The “buy through” tariff is not in the public interest and should be rejected.**

5
6 The proposed “buy through” tariff (Experimental Rider 14) is supported by a select few
7 industrial and commercial customers. The tariff is inequitable because it will provide benefits to
8 these few customers only by increasing rates for other customers. The tariff is modeled on APS’s
9 experimental AG-1 tariff, which the Company believes is seriously flawed and which has not yet
10 been reviewed by the Commission in a full rate case. It is premature to extend it to UNS Electric.
11 Moreover, as noted by Staff, the “buy through” tariff is not “ready for prime time now.”¹⁴⁴
12 Accordingly, the “buy through” tariff is not in the public interest and should be rejected.

13
14 **A. The “buy through” tariff would benefit only a narrow group of industrial and**
15 **commercial customers, at the expense of other customers.**

16
17 The most serious flaw of the “buy through” tariff is the impact on other customers.
18 Currently, purchased power is the lowest-cost power resource for UNS Electric. The large
19 commercial and industrial customers pushing the tariff—such as Wal-Mart—wish to seize the
20 benefits of this low-cost power for themselves, thus increasing the costs borne by all other
21 customers. As Staff witness Solganick explained, by allocating the lowest cost power to these
22 select few customers, the average generation cost for other customers is increased, thus “rais[ing]
23 costs to all other customers.”¹⁴⁵ Or as Wal-Mart witness Hendrix admitted, the proposed tariff
24 would shift the benefits of the utility’s wholesale purchases to the larger commercial and industrial

25
26 ¹⁴³ Tr. (Hutchens) 285.

27 ¹⁴⁴ Tr. (Broderick) at 3619.

¹⁴⁵ Tr. (Solganick) at 2741.

1 customers on the new tariff.¹⁴⁶ UNS Electric witness Jones agrees, noting that the tariff “allows
2 for certain large customers to “cherry pick” currently available capacity resulting from current
3 economic conditions and will ultimately result in costs being passed on to the remaining
4 customers.”¹⁴⁷

5 AECC witness Higgins attempts to avoid this issue by “funding” the tariff by allocating
6 \$908,000 of the decrease from UNS Electric’s original filing to pay for the tariff.¹⁴⁸ As UNS
7 Electric witness Jones testified, this “funding” mechanism simply results in the buy through costs
8 “being paid for by the remaining customers” to benefit “a select few customers.”¹⁴⁹ As Mr.
9 Solganick explained, this “funding” mechanism simply shifts the costs to other customers in the
10 class:

11 That only means that if a customer wins the lottery and makes savings
12 greater than their share of [the] 908, they are okay. But if a company, for
13 either fear of the marketplace or lack of technical expertise or just dumb
14 luck or bad luck in a lottery loses, then they get to pay the share of
15 \$908,000 while one of their neighbors gets reduced rates. So I am not yet
convinced that that solution protects everybody.¹⁵⁰

16 This highlights another problem with the tariff. Under any of the proposed caps, there
17 would likely be more potential customers than can take the tariff. Potential customers would have
18 to enter a lottery, with only the “winners” eligible for the tariff, while the “losers” would pick up
19 the tab.¹⁵¹ This is unfair—and potentially discriminatory—because similar customers in the same
20 class would be treated differently, due solely to chance. For example, competing “big box” stores
21 across the street from one another could end up with different rates, with one store winning the
22

23

¹⁴⁶ Tr. (Hendrix) at 1211.

24 ¹⁴⁷ Ex. UNSE-31 (Jones Direct) at 56.

25 ¹⁴⁸ Tr. (Higgins) at 1165 (noting that rest of the class would receive a decrease \$908,000 less than
otherwise).

26 ¹⁴⁹ Ex. UNSE-32 (Jones Rebuttal) at 49.

27 ¹⁵⁰ Tr. (Solganick) at 2741.

¹⁵¹ Ex. UNSE-31 (Jones Direct) at 57 (noting potential need for lottery if enrollment exceed cap).

1 lottery and enjoying low-cost purchased power, while the other store ends up with higher rates.

2 The Arizona Constitution expressly prohibits discriminatory rates:

3 All charges made for service rendered, or to be rendered, by public service
4 corporations within this state shall be just and reasonable, and no
5 discrimination in charges, service, or facilities shall be made between
persons or places for rendering a like and contemporaneous service....

6 Arizona Constitution, Article XV, Section 12. The proposed “buy through” tariff raises serious
7 questions about discrimination.
8

9 Moreover, purchased power costs will not remain this low forever. The market will
10 eventually turn.¹⁵² And when it does, these customers will seek to return to UNS Electric’s
11 regulated service. As Mr. Solganick noted, “[m]y concern is when they come back.”¹⁵³ He
12 elaborated, “[s]o I am not yet convinced that buy-through doesn’t have a long-term component that
13 hits the company at the absolute worst time and, since it is a pass-through, hits all of the customers
14 at that time.”¹⁵⁴

15
16 **B. The “buy through” tariff is premature; the APS AG-1 experiment has not**
17 **been evaluated yet.**

18 The “buy through” tariff is not just unfair and potentially discriminatory, it is also
19 premature. It is based on APS’s experimental AG-1 tariff. Noble / AECC witness Higgins
20 conceded that the AG-1 tariff is “experimental”.¹⁵⁵ The AG-1 tariff has not yet been reviewed by
21 the Commission in a rate case; it will be evaluated in the upcoming APS rate case. The
22 Commission should be able to learn much from APS’s experience. As AIC witness Yaquinto
23 explains, “it would be imprudent and highly premature to authorize another experimental program,
24

25 ¹⁵² See, e.g., Tr. (Simer) at 3027.

26 ¹⁵³ Tr. (Solganick) at 2741.

27 ¹⁵⁴ Tr. (Solganick) at 2743.

¹⁵⁵ Tr. (Higgins) at 1133.

1 absent a full and thorough analysis of the benefits and costs of the APS experimental buy through
2 program”, and given UNS Electric’s small size, the experimental tariff “could pose potentially
3 greater risks to UNS Electric and its stakeholders.”¹⁵⁶ The risks are serious; APS suffered a gross
4 loss of \$45.3 million on the AG-1 tariff, and net losses of \$16.8 million.¹⁵⁷

5 There are other problems with the AG-1 tariff as well. The tariff uses an energy imbalance
6 process designed for wholesale transactions; it does not reflect retail imbalance costs, forcing APS
7 to provide load-following services to AG-1 customers from APS’s own generation resources
8 without compensation.¹⁵⁸

9 Staff witness Solganick agreed that it makes sense to wait and see what happens in the
10 APS case before proceeding with a “buy through” tariff for UNS Electric, commenting that “I see
11 no reason to rush into it”.¹⁵⁹ Likewise, Staff’s Director, Mr. Broderick, agreed that the “buy
12 through” tariff is not “ready for prime time now.”¹⁶⁰

13
14 **C. If a “buy through” tariff is approved, it should be capped at 10 MW.**
15

16 Staff and UNS Electric agree that if the “buy through” tariff is approved, it should be
17 capped at 10 MW. Noble accepts this limit.¹⁶¹ But Wal-Mart proposes a cap of 150 MW. This is
18 up to 85% of UNS Electric’s purchased power.¹⁶² Under Wal-Mart’s proposed cap, 85% of UNS
19 Electric’s lowest cost resources would be reserved for companies like Wal-Mart. This is far too
20 large for a utility the size of UNS Electric. Ironically, Wal-Mart has only three stores in UNS
21 Electric’s service territory.¹⁶³

22
23 ¹⁵⁶ Ex. AIC-B (Yaquinto Surrebuttal) at 2.

24 ¹⁵⁷ Ex. AIC-B (Yaquinto Surrebuttal) at 3.

25 ¹⁵⁸ Ex. AIC-B (Yaquinto Surrebuttal) at 5.

26 ¹⁵⁹ Tr. (Solganick) at 2745.

27 ¹⁶⁰ Tr. (Broderick) at 3619.

¹⁶¹ Tr. (Higgins) at 1141.

¹⁶² Tr. (Hendrix) at 1209.

¹⁶³ Tr. (Hendrix) at 1212.

1 **D. UNS Electric’s proposed management fee should be adopted if the “buy**
2 **through” tariff is approved.**

3
4 UNS Electric proposes a management fee of \$0.004 per MWh.¹⁶⁴ Noble/AECC witness
5 Higgins objects to this fee, and he suggests the same management fee from the APS AG-1
6 tariff.¹⁶⁵ But APS is far larger than UNS Electric, and APS has economies of scale that UNS
7 Electric cannot match, as Mr. Higgins agrees.¹⁶⁶ Further, Mr. Higgins conceded that we don’t
8 know if the APS fee is “cost justified”.¹⁶⁷ Thus, there is simply no support for using the APS fee.

9 Wal-Mart witness Hendrix concedes that a management fee is appropriate.¹⁶⁸ He vaguely
10 suggests a “cost-based” fee. But he concedes that the costs cannot be known at this time, because
11 UNS Electric has not offered the program and because the size of the program and number of
12 customers are unknown.¹⁶⁹

13 The management fee is intended to compensate UNS Electric for the cost of administering
14 the program. Relevant costs include the costs of “additional personnel, additional processes to
15 track and verify the flow of energy, incremental Transmission balancing service, additional billing
16 equipment and billing process”.¹⁷⁰ Because this is a new tariff that the UNS Electric has never
17 implemented, the costs cannot be known with certainty. UNS Electric’s estimate is the best
18 estimate available for the administrative costs and should be adopted if the “buy through” tariff is
19 approved. Further, it is ironic for Wal-Mart and AECC to complain about that the fee is not cost
20 justified, when they seek to exit UNS Electric’s fully cost-based regulated rates for a competitive
21 market.

22
23
24 ¹⁶⁴ Ex. UNSE-32 (Jones Rebuttal) at 47.

25 ¹⁶⁵ Tr. (Higgins) at 1126.

26 ¹⁶⁶ Tr. (Higgins) at 1126.

27 ¹⁶⁷ Tr. (Higgins) at 1126-1127.

¹⁶⁸ Tr. (Hendrix) at 1211.

¹⁶⁹ Tr. (Hendrix) at 1211-12.

¹⁷⁰ Ex. UNSE-32 (Jones Rebuttal) at 45.

1 **E. Returning Customer Charge.**

2
3 A key problem with the tariff is what happens when the customer comes back. Power
4 prices will change, and customers will return if UNS Electric's price is favorable. Indeed,
5 Noble/AECC witness Higgins explained that the "expectation is that the customers will return" at
6 the end of the contract term.¹⁷¹ Mr. Higgins agreed that some charge should be assessed to
7 returning customers, and that the charge should be based on the cost of procuring power to serve
8 the returning customers.¹⁷² UNS Electric agrees with Staff's proposal that "buy through"
9 customers that return to the utility pay for generation service at a market index plus \$20 per MWh
10 for up to one year if the tariff is approved.¹⁷³

11
12 **F. Generation Related Charges.**

13
14 In Direct Testimony, the Company proposed that if the "buy through" tariff is approved,
15 buy through customers should pay "100% of the first year's generation related charges in the base
16 rate and 25% of the generation related charges in base retail rates as a Reserve Capacity charge"¹⁷⁴
17 However, because of opposition by the intervening parties to shifting any cost recovery to other
18 customers, the Company's position was amended in Rejoinder to require customers participating
19 in the buy through program to pay 100% of unbundled generation related charges in the applicable
20 base retail rates for the entire period of participation in the program.¹⁷⁵ This remains the
21 Company's current position on this issue. Participating buy through customers would pay the full

22
23
24

¹⁷¹ Tr. (Higgins) at 1126.

25 ¹⁷² Tr. (Higgins) at 1123.

26 ¹⁷³ Ex. UNSE-33 (Jones Rebuttal) at 8.

27 ¹⁷⁴ Ex. UNSE-31 (Jones Direct) at 58.

¹⁷⁵ Ex. UNSE-33 (Jones Rejoinder) at 7.

1 retail rate with the exception of the Base Power charge and PPFAC. Moreover, any additional lost
2 fixed costs attributable to the “buy through” tariff should be recovered through the LFCR.¹⁷⁶

3
4 **G. Aggregation and Minimum Load Size.**

5
6 Wal-Mart proposes that the minimum customer size to be eligible for the “buy through”
7 tariff should be reduced from 2,500 kW to 1,000 kW, and that aggregation be allowed across
8 multiple customer sites. UNS Electric opposes these proposals, which are not appropriate for an
9 experimental tariff that should be carefully limited. Further, as UNS Electric witness Jones
10 explains, the Company simply “does not have the resources to deal with smaller customer sizes
11 than specified in the proposed Rider 14 or aggregation of loads.”¹⁷⁷

12
13 **H. Tariff Duration.**

14
15 Because the buy through tariff is experimental, if adopted at all it should be limited to a
16 four year term.¹⁷⁸ The \$16.8 million net loss suffered by APS on their AG-1 tariff shows the
17 dangers of such experimental tariffs, which should be strictly limited if they are approved.¹⁷⁹

18
19 **IX. Adjustor Mechanisms.**

20
21 UNS Electric currently has three adjustor mechanisms: the Lost Fixed Cost Recovery
22 mechanism (“LFCR”), the Purchased Power and Fuel Adjustment Clause (“PPFAC”) and the
23 Transmission Cost Adjustor (“TCA”). In this rate case, the Company is seeking modifications to
24

25 ¹⁷⁶ Ex. UNSE-33 (Jones Rejoinder) at 8.

26 ¹⁷⁷ Ex. UNSE-32 (Jones Rebuttal) at 52.

27 ¹⁷⁸ Ex. UNSE-32 (Jones Rejoinder) at 11.

¹⁷⁹ Ex. UNSE-32 (Jones Rejoinder) at 11.

1 both the LFCR and the PPFAC and related revisions to their respective Plans of Administration
2 (“POA”). Although UNS Electric did not propose any changes to its TCA, it is amenable to
3 modifications that Staff has proposed to the TCA POA.

4
5 **A. LFCR.**
6

7 In this rate case, UNS Electric is seeking to modify the LFCR to: (i) allow recovery of lost
8 fixed generation costs and 100% of its lost non-generation demand rates; and (ii) increase the cap
9 on LFCR from 1% of total applicable retail revenues to 2%. The proposed changes will better
10 address the impacts of the continuing expansion of the Commission-mandated renewable and
11 energy efficiency programs. The Company also is proposing to simplify the LFCR charge into a
12 single line on the bill, rather than to split the charge into EE and REST components. Finally, the
13 Company is proposing to eliminate the fixed charge option in the LFCR because no customers
14 have opted to use this option. UNS Electric has submitted a redlined LFCR POA setting forth the
15 Company’s proposed revisions.¹⁸⁰

16 The Company’s LFCR was initially approved as part of the settlement agreement approved
17 in Decision No. 74235. The LFCR is intended to recover a portion of the lost fixed cost revenues
18 resulting from compliance with the Commission’s Energy Efficiency and Renewable Energy
19 policies. However, the structure of the current LFCR does not recover all of the lost fixed cost
20 revenue resulting from compliance. The LFCR *excludes* recovery of fixed generation costs and
21 50% of the remaining non-generation demand rates in effect. As a result, UNS Electric simply
22 cannot recover all lost fixed costs resulting from compliance with Commission policies.¹⁸¹

23 Moreover, although this discrepancy in fixed cost recovery did not create undue hardship for UNS
24 Electric when EE and REST compliance targets were low, the increasing compliance levels
25

26 ¹⁸⁰ Ex. UNSE-31 (Jones Direct), Exhibit CAJ-6.

27 ¹⁸¹ See Ex. UNSE-31 (Jones Direct) at 74-76.

1 combined with the current LFCR structure is creating significant barriers to the Company's
2 reasonable opportunity to earn its authorized rate of return.

3 The opposition to the Company's proposed changes to the LFCR relies on unrealistic (or
4 inaccurate) assumptions and speculation. For example, Staff seems to believe the Company has
5 some level of flexibility "to adjust its purchases to match its short-term needs."¹⁸² However,
6 adjusting costs associated with "purchased" generation will automatically be reflected in the
7 PPFAC rates and any savings (or costs) will be passed on to the customers as a revised fuel cost.
8 Those adjustments would not recover fixed costs that are included in non-fuel related volumetric
9 base rates.¹⁸³ Under the current structure of the LFCR, there is no way to recover those lost fixed
10 costs. And, although Staff acknowledges that the demand rates recover fixed costs (both
11 generation and non-generation), it supports the LFCR's 50% recovery of only the non-generation
12 portion of lost demand rates.¹⁸⁴ Again, fixed costs are being recovered through those demand
13 rates and disallowing recovery through the LFCR simply deprives UNS Electric of the ability to
14 recover those fixed costs.

15 Rather than denying the Company recovery of its generation costs based on speculative
16 concerns, the Commission can simply require the Company to credit the PPFAC to the extent
17 that it sells the wholesale power at a cost in excess of its fixed cost recovery to ensure that there
18 is no double recovery. This would address Staff's concern and keep the Company more able to
19 earn its authorized rate of return (as opposed to ensuring that the Company will be perpetually
20 under-recovering its fixed cost through the LFCR).

21 With respect to the increase of the cap on year-over-year changes from 1% to 2%, the
22 Company is seeing increased DG and EE deployment that will soon result in lost fixed cost
23 revenues that exceed the 1% cap (particularly if the LFCR is revised to include recovery of fixed
24 generation costs and all portions of lost demand rates). The increased cap will also avoid undue

25
26 ¹⁸² See Ex. S-5 (Solganick Rate) at 55.

27 ¹⁸³ See Ex. UNSE-32 (Jones Rebuttal) at 23-24.

¹⁸⁴ See Ex. S-5 (Solganick Rate) at 56.

1 deferral of excess amounts and provide better temporal matching for recovery of lost fixed cost
2 revenues.

3 Staff opposes the increased cap primarily because the Company has not yet reached the cap
4 in any year and Staff anticipates lower fixed cost losses from DG as a result of rulings in this rate
5 case.¹⁸⁵ However, keeping the cap does not eliminate LFCR recovery; rather it simply defers it.
6 Customers will eventually pay the amount due under the LFCR. Staff's opposition runs afoul of
7 matching principles of revenue recovery.

8 Finally, the Company believes it is appropriate to eliminate the LFCR's Fixed Cost Option
9 because not a single customer is using that option. Staff has agreed the option is not necessary.¹⁸⁶
10

11 **B. PPFAC.**
12

13 In its Direct Testimony, the Company proposed several revisions to the PPFAC and
14 provided a redlined POA setting forth its proposed revisions.¹⁸⁷ Staff opposed UNS Electric's
15 proposals for a base rate annual adjustment, an increase in the PPFAC percentage rate band from
16 0.83% to 1.0% and the use of a percentage based PPFAC charge instead of a dollar per kWh
17 charge.¹⁸⁸ However, Staff did propose an alternative to the base rate annual adjustment, which
18 would include consideration of a bank balance in calculating the monthly PPFAC rate.¹⁸⁹ Staff's
19 alternative is acceptable to the Company. The Company also no longer is seeking a change in the
20 PPFAC rate band.

21 Therefore, based on the testimony, the only PPFAC issue in dispute is whether the PPFAC
22 rate should remain as a dollar per kWh rate or it be changed to a percentage based rate.¹⁹⁰ The
23

24 ¹⁸⁵ Ex. S-5 (Solganick Rate) at 56.

25 ¹⁸⁶ Ex. S-5 (Solganick Rate) at 54.

26 ¹⁸⁷ Ex. UNSE-31 (Jones Direct) at 72-74 and Exhibit CAJ-5.

27 ¹⁸⁸ See Ex. S-8 (Keene Rate Design Direct) at 4.

¹⁸⁹ Ex. S-9 (Keene Surrebuttal) at 5-6.

¹⁹⁰ Ex. UNSE-18 (Sheehan Rejoinder) at 2-4; Tr. (Sheehan) at 537-38; Tr. (Keene) at 3506-07.

1 Company believes the percentage based rate is the most equitable rate for all its customers,
2 provides more accurate price signals and does not result in disparate percentage bill impacts as the
3 PPFAC rate changes.¹⁹¹ Currently, the PPFAC rate is applied on a dollar per kWh basis equally
4 across all customer classes and rate schedules and has no relationship to the customer's original
5 base power supply rate.¹⁹² The percentage rate approach will result in an improved allocation of
6 power supply costs by customer class based on the actual cost to serve those customer classes.¹⁹³
7 This is a more equitable methodology.¹⁹⁴ To the extent Staff is concerned that the methodology is
8 more complicated, the percentage based rate methodology in rate design is not a new concept for
9 UNS Electric customers. Currently, the Company allocates the LFCR costs for both energy
10 efficiency and distributed generation using a percentage based methodology.

11 Finally, the Company will need to file a revised PPFAC POA to reflect both resolution of
12 certain PPFAC issues between Staff and UNS Electric and the Commission's ultimate resolution
13 of the issue regarding the form of the PPFAC rate. UNS Electric requests that the revised POA be
14 required as a compliance filing in this docket.

15 16 C. TCA.

17
18 UNS Electric did not seek modification to the TCA in this case. However, based on
19 informal discussions with Staff, UNS Electric submitted a revised POA for its TCA surcharge in
20 connection with its Rebuttal testimony.¹⁹⁵ Staff has suggested additional modifications to the draft
21 TCA POA, but Staff and UNS Electric have not yet agreed upon a final version of a POA.¹⁹⁶ UNS
22 Electric will work with Staff to develop a mutually acceptable form of TCA POA and requests

23
24 ¹⁹¹ See Ex. UNSE-17 (Sheehan Rebuttal) at 7-9; Ex. UNSE-36 (PPFAC rate comparison chart); Tr. (Sheehan) at 542-44.

