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ARIZONA STATE HOUSE OF REPRESENTATIVES
RESEARCH STAFF



Jon Rudolph

Legislative Research Analyst
Regulatory Affairs Committee
Telephone: (602) 926-3165

TO: JOINT LEGISLATIVE AUDIT COMMITTEE
DATE: January 21, 2020
SUBJECT: Sunset Review of the Residential Utility Consumer Office

Attached is the final report of the sunset review of the Residential Utility Consumer Office which was conducted by the House Regulatory Affairs Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Douglas A. Ducey

President of the Senate
Senator Karen Fann

Speaker of the House of Representatives
Representative Russell Bowers

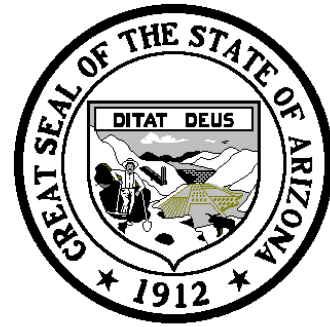
House Members

Representative Travis Grantham, Chair
Representative Bret Roberts, Vice-Chair
Representative Walter Blackman
Representative Pamela Powers Hannley
Representative Amish Shah
Representative Raquel Teran
Representative Ben Toma

Office of the Chief Clerk
House Republican Staff
House Democratic Staff
House Research Staff
Secretary of the Senate
Senate Resource Center
Senate Republican Staff
Senate Democratic Staff
Senate Research Staff

Residential Utility Consumer Office
Arizona State Library, Archives & Public Records

**House of Representatives
Regulatory Affairs Committee of Reference
Sunset Review of the
Residential Utility Consumer Office**



**Final Report
January 2020**

Committee Members:

Representative Travis Grantham, Chairman
Representative Bret Roberts, Vice-Chairman
Representative Walter Blackman
Representative Pamela Powers Hannley
Representative Amish Shah
Representative Raquel Teran
Representative Ben Toma

TABLE OF CONTENTS

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 - a. Background
 - b. Committee Activity
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- II. Appendix
 - a. January 16, 2020: minutes and reference materials

REPORT 2020

Background

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Residential Utility Consumer Office (RUCO) to the Senate Commerce and the House of Representatives Regulatory Affairs Committee of Reference (COR).

[Laws 1983, Chapter 308](#) established RUCO to represent the interests of residential consumers and advocate on their behalf in rate-related regulatory proceedings that involve public services corporations before the Arizona Corporation Commission (ACC). The ACC sets the rates for electricity, gas, telecommunications, water and sewer utilities. RUCO conducts a preliminary review of every utility rate increase application filed with the ACC and determines the potential impact on residential consumers. The Director of RUCO is appointed and serves at the pleasure of the Governor upon confirmation by the Senate. RUCO was most recently continued for 10 years pursuant to [Laws 2010, Chapter 16](#).

Summary of Committee Activity

The Regulatory Affairs Committee of Reference met on January 16, 2020, to consider RUCO's response to the sunset factors and receive public testimony.

A video recording of the committee can be found [here](#).

Committee Recommendations

On January 16, 2020, the Committee of Reference recommended that the Residential Utility Consumer Office be continued for eight years.

Appendix A:

January 16, 2020

Minutes and Reference Materials

[Regulatory Affairs Committee of Reference Meeting Minutes and Reference Materials](#)

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-fourth Legislature - Second Regular Session

HOUSE REGULATORY AFFAIRS COMMITTEE OF REFERENCE

Report of Interim Meeting
Thursday, January 16, 2020
House Hearing Room 5 -- 8:30 A.M.

Convened 8:32 A.M.
Recessed
Reconvened
Adjourned 9:48 A.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE

1-16-20

Members Present

Representative Grantham, Chairman
Representative Roberts, Vice-Chairman
Representative Blackman
Representative Powers Hannley
Representative Shah
Representative Terán
Representative Toma

Members Absent

Agenda

Original Agenda – Attachment 1

Request to Speak

Attachment 2

Committee Attendance

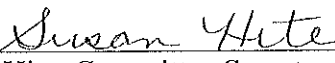
Report – Attachment 3

Presentations

| <u>Name</u> | <u>Organization</u> | <u>Attachments (Handouts)</u> |
|---------------|-------------------------------------|-------------------------------|
| Jordy Fuentes | Residential Utility Consumer Office | 4 |
| Rosa Ellis | Office of the Auditor General | 5 |
| Holly Henley | Board of Library Examiners | 6 |

Committee Action

8-year continuation of the Residential Utility Consumer office by voice vote
5-year continuation of the Department of Insurance by voice vote
8-year continuation of the Board of Library Examiners by voice vote



Susan Hite, Committee Secretary
January 16, 2020

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

ARIZONA HOUSE OF REPRESENTATIVES

Conv. 8:32

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

Adj 9:48

HOUSE REGULATORY AFFAIRS COMMITTEE OF REFERENCE

Date: Thursday, January 16, 2020

Time: 8:30 A.M.

