

OPEN MEETING AGENDA ITEM



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August 3, 2020

Docket Control
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, AZ 85007

RE: Arizona Public Service Company (APS or Company)
Rate Review and Examination of the Books of APS
Docket No. E-01345A-19-0003

During the December 11, 2019 Open Meeting, APS committed to hold monthly stakeholder meetings. APS held an additional meeting in July to respond to questions, raised during the June 26th meeting, related to the summer disconnect moratorium. Attached is a summary of the discussion and materials presented at the meeting.

Please let me know if you have further questions.

Sincerely,

/s/ Rod Ross

Rodney J. Ross

RJR/lm
Attachments

Summary of July 10, 2020 Stakeholder Meeting

Meeting date and time:

Friday, July 10

11:30 a.m. – 1:00 p.m.

In light of the COVID-19 pandemic, the meeting was held via WebEx.

APS Staff in attendance

Daniel Froetscher, President and Chief Operating Officer

Laura Raymond, Interim VP Customer Service

Kristie Cocco, General Manager of Regulatory Affairs & Compliance

Amanda Ho, Director of State Regulatory Affairs

Katie Richards, Director of Revenue Operations

R.J. Kee, Manager of Revenue Recovery

David Werth, Manager of Marketing and Customer Programs

Maggie Gibbs, Customer Service Program Manager

Rod Ross, Manager of State Regulatory Affairs

Elizabeth Lawrence, Supervisor of State Regulatory Affairs

Lisa Malagon, State Regulatory Affairs Advisor

Stakeholders in attendance

Jordy Fuentes, RUCO

Laurie Woodall, RUCO

Cherylyn Strong, St. Vincent de Paul

Jackie Solares, St. Vincent de Paul

Steve Jennings, AARP

Tom Doescher, AARP

Caryn Potter, SWEEP

Diane Brown, Arizona PIRG

Cynthia Zwick, Wildfire

Mary Lou Rosales, Community Action Human Resource Agency

Max Gonzales, Chicanos Por La Causa

Rev. Doug Bland, Arizona Interfaith Power and Light

Patricia Sprengeler, Northern Arizona Council of Governments

Brandon Cheshire, Sun Harvest Solar

John Coffman, John Coffman LLC

Steve Neil

Summary

APS held a supplemental Stakeholder Meeting to follow up on questions raised by stakeholders during the Company's regularly scheduled June 26 meeting. The July 10th meeting topics included the Company's plans for payment arrangements when the moratorium ends in October and an update on delinquent accounts.

Introduction by Daniel Froetscher

Mr. Froetscher opened the meeting by thanking the stakeholders for their leadership and continued participation in the meetings. He reiterated the value of hearing directly from stakeholders and exchanging information about topics that are important to customers.

APS Plans for Payment Arrangements Post-Summer Moratorium

Katie Richards, Director of Revenue Operations, and R.J. Kee, Manager of Revenue Recovery, presented details on residential and commercial customer delinquencies after the implementation of the 2019 summer moratorium. APS voluntarily suspended disconnections in March 2020 for customers for non-payment to assist customers who may be experiencing economic difficulties due to the pandemic. APS is monitoring the number of delinquencies and highlighted several issues for the stakeholders' consideration:

- Residential delinquencies during the first quarter of this year held steady at approximately \$16 million.
- Between March and May during the COVID-19 moratorium, residential delinquencies increased \$5.3 million.
- Since the summer moratorium started on June 1st, residential delinquencies increased by \$4.6 million compared to the first quarter.
- Similarly, commercial delinquencies have increased \$2 million since mid-March, which is largely attributable to the impacts of the pandemic.

Ms. Richards and Mr. Kee discussed the timeline and status of payment arrangements after the summer 2019 and COVID-19 moratoriums. In October and November 2019, there were 96,000 residential customers who entered into payment arrangements after the end of the moratorium. About 40% of those customers were able to meet their payment arrangements and avoid service disconnections. 15,500 of the 96,000 customers had deposits that were applied to their accounts to reduce or eliminate their balances and avoid potential disconnection. Today, many of the customers have current accounts; however, there are approximately 13% of the original 96K customers who still have an outstanding payment obligation greater than \$300 and would face disconnection absent the ongoing moratorium.

APS proposed extending the customary payment duration of four months to six months to provide customers with a more affordable payment amount, especially considering the pandemic. The stakeholders overwhelmingly agreed. APS will provide a six-month payment arrangement as its default at the end of the current moratorium to assist APS customers through 2020.