25 ¹⁹² Ex. UNSE-18 (Sheehan Rejoinder) at 3.

26 ¹⁹³ Ex. UNSE-18 (Sheehan Rejoinder) at 3.

27 ¹⁹⁴ See Tr. (Keene) at 3507.

¹⁹⁵ See Ex. S-11 (Van Epps Rate) at 2; Ex. UNSE-32 (Jones Rebuttal) at 29, Exhibit CAJ-R-6.

¹⁹⁶ Ex. S-12 (Van Epps Surrebuttal) at 2.

1 that the Commission require the filing of a final TCA POA as a compliance item in the final rate
2 order.

3 With respect to the actual TCA surcharge rate, it will be reset to near zero as of the
4 effective date in this rate case. The revenues that had been recovered through the TCA will now
5 be recovered through base rates and will be eliminated from the amounts included in the TCA
6 effective on and after the rate effective date of this case.

7
8 **X. UNS Electric's proposed property tax deferral should be approved.**

9
10 UNS Electric requests that the Commission grant it authority to defer two types of property
11 tax expenses for two issues. First, UNS Electric requests a deferral of the legal costs, as well as
12 the property tax reductions that may be obtained from the property tax appeal for the Gila River
13 plant. The appeal could result in substantial savings that will benefit ratepayers for decades.
14 Second, UNS Electric requests authority to defer property tax expense that results from tax rates
15 that are higher or lower than the test year. UNS Electric's effective tax rate is constantly
16 increasing, leaving it with unrecovered tax expenses year after year. Both types of deferrals will
17 not change customer rates in this case; they will merely allow UNS Electric to request recovery in
18 a future rate case.¹⁹⁷ The Commission has previously approved a property tax deferral for APS,¹⁹⁸
19 and Staff supports the deferrals requested in this case.¹⁹⁹

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25 ¹⁹⁷ Details of the deferral calculation and the amortization period are provided by UNS Electric witness
Rademacher at page 19 of his Direct Testimony, Ex. UNSE-14.

26 ¹⁹⁸ Ex. UNSE-14 (Rademacher Direct) at 18, citing Decision No. 73183 (May 24, 2012).

27 ¹⁹⁹ Ex. S-1 (Mullinax Direct) at 30-34.

1 **A. Legal costs for the Gila River property tax appeal should be deferred.**

2
3 UNS Electric is disputing the property tax valuation of Gila River Unit 3. The Arizona
4 Department of Revenue (“ADOR”) claims a property tax value of \$50 million, while UNS Electric
5 claims \$29 million.²⁰⁰ The difference is due to different interpretations of property tax law.²⁰¹
6 UNS Electric has appealed; the owner of Units 1 and 2 has made a similar appeal.²⁰² The plant
7 has an estimated remaining life of 35 years, so a successful appeal would benefit ratepayers for
8 many years.²⁰³ Under UNS Electric’s proposal, ratepayers would begin to benefit immediately
9 from a successful appeal, without waiting for a new rate case.²⁰⁴

10 It is far from certain that UNS Electric would be awarded attorney’s fees, even if UNS
11 Electric wins.²⁰⁵ And any award would likely be less than the actual legal costs.²⁰⁶ Thus, the
12 deferral is needed to compensate UNS Electric for these legal expenses. But any legal fees
13 recovered from ADOR will be credited against the deferral.²⁰⁷

14 RUCO proposes that only 50% of legal costs be deferred, and that there be a cap on the
15 costs. A cap is not reasonable, because UNS Electric cannot know how many levels of appeal the
16 case will go through or how long the case will take. The 50% deferral is not reasonable because it
17 will not fairly protect UNS Electric. UNS Electric could avoid 100% of the legal costs by not
18 appealing at all; and ratepayers would then be on the hook for 100% of the property tax expense.
19 RUCO witness Michlick agreed that a win in the appeal would benefit ratepayers.²⁰⁸ The deferral
20 of legal costs will simply allow UNS Electric to request recovery of these costs in a future rate
21 case. Staff witness Mullinax testified that Staff agrees with the deferral, because of the benefit to

22
23 ²⁰⁰ Ex. UNSE-14 (Rademacher Direct) at 18.

²⁰¹ Ex. UNSE-14 (Rademacher Direct) at 17-18.

²⁰² Ex. UNSE-15 (Rademacher Rebuttal) at 9.

²⁰³ Ex. UNSE-15 (Rademacher Rebuttal) at 9.

²⁰⁴ Ex. UNSE-15 (Rademacher Rebuttal) at 8.

²⁰⁵ Ex. UNSE-15 (Rademacher Rebuttal) at 9-10.

²⁰⁶ Ex. UNSE-15 (Rademacher Rebuttal) at 9-10.

²⁰⁷ Ex. UNSE-15 (Rademacher Rebuttal) at 9-10.

²⁰⁸ Tr. (Michlik) at 581.

1 the ratepayers of the appeal, and “since the legal costs would be offset by any of the benefits, it
2 seemed a reasonable compromise.”²⁰⁹

3
4 **B. The Commission should allow a deferral for changes in property tax rates.**

5
6 Property taxes are a function of property valuation and tax rates. As property values have
7 dropped, taxing jurisdictions have compensated by raising property tax rates. These effects can
8 cancel each other out. But because of how UNS Electric’s property is valued, and due to UNS
9 Electric’s constant, necessary and appropriate capital investment in its systems, the value of its
10 property typically rises.²¹⁰ Thus, UNS Electric is hit with a “double whammy” increasing
11 valuations and increasing tax rates. Therefore, the level of property taxes approved in the last rate
12 case “will fall well short of actual tax payments”.²¹¹ UNS Electric’s proposed deferral will
13 address half of the “double whammy”, the effect of rising tax rates. For example, the composite
14 property tax rate approved in UNS Electric’s last rate case (based on 2012 tax bills) was
15 10.0087%, but tax rates when the rate order was in effect have been higher:

16

17	2013	10.7666%
18	2014	11.0625%
19	2015	11.5599% (estimated, excluding impact of Gila River acquisition). ²¹²

20

21 This represents an increase of 15.5%.²¹³ Unless some type of deferral or other relief is granted,
22 UNS Electric will never “catch up”, and electric rates will never recover the full amount of
23 property taxes paid on property serving customers. Thus, UNS Electric requests authority to defer

24
25 ²⁰⁹ Tr. (Mullinax) at 595.

26 ²¹⁰ Ex. UNSE-14 (Rademacher Direct) at 16.

27 ²¹¹ Ex. UNSE-14 (Rademacher Direct) at 17.

²¹² Ex. UNSE-14 (Rademacher Direct) at 17.

²¹³ Ex. UNSE-14 (Rademacher Direct) at 17.

1 “100% of the property taxes above or below the test year caused by increases or decreases in the
2 composite tax rate.”²¹⁴ While the deferral will not allow UNS Electric to timely recover all of its
3 property tax expense, it will at least be a step in the right direction. As UNS Electric’s Vice
4 President, Kent Grant explained, UNS Electric has no control over property tax rates, and not
5 allowing a deferral would “add yet another obstacle in the Company’s effort to actually earn its
6 allowed return on equity.”²¹⁵

7
8 **XI. Other Issues.**

9
10 **A. Low-Income Customer Issues.**

11
12 **1. CARES Discount.**

13
14 In response to Staff’s suggestions in its testimony, the Company is proposing a single
15 fixed discount of \$16 per month t for CARES customers and a single fixed discount of \$28 per
16 month for CARES – Medical customers. CARES customers will now take service under the
17 residential tariffs and these discounts will be applied to the bills incurred under those tariffs.
18 These proposed discounts are based on bill impacts and are designed to provide a similar bill
19 discount as is currently received by these customers.²¹⁶ The Company also has proposed that the
20 CARES – Medical rate remains as a frozen rate.

21
22
23
24 ²¹⁴ Ex. UNSE-14 (Rademacher Direct) at 17; Tr. (Rademacher) at 531.

25 ²¹⁵ Ex. UNSE-10 (Grant Rejoinder) at 5.

26 ²¹⁶ Although the Company had proposed a \$17 per month discount in connection with mandatory three-part
27 rates, the appropriate discount under the current rate design proposal is \$16 for standard CARES customers.
The proposed discount is still a significant increase over the current maximum discount of \$13.10 per
month.

These changes will result in an increased overall subsidy of approximately \$1.3 million for CARES customers, which is approximately two times the existing subsidy. The revenue lost from the CARES discount has been included in the remaining residential rates.

The above changes also allow the CARES customers to be placed on the same rates as a standard customer. There no longer needs to be a special rate for these customers. This allows the customer to have experience with standard rates and will provide for a smoother transition to standard rates when their economic situation improves.

2. CARES Eligibility.

ACAA has requested that UNS Electric change CARES eligibility from 150% of poverty level to 200% of poverty level. The Company opposes a change to the eligibility criteria for CARES. The costs of any CARES discounts are passed on to other customers. There are already approximately 24,000 households that are eligible for CARES in UNS Electric's service area.²¹⁷ It is unknown how many additional households would be eligible if the 200% of poverty level were used.²¹⁸ Given the increased qualifying income level for a family of four (from \$36,375 to \$48,500), it is more than likely that the number of additional qualifying households would be large. Given that UNS Electric only serves approximately 90,000 residential customers, a significant increase in the number of CARES eligible customers would shift a much greater burden onto a much smaller number of customers (many of whom may be just above the qualifying poverty level themselves). Accordingly, ACAAs request should not be granted.

²¹⁷ Tr. (Zwick) at 712-13.

²¹⁸ Tr. (Zwick) at 713.

1 **3. Warm Spirit Assistance.**

2
3 ACAA requested that 10% of the Warm Spirits funds be provided to the agencies that
4 distribute the funds to cover the costs of program delivery. The Company agrees to provide such
5 funding as set forth in Ms. Smith's Rebuttal.²¹⁹

6
7 **4. Form of Disconnect Notice.**

8
9 ACAA requested that the Company add information to its disconnection notice that
10 notifies customers about: (i) agencies providing bill assistance opportunities in their area; (ii)
11 weatherization agencies; and (iii) the CARES discount. The Company agrees to incorporate such
12 information as part of an upcoming bill re-design project.²²⁰

13
14 **B. Energy Efficiency Issues.**

15
16 **1. Energy Efficiency Costs in Base Rates.**

17
18 SWEEP has proposed including some additional costs of energy efficiency programs in
19 base rates. As Ms. Smith stated in her Rebuttal testimony, the Company believes that recovering
20 DSM related expenses through the DSM surcharge provides ratepayers with important information
21 on the investments being made in energy efficiency programs.²²¹ According, SWEEP's proposal
22 should be rejected.

23
24
25
26 ²¹⁹ Ex. UNSE-20 (Smith Rebuttal) at 5.

27 ²²⁰ Ex. UNSE-20 (Smith Rebuttal) at 5.

²²¹ Ex. UNSE-20 (Smith Rebuttal) at 7.

1 **2. Full Decoupler.**

2
3 SWEEP has proposed a full decoupler as a part of this proceeding. SWEEP did not
4 provide sufficient detail or justification for adopting a full decoupler in this rate case. As Mr.
5 Jones stated in Rebuttal, the Company believes that adopting its proposed changes to the LFCR
6 (as discussed above) would provide sufficient incentive to continue to promote DG and EE
7 without a full decoupler.²²² According, SWEEP's proposal should be rejected.
8

9 **XII. Additional Approvals Requested by UNS Electric**

10
11 **A. Approval of Depreciation Rates.**

12
13 UNS Electric proposed new depreciation rates based on an updated depreciation study.²²³
14 The new depreciation rates would update the depreciation rates approved in Decision No. 71914
15 (September 30, 2010). The proposed depreciation rates are lower for many asset accounts and
16 result in an overall decrease in depreciation expense. No party to the docket opposed the proposed
17 depreciation rates and the testimony of the sponsoring witness Dr. White, including the
18 depreciation study and updated rates, was stipulated into evidence.²²⁴ UNS Electric requests that
19 the Commission approve the proposed depreciation rates.
20

21 **B. Approval of Revisions to UNS Electric's Rules and Regulations.**

22
23 UNS Electric has proposed revisions to its Rules and Regulations in an effort to: (i)
24 modernize the Rules and Regulations, (ii) bring them closer to the Rules and Regulations of its
25

26 ²²² Ex. UNSE-32 (Jones Rebuttal) at 41.

27 ²²³ Ex. UNSE-7 (White Direct), Exhibit REW-1.

²²⁴ Tr. at 262.

1 sister company, Tucson Electric Power, and (iii) clarify areas of the Rules and Regulations that
2 have caused undue confusion.²²⁵ UNS Electric submitted proposed revisions to its current Rules
3 and Regulations as part of the Direct Testimony of Denise Smith.²²⁶

4 Both Staff and ACAA raised issues with the proposed revisions. UNS Electric believes it
5 has resolved Staff's concerns. UNS Electric has addressed some, but not all, of ACAA's
6 concerns. UNS Electric has attached an updated redline of its Rules and Regulations (**Exhibit 3**)
7 that reflects the resolution of Staff's concerns and the ACAA's concerns to which the Company
8 agreed and should be adopted by the Commission.²²⁷

9 UNS Electric does not agree with the following requests by ACAA with respect to the
10 Rules and Regulations:

11 1. ACAA has requested that CARES customers be held harmless from the modifications
12 regarding deposits in Subsection 3.B.3. The Company believes equitable treatment among
13 customers regarding deposits is appropriate. Moreover, UNS Electric takes significant efforts to
14 provide workable solutions for its customers who are facing challenges in paying bills or
15 deposits.²²⁸

16 2. UNS Electric also does not agree with ACAA's request to excuse customers who file
17 for bankruptcy from providing a deposit. Subsection 3.B.3 is consistent with the approved Rules
18 and Regulations of other Arizona utilities.²²⁹ A deposit on a post-petition account is an
19 appropriate assurance of payment under 11 U.S.C. § 366.

20
21
22
23 ²²⁵ See Ex. UNSE-19 (Smith Direct) at 3.

24 ²²⁶ Ex. UNSE-19 (Smith Direct), Exhibits DAS-1 and DAS-2.

25 ²²⁷ Section 12.A of the Rules and Regulations currently cross-reference to R14-2-211.A of Arizona
26 Administrative Code (Non-Permissible Reasons to Disconnect Service.) The attached proposed Rules and
27 Regulations now replicate the provisions of R14-2-211.A. in Section 12.A. and is therefore not reflected as
a redline change. Staff has agreed with this approach.

²²⁸ See Ex. UNSE-20 (Smith Rebuttal) at 4.

²²⁹ See Ex. UNSE-20 (Smith Rebuttal) at 5.

1 3. In Subsection 12.H, ACAA requested the use of a current limiting device as an
2 alternative to disconnection for low-income customers. This provision has been withdrawn in
3 response to Staff's concerns.²³⁰

4
5 **C. Plans of Administration for REST and DSM Surcharges.**

6
7 Staff has requested UNS Electric to submit a new POA for its REST surcharge and its
8 DSM surcharge.²³¹ The Company submitted a proposed POA for its REST surcharge²³² and a
9 proposed POA for its DSM surcharge.²³³ Staff and UNS Electric have not yet agreed upon a final
10 version of the REST POA or DSM POA.

11 UNS Electric requests that the Commission order the Company to submit final versions of
12 the REST and DSM POAs as compliance items within 60 days of the decision in this docket for
13 Commission review and approval. The Company will continue to work with Staff to refine the
14 draft POAs that were submitted in this docket and will be prepared to submit the POAs as
15 required.

16
17 **XIII. Conclusion and Requested Ordering Paragraphs.**

18
19 UNS Electric requests that the Administrative Law Judge include the following approvals
20 in the Recommended Opinion and Order, and the Commission include these approvals and
21 requirements in the ordering paragraphs in its final order in this case:

- 22 • Requiring UNS Electric, Inc., to file a revised schedule of rate and charges consistent with
23 the discussion in the order, and a proof of revenue showing that, based on the adjusted test
24

25 ²³⁰ See Tr. (Smith) at 683-84.

26 ²³¹ Ex. S-11 (Van Epps Rate) at 2.

26 ²³² Ex. UNSE-27 (Tilghman Rejoinder), Exhibit CAT-RJ-1.

27 ²³³ Ex. UNSE-21 (Smith Rejoinder), Exhibit DAS-RJ-3.

1 year level of sales, the revised rates will produce no more than the authorized increase in
2 gross revenues.

- 3 • Requiring that the revised schedule of rates and charges shall be effective for all services
4 provided on and after August 1, 2016.
- 5 • Approving the Rules and Regulations changes attached as **Exhibit 3**.
- 6 • Approving the revised depreciation rates specified in Dr. White's Direct Testimony, with
7 the revised rates to be in effect on and after August 1, 2016.²³⁴
- 8 • Approving the revised Miscellaneous Service Charges proposed by Mr. Jones,²³⁵ and
9 requiring UNS Electric, Inc. to include the revised Miscellaneous Service Charges its
10 revised schedule of rates and charges.
- 11 • Approving continuation of the Demand Side Management adjustor mechanism, and
12 requiring UNS Electric, Inc. to file, no later than September 30, 2016, a Plan of
13 Administration for the Demand Side Management adjustor for review and approval by the
14 Commission.
- 15 • Approving the continuation of the Lost Fixed Cost Recovery (LFCR) mechanism, and
16 approving the following modifications to the LFCR: (1) adding fixed generation costs as
17 fixed costs eligible for recovery under the LFCR, (2) authorizing recovery of 100% of non-
18 generation demand; and (3) increasing the LFCR cap from 1% to 2%
- 19 • Requiring UNS Electric, Inc. to file no later than September 30, 2016, a proposed Plan of
20 Administration for the LFCR mechanism for review and approval by the Commission.
- 21 • Approving the continuation of UNS Electric's Renewable Energy Standard and Tariff
22 mechanism, and requiring UNS Electric, Inc. to file no later than August 30, 2016, a
23 proposed Plan of Administration for the REST mechanism for review and approval by the
24 Commission.

25
26 ²³⁴ Ex. UNSE-7 (White Direct).

27 ²³⁵ Ex. UNSE-31 (Jones Direct) at 69-71.

- 1 • Approving the continuation of the Transmission Cost Adjustor, and requiring UNS
2 Electric, Inc. to file no later than September 30, 2016, a proposed Plan of Administration
3 for the REST mechanism for review and approval by the Commission.
- 4 • Approving the continuation of the Purchased Power and Fuel Adjustor Mechanism
5 (PPFAC), and requiring that future changes to the PPFAC rate be made on a percentage
6 based rate basis, rather than the current dollar per kWh basis, and requiring that UNS
7 Electric file no later than September 30, 2016, a proposed Plan of Administration for the
8 PPFAC mechanism for review and approval by the Commission.
- 9 • Approving UNS Electric's Rider R-10, Net Metering for Certain Partial Requirements
10 Service (NM-PRS), Post June 1, 2015,²³⁶ and requiring that Rider R-10 will not apply to
11 customers that submitted interconnection applications before June 1, 2015, and requiring
12 UNS Electric, Inc. to file Rider R-10 with the Commission on or before July 30, 2016, to
13 be effective for service rendered on and after August 1, 2016.
- 14 • Approving UNS Electric's Rider R-11, Renewable Credit Rate, and requiring UNS
15 Electric, Inc. to file Rider R-11 with the Commission on or before July 30, 2016, to be
16 effective for service rendered on and after August 1, 2016.
- 17 • Granting any necessary rule waivers of A.A.C. R14-2-2301 et seq. needed to allow UNS
18 Electric to implement Riders R-10 and R-11.
- 19 • Approving UNS Electric's Rider R-12, Interruptible Service, and requiring UNS Electric,
20 Inc. to file Rider R-12 with the Commission on or before July 30, 2016, to be effective for
21 service rendered on and after August 1, 2016.
- 22 • Approving UNS Electric's Rider R-13, Economic Development Rider, and requiring UNS
23 Electric to file Rider R-13 with the Commission on or before July 30, 2016, to be effective
24 for service rendered on and after August 1, 2016.
- 25 • Denying UNS Electric's Rider R-14, Alternative Generation Service.

26
27 ²³⁶ Ex. UNSE-28 (Dukes Direct) at 19.

- 1 • Authorizing UNS Electric, Inc. to defer for future recovery, the following: (1) one
2 hundred percent of the property taxes above or below the test year amount of property
3 taxes, caused by increases or decreases to UNS Electric's composite property tax rates; and
4 (2) all property tax savings derived from appealing the property tax value of Gila River
5 Unit 3, together with all attorney's fees, taxable costs, legal expenses and all other costs
6 associated with the appeal process.

7
8 RESPECTFULLY SUBMITTED this 25th day of April, 2016.

