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March 10, 2004

Chairman Marc Spitzer
Commissioner William Mundell
Commissioner Mike Gleason
Commissioner Jeff Hatch-Miller
1200 W. Washington Ave.
Phoenix, Arizona 85007

Re: **Decision No. 66028 & Decision No. 66341**

Dear Colleagues:

I am submitting this letter to detail my proposals for dealing with UES natural gas issues in Northern Arizona.

Eliminate surcharge for April

I propose that the surcharge not be collected for the month of April. The surcharge would be reinstated in May and continue until October 31, 2004. At that time, the surcharge would be eliminated. This option would have the effect of granting much needed immediate relief to customers while simultaneously continuing to reduce the uncollected balance such that based upon reasonably available data it would appear that the surcharge would be eliminated in late fall of 2004.

I also believe that Staff and the company should explore whether it would be advisable to raise the amount of the trigger to something in the range of $6 million to $7 million dollars, up from current $4.5 million.

Raise CARES program eligibility to 200 % of federal poverty level to cover more residents

The Commission should raise the threshold for the CARES program to 200% of the federal poverty level, from its current amount of 150%. Currently, in order to qualify for CARES, a family of three can make no more than $23,505 per year. By raising it to 200%, the same family of three would be eligible if they made up to $31,340 per year.[1]

[1] The numbers used here and in the chart are based on the 2004 poverty guidelines which can be found in *Federal Register*, Vol. 69, No. 30, February 13, 2004, pp. 7336-7338.

Size of Family Unit	Poverty level	150% (current)	175%	200%
1	$9,310	$13,965	$16,292.50	$18,620
2	12,490	$18,735	$21,857.50	$24,980
3	15,670	$23,505	$27,422.50	$31,340
4	18,850	$28,275	$32,987.50	$37,700
5	22,030	$33,045	$38,552.50	$44,060
6	25,210	$37,815	$44,117.50	$50,420
7	28,390	$42,585	$49,682.50	$56,780
8	31,570	$47,355	$55,247.50	$63,140
For each additional person, add	3,180	$4,770	$5,565.00	$6,360

UES has assured this Commission that they are diligently attempting to sign up customers for the CARES program. Thus far, its efforts have only yielded 2,750 individuals (or 2% of UES' customers). According to the company, it has done all that it can to expand the program. That means it is time for this Commission to step in. By raising the eligibility percentage, more customers will qualify. The increase in the percentage should be accompanied by an aggressive outreach effort, informing the public of the new levels and touting the program. This outreach effort should include bill inserts as well as radio, television, and newspaper ads that must be approved by the Commission.

Order comprehensive public outreach effort to commence in June

I would like to see a public outreach program to discuss UES gas prices and mitigation programs that commences in June, 2004. This public outreach program should include radio, television, and print advertising and should inform the company's customers of its CARES program, budget billing, and other measures that can be taken to reduce energy use, such as weatherization. As all indicators are that prices will remain high for the next year, the communications should prominently feature the company's and the ACC's best predictions on prices for the coming winter. Specifically:

- **Bill inserts:** Bill inserts with information about predicted winter prices should go out in customers' June and July bills. Separate inserts detailing the CARES program (but also including statements about upcoming winter rates) should go out in August and September. A final bill insert should go out in October and November discussing CARES, budget billing and upcoming prices.

- **Newspaper, television and radio ads:** must be purchased by the company to accompany the mailings of the above-mentioned bill inserts in all UES service areas.

Because Unisource seemed incapable or unwilling to comply with this Commission's previous order on outreach and education, their outreach program, including each of the bill inserts and the company's proposed advertisements, must be approved by the Commission no later than May, 2004.

Recommend Order to Show Cause for failure to conduct public outreach/education

We should ask the staff to prepare an order to show cause for the Commission's consideration against Unisource for its apparent failure to properly notify its customers that the rate increase and surcharge were coming. In Order 66341, the Commission required Unisource to educate consumers about the surcharge and promote the company's programs to mitigate recent rate hikes. The response by Unisource was to distribute only one billing insert mentioning the 21 percent rate increase – an insert that was printed in 8-point type, and that failed to mention anything about the reinstitution of the surcharge or the impending increases in the costs of natural gas to be passed on through the PGA.

This stands in stark contrast to the public outreach effort conducted by Citizens during a period of price increases just a few years prior to Unisource's rate increase. Citizens conducted press conferences, published press releases, made statements on its web site, contacted public officials and sent out bill inserts to customers prominently declaring the coming rate increases.

If there is a fine levied against Unisource for its failure to conduct a reasonable outreach effort, the money should be applied back to the company's ratepayers.

Implement circuit breaker at 100% for the month of April

In Decision No. 66341, this Commission approved a circuit breaker at 140% to be used during the months of December, January, February, and March. I also propose that we implement the circuit breaker at 100% for the month of April 2004. Given the fact that any decision we make will not occur until the middle of March 2004, after many March bills have already gone out, reducing the circuit breaker for March will have virtually no effect. I understand that implementing the circuit breaker for April will have minimal impact, due to increasing temperatures; however, we must do as much as we can for the ratepayers this year. Therefore, while I am realistic about the limitations of this proposal and its potential efficacy for customers this winter, I support lowering the circuit breaker now.

The circuit breaker for the months of February and March 2004 at the 140, 125 and 100 percent levels breaks down as follows, by the number of customers who would be eligible for the circuit breaker and how each percentage reduction in the circuit breaker would affect the bank balance if the reductions had been implemented in February and March:

February

	$ by which the PGA balance will not be reduced	#customers covered
100%	$383,964	56,965
125%	$234,454	33,390
140%	$196,000	29,854
March		
100%	Not available	46,000
125%	Not available	29,000
140%	Not available	21,000

Again, I thank the Commission for its aggressive attention to this matter. Together we can bring much needed relief to the people of northern Arizona and Santa Cruz county and prevent this mid-winter nightmare from ever happening again.

Sincerely,

Kris Mayes
Commissioner