Place: HHR 5

AGENDA

1. Call to Order
2. Roll Call
3. Sunset Review of the Residential Utility Consumer Office
 - Presentation by the Residential Utility Consumer Office
 - Public Testimony
 - Discussion and Recommendations
4. Sunset Review of the Arizona Department of Insurance
 - Presentation by the Office of the Auditor General
 - Response by the Arizona Department of Insurance
 - Public Testimony
 - Discussion and Recommendations
5. Sunset Review of the Arizona Board of Library Examiners
 - Presentation by the Arizona Board of Library Examiners
 - Public Testimony
 - Discussion and Recommendations
6. Adjourn

Members:

| | |
|--|-----------------------------|
| Representative Travis W. Grantham, Chair | Representative Amish Shah |
| Representative Bret Roberts, Vice Chair | Representative Raquel Terán |
| Representative Walter Blackman | Representative Ben Toma |
| Representative Pamela Powers Hannley | |

Attachment 1

01/08/20
JY

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona

PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD



HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on RUCCO Bill Number _____
Date Jan. 16, 2020 Support Oppose Neutral
Name Stacey Champion Need to Speak? Yes No
Representing self Are you a registered lobbyist? _____
Complete Address _____
E-mail Address SC@champion-pr.com Phone Number 602-788-0033
Comments: _____

FIVE-MINUTE SPEAKING LIMIT

Attachment 2

ARIZONA STATE LEGISLATURE
Fifty-fourth Legislature - Second Regular Session

COMMITTEE ATTENDANCE RECORD

COMMITTEE ON REGULATORY AFFAIRS COMMITTEE OF REFERENCE

CHAIRMAN: Travis W. Grantham VICE-CHAIRMAN: Bret Roberts

| DATE | 01/16/20 | /20 | /20 | /20 | /20 |
|------------------------|----------|-----|-----|-----|-----|
| CONVENED | 8:32 m | m | m | m | m |
| RECESSED | | | | | |
| RECONVENED | | | | | |
| ADJOURNED | 9:48 | | | | |
| MEMBERS | | | | | |
| Blackman | ✓ | | | | |
| Powers Hannley | ✓ | | | | |
| Shah | ✓ | | | | |
| Terán | ✓ | | | | |
| Toma | ✓ | | | | |
| Roberts, Vice-Chairman | ✓ | | | | |
| Grantham, Chairman | ✓ | | | | |

✓ Present --- Absent exc Excused

RESIDENTIAL UTILITY CONSUMER OFFICE
SERVING ARIZONA'S RESIDENTIAL UTILITY CONSUMERS SINCE 1983

Arizona House Of Representatives
Committee on Regulatory Affairs

Jordy Fuentes
Director

January 15, 2020



RUCCO'S ROLE

Our Mission Statement:

Professionally represent residential utility customers in regulatory proceedings before the Arizona Corporation Commission, advocating for fair and reasonable utility rates and quality utility services, in a dynamic utility environment.

Our Stakeholders and Customers:

The Residential Utility Consumer Office's stakeholders and customers are the residential customers of public service corporations, regulated by the Arizona Corporation Commission, excluding customers of member-owned non-profit cooperatives.