9 UNS ELECTRIC, INC.

10
11 By 

12 _____
13 Bradley S. Carroll
14 UNS Electric, Inc.
15 88 East Broadway, MS HQE910
16 P.O. Box 711
17 Tucson, Arizona 85702

18 and

19 Michael W. Patten
20 Timothy J. Sabo
21 Jason D. Gellman
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25 Phoenix, Arizona 85004

26 Attorneys for UNS Electric, Inc.
27

Exhibit 1

UNS Electric, Inc.
Current and Proposed Rates
Test Year Ended December 31, 2014

Exhibit 1, Current Proposed Rates
Initial Post Hearing Brief
Page 1 of 4

	Current Rates	Proposed Rates
Residential Service		
Basic Service Charge	\$10.00	\$15.00
Energy Charge 1st 400 kWhs	\$0.019300	\$0.031500
Energy Charge 401-1,000 kWhs	\$0.034350	\$0.046160
Energy Charge, all additional kWhs	\$0.038499	\$0.046160
Base Power Supply Charge, all kWhs	\$0.064510	\$0.055254
PPFAC ¹	(\$0.002139)	\$0.000000
Residential Service - CARES/CARES MEDICAL		
Basic Service Charge (Before Discount)	\$4.90	\$15.00
Energy Charge 1st 400 kWhs	\$0.018973	\$0.031500
Energy Charge, all additional kWhs	\$0.035400	\$0.046160
Base Power Supply Charge, all kWhs	\$0.061700	\$0.055254
CARES Monthly Discount	Varies, Up to \$8.00	\$16.00
CARES Medical Mo. Discount	Varies, Up to \$8.00	\$28.00
PPFAC ¹	(\$0.002139)	\$0.000000
Residential Service Time-of-Use		
Basic Service Charge	\$11.50	\$15.00
Energy Charge 1st 400 kWhs	\$0.030350	\$0.031500
Energy Charge 401-1,000 kWhs	\$0.030350	\$0.046160
Energy Charge, all additional kWhs	\$0.030350	\$0.046160
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.129605	\$0.111001
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.039605	\$0.042800
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.129605	\$0.091550
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.031385	\$0.038568
PPFAC ¹	(\$0.002139)	\$0.000000
Residential Service Time-of-Use Super Peak		
Basic Service Charge	\$11.50	\$15.00
Energy Charge 1st 400 kWhs	\$0.025000	\$0.031500
Energy Charge, all additional kWhs	\$0.035000	\$0.046160
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.170000	\$0.159790
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.039700	\$0.040810
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.150000	\$0.159790
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.038700	\$0.040810
PPFAC ¹	(\$0.002139)	\$0.000000
Residential Service Demand		
Basic Service Charge	N/A	\$15.00
Demand Charge 0-7 kW, per kW	N/A	\$5.50
Demand Charge >7, per kW	N/A	\$7.50
Energy Charge (kWhs)	N/A	\$0.013800
Base Power Supply Charge, Summer On-Peak all kWhs	N/A	\$0.055254
PPFAC ¹	N/A	\$0.000000
Residential Service Demand Time-of-Use		
Basic Service Charge	N/A	\$15.00
Demand Charge 0-7 kW, per kW	N/A	\$5.50
Demand Charge >7, per kW	N/A	\$7.50
Energy Charge (kWhs)	N/A	\$0.013800
Base Power Supply Charge, Summer On-Peak all kWhs	N/A	\$0.111001
Base Power Supply Charge, Summer Off-Peak all kWhs	N/A	\$0.042800
Base Power Supply Charge, Winter On-Peak all kWhs	N/A	\$0.091550
Base Power Supply Charge, Winter Off-Peak all kWhs	N/A	\$0.038568
PPFAC ¹	N/A	\$0.000000

UNS Electric, Inc.
Current and Proposed Rates
Test Year Ended December 31, 2014

Exhibit 1, Current Proposed Rates
Initial Post Hearing Brief
Page 2 of 4

	Current Rates	Proposed Rates
Small General Service		
Basic Service Charge	\$14.50	\$25.00
Energy Charge 1st 400 kWh	\$0.030176	\$0.033780
Energy Charge 401 -7,500 kWh	\$0.041042	\$0.044650
Energy Charge >7,500 kWh	\$0.076042	\$0.079650
Base Power Supply Charge, all kWhs	\$0.058241	\$0.053290
PPFAC ¹	(\$0.002139)	\$0.000000
Small General Service Time-of-Use		
Basic Service Charge	\$16.50	\$25.00
Energy Charge 1st 400 kWh	\$0.030176	\$0.033780
Energy Charge 401 -7,500 kWh	\$0.043176	\$0.044650
Energy Charge >7,500 kWh	\$0.076042	\$0.079650
Base Power Supply Charges		
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.129605	\$0.109800
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.039605	\$0.045800
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.129605	\$0.108800
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.031385	\$0.040036
PPFAC ¹	(\$0.002139)	\$0.000000
Small General Service Demand		
Basic Service Charge	N/A	\$25.00
Demand Charge 0-7 kW, per kW	N/A	\$6.50
Demand Charge >7, per kW	N/A	\$8.50
Energy Charge (kWhs)	N/A	\$0.015340
Base Power Supply Charge, Summer On-Peak all kWhs	N/A	\$0.053290
PPFAC ¹	N/A	\$0.000000
Small General Service Demand Time-of-Use		
Basic Service Charge	N/A	\$25.00
Demand Charge 0-7 kW, per kW	N/A	\$6.50
Demand Charge >7, per kW	N/A	\$8.50
Energy Charge (kWhs)	N/A	\$0.015340
Base Power Supply Charge, Summer On-Peak all kWhs	N/A	\$0.109800
Base Power Supply Charge, Summer Off-Peak all kWhs	N/A	\$0.045800
Base Power Supply Charge, Winter On-Peak all kWhs	N/A	\$0.108800
Base Power Supply Charge, Winter Off-Peak all kWhs	N/A	\$0.040036
PPFAC ¹	N/A	\$0.000000
Interruptible Power Service		
Basic Service Charge	\$18.00	\$75.00
Demand Charge, per kW	\$5.00	\$5.52
Energy Charge (kWhs)	\$0.019408	\$0.014990
Base Power Supply Charge, all kWhs	\$0.043760	\$0.053090
PPFAC ¹	(\$0.002139)	\$0.000000
Medium General Service²		
Basic Service Charge	\$50.00	\$100.00
Demand Charge, per kW	\$12.81	\$13.47
Energy Charge (kWhs)	\$0.005470	\$0.005480
Base Power Supply Charge, all kWhs	\$0.056603	\$0.053290
PPFAC ¹	(\$0.002139)	\$0.000000

UNS Electric, Inc.
Current and Proposed Rates
Test Year Ended December 31, 2014

Exhibit 1, Current Proposed Rates
Initial Post Hearing Brief
Page 3 of 4

	Current Rates	Proposed Rates
Medium General Service Time-of-Use²		
Basic Service Charge	\$52.00	\$100.00
Demand Charge, per kW	\$12.81	\$13.47
Energy Charge (kWhs)	\$0.005470	\$0.005480
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.114886	\$0.114886
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.039886	\$0.033500
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.114886	\$0.101047
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.026168	\$0.031690
PPFAC ¹	(\$0.002139)	\$0.000000
Large General Service		
Basic Service Charge	\$50.00	\$300.00
Demand Charge, per kW	\$12.81	\$12.88
Energy Charge (kWhs)	\$0.005470	\$0.005300
Base Power Supply Charge, all kWhs	\$0.056603	\$0.053290
PPFAC ¹	(\$0.002139)	\$0.000000
Large General Service Time-of-Use		
Basic Service Charge	\$52.00	\$300.00
Demand Charge, per kW	\$12.81	\$12.88
Energy Charge (kWhs)	\$0.005470	\$0.005300
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.114886	\$0.143771
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.039886	\$0.038600
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.114886	\$0.139880
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.026168	\$0.034927
PPFAC ¹	(\$0.002139)	\$0.000000
Large Power Service³		
Basic Service Charge <69 kV	\$1,200.00	\$300.00
Basic Service Charge ≥69 kV	\$1,200.00	\$1,500.00
Demand Charge <69kV, per kW	\$22.00	\$12.88
Demand Charge ≥69kV, per kW	\$17.00	\$12.48
Energy Charge (kWhs) <69 kV	\$0.000462	\$0.005300
Energy Charge (kWhs) ≥69 kV	\$0.000462	\$0.000498
Base Power Supply Charge, all kWhs <69 kV	\$0.041880	\$0.053290
Base Power Supply Charge, all kWhs ≥69 kV	\$0.041880	\$0.049332
PPFAC ¹ <69kV	(\$0.002139)	\$0.000000
PPFAC ¹ ≥69kV	(\$0.002139)	\$0.000000
Large Power Service Time-of-Use²		
Basic Service Charge <69 kV	\$1,200.00	\$300.00
Basic Service Charge ≥69 kV	\$1,200.00	\$1,500.00
Demand Charge <69kV, per kW	\$22.00	\$12.88
Demand Charge ≥69kV, per kW	\$17.00	\$12.48
Energy Charge (kWhs) <69 kV	\$0.000462	\$0.005300
Energy Charge (kWhs) ≥69 kV	\$0.000462	\$0.000498
Base Power Supply Charge <69 kV		
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.123580	\$0.143771
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.024716	\$0.038600
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.093880	\$0.139880
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.022105	\$0.034927
Base Power Supply Charge ≥69 kV		
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.123580	\$0.125200
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.024716	\$0.033410
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.093880	\$0.092110
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.022105	\$0.030410
PPFAC ¹ <69kV	(\$0.002139)	\$0.000000
PPFAC ¹ ≥69kV	(\$0.002139)	\$0.000000

UNS Electric, Inc.
Current and Proposed Rates
Test Year Ended December 31, 2014

Exhibit 1, Current Proposed Rates
Initial Post Hearing Brief
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	Current Rates	Proposed Rates
Large Power Service Mining (≥69kV)		
Basic Service Charge	\$1,200.00	\$1,500.00
Demand Charge, per kW	\$17.00	\$12.48
Energy Charge (kWhs)	\$0.000462	\$0.000498
Base Power Supply Charge, all kWhs	\$0.041880	\$0.049332
PPFAC ¹	(\$0.002139)	\$0.000000
Lighting Dusk to Dawn		
New 30' Wood Pole (Class 6) - Overhead	\$4.34	\$4.34
New 30' Metal or Fiberglass - Overhead	\$8.66	\$8.66
Existing Wood Pole - Underground	\$2.18	\$2.18
New 30' Wood Pole (Class 6) - Underground	\$6.52	\$6.52
New 30' Metal or Fiberglass - Underground	\$10.81	\$10.81
Wattage, per Watt	\$0.051681	\$0.058706
Lighting Base Power Supply Charge, per kWh	\$0.010113	\$0.014505
PPFAC ¹	(\$0.002139)	\$0.000000
TOU - Medium General Service Schools (Formally TOU - Small General Service Schools)		
Basic Service Charge	\$16.50	\$100.00
Demand Charge, per kW	N/A	\$13.47
Energy Charge 1st 400 kWh	\$0.030176	\$0.005480
Energy Charge 401 -7,500 kWh	\$0.043176	\$0.005480
Energy Charge >7,500 kWh	\$0.076042	\$0.005480
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.137405	\$0.120586
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.047405	\$0.039200
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.137405	\$0.106747
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.039185	\$0.037390
PPFAC ¹	(\$0.002139)	\$0.000000
TOU - Large General Service Schools		
Basic Service Charge	\$52.00	\$300.00
Demand Charge, per kW	\$12.81	\$12.88
Energy Charge (kWhs)	\$0.005470	\$0.005300
Base Power Supply Charge, Summer On-Peak all kWhs	\$0.120586	\$0.148471
Base Power Supply Charge, Summer Off-Peak all kWhs	\$0.045586	\$0.043300
Base Power Supply Charge, Winter On-Peak all kWhs	\$0.120586	\$0.144580
Base Power Supply Charge, Winter Off-Peak all kWhs	\$0.031868	\$0.039627
PPFAC ¹	(\$0.002139)	\$0.000000
RIDER R-5 ELECTRIC SERVICE SOLAR RIDER (BRIGHT ARIZONA COMMUNITY SOLAR™)		
Residential Electric, Rate R-01	\$0.084510	\$0.075254
General Service, Rate SGS-10	\$0.078241	\$0.073290
Medium General Service, R-MGS (Former LGS)	\$0.076603	\$0.073290

¹ The Present Rate for the PPFAC is the Test Year average PPFAC, since the rate varies by month. The Proposed Rate is \$0.00, since the PPFAC rate will be reset to zero for one month when the new base rates become effective. However, the PPFAC rate will change monthly in all subsequent months by an amount defined in the proposed PPFAC POA. The Company has proposed the PPFAC be a percentage based adjustment that will be recalculated monthly and reflected as a single percentage based adjustment applied to base fuel cost for each rate class (e.g. the percentage adjustment will be the same percentage value regardless of the rate class).

² For the new Medium General Service and Medium General Service Time-of-Use rates, the Present Rate column is populated with the currently existing rates for Large General Service and Large General Service Time-of-Use, respectively, since these two new Medium General Service classes will be comparable to the former Large General Service classes.

³ The proposed Large Power Service rate classes will be restricted to customers with ≥69 kV service. The Proposed Rate column for <69kV service is populated with the Proposed Rates from the corresponding Large General Service rate classes.

Exhibit 2

UNS Electric, Inc.
Bill Impacts
Test Period Ending December 31, 2014

Exhibit 2, Bill Impacts
Initial Post Hearing Brief
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Rates

Residential

	Current Rate	Proposed 2-part Rate	Proposed 3-part Rate
Basic Service Charge	\$10.00	\$15.00	\$15.00
0-400 kWh	\$0.01930	\$0.03150	\$0.01380
401-1,000 kWh	\$0.03435	\$0.04616	\$0.01380
Over 1,000 kWh	\$0.03850	\$0.04616	\$0.01380
Demand First 7 kW	NA	NA	\$5.50
Demand Over 7 kW	NA	NA	\$7.50
TCA, per kWh	\$0.00114	\$0	\$0
Base Power	\$0.06451	\$0.05525	\$0.05525
PPFAC	(\$0.00214)	0.00%	0.00%

Current Rates			
Customer Size	Billing kWh	Billing kW	Monthly Bill ¹
Small	330	1.7	\$37.33
Medium	664	3.1	\$68.96
Large	1,144	5.2	\$116.53
Xlarge	2,162	9.2	\$220.37
Mean	830	3.8	\$85.16

Monthly Bill Impacts

Proposed 2-part Rate		
Monthly Bill	\$ Change	% Change
\$43.63	\$6.29	15.9%
\$76.48	\$7.52	10.9%
\$125.15	\$8.63	7.4%
\$228.39	\$8.02	3.6%
\$93.26	\$8.10	9.5%

Proposed 3-part Rate		
Monthly Bill	\$ Change	% Change
\$47.13	\$9.80	26.2%
\$77.90	\$8.94	13.0%
\$122.60	\$6.07	5.2%
\$219.30	-\$1.07	-0.5%
\$93.18	\$8.02	9.4%

CARES

	Current Rate	Proposed 2-part Rate
Basic Service Charge	\$0.01897	\$0.03150
0-400 kWh	\$0.03540	\$0.04616
Over 400 kWh	\$0.00114	\$0
TCA, per kWh	\$0.06170	\$0.05525
Base Power	(\$0.00214)	0.00%

Current Rates		
Customer Size	Billing kWh	Monthly Bill
Small	360	\$26.86
Medium	607	\$50.99
Large	990	\$84.12
Xlarge	1,843	\$167.44
Mean	753	\$63.61

Proposed 2-part Rate		
Monthly Bill	\$ Change	% Change
\$30.23	\$3.37	12.5%
\$54.70	\$3.71	7.3%
\$93.53	\$9.41	11.2%
\$180.04	\$12.60	7.5%
\$69.49	\$5.88	9.2%

Small General Service

	Current Rate	Proposed 2-part Rate	Proposed 3-part Rate
Basic Service Charge	\$14.50	\$25.00	\$25.00
0-400 kWh	\$0.03018	\$0.03378	\$0.01534
401-7,500 kWh	\$0.04104	\$0.04465	\$0.01534
Over 7,500 kWh	\$0.07604	\$0.07965	\$0.01534
Demand First 7 kW	NA	NA	\$6.50
Demand Over 7 kW	NA	NA	\$8.50
TCA, per kWh	\$0.00114	\$0	\$0
Base Power	\$0.05824	\$0.05329	\$0.05329
PPFAC	(\$0.00214)	0.00%	0.00%

Current Rates			
Customer Size	Billing kWh	Billing kW	Monthly Bill
Small	350	1.5	\$45.09
Medium	561	2.3	\$65.29
Large	1,447	5.4	\$152.36
Xlarge	4,078	13.6	\$410.96
Mean	1,131	4.4	\$121.31

Proposed 2-part Rate		
Monthly Bill	\$ Change	% Change
\$55.47	\$10.38	23.0%
\$75.60	\$10.31	15.8%
\$162.37	\$10.01	6.6%
\$420.05	\$9.09	2.2%
\$131.42	\$10.11	8.3%

Proposed 3-part Rate		
Monthly Bill	\$ Change	% Change
\$58.77	\$13.68	30.3%
\$78.46	\$13.17	20.2%
\$159.41	\$7.05	4.6%
\$406.48	-\$4.48	-1.1%
\$131.22	\$9.91	8.2%

Notes:

1. Monthly bills are presented before taxes and assessments.

UNS Electric, Inc.
Bill Impacts
Test Period Ending December 31, 2014

Exhibit 2, Bill Impacts
Initial Post Hearing Brief
Page 2 of 3

Rates

Residential DG Customer

	Proposed 2-part Rate	Proposed 3-part Rate
Basic Service Charge	\$15.00	\$15.00
0-400 kWh	\$0.03150	\$0.01380
401-1,000 kWh	\$0.04616	\$0.01380
Over 1,000 kWh	\$0.04616	\$0.01380
Demand First 7 kW	NA	\$5.50
Demand Over 7 kW	NA	\$7.50
TCA, per kWh	\$0	\$0
Base Power	\$0.05525	\$0.05525
PPFAC	0.00%	0.00%
Renewable Credit Rate (RCR)	NA	\$0.0584

Small General Service DG Customer

	Proposed 2-part Rate	Proposed 3-part Rate
Basic Service Charge	\$25.00	\$25.00
0-400 kWh	\$0.03378	\$0.01534
401-1,000 kWh	\$0.04465	\$0.01534
Over 1,000 kWh	\$0.07965	\$0.01534
Demand First 7 kW	NA	\$6.50
Demand Over 7 kW	NA	\$8.50
TCA, per kWh	\$0	\$0
Base Power	\$0.05329	\$0.05329
PPFAC	0.00%	0.00%
Renewable Credit Rate (RCR)	NA	\$0.0584

Monthly Bill Impacts

Proposed 2-part Rate (No DG)				Proposed 3-part Rate with RCR (New DG Customer) ²		
Customer Size	Billing kWh	Billing kW	Monthly Bill ¹	Monthly Bill	\$ Change	% Change
Small	330	1.7	\$43.63	\$26.30	-\$17.33	-39.7%
Medium	664	3.1	\$76.48	\$35.25	-\$41.22	-53.9%
Large	1,144	5.2	\$125.15	\$48.26	-\$76.89	-61.4%
Xlarge	2,162	9.2	\$228.39	\$79.06	-\$149.33	-65.4%
Mean	830	3.8	\$93.26	\$42.24	-\$51.01	-54.7%

Proposed 2-part Rate (No DG)				Proposed 3-part Rate with RCR (New DG Customer)		
Customer Size	Billing kWh	Billing kW	Monthly Bill	Monthly Bill	\$ Change	% Change
Small	350	1.5	\$55.47	\$34.74	-\$20.73	-37.4%
Medium	561	2.3	\$75.60	\$40.16	-\$35.44	-46.9%
Large	1,447	5.4	\$162.37	\$59.72	-\$102.65	-63.2%
Xlarge	4,078	13.6	\$420.05	\$130.39	-\$289.66	-69.0%
Mean	1,131	4.4	\$131.42	\$54.10	-\$77.32	-58.8%

Notes:

1. Monthly bills are presented before taxes and assessments.
2. The monthly bill in this table reflects the average monthly bill of a customer that adds a DG system under the Company's rate design and net metering proposal.
The "\$ Change" column indicates the change in that customer's monthly bill upon the addition of DG, assuming the customer had previously been on the standard two-part rate. DG customers are assumed to have DG facilities sized to offset 100% of annual kWh consumption.

