

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

Kristen K. Mayes – Chairman  
Gary Pierce  
Sandra D. Kennedy  
Paul Newman  
Bob Stump

**IN THE MATTER OF THE APPLICATION OF )  
UNS GAS, INC. FOR THE ESTABLISHMENT OF )  
JUST AND REASONABLE RATES AND CHARGES )  
DESIGNED TO REALIZE A REASONABLE RATE ) DOCKET No. G-04204A-08-0571  
OF RETURN ON FAIR VALUE OF THE )  
PROPERTIES OF UNS GAS, INC. DEVOTED TO )  
ITS OPERATIONS THROUGHOUT THE STATE )  
OF ARIZONA )**

**SURREBUTTAL TESTIMONY**

**OF**

**FRANK W. RADIGAN**

**ON BEHALF OF  
RESIDENTIAL UTILITY CONSUMER OFFICE OF ARIZONA**

**Phoenix, Arizona  
July 29, 2009**

**SURREBUTAL TESTIMONY OF FRANK W. RADIGAN  
EXECUTIVE SUMMARY**

- 1) The Company's proposed rate design that would phase in a 65% increase in the residential customer charge over three years should be rejected. The Company has presented no new evidence in its rebuttal testimony. The main argument is that the \$5.50 increase that it wishes to impose is relatively small in absolute terms and the rate shock is ameliorated by the phase-in over three years. In this testimony and my initial testimony I disagreed with a phase-in in order to avoid customer complaints and agreed to an 18% increase, \$1.5 per month for Residential customers. I view this increase at the top of an acceptable bill impact range given that RUCO is recommending a 1.6% overall increase.

1 **I. INTRODUCTION**

2 **Q. Please state your name, position and business address.**

3 A. Frank W. Radigan. I am a principal in the Hudson River Energy Company, a  
4 consulting firm providing services to the utility industry and specializing in the fields  
5 of rates, planning, and utility economics. My office address is 237 Schoolhouse  
6 Road, Albany, New York 12203.

7

8 **Q. On whose behalf are you appearing?**

9 A. I am appearing on behalf of the Residential Utility Consumer Office of Arizona  
10 (“RUCO”).

11

12 **Q. Are you the same Frank W. Radigan that previously provided testimony in this**  
13 **proceeding?**

14 A. Yes, I provided the RUCO position on cost of service, revenue allocation and rate  
15 design.

16

17 **Q. What is the purpose of the testimony you are presenting?**

18 A. I have been asked to discuss the reasonableness of UNS Gas, Inc.’s (“UNS” or the  
19 “Company”) rebuttal testimony on rate design.

20

21 **Q. Could you please summarize the Company’s rebuttal testimony?**

22 A. The Company’s proposed rate design that would phase in a \$5.50 (65%) increase in  
23 the residential customer charge over three years. Company witness Erdwurm argues

1           that too much emphasis is being placed on the bill impacts resulting from his  
2           proposal (Erdwurm Rebuttal, page 12). Mr. Erdwurm argues that when presented in  
3           percentage terms, the increase in customer charges approximates 65% and appears  
4           high, but when viewed in absolute terms, the increase in the charge over three years,  
5           from \$8.50 to \$14.00 per month, totals \$5.50 per month, the price of a typical fast  
6           food meal (Id).

7

8   **Q.    Could you please comment on the Company's arguments?**

9   A.    Yes, I did support the Company proposal to increase the customer charge from  
10       \$8.50 per month to \$10 per month in the rate year. I felt the \$1.50 per month or  
11       17.6% increase balanced the desire to increase the customer charge to reflect the cost  
12       to serve without imposing undue rate shock. The \$5.50 per month increase, 65%,  
13       would be unacceptable in terms of rate shock based on the Company's proposed rate  
14       increase of 6% and is quite unacceptable given RUCO's proposed rate increase of  
15       1.6%. One should remember that this rate case is not the only rate case that the  
16       utility will ever have given that the Company last had a rate increase just two years  
17       ago. Thus, the argument is not that we should not be moving the customer charge  
18       closer to the cost of service, but at what pace. My recommendation is a much more  
19       measured pace than what the Company proposes.

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21       Phasing in the increase in the customer charge does not solve the bill impact issue.

22       As I discussed in my original testimony, a phased increase is undesirable from a  
23       customer acceptance point of view (Radigan pre-filed testimony page 6). Based

1           on my 27 years of experience in the utility industry (gas, electric, water and steam)  
2           in which I worked for utility regulatory Commissions, public utility advocate  
3           offices, a number of municipal utilities and individual customers, customer's do  
4           not like, and do complain, about rate increases and especially outside of a rate  
5           case. A good example of customer dissatisfaction with utility rate increases is a  
6           recent United Illuminating rate case in Connecticut. As noted by the Department  
7           of Public Utility Control in its order: "The Department received more than 1000  
8           letters and email correspondence regarding the Company's application. They were  
9           unanimous in their opposition to the proposed rate increase. Many were  
10          concerned with the state of the economy and its effect on homeowners and  
11          businesses, and their ability to pay bills." (Docket No. 08-07-04, Application of  
12          the United Illuminating Company to Increase its Rates and Charges, Final  
13          Decision issued February 4, 2009). Even if one did want to consider further  
14          increases in the customer charge, it should not be done outside of a rate case.

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16   **Q.    Does this conclude your testimony?**

17   A.    Yes.

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