As a reminder, APS also provided \$1.5 million to assist residential customers with a one-time credit of up to \$100 on their bill, with a priority given to customers on limited-income service plans. APS has also provided \$1.25 million to assist local non-profits and

community organizations working to mitigate the virus' impact. APS also established a \$2.3 million program to expand the COVID-19 assistance to continue residential assistance beyond the original commitment and expand assistance for extra small and small non-residential customers that have a delinquency of two or more months with a one-time credit of up to \$1,000 on their bill.

The presentation is included as Attachment A.

Stakeholders asked questions about the disconnection moratorium and data including:

- How many of the customers on payment arrangements were also participating in the Company's E-3 program for limited income?
- What was the average payment arrangement amount?
- Were customers able to negotiate a lower payment arrangement and longer term?

The Company committed to providing this information as quickly as possible.

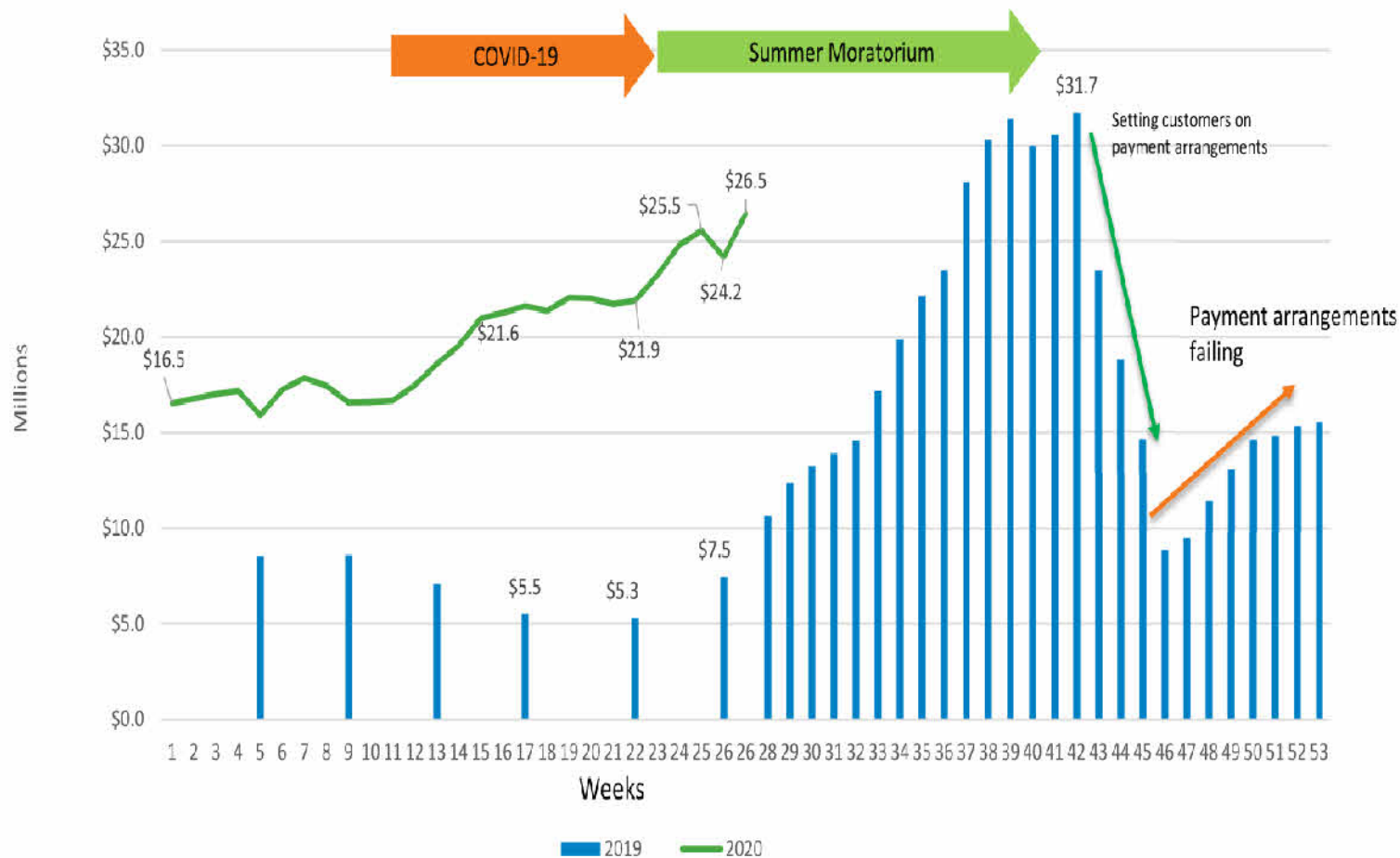
Mr. Froetscher concluded the meeting by thanking stakeholders for their time and feedback.