UNS Electric Inc.
Bill Impacts
Test Period Ending December 31, 2014

Exhibit 2, Bill Impacts
Initial Post Hearing Brief
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Line No.	Class Description	Customer Counts To-date (Dec 2015)								TEST YEAR ADJUSTED WITH MARGIN INCREASE, FUEL/PPAFC TRUE-UP AND TCA			COS RETURNS
			New Summer Month A	Total Summer Change B	Summer Change C=(B*A)	New Winter Month D	Total Winter Change E	Winter Change F=(E*D)	Annual Bill G=(A*G+D*F)	Annual Bill Change	Monthly Bill Change	Percent Change to Total Bill With Fuel Increase	
1	Residential Service	75,504	\$108.86	\$8.65	\$51.92	\$77.03	\$7.54	\$45.25	\$1,115.29	\$97.18	\$8.10	9.55%	3.97%
2	Residential CARES	5,904	\$81.05	\$7.56	\$45.36	\$57.85	\$4.16	\$24.96	\$833.40	\$70.32	\$5.86	9.22%	
3	Residential CARES-M	251	\$102.71	\$11.87	\$71.22	\$69.48	\$3.84	\$23.04	\$1,033.14	\$94.26	\$7.86	10.04%	
4	Residential Service TOU	266	\$134.16	\$15.56	\$93.34	\$87.15	\$8.15	\$48.90	\$1,327.86	\$142.24	\$11.85	12.00%	
5	Residential TOU Super Peak	5	\$132.95	\$15.61	\$93.64	\$88.29	\$13.67	\$82.02	\$1,327.44	\$175.66	\$14.64	15.25%	
6	Small General Service	8,839	\$145.75	\$10.06	\$60.38	\$116.68	\$10.17	\$61.01	\$1,574.58	\$121.39	\$10.12	8.35%	8.04%
7	Small General Service TOU	14	\$250.73	\$18.35	\$110.08	\$176.54	\$16.10	\$96.59	\$2,563.62	\$206.67	\$17.22	8.77%	
8	Interruptible Service	25	\$9,142.83	\$875.25	\$5,251.49	\$6,938.55	\$661.82	\$3,970.93	\$96,488.28	\$9,222.42	\$768.54	10.57%	
9	Medium General Service	1279	\$3,081.61	\$35.27	\$211.62	\$2,425.66	\$38.51	\$231.04	\$33,043.60	\$442.66	\$36.89	1.36%	16.25%
10	Medium General Service TOU	9	\$7,119.98	(\$120.16)	(\$720.96)	\$6,496.26	\$227.41	\$1,364.46	\$81,697.44	\$643.50	\$53.63	0.79%	
11	Large General Service	10	\$28,354.74	(\$445.25)	(\$2,671.48)	\$28,354.74	(\$445.25)	(\$2,671.48)	\$340,256.88	(\$5,342.95)	(\$445.25)	-1.55%	
12	Large General Service (Formally LPS)	7	\$40,649.16	(\$1,721.36)	(\$10,328.13)	\$40,649.16	(\$1,721.36)	(\$10,328.13)	\$487,789.92	(\$20,656.26)	(\$1,721.36)	-4.06%	14.65%
13	Large General Service TOU	2	\$58,778.38	(\$332.07)	(\$1,992.42)	\$54,340.61	\$1,338.29	\$8,029.74	\$678,713.94	\$6,037.32	\$503.11	0.90%	
14	Large Power Service	4	\$113,501.27	\$1,195.66	\$7,173.94	\$113,501.27	\$1,195.66	\$7,173.94	\$1,362,015.18	\$14,347.88	\$1,195.66	1.06%	
15	Large Power Service TOU	0	\$188,140.92	\$3,244.66	\$19,467.96	\$167,692.41	\$671.80	\$4,030.80	\$2,134,999.98	\$23,498.76	\$1,958.23	1.11%	7.99%
16	Lighting Service	1,922	\$15.33	\$2.04	\$12.24	\$15.33	\$2.04	\$12.24	\$183.86	\$24.48	\$2.04	15.35%	

Exhibit 3



**UNS Electric, Inc.
Rules and Regulations**

Original Sheet No.: 900
Superseding: _____

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Filed By: Kentton C. Grant
Title: Vice President
District: Entire Electric Service Area

Effective: Pending
Decision No. Pending
Rules and Regulations



**UNS Electric, Inc.
Rules and Regulations**

Original Sheet No.: 901
Superseding: _____

**SECTION 1
APPLICABILITY OF RULES AND REGULATIONS AND DESCRIPTION OF SERVICE**

- A. UNS Electric, Inc. ("Company") is an electric utility operating within portions of the state of Arizona. The Company will provide service to any person, institution or business located within its service area in accordance with the provisions of its Rates and the terms and conditions of these Rules and Regulations.
- B. All electricity delivered to any Customer is for the sole use of that Customer on that Customer's premises only. Electricity delivered by the Company will not be redelivered or resold, or the use thereof by others permitted unless otherwise expressly agreed to in writing by the Company. However, those Customers purchasing electricity for redistribution to the Customer's own tenants (only on the Customer's premises) may separately meter each tenant distribution point for the purpose of prorating the Customer's actual purchase price of electricity delivered among the various tenants on a per unit basis.
- C. These Rules and Regulations will apply to all electricity service furnished by the Company to its Customers.
- D. These Rules and Regulations are part of the Company's Rates on file with, and duly approved by, the Arizona Corporation Commission. These Rules and Regulations will remain in effect until modified, amended, or deleted by order of the ACC. No employee, agent or representative of the Company is authorized to modify the Company rules.
- E. These Rules and Regulations will be applied uniformly to all similarly situated Customers.
- F. In case of any conflict between these Rules and Regulations and the Arizona Corporation Commission's rules, these Rules and Regulations will apply.
- G. Whenever the Company and an Applicant or a Customer are unable to agree on the terms and conditions under which the Applicant or Customer is to be served, or are unable to agree on the proper interpretation of these Rules and Regulations, either party may request assistance from the Consumer Services Section of the Utilities Division of the ACC. The Applicant or Customer also has the option to file an application with the ACC for a proper order, after notice and hearing.
- H. The Company's supplying electric service to the Customer and the acceptance thereof by the Customer will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's Rules and Regulations and applicable Rates.

Filed By: Kentton C. Grant
Title: Vice President
District: Entire Electric Service Area

Effective: Pending
Decision No. Pending
Rules and Regulations



**UNS Electric, Inc.
Rules and Regulations**

Original Sheet No.: 902
Superseding: _____

**SECTION 2
DEFINITIONS**

- A. In these Rules and Regulations, the following definitions will apply unless the context requires otherwise:
1. Actual Cost: The cost incurred by the Company for labor, materials and equipment including the cost of overheads.
 2. Advance in Aid of Construction ("Advance"): Funds provided to the utility by the Applicant under the terms of a line extension agreement, the value of which may be refunded.
 3. Applicant: A person requesting the Company to supply electric service.
 4. Application: A request to the Company for electric service, as distinguished from an inquiry as to the availability or charges for such service.
 5. Arizona Corporation Commission ("ACC" or "Commission"): The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
 6. Billing Month: The period between any two (2) regular readings of the Company's meters at approximately thirty (30) day intervals.
 7. Billing Period: The time interval between two (2) consecutive meter readings that are taken for billing purposes.
 8. Company: UNS Electric, Inc. acting through its duly authorized officers or employees within the scope of their respective duties.
 9. Contiguous Site: A single site not separated by private or public property, or public street, or right of way and operated as one integral unit under the same name and as a part of the same business.
 10. Contributions in Aid of Construction ("Contribution"): Funds provided to the Company by the Applicant under the terms of a line extension agreement and/or service connections tariff, the value of which is not refundable.
 11. Curtailment Priority: The order in which electric service is to be curtailed to various classifications of Customers, as set forth in the Company's filed Rates.
 12. Customer: The person(s) or entity(ies) in whose name service is rendered, as evidenced by the request for electric service by the Applicant(s), or by the receipt and/or payment of bills regularly issued in the Customer's name regardless of the identity of the actual user of the service.
 13. Customer Charge: The amount the Customer must pay the Company for the availability of electric service, excluding any electricity used, as specified in the Company's Rates.
 14. Day: Calendar day.

Filed By: Kentton C. Grant
Title: Vice President
District: Entire Electric Service Area

Effective: January 1, 2014 Pending
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Rules and Regulations



**UNS Electric, Inc.
Rules and Regulations**

Original Sheet No.: 902-1
Superseding: _____

SECTION 2
DEFINITIONS
(continued)

15. Demand: The rate at which power is delivered during any specified period of time. Demand may be expressed in kilowatts, kilovolt-amperes, or other suitable units.
16. Developer: One or more natural or artificial entities that own, improve, or remodel real estate.
17. Distribution Lines: The Company lines operated at distribution voltage, which are constructed along public roadways or other bona fide rights-of-way, including easements on Customer's property.
18. Electronic Billing: Optional billing service whereby Customers may elect to receive, view and pay their bills electronically.
19. Energy: Electric energy, expressed in kilowatt-hours.
20. Illness: A medical ailment or sickness for which a residential Customer obtains a verified document from a licensed medical physician stating the nature of the illness and that discontinuance of service would be especially dangerous to the Customer's health.
21. Interruptible Electric Service: Electric service that is subject to interruption as specified in the Company's Rate.
22. Kilowatt ("kW"): A unit of power equal to 1,000 watts.
23. Kilowatt-hour ("kWh"): Electric energy equivalent to the amount of electric energy delivered in one hour when delivery is at a constant rate of one (1) kilowatt.
24. Law: Any statute, rule, order or requirement established and enforced by government authorities.
25. Line Extension: The lines and equipment necessary to extend the electric distribution system of the Company to provide service to additional Customers.
26. Master Meter: A meter for measuring or recording the flow of electricity that has passed through it at a single location where said electricity is distributed to tenants or occupants for their usage.
27. Megawatt ("MW"): A unit of power equal to 1,000,000 watts.
28. Meter: The instrument for measuring and indicating or recording the flow of electricity that has passed through it.
29. Meter Tampering: A situation where a meter has been illegally altered. Common examples are meter bypassing, use of magnets to slow the meter recording, and broken meter seals.
30. Minimum Charge: The amount the Customer must pay for the availability of electric service, including an amount of usage, as specified in the Company's Rates.

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SECTION 2
DEFINITIONS
(continued)

- 31. Month: The period between any two (2) regular readings of the Company's meters at approximately thirty (30) day intervals.
- 32. On-Site Generation: Any and all power production generated on or adjacent to a Customer's property that is controlled, utilized, sold, or consumed by that Customer or its agent.
- 33. Permanent Customer: A Customer who is a tenant or owner of a service location who applies for and receives permanent electric service.
- 34. Permanent Service: Service which, in the opinion of the Company, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature.
- 35. Person: Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
- 36. Point of Delivery: In all cases, unless otherwise specified, "point of delivery" is the location on the Customer's building, structure, or premises where all wires, conductors, or other current-carrying devices of the Customer join or connect with wires, conductors, or other current-carrying devices of the Company. The Company will determine the point of delivery in accordance and based on the specific design specifications, relevant and appropriate technical standards and specifications, Rates and construction standards as applicable to the specific situation. Location and type of metering facilities will be determined by the Company and may or may not be at the same location as the point of delivery.
- 37. Power: The rate of generating, transferring and/or using electric energy, usually expressed in kilowatts.
- 38. Power Factor: The ratio of real or active power ("kW") to apparent or reactive power ("kVA").
- 39. Premises: All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
- 40. Primary Service and Metering: Service supplied directly from the Company's high voltage distribution or transmission lines without prior transformation to a secondary level.
- 41. Prorate: To divide, distribute, or assess proportionately.
- 42. Rates: The charge(s), related term(s) and conditions of the Company's Tariffs.
- 43. Residential Subdivision-Development: Any tract of land which has been divided into four or more contiguous lots with an average size of one acre or less for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.

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- 44. Residential Use: Service to Customers using electricity for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
- 45. Revenue: Delivery charge, power supply charge, demand charge, and PPFAC charge collected from Customer.
- 46. Rules and Regulations or Company Rules: These Rules and Regulations, which are a part of the Company's Tariffs and Rates.
- 47. Secondary Service: Service supplied at secondary voltage levels from the load side of step-down transformers connected to the Company's high voltage distribution lines.
- 48. Service Area: The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the ACC to provide electric service.
- 49. Service Drop: The overhead service conductors from the last Company-owned pole or other aerial support to and including the splices, if any, connecting to the Customer's service entrance conductors at a building or other structure.
- 50. Service Establishment Charge: The charge as specified in the Company's Rates, which covers the cost of establishing a new account.
- 51. Service Line: The line extending from a distribution line or transformer to the Customer's premises or point of delivery.
- 52. Service Reconnection Charge: The charge as specified in the Company's Rates which must be paid by the Customer prior to reestablishment~~reconnection~~ of electric service each time the electricity is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the Company's Rates or Rules.
- 53. Service Reestablishment Charge: A charge as specified in the Company's Rates for service in the same location where the same Customer had ordered a service disconnection within the preceding twelve (12) month period.
- 54. Single Family Dwelling: A house, an apartment, or a mobile home permanently affixed to a lot, or other permanent residential unit which is used as a permanent home.
- 55. Single-Phase Service: Two (2) or Three (3) wire service-(usually 120/240-volts).
- 56. Tariffs: The terms and conditions of the services offered by the Company, including a schedule of the Rates and charges for those services.

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57. Temporary Service: Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.
58. Three-Phase Service: Four (4) wire service ~~(usually 120/208 volts)~~.
59. Weather Especially Dangerous to Health: That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed thirty-two (32) degrees Fahrenheit for the next day's forecast. The ACC may determine that other weather conditions are especially dangerous to health as the need arises.

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**SECTION 3
ESTABLISHMENT OF SERVICE**

A. Information from New Applicants

1. The Company may obtain the following minimum information from each application for service:
 - a. Name or names of Applicant(s);
 - b. Service address or location and telephone number;
 - c. Billing address/telephone number, if different than service address;
 - d. Social Security Number or Driver's License number and date of birth to be consistent with verifiable information on legal identification;
 - e. Address where service was provided previously;
 - f. Date Applicant will be ready for service;
 - g. Statement of whether premises have been supplied with electric service previously;
 - h. Purpose for which service is to be used;
 - i. Statement of whether Applicant is owner or tenant of or agent for the premises;
 - j. Information concerning the energy and demand requirements of the Customer; and
 - k. Type and kind of life-support equipment, if any, used by the Customer or at the service address.
2. Where service is requested by two (2) or more individuals, the Company will have the right to collect the full amount owed to the Company from any one of the Applicants.
3. The supplying of electric service by the Company and the Customer's acceptance of that electric service will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's applicable Rates, and Rules and Regulations.
4. The term of any agreement not otherwise specified will become operative on the day the Customer's installation is connected to the Company's facilities for the purpose of taking electric energy.
5. The Company may require a written contract with special guarantees from Applicants whose unusual characteristics of load or location would require excessive investment in facilities or whose requirements for service are of a special nature.
6. Signed contracts may be required for service to commercial and industrial establishments. No contract or any modification of the contract will be binding upon the Company until executed by a duly authorized representative of the Company.
7. Where an occupant of the premises who owes a debt to the Company, but is not the Applicant or the Customer, the occupant shall also be jointly and severally liable for the bills rendered to the premises.

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(continued)

B. Deposits

1. The Company may require from any present or prospective Customer a deposit to guarantee payment of all bills. This deposit may be retained by the Company until service is discontinued and all bills have been paid; except as provided in Subsection B.3. below. Upon proper application by the Customer, the Company will then return said deposit, together with any unpaid interest accrued thereon from the date of commencement of service or the date of making the deposit, whichever is later. The Company will be entitled to apply said deposit together with any unpaid interest accrued thereon, to any indebtedness for the same class of service owed to the Company for electric service furnished to the Customer making the deposit. When said deposit has been applied to any such indebtedness, the Customer's electric service may be discontinued until all such indebtedness of the Customer is paid and a like deposit is again made with the Company by the Customer. No interest will accrue on any deposit after discontinuance of the service to which the deposit relates.

The Company will not require a deposit from a new Applicant for residential service if the Applicant is able to meet any of the following requirements:

- a. The Applicant has had service of a comparable nature with the Company within the past two (2) years and was not delinquent in payment more than twice during the last twelve (12) consecutive months of service or was not disconnected for nonpayment; or
 - b. The Applicant can produce a letter of credit or verification from an electric utility where service of a comparable nature was last received by Applicant, which states Applicant had a timely payment history at time of service discontinuation; or
 - c. Instead of a deposit, the Company receives deposit guarantee notification from a social or governmental agency acceptable to the Company. A surety bond may be provided as security for the Company in an amount equal to the required deposit.
2. ~~The Company may issue a non-assignable, non-negotiable receipt to the Applicant for the deposit. The inability of the Customer to produce his or her receipt will in no way impair the Customer's right to receive a refund of the deposit which is reflected on the Company records.~~
 3. ~~2. Cash deposits held by the Company twelve (12) months or longer will earn interest at the established one-year Treasury Constant Maturities rate, effective on the first business day of each year, as published in the Federal Reserve website.~~
 4. ~~3. a. Residential Customers – The Company may require a residential Customer to establish or reestablish a deposit if the Customer becomes delinquent in the payment of three (3) two (2) or more bills within a twelve (12) consecutive month period, or has been disconnected from service during the last twelve (12) months, or the Company has a reasonable belief that the Customer is not credit worthy based on a rating from a credit agency utilized by the Company.~~

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Deposits or other instruments of credit will automatically expire or be refunded or credited to the Customer's account; after twelve (12) consecutive months of service following full payment of deposit during which time the Customer has not been delinquent ~~more than~~ two (2) times or has not been disconnected for non-payment, unless the Customer has filed bankruptcy in the last twelve (12) months.

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ESTABLISHMENT OF SERVICE
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4. ~~b. Non-Residential Customers - The Company may require a non-residential Customer to establish or reestablish a deposit if the Customer becomes delinquent in the payment of two (2) bills or if the Customer has been disconnected for non-payment during the last twelve (12) months, or when the Customer's financial condition may jeopardize the payment of their bill.~~

~~Deposits and non-cash deposits on file with the Company will be reviewed or other instruments of credit will automatically expire or be refunded or credited to the Customer's account after twenty-four (24) consecutive months of service and will be returned provided during which the Customer has not been delinquent more than two (2) times or disconnected for non-payment in the most recent twelve (12) month period, unless the Customer's financial condition warrants extension of the deposit.~~

4. ~~The Company may require a Customer to establish or reestablish a deposit if the Customer became delinquent in the payment of three (3) or more bills within a twelve (12) consecutive month period, or has been disconnected from service during the last twelve (12) months, or the Company has a reasonable belief that the Customer is not credit worthy based on a rating from a credit agency utilized by the Company. [Subsection 3.B.4 has not been deleted; it has been moved to Subsection 3.B.3.]~~
5. The Company may review the Customer's usage after service has been connected and adjust the deposit amount based upon the Customer's actual usage.
6. A separate deposit may be required for each meter installed.
7. Residential Customer deposits will not exceed two (2) times that Customer's estimated average monthly bill. Non-residential Customer deposits will not exceed two and one-half (2.5) times that Customer's maximum estimated monthly bill. If actual usage history is available, then that usage, adjusted for normal weather, will be the basis for the estimate.
8. The posting of a deposit will not preclude the Company from terminating service when the termination is due to the Customer's failure to perform any obligation under the agreement for service or any of these Rules and Regulations.

C. Conditions for Supplying Service

The Company reserves the right to determine the conditions under which service will be provided. Conditions for service and extending service to the Customer will be based upon the following:

1. Customer has wired his premises in accordance with the National Electric Code, City, County and/or State codes, whichever are applicable.

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2. If the Company determines that there is a reasonable basis to believe that the Customer's premises poses a safety risk to Company employees, then the Company may, at its option, install a meter or facilities with remote connect and/or disconnect capabilities.

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3. Customer has installed the meter loop in a suitable location approved by the Company.
4. In the case of a mobile home, the meter loop must be attached to a meter pole or to an approved support.
5. In case of temporary construction service, the meter loop must be attached to an approved support.
6. All meter loop installations must be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
7. Individual Customers may be required to have their property corner pins and/or markers installed to establish proper right-of-way locations.
8. Developers must have all property corner pins and/or markers installed necessary to establish proper locations to supply electric service to individual lots within subdivisions.
9. Where the installation requires more than one meter for service to the premises, each meter panel must be permanently marked (not painted) by the contractor or Customer to properly identify the portion of the premises being served.
10. The identification will be the same as the apartment, office, etc., served by that meter socket. The identifying marking placed on each meter panel will be impressed into or raised from a tab of aluminum, brass or other approved non-ferrous metal with minimum one-fourth (1/4) inch-high letters. This tag must be riveted to the meter panel. The impression must be deep enough to prevent the identification(s) from being obscured by subsequent painting of the building and attached service equipment.
11. The Company may require the assistance of the Customer and/or the Customer's contractor to open the apartments or offices at the time the meters are set, in order to verify that each meter socket actually serves the apartment or office indicated by the marking tag. In the case of multiple buildings the building or unit number and street address will be identified on the pull section in the manner described above.

D. Grounds for Refusal of Service

The Company may refuse to establish service if any of the following conditions exist:

1. When the Applicant or affiliate of the Applicant with common ownership has an outstanding amount due for the same class of electric service with the Company and the Applicant is unwilling to make arrangements with the Company for payment, in such cases, the Company shall be entitled to transfer the balance due or credit owed on

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the terminated service to any other active account of the Customer for the same class of service. The failure of the Customer to pay the active account shall result in the suspension or termination of service.

**SECTION 3
ESTABLISHMENT OF SERVICE
(continued)**

2. A condition exists which, in the Company's judgment, is unsafe or hazardous to the Applicant, the general population, or the Company's personnel or facilities;
3. The Applicant refuses to provide the Company with a deposit when the Customer has failed to meet the credit criteria for waiver of deposit requirements;
4. Customer is known to be in violation of the Company's Rates or Rules and Regulations;
5. Customer fails to furnish the funds, service, equipment, and/or rights-of-way necessary to serve the Customer and which have been specified by the Company as a condition for providing service;
6. Customer fails to provide safe access to the meter that would be serving the Customer;
7. Applicant falsifies his or her identity for the purpose of obtaining service;
8. Service is requested by an Applicant and a prior Customer, who is either living with the Applicant, or who is an occupant of the premises who owes a debt to the Company from the same class of service from the same or a prior service address;
9. The Applicant is acting as an agent for a prior Customer who is deriving benefits from the energy supplied and who owes a delinquent bill from the same class of service from the same or a prior service address;
10. There is evidence of tampering or energy diversion.
- 10.11. Where the Company has a reasonable belief that the Applicant has common ownership with an affiliate that owes a delinquent bill for the same class of service.

