

Responses to Tim Steller

1. On what issues or in what cases over the last few years would you say RUCO has done best at representing the interests of residential consumers and winning gains for them?

RUCO is best suited to deal with technical accounting and policy issues relating to rates. The Corporation Commission has a Consumer Services division tasked with taking individual customer complaints and dealing with individual customer issues. Typically, every rate case has some level of reduction to the overall rates for ratepayers. This is in a lot of ways directly attributed to the work of RUCO. Some of the issues where RUCO has been effective at getting “wins” for residential consumers include:

- Getting the inclusion of interest expense
- Reducing corporate allocations
- Reducing or eliminating miscellaneous expenses
- Making sure incentive/bonus pay is equally shared
- Reducing rate case expense
- Reducing fleet expenses
- Getting the inclusion of post-test year plant retirements
- Returning excess accumulated deferred income taxes to consumers
- Reducing tank maintenance expense

Regarding cases that have resulted in what you might consider “wins” for ratepayers, in a recent Liberty Utilities case we were able to uncover information, in conjunction with Commission Staff, to warrant a refund to customers in excess of \$3 million dollars. In the APS rate case, a solution was found to get the solar companies to sign on to the settlement and limit the litigation associated with the contentious issue of net metering. In a recent EPCOR case, we successfully challenged a rate increase for many customers that would have been higher than 40%, primarily because of an accounting practice used by the Commission of allowing post-test year plant additions. Post-test year plant is investments in infrastructure that are made after the test year. By including these expenses creates a mismatch in comparing revenues and expenses from a specified test year. However, this “win” quickly changed because the Commission later approved interim rates for EPCOR.

2. Why did RUCO agree to a settlement of the APS rate case in 2017, leading to a significant increase in consumer rates, when its initial point of view was that there should be no rate increase?

RUCO’s no rate increase recommendation in direct testimony was based on a long-standing position of only allowing six months of post-test year plant. For the past five to ten years, the Commission in most utility rate cases has allowed at least 12 months. Post-test year plant is a significant factor in most rate increases. RUCO has fought long and hard on the issue and

recently seems to have started to receive some positive traction to work on the reform of this practice.

However, since the Commission has not recently limited the use of post-test year plant, in its next round of testimony, RUCO updated its models to include the regularly approved 12 months of post-test year plant. This change was the primary reason why RUCO moved from its position of no rate increase to that of agreeing to the revenue requirement ultimately approved in the rate case. RUCO did work hard to get other benefits for ratepayers. Some of these benefits include:

- The residential customer's average monthly bill will increase 4.54 percent as compared to the Company's initial request of 7.96 percent, a savings of about \$4.50 per customer primarily due to a 40 percent reduction in the revenue requirement.
 - APS agreed to use \$5 million of over-collected DSM funds to provide programs and education for customers to better control their bills.
 - Increase the crisis bill assistance program for low-income ratepayers by \$1.25 million per year.
 - An experimental rate for up to 10,000 customers was developed to incentivize technology adoption which has the potential to lower costs in the future for ratepayers.
 - The basic service charges on time of use ("TOU") based rates were lowered from \$17 to \$13 and to \$10 for the Extra Small rate, rather than the requested \$18.
 - Agreement by the solar parties to withdraw any appeals of the Commission's Value of Solar Decisions and does not undermine the negotiated terms of the settlement agreement through ballot initiatives, legislation or advocacy at the Commission.
3. Is it correct that RUCO felt it could not intervene in the Stacey Champion challenge because it was a party to the settlement?

That is not correct. RUCO didn't feel it could intervene because at the time RUCO was unable to find any examples of customers who were improperly overbilled. RUCO reached out to customers who brought forth complaints on social media and those listed in news stories in the Arizona Republic and the Arizona Daily Sun, asking for their bills to find evidence of their claims. RUCO reached out to the Arizona Corporation Commission Consumer Services, Wildfire (formerly Arizona Community Action Association), Arizona PIRG, Maricopa County Community Services also asking for them to help provide examples of customers who were overbilled. Some customers reached out to RUCO themselves, including Stacey Champion herself. After doing an analysis of her bills and many other customers, RUCO was unable to find any evidence of APS overcharging and none of these other groups were able to provide RUCO with evidence of the overbilling. Without any concrete evidence, RUCO felt it couldn't intervene in the Stacey Champion Complaint.

4. Do you think Champion uncovered valid problems with the rate-case settlement in her challenge?

RUCO has completed a full analysis on Ms. Champion's APS bill as discussed in the May open meeting before the Commission. There were no issues apparent in Ms. Champion's electricity bill to show that APS had increased her rate above what was approved by the Corporation Commission. However, Ms. Champion's challenge did highlight the need for more effective communication to residential consumers about changes to their bills and any future rate changes. RUCO is committed to improving this communication with all utilities we work with. Additionally, any customer that continues to feel like they were overcharged by APS is free to have their utility bills analyzed by our office. If there is a case that presents concrete evidence APS, or any other utility, is increasing rates on consumers improperly, RUCO will join in this case in support of those consumers that are being improperly impacted.

5. Are there any ways you can spell out simply in which RUCO has benefited residential consumers in recent TEP rate cases or other issues?

RUCO is one of the primary intervenors in most large rate cases, with the goal of keeping rates affordable for residential consumers. In the recent TEP rate case, RUCO was one of the primary parties fighting against the push for a mandatory demand charge. We were able to defeat them, not only in the TEP rate case but also in the UNS and APS rate cases. In addition, RUCO was able to help reduce the revenue requirement increase from \$109 million to \$66.3 million. This saved customers over \$5 per month on their bills. RUCO worked to reduce TEP's post-test year ask by \$18.1 million. RUCO was primarily responsible for permanently reducing TEP's rate base by \$5 million dollars relating to the building of the TEP headquarters, and changing depreciation and amortization rates to save money for ratepayers and aid in the closure of some of their coal plants.

6. Overall, what do you think of recent criticisms by some people that RUCO was not a very vigorous consumer advocate in recent years, especially during the Tenney tenure?

RUCO has been vigorous in our advocacy for consumers and ensuring that utility policies protect consumers and do not harm them. Our office is made up primarily of accountants and attorneys who have decades of experience doing this work. Much of RUCO's effectiveness is directly related to the makeup of the Commission and also how well the Corporation Commission trusts RUCO's positions and work product. The make-up of the commission is something that RUCO has no control over. In the past, RUCO's effectiveness was questioned because of what some would consider vigorous consumer advocacy based on out-of-balance positions. RUCO, particularly under Director Tenney's tenure, worked hard to become more effective by advocating for well thought out and well-balanced positions.