2019 Summer Moratorium Review

July 10, 2020

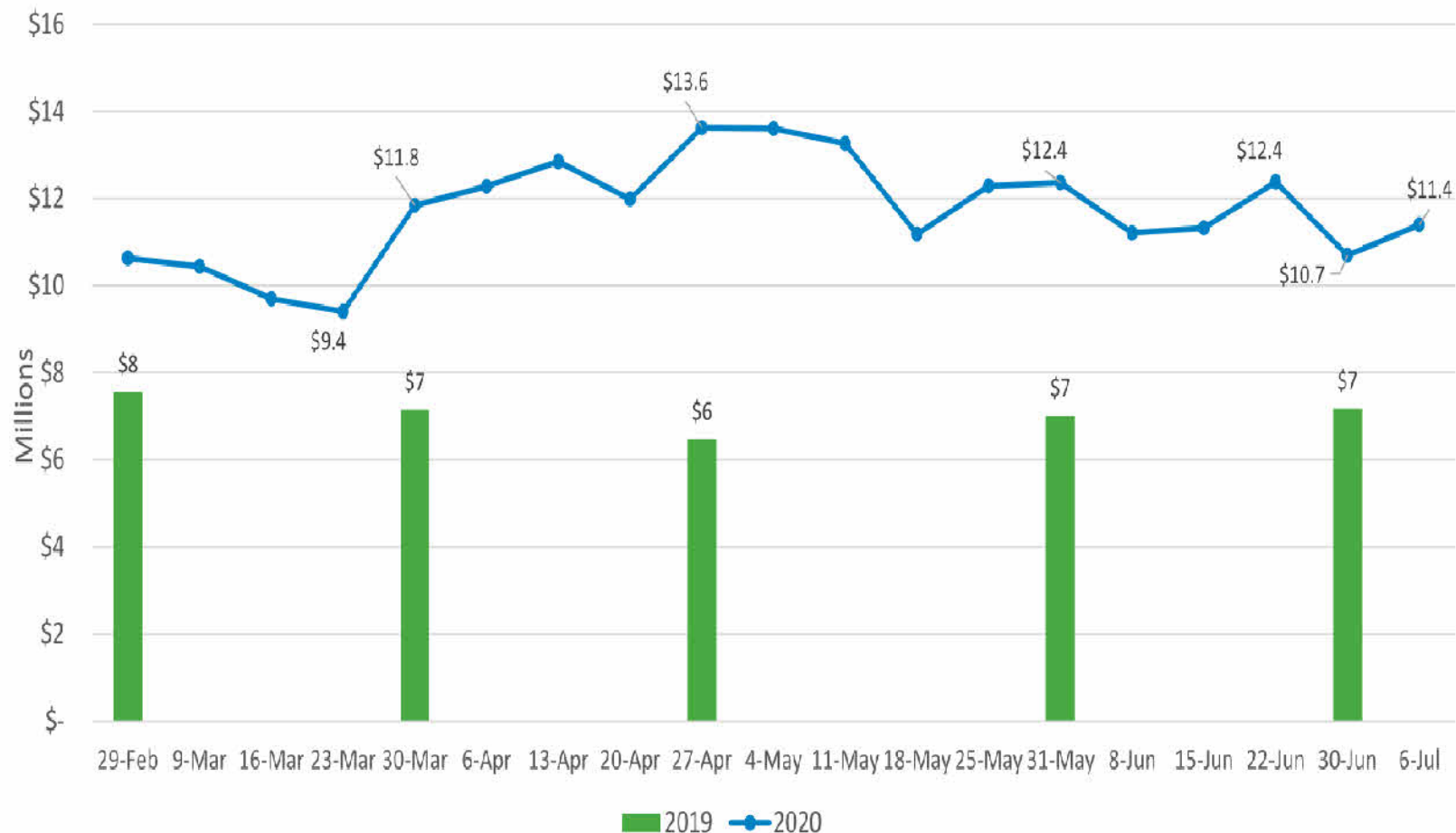
Residential Total Delinquency

Residential delinquencies held steady at approximately \$16M through Q1 2020, then increased \$5.3M between March - May during the COVID-19 moratorium. Since the summer moratorium started on June 1st, there has been an additional increase of \$4.6M.