E. Service Establishment, Reestablishment or Reconnection Charge

1. The Company will make a charge, as approved by the ACC, for service transfer for meter reads only set forth as Fee No. 1 in the UNS Electric Statement of Charges.
2. The Company may make a charge, as approved by the ACC, for the establishment, reestablishment, or reconnection of service. The charge for establishment, reestablishment or reconnection of service during regular business hours is set forth as Fee No. 4 in the UNS Electric Statement of Charges.

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3. Should service be established, ~~reestablished or reconnected~~ during a period other than the Company's regular business hours, at the Customer's request, the Customer may be required to pay an after-hour charge for the service connection set forth as Fee No. 5 in the UNS Electric Statement of Charges. Where the Company's scheduling will not permit service establishment, ~~reestablishment or reconnection of service~~ on the same day as requested, the Customer can elect to pay the after-hour charge for establishment that day, or his service will be established on the next available business day. ~~The after-hour charge is set forth as Fee No. 5 in the UNS Electric Statement of Charges.~~ Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having Staff available; there is no guarantee that the Company will have the staffing available for service establishment, ~~or reestablishment~~ or reconnection of service outside of regular business hours.

4. For the purpose of this Rule, the definition of service establishment is where the Customer's facilities are ready and acceptable to the Company, the Applicant has obtained all required permits and/or inspections indicating that the Applicant's facilities comply with local construction safety and governmental standards and regulations, and the Company needs only to install a meter, read a meter, or turn the service on.

5. Service Reconnection Charge

Whenever the Company has discontinued service under its usual operating procedures because of any default by the Customer as provided herein, a reconnection charge, not to exceed the charge for the reestablishment of service as set forth as Fee Nos. 4-5 in the UNS Electric Statement of Charges, shall be made and may be collected by the Company before service is restored. When, due to the behavior of the Customer, it has been necessary to discontinue service utilizing other than usual operating procedures, the Company shall be entitled to charge Fee No. 6 and ~~collect actual costs~~ to restore service, as set forth in the UNS Electric Statement of Charges.

F. Temporary Service

1. Applicants for temporary service may be required to pay Line Extension charges in accordance with Section 7.C.9.d.
2. Where the duration of service is to be less than one (1) month, the Applicant will also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one (1) month, the Applicant may also be required to meet the deposit requirements of the Company, as outlined in Subsection B.1. above.
4. If at any time during the term of the agreement for service the character of a temporary Customer's operations changes so that, in the opinion of the Company, the Customer is classified as permanent, the terms of the Company's Line Extension rules will apply.

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G. Identification of Load and Premises

Upon request of the Company, the electric load and premises to be served by the Company must be clearly identified by the Customer at the time of application. If the service address is not recognized in terms of commonly used identification system, the Customer may be required to provide specific written directions and/or legal descriptions before the Company will be required to act upon a request for electric service.

H. Identification of Responsible Party

~~Any person applying on behalf of another Customer for service to be connected in the name of or in care of another Customer must furnish to the Company written approval from that Customer guaranteeing payment of all bills under the account. The Customer is responsible in all cases for service supplied to the premises until the Company has received proper notice of the effective date of any change. The Customer shall also promptly notify the Company of any change in physical or electronic billing address.~~

Hi. Tampering With or Damaging Company Equipment

1. The Customer agrees, when accepting service, that no one except authorized Company employees or agents of the Company will be allowed to remove or replace any Company owned equipment installed on Customer's property.
2. No person, except an employee or agent acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.
3. No meter seal may be broken or removed by anyone other than an employee or agent acting on behalf of the Company; however, the Company may give its prior consent to break the seal by an approved electrician employed by a Customer when deemed necessary by the Company.
4. The Customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the Customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any tampering, interfering, theft, or service diversion, including the falsification of Customer read-meter readings, Customer will be subject to immediate discontinuance of service. The Company will be entitled to collect from the Customer whose name the service is in or other person benefitting from the service, under the appropriate Rate, for all power and energy not recorded on the meter as the result of such tampering, or other theft of service, and also additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs incurred by the Company.

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5. The Customer will be held liable for any loss or damage occasioned or caused by the Customer's negligence, want of proper care or wrongful act or omission on the part of any Customer's agents, employees, licensees or contractors.

IJ. Access

1. The Customer is responsible for providing safe access to Company facilities. The Company's authorized agents shall have satisfactory unassisted twenty-four (24) hour a day, seven (7) days a week access to the Company's equipment located on Customer's premise for the purpose of service connection, service disconnection, operation, maintenance, repair and service restoration work that the Company may need to perform.
2. If additional resources are required to gain safe access to perform service establishment, disconnection, meter reading, or routine maintenance, due to an affirmative, wrongful, and/or criminal act by the Customer, the Company will be entitled to collect from the Customer all expenses incurred by the Company for additional resources including: investigation of access, all legal expenses, and court costs.

JK. Customer-Specific Information

Customer-specific information shall not be released without specific prior Customer authorization unless the information is requested by law enforcement or other public agency, or is requested by the Commission or its staff, or is reasonably required for legitimate account collection activities, or is necessary to provide safe and reliable service to the Customer. Such Customer authorization may be obtained electronically, in writing, or orally, as long as the oral authorization is recorded.

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SECTION 4
MINIMUM CUSTOMER INFORMATION REQUIREMENTS

A. Information for Customers

1. The Company will make available upon Customer request not later than sixty (60) days from the date of the request a concise summary of the Rate schedule applied for by the Customer. The summary will include the following:
 - a. The monthly minimum Customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable;
 - b. Rate blocks, where applicable;
 - c. Any adjustment factor(s) and method of calculation; and
 - d. Demand charge, where applicable.
2. Upon request of the Customer, either at the time of application or after, the Company will use its best efforts to assist the Customer in choosing an appropriate Rate. However, upon application or upon request for assistance, the Applicant or the Customer will elect the applicable Rate best suited to his requirements. The Company may assist in making this election, but will not be held responsible for notifying the Customer of the most favorable Rate and will not be required to refund the difference in charges under different Rates. The Customer is solely responsible for selecting the Rate the Customer believes is appropriate. If no Rate is selected, the Customer will be placed on the most common Rate for the class of service and the Company will not be liable to refund the difference in charges had the Customer been placed on different Rates.
3. Upon written notification of any material changes in the Customer's installation or load conditions, the Company will assist in determining if a change in Rate is desirable, but not more than one (1) such change at the Customer's request will be made within any twelve (12) month period.
4. The supply of electric service under a residential Rate to a dwelling involving some business or professional activity will be permitted only where this activity is only occurring occasionally at the dwelling, where the electricity used in connection with this activity is small in amount, and where the electricity is used only by equipment that would normally be in use if the space were used as living quarters. Where a portion of the dwelling is used regularly for business, professional and other gainful purposes, and any considerable amount of electricity is used for other than domestic purposes, or for electrical equipment not normally used in living quarters is installed in connection with the activities referenced above, then the entire premises will be classified as non-residential and the appropriate general service Rate will be applied. The Customer, may, at his option, provide separate wiring so that the residential uses can be metered and billed separately under the appropriate residential service rate schedule, and the other uses under the appropriate general service rate.

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MINIMUM CUSTOMER INFORMATION REQUIREMENTS
(continued)

5. In addition, the Company will make available upon Customer request, not later than sixty (60) days from date of service commencement, a concise summary of the Company's Rates or the ACC's Rules and Regulations concerning:
 - a. Deposits;
 - b. Termination of service;
 - c. Billing and collection; and
 - d. Complaint handling.
6. The Company, upon request of a Customer, will transmit a written statement of actual consumption by the Customer for each billing period during the prior twelve (12) months, unless this data is not reasonably ascertainable. But the Company will not be required to accept more than one such request from each Customer in a calendar year. The Company may charge the Customer for consumption history requests as set forth as Fee No. 8 in the UNS Electric Statement of Charges. This charge will apply for each interval history request made or when Customers request their consumption history more than once in a 12-month period.

B. Information Required Due to Changes in Rates:

1. The Company will send to affected Customers a concise summary of any change in the Rates affecting those Customers.
2. This information will be sent to the affected Customer within sixty (60) days of the effective date of the change.

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**SECTION 5
MASTER METERING**

- A. Mobile Home Parks – New Construction/Expansion
1. The Company will refuse service to all new construction or expansion of existing permanent residential mobile home parks unless the construction or expansion is individually metered by the Company. Line extensions and service connections to serve this expansion will be governed by the Company's Line Extension and/or service connection policies of these Rules and Regulations.
 2. Permanent residential mobile home parks for the purpose of this rule will mean mobile home parks where the average length of stay for an occupant is a minimum of six (6) months.
 3. For the purposes of this rule, expansion means the acquisition of additional real property for permanent residential spaces in excess of that existing at the effective date of this rule.
- B. Residential Apartment Complexes, Condominiums and other Multiunit Residential Buildings
1. Master metering will not be allowed for new construction of apartment complexes and condominiums unless the building or buildings will be served by a centralized heating, ventilation, or air conditioning system and the contractor can provide to the Company an analysis demonstrating that the central unit will result in a favorable cost/benefit relationship.
 2. At a minimum, the cost/benefit analysis should consider the following elements for a central unit as compared to individual units:
 - a. Equipment and labor costs;
 - b. Financing costs;
 - c. Maintenance costs;
 - d. Estimated kWh usage;
 - e. Estimated kW demand on a coincident demand and non-coincident demand basis (for individual units);
 - f. Cost of meters and installation; and
 - g. Customer accounting cost (one account vs. several accounts).
 3. A Customer of any residential apartment complex, condominium, or other multiunit residential building taking service through a master meter is responsible for determining his or her own usage beyond the Company's meter.

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SECTION 6
SERVICE LINES AND ESTABLISHMENTS

A. Priority and Timing of Service Establishments

1. After the Applicant has complied with the Company's application requirements and has been accepted for service by the Company, and obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction, safety and governmental standards or regulations, the Company will schedule that Customer for service establishment.
2. All charges are due and payable before the Company will schedule the Customer for service establishment.
3. Service establishments will be scheduled for completion within five (5) business days of the date the Customer has been accepted for service, except in those instances when the Customer requests service establishment beyond the five (5) business day limitation.
4. When the Company has made arrangements to meet with a Customer for service establishment purposes and the Company or the Customer cannot make the appointment during the prearranged time, the Company will reschedule the service establishment to the satisfaction of both parties.
5. The Company will schedule service establishment appointments within a maximum range of four (4) hours during normal business hours, unless another timeframe is mutually acceptable to both the Company and the Customer.
6. Service establishments will be made only by the Company.
7. For the purposes of the rule, service establishments are where the Customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.

~~8. A fee for service establishment, reestablishment, or reconnection of service may be charged at a rate on file with and approved by the ACC. Whenever an Applicant requests after-hours handling of his request, the Company will charge a fee set forth in the UNS Electric Statement of Charges, unless a special call-out is required. If a special call-out is required the charge will be for a minimum of two (2) hours at the Company's then-prevailing after-hours rate for the service work on the Customer's premises. Special handling of calls and the related charges will be made only upon request of the Applicant. Even so, a Customer's request to have the Company establish service after hours is subject to the Company having staff available; there is no guarantee that the Company will have the staffing available for service establishment, reestablishment or reconnection after regular business hours.~~

B. Service Lines

1. Customer provided facilities

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- a. Each Applicant for services will be responsible for all inside wiring including the service entrance and meter socket. For three-phase service, the Customer will provide, at the Customer's expense, all facilities including conductors and conduit, beyond the Company-designated point of delivery.
 - b. Meters and service switches in conjunction with the meter will be installed in a location where the meters will be readily and safely accessible for reading, testing and inspection, where these activities will cause the least interference and inconvenience to the Customer. Location of metering facilities will be determined by the Company and may or may not be at the same location as the point of delivery. However, the meter locations will not be on the front exterior wall of the home, or in the carport or garage unless mutually agreed to between the Customer or homebuilder and the Company. Without cost to the Company, the Customer must provide, at a suitable and easily accessible location, sufficient and proper space for the installation of meters.

9.

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SECTION 6
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- c. Where the meter or service line location on the Customer's premises is changed at the request of the Customer or due to alterations on the Customer's premises, the Customer must provide and have installed, at the Customer's expense, all wiring and equipment necessary for relocating the meter and service line connection. The Company will charge the Customer for moving the meter and/or service lines.
 - d. Customer will provide access to a main switch or breaker for disconnecting load to enable safe installation and removal of Company meters.
2. Company-Provided Facilities
 - a. The Company will provide, at no charge, an overhead service line up to ~~one~~five hundred fifty (450) feet and ~~no more than one carryover pole, if required,~~ for each Customer. In areas where the Company maintains an underground distribution system, the Company will provide, install, and connect, at no charge, underground service cable up to ~~five~~one hundred fifty (450) feet for each residential Customer.
 - b. The cost of any service line in excess of that allowed under 2.a. above will be paid for by the Customer as a contribution in aid of construction.
 - c. A Customer requesting an underground service line in an area served by overhead facilities will pay for the difference between estimated cost of an equivalent overhead service connection and the actual cost of the underground connection as a non-refundable contribution.
3. Overhead Service Connection – Secondary Service
 - a. For the initial service drop: Where the Company's distribution pole line is located on the Customer's premises, or on a street, highway, lane, alley, road, or private easement immediately contiguous thereto, the Company will, at its own expense, furnish and install a single span of service drop line (up to 550 feet in total) from its pole to the Customer's point of attachment, provided that this point of attachment is at the point of delivery and is of a type and so located that the service drop wires may be installed in a manner approved by the Company in accordance with good engineering practice, and in compliance with all applicable laws, ordinances, Rules and Regulations, including those governing clearances and points of attachment.
 - b. Whenever any of the clearances required by the applicable laws, ordinances, rules or regulations of public authorities or standards of the Company from the service drops to the ground or any object becomes impaired by reason of any changes made by the owner or tenant of the premises, the Customer will, at his own expense, provide a new and approved support, in a location approved by the Company, for the termination of the Company's service drop wires and will also provide all service entrance corridors and equipment necessitated by the change of location.
 - c. The cost of any service line footage, in excess of that allowed at no charge, will be paid for by the Customer as a contribution in aid of construction.

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- d. For each overhead service connection, the Customer will furnish at their own expense a set of service entrance conductors that will extend from the point of service delivery at the point of termination of the Company's service drop on the Customer's support to the Customer's main disconnect switch. These service entrance conductors will be of a type and be in an enclosure that meets with the approval of the Company and any inspection authorities having jurisdiction.
4. Underground Service Connections – Secondary Service
- a. In areas where the Company maintains an underground distribution system, individual services will be underground.
- b. The cost of any underground service line footage, in excess of that allowed at no charge, will be paid for by the Customer and will be treated as a contribution in aid of construction.
- c. Whenever the Company's underground distribution system is not complete to the point designated by the Company where the service lateral is to be connected to the distribution system, the system may be extended in accordance with Section 7.
- d. For an initial underground service connection of single-phase service, the Company will install a service lateral from its distribution line to the Customer's Company-approved termination facilities under the following conditions (unless otherwise agreed to by the Company and the Applicant):
- (i) The Customer, at his expense, will provide the necessary trenching, conduit, conduit installation, backfill, landscape restoration and paving and will also furnish, install, own and maintain termination facilities on or within the building to be served.
- e. The Company, at its expense (up to 550 feet in total), will furnish, install, own and maintain the underground single-phase cables to Customer's Company-approved termination facilities.
- f. The Company will determine the minimum size and type of conduit and conductor for the single-phase service. The Customer will furnish and install the conduit system, including suitable pull ropes as specified by the Company. The ownership of this conduit or duct will be conveyed to the Company, and the Company will thereafter maintain the conduit or duct. The maximum length of any lateral conductor will be determined by the Company in accordance with accepted engineering practice in determining voltage drop, voltage flicker, and other relevant considerations.
- g. For three-phase service, the Customer will provide, at the Customer's expense, all facilities, including conductors and conduit, beyond the Company-designated point of delivery.

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C. Easements and Rights-of-Way

1. At no cost to the Company, each Customer will grant adequate easements and rights-of-way that are satisfactory to ensure proper service connection and any additional easements and rights-of-way as may be necessary for electric system reliability. Failure on the part of the Customer to grant adequate easement and right-of-way will be grounds for the Company to refuse service.
2. When the Company discovers that a Customer or the Customer's Agent is performing work, has constructed facilities or has allowed vegetation to grow adjacent to or within an easement or right-of-way and this work, construction, vegetation or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, Rules or Regulations, or significantly interferes with the Company's access to equipment, the Company will notify the Customer or the Customer's Agent and will take whatever actions are necessary to eliminate the hazard, obstruction or violation at the Customer's expense.

D. Number of Services to be Installed

Unless otherwise provided herein, or in a Rate or contract, the Company will not install more than one service, either overhead or underground, for any one building or group of buildings on a single premise. Separate services may be installed for separate buildings or group of buildings where necessary for the operating convenience of the Company, where provided for in the Rates, or where required by law or local ordinance.

E. Multiple Service Points

Unless otherwise expressly provided herein, or in a Rate or contract, any person, firm, corporation, agency or other organization or governmental body receiving service from the Company at more than one location or for more than one separately operated business will be considered as a separate Customer at each location and for each business. If several buildings are occupied and used by a Customer in the operation of a single business, then the Company, upon proper application, will furnish service for the entire group of buildings through one service connection at one point of delivery, provided all of these buildings are at one location on the same lot or tract, or on adjoining lots or tracts that form a contiguous site (not separated by any public streets) wholly owned, or controlled, and occupied by the Customer in the operation of this single business. Dwelling units will be served, metered and billed separately, except at the option of the Company.

F. Temporary Service

For service that is temporary in nature or for operations of a speculative character or questionable permanency the Customer will be charged the Company's estimated cost of installing and removing the service.

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G. Customer-Owned Cable

When a residential Customer's privately owned underground service cable has failed, the Customer has two (2) options:

1. The Customer can have their cable repaired by a private electrical contractor which must comply with local governmental codes and ordinances; or
2. The Customer can bring their service entrance up to current Company standards. The Customer will be required to provide a service trench, conduit, conduit installation, backfill, landscape restoration and paving. The Company will furnish, install, own and maintain its underground single-phase cables to the Customer's Company-approved Point of Delivery.

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SECTION 7 LINE EXTENSIONS

Introduction

The Company will construct, own, operate and maintain lines along public streets, roads and highways which the Company has the legal right to occupy, and on public lands and private property across which rights-of-way and easements satisfactory to the Company may be obtained without cost to or condemnation by the Company.

A request for electric service often requires the construction of new distribution lines of varying distances. The distances and cost vary widely depending upon Customer's location and load size. With such a wide variation in extension requirements, it is necessary to establish conditions under which the Company will extend its electric facilities.

All extensions are subject to the availability of adequate capacity, voltage and Company facilities at the beginning point of an extension, as determined by the Company.

A standard policy has been adopted to provide service to Customers whose requirements are deemed by the Company to be economical and ordinary in nature.

All extensions are made on the basis of economic feasibility. Footage and revenue basis are offered below for use in circumstances where feasibility is generally accepted because of the number of extensions made within these footage and dollar units.

In unusual circumstances, when the application of the provisions of this policy appear impractical, or in case Customer's requirements exceed 100 kW, the Company will make a special study of the conditions to determine the basis on which service may be rendered.

A. General Requirements

1. Upon request by an Applicant for a line extension, the Company will prepare without charge, a preliminary electric design and a rough estimate of the cost of installation, if any, to be paid by said Applicant.
2. Any Applicant for a line extension requesting the Company to prepare detailed plans, specifications, or cost estimates will be required to make a non-refundable deposit with the Company in an amount equal to the estimated cost of preparation. The Company will make available within ninety (90) days after receipt of the deposit referred to above, those plans, specifications, and cost estimates for the proposed line extension. Where the Applicant authorizes the Company to proceed with construction of the extension, the deposit will be credited to the cost of construction. If the extension is to include over-sizing of facilities to be done at the Customer's expense, appropriate details will be set forth in the plans, specifications and cost estimates. Developers providing the Company with approved plans will be provided with plans, specifications, or cost estimates within ninety (90) days after receipt of the deposit referred to above.

The Company will provide a copy of the Line Extension policy prior to the Applicant's acceptance of the utility's extension agreement.

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(continued)

3. All line extension agreements requiring payment of an advance by the Applicant will be in writing and signed by each party.
4. The provisions of this rule apply only to those Applicants who, in the Company's judgment, will be permanent Customers of the Company. Applications for temporary service will be governed by the Company's Rules concerning temporary service applications. The Company reserves the right to delay the extension of facilities until the satisfactory completion of required site improvements, as determined by the Company, and an approved service entrance to accept electric service has been installed.

B. Minimum Written Agreement Requirements

1. Each line extension agreement must, at a minimum, include the following information:
 - a. Name and address of Applicant(s);
 - b. Proposed service address(es) or location(s);
 - c. Description of requested service;
 - d. Description and sketch of the requested line extension;
 - e. A cost estimate to include itemized material costs, labor costs, overhead costs, and any other itemized costs as necessary. ~~Calculations of estimated line extension costs will include the following:~~
 - i. ~~Material cost;~~
 - ii. ~~Direct labor cost; and~~
 - iii. ~~Overhead cost.~~

~~1) Overhead costs are represented by all the costs which are proper capital charges in connection with construction, other than direct material and labor costs including but not limited to: indirect labor, engineering, transportation, taxes (e.g. FICA, State & Federal Unemployment which are properly allocated to construction), insurance, stores expense, general office expenses allocated to costs of construction, power operated equipment, employee pension and benefits, vacations and holidays, and miscellaneous expenses properly chargeable to construction.~~
 - f. Payment terms;
 - g. A concise explanation of any refunding provisions, if applicable;
 - h. The Company's estimated start date and completion date for construction of the line extension; and
 - i. A summary of the results of the economic feasibility analysis performed by the Company to determine the amount of the advance required from the Applicant for the proposed line extension.
2. Each Applicant will be provided with a copy of the written line extension agreement.

