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Attorneys for Arizona Public Service Company

BEFORE THE ARIZONA CORPORATION COMMISSIONCOMMISSIONERS

Arizona Corporation Commission

DOCKETED

TOM FORESE, Chairman
BOB BURNS
ANDY TOBIN
BOYD DUNN
JUSTIN OLSON

MAR 8 2018DOCKETED BY

IN THE MATTER OF:

DOCKET NO. E-01345A-18-0002

STACEY CHAMPION, et al.,

Complainant,

**PROCEDURAL AND PROCESS
RECOMMENDATIONS**

v.

ARIZONA PUBLIC SERVICE COMPANY,
an Arizona Public Service Corporation,

Respondent.

During the Procedural Conference on February 15, 2018, the parties were directed to jointly develop, if possible, a process for moving forward in this proceeding. In an effort to do so, APS conferred with Mr. Gayer and Mr. Stafford, Ms. Champion's attorney, on two occasions. On February 23, 2018, the parties met in person at APS's office to discuss how best to proceed. And again on March 6, 2018, the parties conferred by telephone. Unfortunately, the parties at present are unable to agree on a specific path forward.

1 Accordingly, APS's proposed process and procedure for this proceeding is
2 described below.

3 Ms. Champion alleges that APS has violated Decision No. 76295. She
4 erroneously asserts that Decision No. 76295 required an average 4.54% bill impact for
5 residential customers. *See* Champion's Response to APS's Motion for More Definite
6 Statement at 2:7-14.¹ She also claims that APS appears to have violated this
7 requirement. As a result, the core of Ms. Champion's Complaint is a request to
8 determine if the "average bill impact on residential customers of the rates approved in
9 Decision 76295 is greater than 4.54%...."

10 Ms. Champion misunderstands what the 4.54% represents. The 4.54% represents
11 what (i) the annual net rate impact of the approved rate increase would have been, (ii) on
12 a full requirements² residential customer who, (iii) used an average of 1,086 kWh per
13 month, (iv) in the 2015 Test Year (2015), (v) inclusive of the adjustor sweep,³ and (vi)
14 without regard to any change in adjustors that occurred after the 2015 Test Year. And
15 one must also take into account that this "typical" APS residential customer is not any
16 singular customer but rather a composite of all residential customers using the average
17 level of kWh consumption on each of the available residential rate schedules, including
18 demand rates, weighted by the customers on each rate schedule. And, the level of APS's
19 rates determined in Decision No. 76295 was based on adjusted 2015 customer usage and
20 adjusted Test Year revenues based on that usage. Since 2015, however, APS's adjustors
21 changed—first in 2016 and again in 2017. Thus, comparisons made between bills in
22 2016, bills in 2017 and later, and those received during the 2015 Test Year could never
23 be "apples to apples" comparisons.

24
25
26 ¹ Because Ms. Champion's Response has been deemed a more definite statement of her complaint, APS
will refer to the Response as her Complaint.

27 ² A full requirements customer is one who purchases all of her electricity from APS.

28 ³ The adjustor sweep approved in Decision No. 76295 shifted revenue collected through certain adjustor
mechanisms into base rates. This sweep decreased the magnitude of these adjustor charges and increased
base rates a corresponding amount on average. The overall process was revenue neutral to the Company.

1 Evaluating the average residential bill impact as set forth in Decision No. 76295
2 cannot be accomplished through anecdotal evidence, or ad hoc comparisons between
3 monthly bills in 2016 and monthly bills in 2017. Indeed, establishing monthly bill
4 impacts in 2017 or 2018 would not establish any relevant fact or allow any meaningful
5 conclusion relating to Decision No. 76295. Thus, the only way Ms. Champion can meet
6 her burden of proof is to demonstrate that the rates approved by Decision No. 76295
7 produce more revenue when applied to the adjusted 2015 Test Year billing determinants
8 (kWh, kW, and customers) than authorized by that Decision.

9 When APS met with Mr. Stafford and Mr. Gayer on February 23, 2018, APS
10 explained again what the 4.54% represents and proposed to provide them with a
11 randomized sample of anonymous test year customer data to facilitate their examination.
12 After discussion and considering APS's proposal, both declined APS's offer, at least for
13 the moment. Mr. Stafford indicated that his client needs additional time to perform
14 preliminary analysis of the bills she is receiving from customers before they determine
15 how they intend to proceed. As indicated above, however, an ad hoc review of 2017 or
16 2018 bills of self-selected customers simply could never address the threshold issue
17 raised by Ms. Champion in this case – namely whether the 4.54% average reflected in
18 Decision No. 76295 has been properly applied by APS. Unfortunately, APS is
19 concerned that delay will only push this matter closer to the November 2018 election,
20 which risks distorting this process and increasing customer confusion.

21 APS recommends that this matter proceed as promptly and efficiently as possible
22 recognizing that complainants need sufficient time to prepare their case. Accordingly,
23 APS requests that a schedule be set for further proceedings, including deadlines for the
24 following: intervention by petitioners who wish to participate as parties in this matter;
25 simultaneous exchange of expert reports, and rebuttal reports if necessary; close of
26 discovery; pre-hearing filings; and a hearing (if necessary). Contrary to the assertion in
27 Mr. Gayer's March 7, 2018 Status Report, APS did not agree to a 60 day delay for Ms.
28 Champion to conduct a preliminary analysis. Instead, APS proposes to file its response

1 to Ms. Champion's revised Complaint by March 23, 2018 and anticipates hiring an
2 expert to review the allegations made by Ms. Champion and prepare a report on, among
3 other things, whether the rates approved by Decision No. 76295 produce the approved
4 revenue requirement when applied to adjusted 2015 Test Year billing determinants and
5 whether such rates have been properly applied by APS. A draft proposed schedule is
6 attached as Exhibit A for consideration by the parties and the Administrative Law Judge.

7 RESPECTFULLY SUBMITTED this 8th day of March 2018.

8
9 By: Melissa M. Krueger
10 Thomas A. Loquvam
11 Melissa M. Krueger

12 Attorneys for Arizona Public Service Company

13 ORIGINAL and thirteen (13) copies
14 of the foregoing filed this 8th day of
15 March 2018, with:

16 Docket Control
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20 COPY of the foregoing mailed/delivered this
21 8th day of March 2018 to:

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Exhibit A
Proposed Schedule

APS Response to Revised Complaint	March 23, 2018
Intervention	April 13, 2018
Simultaneous exchange of expert reports	May 4, 2018
Simultaneous exchange of rebuttal reports (if necessary)	May 18, 2018
Close of discovery	June 1, 2018
File witness summaries, stipulated statement of facts (if any), pre-hearing motions, and hearing exhibits	June 15, 2018
Hearing	June 20-21, 2018