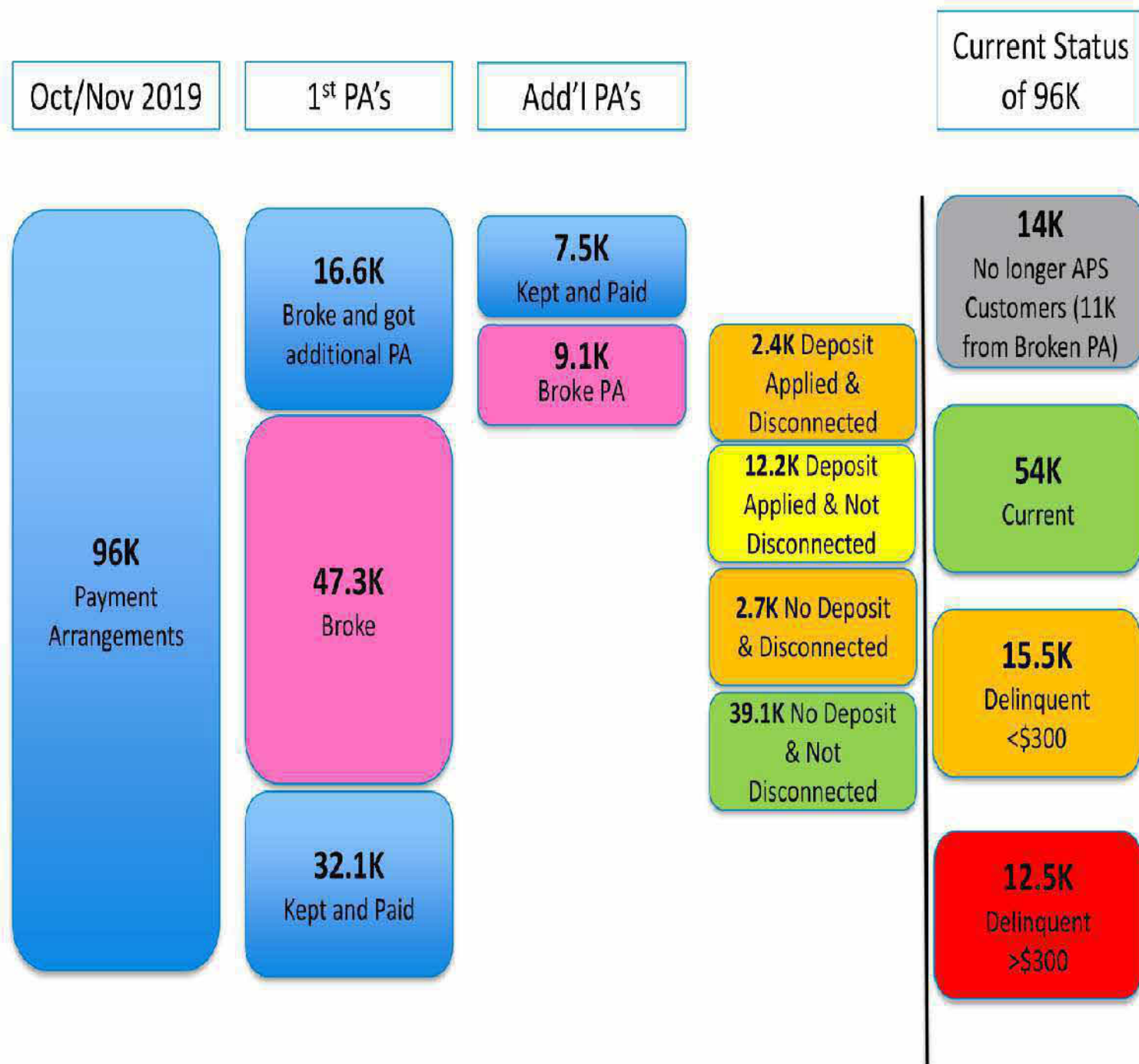


- Delinquency has increased \$9.9M since mid-March
- 24,200 active accounts (\$15.5M) have a delinquent balance > \$300 and are eligible for disconnection post-moratorium

Commercial delinquencies are stable week-over-week, but have increased 21% (\$2M) since mid-March and are \$4M higher than prior year showing that change in commercial accounts can largely be attributed to COVID-19 impacts.