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(continued)**

C. Line Extension Requirements

1. Overhead Extensions to Individual Residential Applicants

a. Line Extension Allowance

Upon the Applicant's satisfactory completion of required site improvements, the Company will make single-phase extensions from its existing facilities of proper voltage and adequate capacity at the Company's expense up to five hundred fifty (550) feet. The distance of five hundred fifty (550) feet is to be measured by the shortest feasible route along public streets, roads, highways, or suitable easements from the existing facilities to the Applicant's nearest point of delivery and inclusive of the service drop and is for initial site improvements, as determined by the Company, only.

b. Extensions in Excess of Line Extension Allowance Distance

The Company will make extensions in excess of five hundred fifty (550) feet per Customer upon receipt of a non-interest bearing, refundable cash deposit with the Company to cover the estimated costs of construction for the pro-rata share of the single-phase extension length over five hundred fifty (550) feet, for voltages up to 21kV.

The Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service.

c. Method of Refund

- i. Deposit refunds will be made to a depositor when separately metered Customers are served directly from the line extension originally constructed to serve said depositor, providing the new line extension is less than five hundred fifty (550) feet in distance, and the Customer to be served occupies a permanent structure designed for continued occupancy for either residential or business purposes, meeting established municipal, county or state codes as applicable.

The amount of the deposit refund will be equal to the estimated 'Cost per Foot' for the line extension project rate multiplied by five hundred fifty (550) feet less the actual footage of the new line extension required to serve the new Customer.

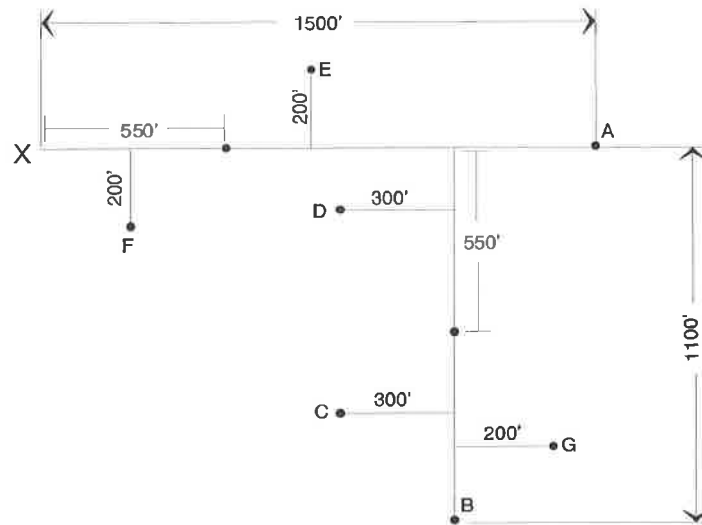
In no event will the total of the refund payments made by the Company to a depositor be in excess of the deposit amount advanced.

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**SECTION 7
LINE EXTENSIONS**
(continued)

A pictorial explanation of the method of refund for a single-phase line extension is as follows (assume the 'Cost per Foot' rate for this Line Extension is \$15.00 per foot):



Applicant "A" – Customer makes refundable advance of \$14,250 for footage over 550' at \$15.00/foot.

Applicant "B" – Customer makes refundable advance of \$8,250 for footage over 550' at \$15.00/foot. No refund to A for B's connection because B is over 550'.

Applicant "C" – Customer gets line at no cost. Refund goes to B at \$15.00 x 250', or \$3,750 because C ties directly into B's line and is less than 550'.

Applicant "D" – Customer gets line at no cost. Refund goes to B at \$15.00 x 250', or \$3,750, because it ties directly into B's line and is less than 550'.

Applicant "E" – Customer gets line at no cost. Refund goes to A at \$15.00 x 350', or \$5,250 because E ties directly into A's line and is less than 550'.

Applicant "F" – Customer gets line at no cost. Refund goes to A at \$15.00 x 350', or \$5,250 because F ties directly into A's line and is less than 550'.

Applicant "G" – Customer gets line at no cost. Refund goes to B at \$15.00 x 350', or \$5,250; however, B receives \$750 since this is the remaining balance of the initial deposit net of refunds. Total refunds cannot exceed the amount of the initial advance.



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Note: The dollars in the example above are illustrative. This method requires that: a) The deposit advance made for an initial line extension cannot be refunded to the depositor unless a new line extension required to serve a new separately metered Customer is directly connected to the initial line extension; and b) the new line extension is less than 550 feet in length.

- ii. Payment of eligible refunds will be made within ninety (90) days following receipt of notification to the Company that a qualifying permanent Customer has commenced receiving service from an extension.
- iii. A Customer may request an annual survey to determine if additional Customers have been connected to and are using service from the extension.
- iv. After a period of five (5) years from the date the Company is initially ready to render service from an extension, the Company will review the deposit and make appropriate refunds then due, if any. Any unrefunded amount remaining thereafter will become the property of the Company and will no longer be eligible for refund and will become a contribution in aid of construction.

2. Underground Facilities to Individual Residential Applicants

- a. Underground line extensions will generally be made only where mutually agreed upon by the Company and the Applicant, or in areas where the Company does maintain underground distribution facilities for its operating convenience.
- b. Underground extensions will be owned, operated and maintained by the Company, provided the Applicant pays in advance a non-refundable sum equal to the estimated difference between the cost, exclusive of meters and services, of the underground extension and an estimated equivalent overhead extension cost for voltages up to 21kV.
- c. In addition to the non-refundable sum, the Applicant will (unless otherwise agreed to by the Company and the Applicant) make such refundable deposit (for voltages up to 21kV) in accordance with Subsection 7.C. as otherwise would have been required under these Rules and Regulations if the extension had been made by overhead construction.
- d. Refunds of cash deposits will be made in the same manner as provided for overhead extensions to individual Applicants for service, in accordance with the applicable provisions of Subsection 7.C.
- e. Underground services will be installed, owned, operated and maintained as provided in Section 6 of these Rules and Regulations.

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3. Extensions to Non-Residential Customers

a. Line Extensions less than 21kV

- i. For line extensions with voltages less than or equal to 21kV, the Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service to a non-residential Customer. Prior to the installation of facilities, the Customer will be required to make a refundable non-interest-bearing cash advance to the Company for the estimated project cost less an allowance equal to 50% of the estimated two year Revenue. If the total of such charge is less than one hundred dollars (\$100.00), the charge will be waived by the Company.
- ii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iii. After the initial twenty-four (24) month billing period the Company will compare the actual Revenue to the allowance, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iv. In no event shall the total of the refund payments made by the Company to the depositor be in excess of the deposit amount advanced.
- v. No refunds will be made after a period of two (2) years subsequent to the completion of construction of the Company's facilities. Any un-refunded amount remaining at the end of the two (2) year period will become the property of the Company and a nonrefundable contribution in aid of construction.
- vi. 550 foot line extension allowance does not apply.

b. Line Extensions greater than 21kV to 69kV

- i. For line extensions with voltages greater than 21kV and less than or equal to 69kV, the Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service to a non-residential Customer. Prior to the installation of facilities, the Customer will be required to make a refundable non-interest-bearing cash advance to the Company for the estimated project cost less an allowance equal to 50% of the estimated one year Revenue. If the total of such charge is less than one hundred dollars (\$100.00), the charge will be waived by the Company.
- ii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iii. After the initial twelve (12) month billing period the Company will compare the actual Revenue to the allowance, and any difference will be either billed or refunded within ninety (90) days to the Customer.

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- iv. In no event shall the total of the refund payments made by the Company to the depositor be in excess of the deposit amount advanced.
- v. No refunds will be made after a period of two (2) years subsequent to the completion of construction of the Company's facilities. Any un-refunded amount remaining at the end of the two (2) year period will become the property of the Company and a nonrefundable contribution in aid of construction.
- vi. 550 foot line extension allowance does not apply.

4. Residential Subdivision Developers

a. General

Required distribution facilities up to and within a new duly recorded residential subdivision, including subdivision plats which are activated subsequent to their recordation, for permanent service to single and/or multi-family residences and/or unmetered area lighting, will be constructed, owned, operated and maintained by the Company in advance of applications for service by permanent Customers only after the Company and the Applicant have entered into a written contract ("Subdivision Agreement"), which (unless otherwise agreed to by the Company and the Applicant) provides that:

- i. The total estimated installed cost of such overhead distribution facilities, exclusive of meters, services and exclusive of other costs as may be deemed as reasonable by the Company, will be advanced to the Company as a refundable non-interest bearing cash deposit to cover the Company's cost of construction.
- ii. Refundable advances will become non-refundable at such time and in such manner as provided in Subsection 7.C.4.b.
- iii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
- iv. Where applicable, if distribution facilities must be constructed in excess of an average of five hundred fifty (550) feet per new permanent Customer within a duly recorded residential subdivision, a nonrefundable cash amount equal to that portion of the total estimated installed cost represented by those required line facilities in excess of five hundred fifty (550) feet per Customer average will be paid to the Company.

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LINE EXTENSIONS
(continued)

- v. Underground Installations – Extensions of single-phase underground distribution lines necessary to furnish permanent electric service to new residential buildings or mobile homes within a subdivision, in which facilities for electric service have not been constructed, for which applications are made by a developer will be installed underground in accordance with the provisions set forth in this regulation except where it is not feasible from an engineering, operational, or economic standpoint. Extensions of single-phase underground distribution lines necessary to furnish permanent electric service within a new single family and/or multi-family residential subdivision will be made by the Company in advance of receipt of applications for service by permanent Customers in accordance with the following provisions (unless otherwise agreed to by the Company and the Applicant):
- 1) The subdivider or other Applicant will provide the trenching, bedding, conduit, backfill (including any imported backfill required), compaction, repaving and any earthwork for pull boxes and equipment and transformer pad sites required in accordance with the Company's specifications and subject to the Company's inspection and approval.
 - 2) Right-of-way and easements satisfactory to the Company will be furnished by the Developer at no cost to the Company and in reasonable time to meet service requirements. No underground electric facilities will be installed by the Company until the final grades have been established and furnished to the Company. In addition the easements, alleys and/or streets must be graded to within six (6) inches of final grade by the Developer before the Company will commence construction. Such clearance and grading must be maintained by the Developer. If, subsequent to construction, the clearance or grade is changed in such a way as to require relocation of underground facilities or results in damage to such facilities, the cost of such relocation and/or resulting repairs will be borne by the developer.
 - 3) If armored cable or special cable covering is required, the Customer or developer will make a non-refundable contribution equal to the additional cost of such cable or covering.
 - 4) Underground service lines will be installed, owned, operated and maintained as provided in Section 6 of these Rules and Regulations.
 - 5) Any underground electric distribution system requiring more than single-phase service is not governed by this Subsection, but rather will be constructed pursuant to Subsection 7.C.7.
- vi. Underground extensions up to the duly recorded Subdivision will be owned, operated and maintained by the Company, provided the Applicant pays a non-refundable sum equal to the estimated difference between the cost of the underground extension and an equivalent estimated cost of an overhead extension.

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(continued)

b. Method of Refund

- i. The Developer is eligible for a refund during the term of the Subdivision Agreement of up to 100% of the amount advanced provided the average length of the line extension per lot or per service location does not exceed five hundred fifty (550) feet. If distribution facilities must be constructed in excess of an average of five hundred fifty (550) feet per new permanent lot or service location within a duly recorded residential subdivision, that portion of the advanced total installed cost represented by those required line facilities in excess of five hundred fifty (550) feet per customer will be held by the Company as a non-refundable contribution.
- ii. On or after one (1) year subsequent to the installation of the Company's facilities, and thereafter each year of the term of the Subdivision Agreement the Company will review the status of the subdivision to determine the percentage ratio that the number of lots or service locations occupied by permanent Customers bears to the number of lots identified in each Subdivision Agreement specified as the basis for refund. The ratio determined at the time of each review multiplied by the total refundable advance associated with the line extension agreement will represent that portion of the advance qualified for refund. If the foregoing calculation indicates a refund is due, an appropriate refund of cash deposit will be made. Payment will be made within ninety (90) days following each review.
- iii. The total amount refunded over the term of the Subdivision Agreement cannot exceed the total amount advanced net of any non-refundable contribution and or cost of ownership.
- iv. The Company will make a final review on the status after a period of five (5) years. No refunds will be made after a period of five (5) years subsequent to the completion of construction of the Company's facilities. Any unrefunded amount remaining at the ends of the five (5) year period will become the property of the Company and a nonrefundable contribution in aid of construction.

5. Non-Residential Developers

a. General

Required distribution facilities up to and within a new duly recorded non-residential development, including commercial plats which are activated subsequent to their recordation, for permanent service, will be constructed, owned, operated and maintained by the Company in advance of applications for service by permanent commercial customers only after the Company and the Applicant have entered into a written contract which (unless otherwise agreed to by the Company and the Applicant) provides that:

- i. For line extensions with voltages less than or equal to 21kV, the Company will install, own and maintain, on an individual project basis, the distribution facilities necessary to provide permanent service to a non-residential Customer. Prior to the installation of facilities, the Customer will be required to make a refundable non-interest-bearing cash advance to the Company for the estimated project cost less an allowance equal to 50% of the estimated two year Revenue. If the total of such charge is less than one hundred dollars (\$100.00), the charge will be waived by the Company.

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**SECTION 7
LINE EXTENSIONS
(continued)**

- ii. Upon completion of construction of the Company's facilities the total actual cost of the project will be compared to the total estimated cost advanced by the Applicant, and any difference will be either billed or refunded within ninety (90) days to the Customer.
 - iii. Five-hundred fifty (550) foot line extension allowance does not apply.
 - iv. For line extensions with voltages greater than 21kV Subsection 7.C.3.b will apply.
- b. Method of Refund
- i. After the initial twenty-four (24) month billing period the Company will compare the actual Revenue to the allowance, and any difference will be either billed or refunded within ninety (90) days to the Customer.
 - ii. In no event shall the total of the refund payments made by the Company to the depositor be in excess of the deposit amount advanced.
 - iii. No refunds will be made after a period of two (2) years subsequent to the completion of construction of the Company's facilities. Any unrefunded amount remaining at the end of the two (2) year period will become the property of the Company and a nonrefundable contribution in aid of construction.
- c. Underground Installations – Extensions of single-phase or three-phase underground distribution lines necessary to furnish permanent electric service to new commercial properties a commercial subdivision, in which facilities for electric service have not been constructed, for which applications are made by a developer will be installed underground in accordance with the provisions set forth in this regulation except where it is not feasible from an engineering, operational, or economic standpoint. Extensions of single-phase or three-phase underground distribution lines necessary to furnish permanent electric service will be made by the Company in advance of receipt of applications for service by permanent commercial customers in accordance with the following provisions (unless otherwise agreed to by the Company and the Applicant):
- i. The subdivider or other Applicant will provide the trenching, bedding, backfill (including any imported backfill required), compaction, repaving and any earthwork for pull boxes and equipment and transformer pad sites required in accordance with the Company's specifications and subject to the Company's inspection and approval.
 - ii. Underground service will be installed, owned, operated and maintained as provided in Section 6 of these Rules and Regulations.
 - iii. Underground extensions up to the duly recorded Subdivision will be owned, operated and maintained by the Company, provided the Applicant pays a non-refundable sum equal to the estimated difference between the cost of the underground extension and an equivalent estimated cost of an overhead extension.

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LINE EXTENSIONS
(continued)**

6. Replacement of Overhead with Underground Distribution Facilities

Where a Customer has requested that existing overhead distribution facilities be replaced with underground distribution facilities, the total cost of such replacement will be paid by the Customer.

7. Conversion from Single-Phase to Three-Phase Service

Where it is necessary to convert all or any portion of an existing overhead or underground distribution system from single-phase to three-phase service to a Customer, the total cost of such conversion will be paid by the Customer.

8. Long Term Rental Mobile Home Park, Townhouses, Condominiums and Apartment Complexes

Line extensions to long term rental mobile home parks, townhouses, condominiums and apartment complexes will be made by the Company under terms and conditions provided in Subsection 7.C.1. The Company will, when requested by the Customer, install, own and maintain internal distribution facilities and individual metering for said development in accordance with the provisions pertaining to duly recorded real estate subdivisions as stated in Subsection 7.C.2 hereof.

9. Special Conditions

a. Contracts

Each sub divider or other Applicant for service requesting an extension over the allowable footage allowance, or in advance of applications for service to permanent Customers, or in advance of completion of required site improvements will (unless otherwise agreed to by the Company and the Applicant) be required to execute contracts covering the terms under which the Company will install lines at its own expense, or contracts covering line extensions for which advance deposits will (unless otherwise agreed to by the Company and the Applicant) be made in accordance with the provisions of these Rules and Regulations or of the applicable rate schedules.

b. Primary Service and Metering

The Company will provide primary service to a point of delivery, such point of delivery to be determined by the Company. The Customer will provide the entire distribution system (including transformers) from the point of delivery to the load. The system will be treated as primary service for the purposes of billing. The Company reserves the right to approve or require modification to the Customer's distribution system prior to installation, and the Company will determine the voltage available for primary service. Instrument transformers, metering riser poles and associated equipment to be installed and maintained by the Company will be at the Customer's expense.

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(continued)**

c. Advances under Previous Rules and Contracts

Amounts advanced under the conditions established by a rule previously in effect will be refunded in accordance with the requirements of such contract under which the advance was made.

d. Extensions for Temporary Service

Extensions for temporary service or for operations of a speculative character (mining, milling, irrigation and similar speculative businesses) or questionable permanency will be charged the applicable estimated charges for the installation and removal of temporary facilities. Temporary facilities will remain in service for a maximum of two (2) years.

e. Exceptional Cases

Where unusual terrain, location, soil conditions, or other unusual circumstances make the application of these line extension rules impractical or unjust to either party or in the case of extension of lines of other than standard distribution voltage, service under such circumstances will be negotiated under special agreements specifying terms and conditions covering such extensions.

f. Special or Excess Facilities

Under this rule, the Company will install only those facilities which it deems are necessary to render service in accordance with the rate schedules. Where the Customer requests facilities which are in addition to, or in substitution for, the standard facilities which the Company normally would install, the extra cost thereof will be paid by the Customer.

g. Unusual Loads

Line extensions to unusually small loads not serving a permanent structure designed for continued occupancy for either residential or business purposes not consisting of a residence or permanent building (e.g. individual lights, wells, signs, etc.) will not be granted the five hundred fifty (550) foot allowance, but will instead be required to advance any costs of service.

10. Other Conditions

- a. Rights-of-Way – All necessary easements or rights-of-way required by the Company for any portion of the extension which is either on premises owned, leased or otherwise controlled by the Customer, Developer, or others will be furnished in the Company's name by the Customer without cost to or condemnation by the Company and in reasonable time to meet proposed service requirements. All easements or rights-of-way obtained on behalf of the Company will contain only those terms and conditions that are acceptable to the Company.

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(continued)**

- b. Change of Grade – If subsequent to construction of electric distribution and/or transmission lines and services, the final grade established by the Customer or Developer is changed in such a way as to require relocation of the Company facilities or results in damage to those same facilities, the cost of relocation and/or resulting repairs will be borne by the Customer or Developer.
- c. Relocation – When the Company is requested to relocate its facilities for the benefit and/or convenience of a Customer, the Customer will pay the Company for the total cost of the work to be performed prior to the start of construction.
- d. Connecting or Disconnecting Customer's Service – Only duly authorized employees of the Company are allowed to connect the Customer's service to, or disconnect the same from, the Company's electric lines.
- e. Maintenance of Customer's Equipment – The Customer will, at the Customer's own risk and expense, furnish, install and keep in good and safe condition all electrical wires, lines, machinery and apparatus which may be required for receiving electric energy from the Company, and for applying and utilizing that energy, including all necessary protective appliances and suitable building therefore, and the Company will not be responsible for any loss or damage occasioned or caused by the negligence, want of proper care, or wrongful act of the Customer or any of the Customer's agents, employees or licensees on the part of the Customer in installing, maintaining, using, operating or interfering with any such wires, lines, machinery or apparatus.
- f. Removal of Company Property – As provided for in these Rules and Regulations, the Company will have the right to remove any and all of its property installed on the Customer's premises at the termination of service.
- g. Change of Customer's Requirements – In the event that the Customer must make any material change either in the amount or character of the appliances or apparatus installed upon the Customer's premises to be supplied with electric energy by the Company, the Customer must immediately give the Company written notice to this effect.
- h. Refunds – In no case will the total of any refund payments made by the Company exceed the amount of any construction advance.
- i. Collections – Nothing in these Rules and Regulations will be construed as limiting or in any way affecting the right of the Company to collect from the Customer any other additional sum of money which may become due and payable.

