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Commissioner

ARIZONA CORPORATION COMMISSION

November 10, 2016

RE: Tucson Electric Power Company, Docket Nos: E-01933A-15-0239 and E-01933A-15-0322

Dear Commissioners and Other Interested Parties:

On September 1, 2016, Manufactured Housing Communities of Arizona submitted a letter to the docket that highlighted what it perceives as an unintended consequence of A.R.S. § 33-1413.01, a law that prohibits the landlord of a master-metered mobile home park (MMMHP) from separately charging tenants “more than the prevailing basic service single family residential rate charged by” a utility.

It appears that MMMHPs in Tucson Electric Company’s (TEP) service territory fall into one of two rate categories: the frozen MMMHP rate (GS-11F) or the non-residential general service customer rate (LGS13). The former is less expensive compared to the latter.¹ TEP asserts in its post-hearing brief that GS-11F is “not cost-based, is highly subsidized and should not be unfrozen.”² TEP claims that MMMHPs fit the mold of a non-residential general service customer³ (the LGS13 rate), even though MMMHPs merely pass through electricity service to *residential* customers. TEP admits that Tucson Meadows, LLC (TM), a MMMHP intervenor in TEP’s rate case that has raised this issue, could permit the utility to serve the residents of TM individually at the residential rate, which is less than LGS13 but more than GS-11F.

Thus, I see at least three possible rate scenarios for a mobile home park: 1) MMMHP subject to GS-11F; 2) MMMHP subject to LGS13; and 3) Individually Metered Mobile Home Park (IMMHP) with each residence subject to R-01. Fundamentally important in these three instances is the constant of the same mobile home with the same load pattern and the same cost causation (notwithstanding TEP’s billing costs associated with residential rates). Yet what ratepayers actually pay for their electricity depends more on the mobile home park’s vintage (pre- or post-A.A.C. R14-2-0205) and that park’s decision-making principles on various rate structures.

We should be creating more certainty for ratepayers while also ensuring that cost follows causation, which, as you know, is a key theme in this rate case. That may require reconsideration of the proposed rate successor to the GS-11F rate, along with an opportunity for current MMMHPs to ditch the LGS13 rate. TEP has stated that TM under GS-11F could theoretically resell power at a residential rate, “turning a profit on the power it did not produce.”⁴ Any revision to the GS-11F rate should address these concerns.

¹ See Initial Post-Hearing Brief of TM, at 5:4-11 and 6:4-11.

² See Initial Post-Hearing Brief of TEP, at 35:17.

³ See Ex. 32 (Jones Rejoinder), at 22:7.

⁴ See Initial Post-Hearing Brief of TEP, at 36:6.

I also have other informational requests pertaining to this matter below that will illuminate this important component of the rate case.

Informational Requests for TEP:

1. Please identify when the GS-11F “Mobile Home Park Electric Service” tariff was frozen (thereby preventing any new customers from taking service under this tariff), and explain the rationale for freezing this tariff. Provide the Docket Number and Decision Number for when the Commission approved freezing the GS-11F tariff.
2. What tariff(s) was offered by TEP to mobile home park owners/operators after the GS-11F “Mobile Home Park Electric Service” tariff was frozen?
3. Why has TEP not developed a rate schedule / tariff for master-metered mobile home parks that would allow the owner-operators of these parks to comply with A.R.S. 33-1413.01 without financial penalty to the park’s owner / operator?
4. How many mobile home parks does TEP service?
5. For each mobile home park for which TEP provides service, please provide a table showing what tariff each mobile home park is served under; whether the mobile home park is mastered metered; and the number of individual residences in each mobile home park.
6. Please explain TEP’s understanding of how individual residences within a master-metered mobile home park are charged for electric service.
7. What is the estimated cost for TEP to convert an existing master-metered mobile home park to individual meters for each residence within the park, assuming there are 1,000 residences within the park? Please provide a line item estimate of these costs and the required time-frame to make the conversion. Also, please provide an analysis of what, if any, of these conversion costs would be subsidized under TEP’s current and proposed Line Extension Policies.

Informational Requests for TM:

1. Please provide an analysis of the revenue implications (both Winter and Summer) for Tucson Meadows, LLC (“TM”) if TM is allowed to change its electric service from TEP’s current LGS-13 tariff to the currently frozen GS-11F tariff. Also, analyze the revenue implications under TEP’s proposed LGS tariff and its proposed GS-M-F tariff. Please provide all calculations and assumptions used in your analysis and include electronic copies of all spreadsheets in native format (ie. Excel or Word) with all links and formulae intact.

2. Please provide an analysis of the monthly bill impacts (both Winter and Summer) to TM residents if TM was to switch from the existing LGS-13 tariff to the existing, frozen GS-11F tariff. Also, analyze the monthly bill impacts to TM residents under TEP's proposed LGS tariff and its proposed GS-M-F tariff. Please provide all calculations and assumptions used in your analysis and include electronic copies of all spreadsheets in native format (i.e. Excel or Word) with all links and formulae intact.
3. Given that the proposed average cost per kWh for the frozen mobile home tariff is \$0.1205 and the proposed standard residential rate is \$0.1250, how would TM handle the price differential between what TM would pay for service versus what TM could charge its residences under the provisions of A.R.S. § 33-1413.01?

In addition to the questions above directed to TEP and Tucson Meadows, LLC, I encourage all parties to this Docket to submit written comments on this matter should a party so desire. Please docket your responses and/or comments. This information will be helpful to me as I continue to evaluate these issues.

I have not yet determined my position on this or any other issue presented by this case, and I look forward to reviewing your comments and responses as I continue to review the entire record in this proceeding.

Sincerely,

Andy Tobin
Commissioner