Timeline of Post-Moratorium PA's



Customers did not successfully recover from built-up utility bills post-summer 2019 moratorium

Payment Arrangements were not an effective tool to help customers pay built up utility bills.

Only **41%** of all payment arrangements were kept.

The average time where a payment arrangement was broken was **2 months**.

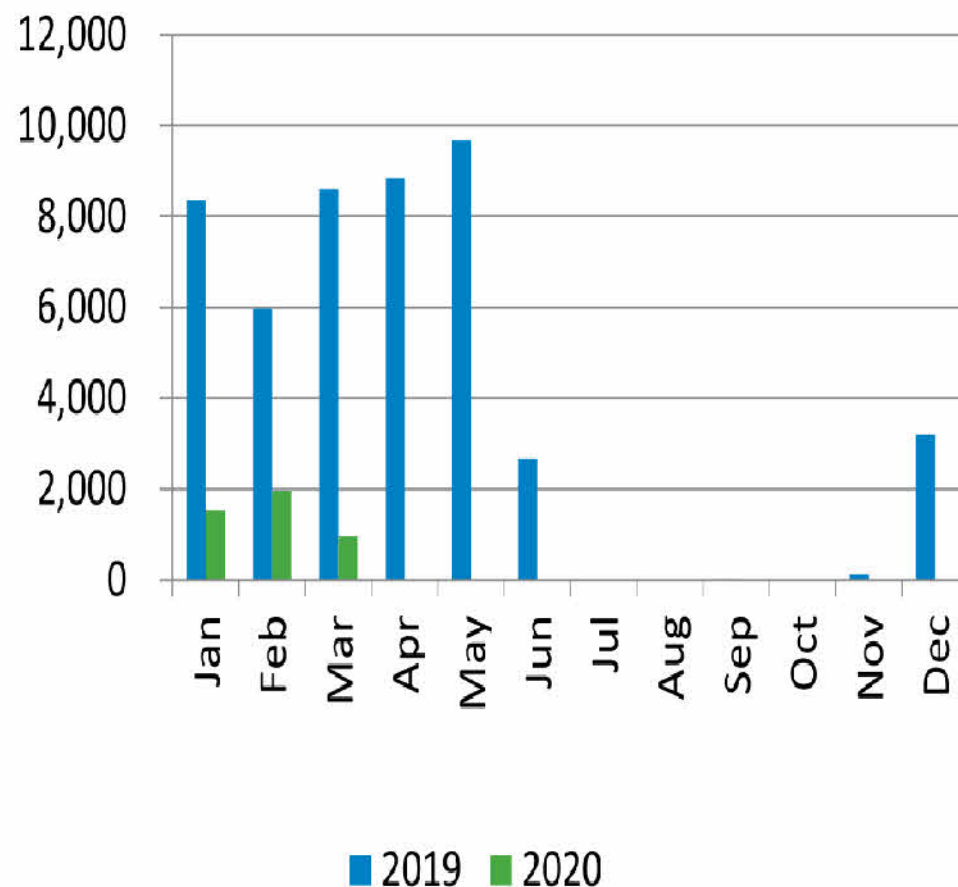
Customers were able to use deposits to avoid disconnection.

15.5K customers were able to apply deposits to help with past due amounts

Because of the length of the severance process, only a few customers faced a disruption in service, but a significant number of customers still owe APS money

5.4K disconnections developed from the original 96K payment arrangements
(**1.5K** never reconnected)

21K currently owe \$0
61K of original 96K (**64%**) currently owe APS
28K of the 61K are delinquent
12.5K of the 28K owe at least \$300
7.3K of the 12.5K are 120+ Days delinquent



YoY Explanations:

2020

- January – March SONP activity lower YoY due to key policy changes:
 - SONP delinquent threshold \$300 compared to \$50 in prior years
 - Application of deposit to stop disconnect
 - Policy change to allow 50% payment of outstanding balance to stop disconnect
- COVID-19 Moratorium on SONP's started mid-March with no SONP's processed since

2019

- All residential SONPs were stopped June 10th
- July through November non-residential SONPs continued