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**SECTION 7
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(continued)**

D. Construction / Facilities Related Income Taxes

1. Collection of Income Tax Gross Up

- a. Any federal, state or local income taxes resulting from the receipt of a Contribution or Advance in Aid of Construction in compliance with this rule is the responsibility of the Company and will be recorded as a deferred tax asset and reflected in the Company's rate base for ratemaking purposes.
- b. However, if the estimated contribution or advance for any service line or distribution main extension (as determined for each individual extension agreement) exceeds \$500,000, the Company shall require the Applicant to include in the contribution or advance an amount (the "gross up amount") equal to the estimated federal, state or local income tax liability of the Company resulting from the contribution or advance computed as follows:

$$\text{Gross Up Amount} = \frac{\text{Advance or Contribution}}{(1 - \text{Statutory combined income tax rate})} - \text{Advance or Contribution}$$

- c. After the Company's tax returns for the year of receipt of the advance or contribution are completed, if the statutory combined income tax rate is less than the rate used to calculate the gross-up, the Company shall refund to the Applicant an amount equal to such excess.
- d. When a gross-up amount is to be collected in connection with an extension agreement, the contract will state the tax rate used to compute the gross up amount, and will also disclose the gross-up amount separately from the estimated cost of facilities.

2. Refund of Tax Gross Up

- a. In the case of construction advance refunds made pursuant to Subsection 7.C.3 a pro rata portion of the gross up will be refunded when the amount of the underlying advance contribution is refunded. Any remaining gross-up will be refunded on November 1 of each year as tax depreciation deductions are taken on the Company's tax returns. At the end of five (5) years from installation, the remaining gross up will be refunded at an amount that reflects the net present value of the Company's remaining tax depreciation deductions on the underlying advance discounted at the Company's authorized rate of return.
- b. In the case of all other advances or deferred construction deposit agreements, the gross up will be refunded, or the amount of required deferred construction deposit will be reduced, as follows:
 - i. If the full amount of the advance is refunded prior to September 30th of the year following the year in which the advance is received, the entire amount of the gross-up will be refunded.

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- ii. For any amount of the advance not refunded as of September 30th of the year following the year in which the advance is received, on November 1st of each year a portion of the gross-up will be refunded based on the amount of the tax depreciation deductions taken by the Company on its federal and state income tax returns.
- iii. When any advance is refunded after depreciation refunds pursuant to clause ii have begun, a pro rata portion of the gross up will be refunded reduced by the amount of depreciation refunds previously made for that portion of the gross up.
- iv. For any advance that is not refunded at the end of the contract period, the remaining gross up will be refunded at an amount that reflects the net present value of the Company's remaining tax depreciation deductions on the underlying advance discounted at the Company's authorized rate of return.

3. Non-refundable Income Tax Gross Up for Contribution in Aid of Construction

- a. At the option of the Customer, a non-refundable gross-up may be calculated as follows:

$$\text{Non-refundable Gross Up Amount} = \frac{(\text{Contribution Amount} - \text{Net Present Value of Tax Depreciation})}{(1 - \text{Current Tax Rate})} - \text{Contribution Amount}$$

4. Alternate Income Tax Gross Up for Advances in Aid of Construction

- a. At the option of the Customer, a gross-up may be calculated as in Section 7.D.3.a when an advance is received. When the Customer has received its final advance refund the alternate gross-up will be recomputed as follows:

$$\text{Alternate Gross Up Amount} = \frac{(\text{Advance Amount} - \text{Net Present Value of (Advance Refunds + Tax Depreciation on Advances Not Refunded)})}{(1 - \text{Current Tax Rate})} - \text{Advance Amount}$$

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**UNS Electric, Inc.
Rules and Regulations**

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**SECTION 8
PROVISION OF SERVICE**

A. Company Responsibility

1. The Company will be responsible for the safe transmission and distribution of electricity until it passes the point of delivery to the Customer.
2. The Company will be responsible for maintaining in safe operating condition all meters, equipment and fixtures installed on the Customer's premises by the Company for the purpose of delivering electric service to the Customer. However, the Company will not be responsible for the condition of meters, equipment, and fixtures damaged or altered by the Customer.
3. The Company may, at its option, refuse service until the Customer has obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction and safety standards, including any applicable Company specifications.
4. The Company will determine, in its sole discretion, the type of service (including voltage and Point of Delivery) to be furnished for utilization by the Customer. This includes determinations involving: 1) requirements to take Primary Service and Metering; and 2) service voltage (including for any new on-site generation installations or generation retrofits at the Customer's premises).

B. Customer Responsibility

1. Each Customer will be responsible for maintaining in safe operating condition all Customer facilities on the Customer's side of the point of delivery.
2. Each Customer will be responsible for safeguarding all Company property installed in or on the Customer's premises for the purpose of supplying electric service to that Customer.
3. Each Customer will exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The Customer will be responsible for loss of or damage to Company property on the Customer's premises arising from neglect, carelessness, misuse, diversion, or tampering and will reimburse the Company for the cost of necessary repairs or replacements.
4. Each Customer, regardless of who owns the meter, will be responsible for payment for any equipment damage and/or estimated unmetered usage and all reasonable costs resulting from unauthorized breaking of seals, interfering, tampering or bypassing the Company meter.
5. Each Customer will be responsible for notifying the Company of any equipment failure identified in the Company's equipment.

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SECTION 8
PROVISION OF SERVICE
(continued)

6. Each Customer will be responsible for informing the Company of, and meeting the Company's requirements regarding on-site or distributed generation (including distributed renewable resources and combined heat and power facilities) that the Customer or the Customer's agent intends to interconnect to the Company's transmission or distribution system. This includes compliance with all requirements contained within the Company's most current Interconnection Requirements for Distributed Generation, and the terms and conditions of the Company's Agreement for the Interconnection of Customer's Facility. Customer must also agree to enter into the Interconnection Agreement with the Company. Further, any interconnection must be in accordance with any applicable Commission regulation and order governing interconnection, as well as applicable laws.
7. The Customer, at his expense, may install, maintain and operate check-measuring equipment as desired and of a type approved by the Company, provided that this equipment will be installed so as not to interfere with operation of the Company's equipment. This is also provided that no electric energy will be remetered or submetered for resale to another or to others, except where such remetering will be done in accordance with the applicable orders of the Commission.

C. Continuity of Service

The Company will make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company will not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

1. Any cause against which the Company could not have reasonably foreseen, or made provision for (*i.e* force majeure, see Subsection 8.E.);
2. Intentional service interruptions to make repairs or perform routine maintenance; or
3. Curtailment, including brownouts or blackouts.

D. Service Interruptions

1. The Company will make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

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(continued)

3. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance, the Company will attempt to inform affected Customers at least twenty-four (24) hours in advance of the scheduled date and these repairs will be completed in the shortest possible time to minimize the inconvenience to the Customers of the Company.
4. The Commission will be notified of interruption in service affecting the entire system or any significant portion thereof. The interruption of service and cause will be reported by telephone to the Commission within four (4) hours after the responsible Company representative becomes aware of said interruption. A written report to the Commission will follow.

E. Interruption of Service and Force Majeure

1. The Company will make reasonable provision to supply a satisfactory and continuous electric service, but does not guarantee a constant or uninterrupted supply of electricity. The Company will not be liable for any damage or claim of damage attributable to any temporary, partial or complete interruption or discontinuance of electric service attributable to a force majeure condition as set forth in Subsections 8.E.4. and 8.E.5. or to any other cause which the Company could not have reasonably foreseen and made provision against, or which, in the Company's judgment, is necessary to permit repairs or changes to be made in the Company's electric generating, transmission, or distribution equipment, or to eliminate the possibility of damage to the Company's property or to the person or property of others.
2. Whenever the Company deems a condition exists that warrants interruption or limitation in the service being rendered, this limitation or interruption will not constitute a breach of contract and will not render the Company liable for damages suffered thereby or excuse the Customer from further fulfillment of the contract.
3. The use of electric energy upon the Customer's premises is at the risk of the Customer. The Company's liability will cease at the point where its facilities are connected to the Customer's wiring.
4. Neither the Company nor the Customer will be liable to the other for any act, omission, or circumstances (including, but not limited to, the Company's inability to provide electric service) occasioned by or in consequence of the following:
 - a. flood, rain, wind, storm, lightning, earthquake, fire, landslide, washout or other acts of the elements;
 - b. accident or explosion;
 - c. war, rebellion, civil disturbance, mobs, riot, blockade or other act of the public enemy;
 - d. acts of God;
 - e. interference of civil and/or military authorities;

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SECTION 8
PROVISION OF SERVICE
(continued)

- f. strikes, lockouts, or other labor difficulties;
 - g. vandalism, sabotage, or malicious mischief;
 - h. usurpation of power, or the laws, rules, regulations, or orders made or adopted by any regulatory or other governmental agency or body (federal, state or local) having jurisdiction of any of the business or affairs of the Company or the Customer, direct or indirect;
 - i. breakage or accidents to equipment or facilities;
 - j. lack, limitation or loss of electrical or fuel supply; or
 - k. any other casualty or cause beyond the reasonable control of the Company or the Customer, whether or not specifically provided herein and without limitation to the types enumerated, and which by exercise of due diligence the Company or the Customer is unable to overcome.
5. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees will not be considered to be a matter within the control of the Company.
6. Nothing contained in this Section will excuse the Customer from the obligation of paying for electricity delivered or services rendered.

F. General Liability

- 1. Company will not be responsible for any third-party claims against Company that arise from Customer's use of Company's electric services, unless such claims are caused by the Company's willful misconduct or gross negligence.
- 2. Customer will indemnify, defend and hold harmless the Company (including the costs of reasonable attorney's fees) against all claims (including, without limitation, claims for damages to any business or property, or injury to, or death of, any person) arising out of any wrongful or negligent acts or omissions of the Customer, or the Customer's agents, in connection with the Company's service or facilities.
- 3. Except in the case of the Company's willful misconduct or gross negligence, The liability of the Company will not be liable to Customer or any other party for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of, or related to, establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities or equipment, except that for an interruption of service to a Customer, to the extent resulting from error, mistake, omission, interruption or delay by the Company, the Company's liability, if any, to the Customer shall not exceed an amount equal to the charges for service applicable under the Company's Rates (calculated on a proportionate basis where appropriate) tofor the period of service interruption, during which the error, mistake, omission, interruption or delay occurs, except if such damages are caused by the Company's willful misconduct or gross negligence.

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SECTION 8
PROVISION OF SERVICE
(continued)

4. In no event will the Company be liable for any incidental, indirect, special, or consequential damages (including lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.
5. The Company will not be responsible in an occasion for any loss or damage caused by the negligence or wrongful act of the Customer or any of his agents, employees or licensees in installing, maintaining, using, operating or interfering with any electric facilities.

G. Construction Standards and Safety

The Company will construct all facilities in accordance with the provisions of the ANSI C2 Standards (National Electric Safety Code, 2007 edition, and other amended editions as are adopted by the ACC), the 2007 ANSI B31.1 Standards, the ASME Boiler and Pressure Vessel Code, and other applicable American National Standards Institute Codes and Standards, except for those changes the ACC makes or permits from time to time. In the case of conflict between codes and standards, the more rigid code or standard will apply.

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SECTION 9
CHARACTER OF SERVICE – VOLTAGE, FREQUENCY AND PHASE

- A. For Residential, Lighting and Miscellaneous Service – Energy supplied will be sixty (60) Hertz, single phase, alternating current, three-wire service, 120/240 volts for new service applications. The Company will provide 120 volts, two-wire for those Customers currently receiving that service.
- B. Commercial and Industrial Service – Electric energy furnished under these Rules and Regulations will be sixty (60) Hertz alternating current energy, single or three (3) phase at the standard nominal voltages specified by the Company.
- C. All electric energy supplied will be in accordance with ANSI voltage ratings for electric power systems and equipment.
- D. All voltages referred to above are nominal voltages and may vary somewhat due to local conditions. The Company does not guarantee the constancy of its voltage or frequency, nor does it guarantee against its loss of one or more phases in a three-phase service. The Company will not be responsible for any damage to the Customer's equipment caused by any or all of these occurrences brought about by circumstances beyond its control.
- E. Motor Protection

The following protective apparatus, to be provided by the Customer, is required on all motor installations:

1. No Voltage Protection: Motors that cannot be safely subjected to full voltage at starting must be provided with a device to insure that upon failure of voltage, the motors will be disconnected from the line. Said device should be provided with a suitable time delay relay;
2. Overload Protection: All motors whose voltage does not exceed 750 volts are to be provided with approved fuses of proper rating. Where the voltage exceeds 750 volts, protective devices are to be provided. In these cases it will be found desirable to install standard switching equipment. The installation of overload relays and no-voltage releases is recommended on all motors, not only as additional protection, but as a means of reducing the cost of refusing; and
3. Phase Reversal: Reverse phase relays and circuit breakers or equivalent devices are recommended on all polyphase installations to protect the installation in case of phase reversal or loss of one phase.

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SECTION 9
CHARACTER OF SERVICE – VOLTAGE, FREQUENCY AND PHASE
(continued)

F. Load Fluctuation ~~a~~And Balance

1. Interference with Service: The Company reserves the right to refuse to supply loads of a character that may seriously impair service to any other Customers. In the case of hoist or elevator motors, welding machines, furnaces and other installations of like character where the use of electricity is intermittent or subject to violent fluctuations, the Company may require the Customer to provide at the Customer's own expense suitable equipment to reasonably limit those fluctuations.
2. The Company has the right to discontinue electric service to any Customer who continues to use appliances or other devices, equipment and ~~apparati~~apparatus detrimental to the service after the Company notifies the Customer of his or her causing detriment to the service.
3. Allowable Instantaneous Starting Current Values: The instantaneous starting current (determined by tests or based on limits guaranteed by manufacturers) drawn from the line by any motor must not exceed a value (as determined by the Company) that may be deemed detrimental to the normal operation of the system. If the starting current of the motor exceeds that value, a starter must be used or other means employed to limit the current to the value specified. A reduced voltage starter may be required for polyphase motors.
4. When three-phase service supplied under a power rate includes incidental lighting, the Customer will supply any necessary lighting transformers and arrange its lighting to give a substantially balanced three-phase load.

G. Customer Responsibility for Equipment Used in Receiving Electric Energy

No statement or requirement in these Rules and Regulations can be construed as the assumption of any liability by the Company for any wiring of electrical equipment or the operation of same, installed in, upon, or about the Customer's premises, nor will the Company be responsible for any loss or damage occasioned or caused by the negligence, want of proper care or wrongful act of the Customer, or any of the Customer's agents or employees or licenses on the part of the Customer in installing, maintaining, using, operating, or interfering with any such wiring, machinery or apparatus.

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**SECTION 10
METER READING**

A. Company or Customer Meter Reading

1. The Company may, at its discretion, permit Customer reading of meters.
2. It will be the Company's responsibility to inform the Customer how to properly read his or her meter
3. Where a Customer reads his or her own meter the Company will read the Customer's meter at least once every four (4) months.
4. Where the Company must read the meter every four (4) months, the Customer shall pay Fee No. 3 as set forth in the UNS Electric Statement of Charges for every read.
5. The Company will provide the Customer with postage-paid cards or other methods to report the monthly meter reading to the Company.
6. The Company will specify the timing requirements for the Customer to submit his or her monthly meter reading to conform to the Company's billing cycle.
7. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days. In the event the Customer fails to submit a reading within this ten (10) day period, the Company may issue the Customer an estimated bill.
8. In the event the Customer fails to submit monthly reads as designated above, the Company may estimate the usage for up to three (3) months.
9. The Company and the Customer shall mutually agree on a method to submit meter reads.
10. Where the Customer is providing their own meter reads, the Customer is responsible for all applicable charges as calculated from the point the Company last read the Customer's meter.
11. Meters will be read monthly on as close to the same day as practical.

B. Measuring of Service

1. All energy sold to Customers and all energy consumed by the Company – except that sold according to fixed charge schedules – will be measured by commercially acceptable measuring devices owned and maintained by the Company. This provision will not apply where it is impractical to install meters, such as street lighting or security lighting, or where otherwise authorized by the ACC.
2. When there is more than one meter at a location, the metering equipment will be so tagged or plainly marked as to indicate the circuit metered or metering equipment in accordance with Subsection 3.C.9.

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**SECTION 10
METER READING
(continued)**

3. Meters which are not direct reading will have the multiplier plainly marked on the meter.
4. ~~All charts taken from recording meters will be marked with the date of the record, the meter number, customer and chart multiplier.~~ The Company may employ meter reading technology that records interval data and displays total consumption.
4. _____
5. Metering equipment will not be set "fast" or "slow" to compensate for supply transformer or line losses.

C. Customer-Requested Rereads

1. The Company will, at the request of a Customer, reread that Customer's meter within ten (10) business days after that request by the Customer.
2. Any reread may be charged to the Customer, at a rate set forth as Fee No. 2 in the UNS Electric Statement of Charges, if the original reading was not in error.
3. When a reading is found to be in error, the Company will not charge the Customer for the reread.

D. Access to Customer Premises

The Company will at all times have the right of safe ingress to and egress from the Customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these Rules.

E. Meter Testing and Maintenance

1. The Company will replace any meter found to be damaged or associated with an inquiry into its accuracy, whether initiated by the Customer or Company, and which has been in service for more than sixteen years. Replaced meters will be tested for accuracy and will be acceptable if found to have an error margin within plus or minus three percent (+3%).
2. The Company will file an annual report with the Commission summarizing the results of meter maintenance and testing program for that year. At a minimum, the report should include the following data:
 - a. Total number of meters tested at Company initiative or upon Customer request; and
 - b. Number of meters tested that were outside the acceptable error allowance of +3%.

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SECTION 10
METER READING
(continued)

F. Customer-Requested Meter Tests

1. The Company will test a meter upon Customer request and the Company will be authorized to charge the Customer for the meter test. The charge for the meter test is set forth as Fee No. 7 in the UNS Electric Statement of Charges. However, if the meter is found to be in error by more than three percent (3%), no meter testing fee will be charged to the Customer.

G. Demands

1. The Customer's demand may be measured by a demand meter, under all Rates involving billings based on demand, unless appropriate investigation or tests indicate that the Customer's demand will not be such as to require a demand meter for correct application of the Rate schedule. In cases where billings under a Rate schedule requiring determination of the Customer's demand must be made before a demand meter can be installed, these billings may be made on an estimated demand basis pending installation of the demand meter. Billings made on the basis of estimated demands; however, will be appropriately adjusted, if actual demands recorded after demand meter is installed isare greater or less than those estimated demands.
2. Demand meters may be installed at any metering location if the nature of the Customer's equipment and operation indicates that a demand meter is required for correct application of the rate schedule.
3. All demands used for billing purposes will be recorded or computed to the nearest whole kW.

H. Automated Meter Opt-Out

Residential Service (RES-01) Customers may request meters that do not transmit data wirelessly and the Company will accommodate such requests to the extent practicable. For Customers who choose to not have an automated meter installed or wish to replace an automated meter with a non-transmitting meter, the Special Meter Reading Fee set forth as Fee No. 3 in the UNS Electric Statement of Charges will be a monthly recurring charge. The Automated Meter Opt-Out Set-Up Fee set forth as Fee No. 4 in the UNS Electric Statement of Charges will only apply to those Customers who request the removal of an automated meter.

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SECTION 11
BILLING AND COLLECTIONS

A. Frequency and Estimated Bills

1. The Company will bill monthly for services rendered. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days.
2. If the Company is unable to obtain the meter read on the scheduled meter read date, the Company will estimate the consumption for the billing period as set forth in the Company's Bill Estimation Methodologies Tariff.
3. Estimated bills will be issued only under the following conditions:
 - a. Failure of a Customer who reads his or her own meter to deliver his or her meter reading card to the Company in accordance with the requirements of the billing cycle.
 - b. Severe weather conditions which prevent the Company from reading the meter.
 - c. Circumstances that make it dangerous or unnecessarily difficult to read the meter. These circumstances include, but are not limited to, locked gates, blocked meters, vicious or dangerous animals, or any force majeure condition as listed in Subsection 8.E.4.
 - d. When an electronic meter reading is obtained, but the data cannot be transferred to a Customer Information System.
 - e. A meter failure or malfunction with no reliable information retained by the meter.
 - e.f. A failure of the meter communication network preventing receipt of reliable information.
 - f.g. Meter tampering or energy diversion results in a lack of accurate metered consumption information.
 - g.h. In the event the Customer fails to submit the reading within the designated ten (10) day meter reading window.
 - h.i. In the event the Customer fails to submit monthly reads as designated above, the Company may estimate the usage for up to three (3) months.
4. After the second consecutive month of estimating the Customer's bill, the Company will attempt to secure an accurate reading of the meter.
5. Failure on the part of the Customer to comply with a reasonable request by the Company for access to its meter may lead to the discontinuance of service.
6. Each bill based on estimated usage will indicate that it is an estimated bill.
7. Estimates due to equipment malfunctions may exceed ~~one~~two months if the malfunction could not be reasonably discovered and/or corrected before additional bills were estimated.
8. A bill is not considered an estimated bill when the end read is based on an actual read.

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SECTION 11
BILLING AND COLLECTIONS
(continued)

B. Combining Meters, Minimum Bill Information

1. Each meter at a Customer's premises will be considered separately for billing purposes, and the readings of two (2) or more meters will not be combined unless otherwise provided for in the Company's Rates.
2. Each bill for residential service will contain the following minimum information:
 - a. Date and meter reading at the start of billing period or number of days in the billing period;
 - b. Date and meter reading at the end of the billing period;
 - c. Billing usage and demand (if applicable);
 - d. Rate schedule number;
 - e. Company's telephone number;
 - f. Customer's name;
 - g. Service account number;
 - h. Amount due and due date;
 - i. Past due amount;
 - j. Purchased Power Fuel Adjuster Clause cost, where applicable;
 - j.k. Other ACC-approved charges;
 - k.l. All applicable taxes; and
 - l.m. The address for the Arizona Corporation Commission.

C. Billing Terms

1. All bills for electric service are due and payable no later than ten (10) days from the date the bill is rendered. Any payment not received within this time frame will be considered past due.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
 - a. The postmark date for bills sent via U.S. Postal Service; or
 - b. The mailing date; or
 - c. The billing date shown on the bill (however, the billing date will not differ from the postmark or mailing date by more than two (2) days).
 - d. An Electronic Bill will be considered rendered at the time it is electronically sent to the Customer.

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BILLING AND COLLECTIONS
(continued)

3. All past due bills for electric service are due and payable within fifteen (15) days. Any payment not received within this timeframe will be considered delinquent and will be issued a suspension of service notice. For Customers under the jurisdiction of a bankruptcy court, a more stringent payment or prepayment schedule may be required, if allowed by that court.
4. All delinquent bills for which a valid payment has not been received within five (5) days will be subject to the provisions of the Company's termination procedures.
5. The amount of the late payment penalty as set forth as Fee No. 10 in the UNS Electric Statement of Charges will not exceed one and one-half percent (1.5%) of the delinquent bill, applied on a monthly basis.
6. All payments must be made at or sent via U.S. Postal Service to the Company's duly authorized representative by a payment method authorized by the Company.
7. A bill will be rendered in a form prescribed by the Company. If the Customer requests a bill in a form other than the one prescribed by the Company, the Company in its sole discretion may consider such request and charge the Customer any associated costs.

D. Applicable Rates, Prepayment, Failure to Receive, Commencement Date, Taxes

1. Each Customer will be billed under the applicable tariff indicated in the Customer's application for service.
2. Customers may pay for electrical service by making advance payments.
3. Failure to receive bills or notices that have been properly placed in the U.S. Postal Service or posted electronically will not prevent those bills from becoming delinquent nor relieve the Customer of his obligations therein.
4. Charges for service commence when the service is installed and connection made, whether used or not.

E. Meter Error Corrections

1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction of the error will be made of previous readings and adjusted bills will be rendered according to the following terms:
 - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter has been shown to be in error by the test; or

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BILLING AND COLLECTIONS
(continued)**

- b. From the date the error occurred, if the date of the cause can be definitely fixed. If the Customer has been underbilled, the Company will allow the Customer to repay this difference over the samean-equal periodlength of time for whichthat the under-billings occurred. The Customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.
 - c. If it is determined that the Customer has been overbilled and there is no evidence of meter tampering or energy diversion, the Company will make prompt adjustment or refund in the difference between the original billing and the corrected billing within the next billing cycle.
2. No adjustment will be made by the Company except to the Customer last served by the meter tested.

F. Responsibility for Payment of Bills

1. The Customer is responsible for the payment of bills until service is ordered discontinued and the Company has had reasonable time to secure a final meter reading for those services involving energy usage, or if non-metered services are involved until the Company has had reasonable time to process the disconnect request.
2. When an error is found to exist in the billing rendered to the Customer, the Company shall correct such an error to refund any overbilling and may correct such an error to recover any underbilling. The UNS Electric Bill Estimation Methodologies tariff shall be applied when the Company cannot obtain a complete and valid meter read. Situations that result in an estimated meter read include inclement weather, lack of access to a Customer's meter, energy diversion, labor unavailability and equipment malfunction.
3. Except as specified below, corrected charges for underbillings shall be limited to three (3) months for residential accounts and six (6) months for non-residential accounts.
 - a. Where the account is billed on a special contract or non-metered rate, corrected charges for underbillings shall be billed in accordance with the contract or rate requirements and is not limited to three or six months as applicable.
 - b. Where service has been established but no bills have been rendered, or a bill is rendered, but shows no consumption, corrected charges for underbillings shall go back to the date service was established.
 - c. Where there is evidence of meter tampering or energy diversion, corrected charges for underbillings shall go back to the date meter tampering or energy diversion began, as determined by the Company.
 - d. Where lack of access to the meter (caused by the Customer) has resulted in estimated bills, corrected charges for underbillings shall go back to the billing month of the last Company obtained meter read date.

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G. Returned Payments

1. The Company will be allowed to recover a fee, as set forth as Fee No. 9 in the UNS Electric Statement of Charges, for each instance where a Customer tenders payment for electric service with a payment returned unpaid. This fee will also apply when an electronic funds transfer ("EFT") is denied for any reason.
2. When the Company is notified by the Customer's bank or other financial institution that a payment has been returned unpaid, or denied for any reason, the Company may require the Customer to make payment in cash, by money order, ~~certified check~~, or other means approved methods which guarantee the Customer's payment to the Company.
3. A Customer, who tenders a payment which is returned unpaid, regardless of the reason or method used to pay, will not be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.
4. A Customer with two (2) returned payments within a twelve (12) month period may be required to pay with guaranteed funds, (i.e., cash, money order, or other approved methods ~~cashier's check~~ for any subsequent billing for twelve (12) months.

H. Budget Billing Plan

1. The Company may, at its option, offer its Customers a budget billing plan.
2. ~~The Company will develop, upon Customer request, an estimate of the Customer's budget billing for a twelve (12)-month period based upon~~ The Company will provide, upon Customer request, an estimate of the Customer's budget billing amount for a twelve-month period based upon:
 - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations;
 - b. For new Customers, the Company will estimate consumption based on the Customer's anticipated load requirements; or
 - c. The Company's Rates approved by the ACC applicable to that Customer's class of service.
3. The Company will provide the Customer, upon Customer request, a concise explanation of how the budget billing estimate was developed, the impact of budget billing on a Customer's monthly bill, and the Company's right to adjust the Customer's billing for any variation between the Company's estimated billing and actual billing.

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4. For those Customers being billed under a budget billing plan, the Company will show, at a minimum, the following information on the Customer's monthly bill:
 - a. Actual consumption;
 - b. Amount due for actual consumption;
 - c. Budget billing amount due; and
 - d. Accumulated variation in actual versus budget billing amount.
5. ~~The Company may adjust the Customer's budget billing in the event the Company's estimate of the Customer's usage and/or cost should vary significantly from the Customer's actual usage and/or cost; such review to adjust the amount of the budget billing may be initiated by the Company or upon Customer request.~~ The Company may adjust the Customer's budget billing in the event the Company's estimate of the Customer's usage and/or cost varies significantly from the Customer's actual usage and/or cost. This review to adjust the amount of the budget billing may be initiated by the Company or the Customer.
6. While on the budget billing plan, the Customer shall pay the monthly plan amount-, notwithstanding the current charges shown on the bill.
7. Any other charges incurred by the Customer shall be paid when due in addition to the monthly plan amount.
- 5.8. Interest will not be charged to the Customer on accrued debit balances nor paid by the Company on accrued credit balances.

I. Deferred Payment Plan

1. The Company may, prior to termination of service, offer to qualifying Customers a deferred payment plan for the Customer to retire unpaid delinquent bills for electric service.
2. Each deferred payment agreement entered into between the Company and the Customer – due to the Customer's inability to pay an outstanding bill in full – will specify that service will not be discontinued if:
 - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement;
 - b. Customer agrees to pay all future bills for electric service in accordance with the Company's Rates; and
 - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six ~~(6)~~ three (3) months.

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BILLING AND COLLECTIONS
(continued)**

3. For the purpose of determining a reasonable installment payment schedule, under these rules, the Company and the Customer will give consideration to the following conditions:
 - a. The size of the delinquent account;
 - b. The Customer's ability to pay;
 - c. The Customer's payment history;
 - d. The length of time that the debt has been outstanding;
 - e. The circumstances that resulted in the debt being outstanding; and
 - f. Any other relevant factors related to the circumstances of the Customer.
4. Any Customer who desires to enter into a deferred payment agreement must do so before the Company's scheduled termination date for nonpayment of bills. The Customer's failure to execute a deferred payment agreement prior to the scheduled service termination date will not prevent the Company from terminating service for nonpayment.
5. Deferred payment agreements may be in writing and may be signed by the Customer and an authorized Company representative.
6. A deferred payment agreement may include a finance charge of one and one-half percent (1.5%) does not relieve the unpaid balance from being assessed a monthly late charge, in accordance with the current late payment fee percentage rate listed in the UNS Electric Statement of Charges as Fee No. 10.
7. If a Customer has not fulfilled the terms of a deferred payment agreement, the Company will have the right to disconnect service pursuant to the Company's Termination of Service Rules (Section 12) and, under these circumstances, it will not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

J. Change of Occupancy

1. To order service to be discontinued or to change occupancy, the Customer must give the Company at least three (3) business days advance notice via the website, e-mail or in person, in writing or by telephone.
2. The outgoing Customer will be responsible for all electric services provided and/or consumed up to the scheduled turn-off date.
3. The outgoing Customer or property owner, in the case of a known landlord/tenant situation, is responsible for providing access to the meter so that the Company may obtain a final meter reading. If access is unavailable, due to the action or inaction of the Customer or property owner, the outgoing Customer or owner/landlord will be

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responsible for the services consumed until such time as access is provided and services can be disconnected turned-off.

SECTION 11
BILLING AND COLLECTIONS
(continued)

K. Electronic Billing

1. Electronic Billing is an optional billing service whereby Customers may elect to receive, view, and pay their bills electronically. Electronic Billing includes the "UES e-bill" service and ~~the Automatic Payment ("Auto-Pay") service with a no-fee payment option~~. The Company may modify its Electronic Billing services from time to time. A Customer electing an electronic billing service may receive an electronic bill in lieu of a paper bill.
2. Customers electing an electronic billing service may be required to complete additional forms and agreements.
3. Electronic Billing may be discontinued at any time by the Company or the Customer.
4. An Electronic Bill will be considered rendered at the time it is electronically sent to the Customer. Failure to receive bills or notices which have been properly sent by an Electronic Billing system does not prevent these bills from becoming delinquent and does not relieve the Customer of the Customer's obligations therein.
5. Any notices that the Company is required to send to a Customer who has elected an Electronic Billing service may be sent by electronic means at the option of the Company.
6. Except as otherwise provided in this subsection, all other provisions of the Company's Rules and Regulations and other applicable Rates are applicable to Electronic Billing.
7. The Customer must provide the Company with a current email address for electronic bill delivery. If the Electronic Bill is electronically sent to the Customer at the email address that Customer provided to the Company, then the Electronic Bill will be considered properly sent. Further, the Customer will be responsible for updating the Company with any changes to this email address. Failure to do so will not excuse the Customer from timely paying the Company for electric service.

L. Collections

1. All unpaid closed accounts may be referred to a collection agency for collections.
2. If a collection agency referral is warranted for collection of unpaid final bills, Customer will be responsible for associated collection agency fees ~~incurred~~ assessed by the Company or its Agent. If the unpaid bill is referred to a credit bureau, the Company will not be held responsible to notify the Credit Bureau of any payment status.

M. Refunds

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Customers will not be eligible for refunds, rebates or other Company program payments if the Customer has a delinquent Company balance.

**SECTION 11
BILLING AND COLLECTIONS
(continued)**

N. Refund of Credit Balance Following Discontinuance of Service

Upon discontinuance of service, the Company shall refund the Customer any credit balance remaining on the account. With the consent of the Customer (when available), any credit balance remaining on the account that is less than \$5.00, shall be donated to a low-income assistance program to be determined by the Company or as may be required by law.

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**SECTION 12
TERMINATION OF SERVICE**

A. Nonpermissible Reasons to Disconnect Service

1. The Company will not disconnect service for any of the reasons stated below:
 - a. Delinquency in payment for service rendered to a prior Customer at the premises where service is being provided, except in the instance where the prior Customer continues to reside on the premises;
 - b. Failure of the Customer to pay for services or equipment which are not regulated by the ACC;
 - c. Nonpayment of a bill related to another class of service; or
 - d. Failure to pay a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the Customer agrees to pay over a reasonable period of time.
2. The Company will not terminate residential service where the Customer has an inability to pay and:
 - a. The Customer can establish through medical documentation that, in the opinion of a licensed medical physician, termination would be especially dangerous to the Customer's health or the health of a permanent resident residing on the Customer's premises;
 - b. Life supporting equipment used in the home that depends on electric service for its operation; or
 - c. Where weather will be especially dangerous to health as defined herein or as determined by the ACC.
3. Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be terminated until all of the following have been attempted:
 - a. The Customer has been informed of the possible availability of funds from various government and social assistance agencies of which the Company is aware; and
 - b. A third party previously designated by the Customer has been notified and has not made arrangements to pay the outstanding electric bill.
4. A Customer utilizing the provisions of subsections 2 or 3 above may be required to enter into a deferred payment agreement with the Company within ten (10) days after the scheduled termination date.
5. Failure to pay the bill of another Customer as guarantor thereof.
6. Disputed bills where the Customer has complied with the ACC's rules on Customer bill disputes.

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SECTION 12
TERMINATION OF SERVICE
(continued)

B. Termination of Service Without Notice

1. The Company may disconnect electric service without advance written notice under the following conditions:
 - a. The existence of an obvious hazard to the safety or health of the Customer or the general population or the Company's personnel or facilities;
 - b. The Company has evidence of meter tampering or fraud; or
 - c. The Company has evidence of unauthorized resale or use of electric service; or
 - d. Customer makes payment to avoid/stop disconnection for non-payment with a dishonored or fraudulent payment. The Company will not be required to restore service until the repayment of those funds and all other delinquent amounts are paid by cash, money order, cashier's check, certified funds or verified electronic payment; or
 - e. Customer makes payment to reconnect service with a dishonored or fraudulent payment. The Company will not be required to restore service until the repayment of those funds and all other delinquent amounts are paid by cash, money order, cashier's check, certified funds or verified electronic payment; or
 - f. Failure of a Customer to comply with the curtailment procedures imposed by the Company during supply shortages.
2. The Company will not be required to restore service until the conditions that led to the termination have been corrected to the satisfaction of the Company.
3. The Company will maintain a record of all terminations of service without notice. This record will be maintained for a minimum of one (1) year and will be available for inspection by the ACC.

C. Termination of Service With Notice

1. The Company may disconnect service to any Customer for any reason stated below, provided that the Company has met the notice requirements described in subsection 12.D. below:
 - a. Customer violation of any of the Company's Rates;
 - b. Failure of the Customer to pay a delinquent bill for electric service;
 - c. Failure of a prior Customer to pay a delinquent bill for electric service where the prior Customer continues to reside on the premise;
 - d. Failure of the Customer to meet agreed-upon deferred payment arrangements;

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SECTION 12
TERMINATION OF SERVICE
(continued)

- e. Failure to meet or maintain the Company's deposit requirements;
 - f. Failure of the Customer to provide the Company reasonable safe access to its equipment and property;
 - g. Customer breach of a written contract for service between the Company and Customer;
 - h. Returned or invalid payment;
 - i. When necessary for the Company to comply with an order of any governmental agency having jurisdiction;
 - j. When a hazard exists which is not imminent, but in the opinion of the Company, it may cause property damage;
 - k. Customer facilities that do not comply with Company requirements or specifications;
 - l. Failure to provide or retain rights-of-way or easements necessary to serve the Customer;
 - m. The Company learns of the existence of any condition in Section 3.D., Grounds for Refusal of Service.
2. The Company will maintain a record of all terminations of service with notice. This record will be maintained for one (1) year and be available for ACC inspection.
- D. The Company will not be obligated to renotify the Customer of the termination of service, even if the Customer – after receiving the required termination of service notification – has made payment, yet the payment is returned within three (3) to five (5) business days of receipt for any reason. The original notification will apply.
- E. Termination Notice Requirements
- 1. The Company will not terminate service to any of its Customers without providing advance written notice to the Customer of the Company's intent to disconnect service, except under these conditions specified in subsection 12.A. where advance written notice is not required.
 - 2. This advance written notice will contain, at a minimum, the following information:
 - a. The name of the person whose service is to be terminated and the address where service is being rendered;
 - b. The Company's Rate(s) that was violated and explanation of the violation or the amount of the bill that the Customer has failed to pay in accordance with the payment policy of the Company, if applicable;
 - c. The date on or after which service may be terminated;
 - d. A statement advising the Customer to contact the Company at a specific phone number for information regarding any deferred payment or other procedures that the Company may offer or to work out some mutually agreeable solution to avoid termination of the Customer's service; and;

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**SECTION 12
TERMINATION OF SERVICE
(continued)**

- e. A statement advising the Customer that the Company's stated reason(s) for the termination of services may be disputed by contacting the Company at a specific address or phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee will be empowered to resolve the dispute and the Company will retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the Customer of his or her right to file a complaint with the ACC.
 - 3. Where applicable, a copy of the termination notice will be simultaneously forwarded to designated third parties.
- F. Timing of Terminations with Notice**
- 1. The Company will give at least five (5) days advance written notice prior to the termination date. For Customers under the jurisdiction of a bankruptcy court, a shorter notice may be provided, if permitted by the court.
 - 2. This notice will be considered to be given to the Customer when a copy of the notice is left with the Customer or posted first class via the U.S. Postal Service, addressed to the Customer's last known address.
 - 3. If, after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment of the bill – or in the case of a violation of the Company's rules the Customer has not satisfied the Company that this violation has ceased – then the Company may terminate service on or after the day specified in the notice without giving further notice.
 - 4. The Company will have the right (but not the obligation) to remove any or all of its property installed on the Customer's premises upon the termination of service.
- G. Landlord/Tenant Rule**
- In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is the Customer of the Company, and where the landlord as a Customer would otherwise be subject to disconnection of service, the Company will not disconnect service until the following actions have been taken:
- 1. Where it is feasible to so provide service, the Company will offer the occupant the opportunity to subscribe for service in the occupant's own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
 - 2. The Company will not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

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**SECTION 13
RECONNECTION OF SERVICE**

When service has been discontinued for any of the reasons set forth in these Rules and Regulations, the Company will not be required to restore service until the following conditions have been met by the Customer:

A. Where service was discontinued without notice:

1. The hazardous condition must be removed and the installation will conform to accepted standards.
2. All bills for service and/or applicable investigative costs due the Company by reason of fraudulent or unauthorized use, diversion or tampering must be paid and a deposit to guarantee the payment of future bills may be required.
3. Required arrangements for service must be made.

B. Where service was discontinued with notice:

1. The Customer must make arrangements for the payment of all bills and these arrangements must be satisfactory to the Company.
2. The Customer must furnish a satisfactory guarantee to pay all future bills.
3. The Customer must correct any and all violations of these Rules and Regulations.

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**SECTION 14
ADMINISTRATIVE AND HEARING REQUIREMENTS**

A. Customer Service Complaints

1. The Company will make a full and prompt investigation of all service complaints made by its Customers, either directly or through the ACC.
2. The Company will respond to the complainant and/or the ACC representative within five (5) business days as to the status of the Company's investigation of the complaint.
3. The Company will notify the complainant and/or the ACC representative of the final disposition of each complaint. Upon request of the complainant or the ACC representative, the Company will report the findings of its investigation in writing.
4. The Company will inform the Customer of his right of appeal to the ACC.
5. The Company will keep a record of all written service complaints received that must contain, at a minimum, the following data:
 - a. Name and address of complainant;
 - b. Date and nature of the complaint;
 - c. Disposition of the complaint; and
 - d. A copy of any correspondence between the Company, the Customer, and/or the ACC.
6. This record will be maintained for a minimum period of one (1) year and will be available for inspection by the ACC.

B. Customer Bill Disputes

1. Any Customer who disputes a portion of a bill rendered for electric service must pay the undisputed portion of the bill and notify the Company's designated representative that any unpaid amount is in dispute prior to the delinquent date of the bill.

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SECTION 14
ADMINISTRATIVE AND HEARING REQUIREMENTS
(continued)

2. Upon receipt of the Customer notice of dispute, the Company will:
 - a. Notify the Customer within five (5) business days of the receipt of a written dispute notice;
 - b. Initiate a prompt investigation as to the source of the dispute;
 - c. Withhold disconnection of service until the investigation is completed and the Customer is informed of the results;
 - d. Upon request of the Customer the Company will report the results of the investigation in writing; and
 - e. Inform the Customer of his right of appeal to the ACC.
3. Once the Customer has received the results of the Company's investigation, the Customer will submit payment within five (5) business days to the Company for any disputed amounts. Failure to make full payment will be grounds for termination of service.

C. ACC Resolution of Service and/or Bill Disputes

1. In the event a Customer and the Company cannot resolve a service and/or bill dispute, the Customer will file a written statement of dissatisfaction with the ACC. By doing this, the Customer will be deemed to have filed an informal complaint against the Company.
2. Within thirty (30) days of the receipt of a written statement of Customer dissatisfaction related to a service or bill dispute, a designated representative of the ACC will attempt to resolve the dispute by correspondence and/or telephone with the Company and the Customer. If resolution of the dispute is not achieved within twenty (20) days of the ACC representative's initial effort, the ACC will then hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing will be governed by the following rules:
 - a. Each party may be represented by legal counsel, if desired;
 - b. Every informal hearing may be recorded or held in the presence of a stenographer;
 - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties;
 - d. All parties and the ACC's representative will be given the opportunity for cross-examination of the various parties; and

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ADMINISTRATIVE AND HEARING REQUIREMENTS
(continued)

- e. The ACC's representative will render a written decision to all parties within five (5) business days after the date of the informal hearing. This written decision of the ACC's representative is not binding on any of the parties and the parties will still have the right to make a formal complaint to the ACC.
3. The Company may implement normal termination procedures if the Customer fails to pay all bills rendered during the resolution of the dispute by the ACC.
4. The Company will maintain a record of written statements of dissatisfaction and their resolution for a minimum of one (1) year and make these records available for ACC inspection.

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