ORGANIZATIONAL CHART

JORGE "JORDY" FUENTES
Director

VACANT
Deputy Director/Policy Advisory

CHERYL FRAULOB
Administrative
Services
Officer II

JEFFREY MICHLIK
Public Utilities
Analyst V

JOHN CASSIDY
Public Utilities
Analyst V

CRYSTAL BROWN
Public Utilities
Analyst V

VACANT
Public Utilities
Analyst V

DAN POTZESKY
Chief Counsel

Admin Legal Accounting

BUDGET & FUNDING

- Not a General Fund Office
- 100% of Funding from Assessment

| EXPENDITURE CATEGORIES | APPROVED 2019 | APPROVED 2020 |
|------------------------|---------------|---------------|
| PERSONAL SERVICES | \$757,700 | \$757,700 |
| EMPLOYEE EXPENSES | \$250,100 | \$253,700 |
| ALL OTHER | \$189,800 | \$192,200 |
| PROFESSIONAL WITNESS | \$145,000 | \$145,000 |
| TOTAL | \$1,342,600 | \$1,348,600 |

INTERVENTION

- RUCCO intervenes formally in rate cases based on a number of factors. These include:
 - Number of residential customers affected by the application
 - Relative magnitude of the requested rate increase
 - Duration of time since the utility's last rate increase
 - Potential for the individual issues in the case to affect other utilities (precedent)
 - Number and relative magnitude of potential issues in the application
 - Consistency of the application with Commission precedent
 - Number of calls or complaints from the public concerning the application
 - Level of available resources that can be devoted to the application (current case load, staffing, consultant budget, etc.)
 - Potential for success in influencing the outcome of the case (assess RUCCO's success rate on similar issues)
 - Novelty of potential issues apparent in the application

IMPACT

Rate Cases

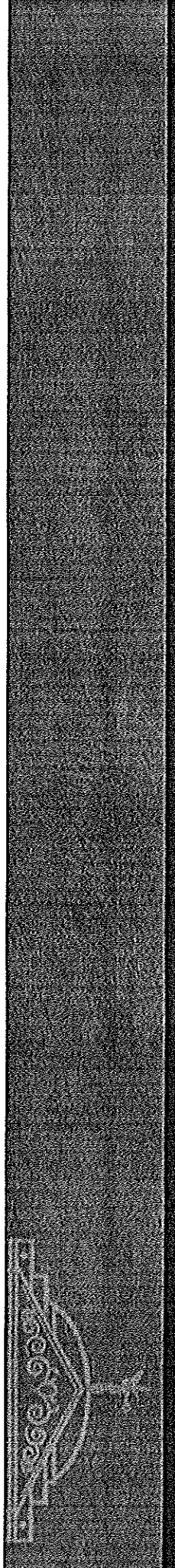
- \$560 million dollars in savings over last three fiscal years!!

| | FY17 | FY18 | FY19 |
|--|-------|-------|------|
| Total Utility/Rate Increase Requested (Millions\$) | \$178 | \$176 | \$17 |
| Total ACC Rate Increase Approved (Millions\$) | \$108 | \$94 | \$10 |
| Total Annual Savings (Millions\$) | \$70 | \$82 | \$7 |
| Total Savings* (Millions\$) | \$288 | \$246 | \$26 |

*Total Savings are calculated based on the projected rate case cycle of each utility

Non Rate Case

- Tax Cut Refunds, Value of Solar, Johnson Utilities, Water Policy, EV Policy, IRP, Demand Side Management, Retail Choice, Energy Policy, Utility Disconnects



Arizona Department of Insurance

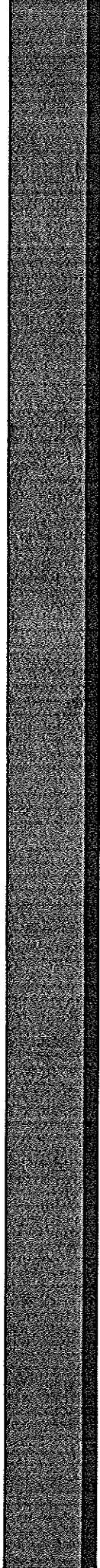
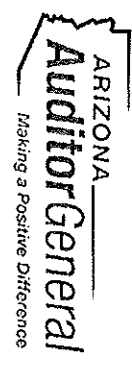
Performance Audit and Sunset Review

Report 19-110

Issued: September 2019

Presenter: Rosa Ellis

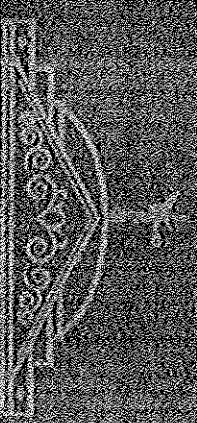
Date: January 16, 2020



Department regulates insurance industry

- Licenses insurance companies and professionals
- Investigates consumer complaints
- Investigates reports of suspected insurance fraud
- Reviews insurance policies, rates, and products

Agency consolidation



2019 consolidation:

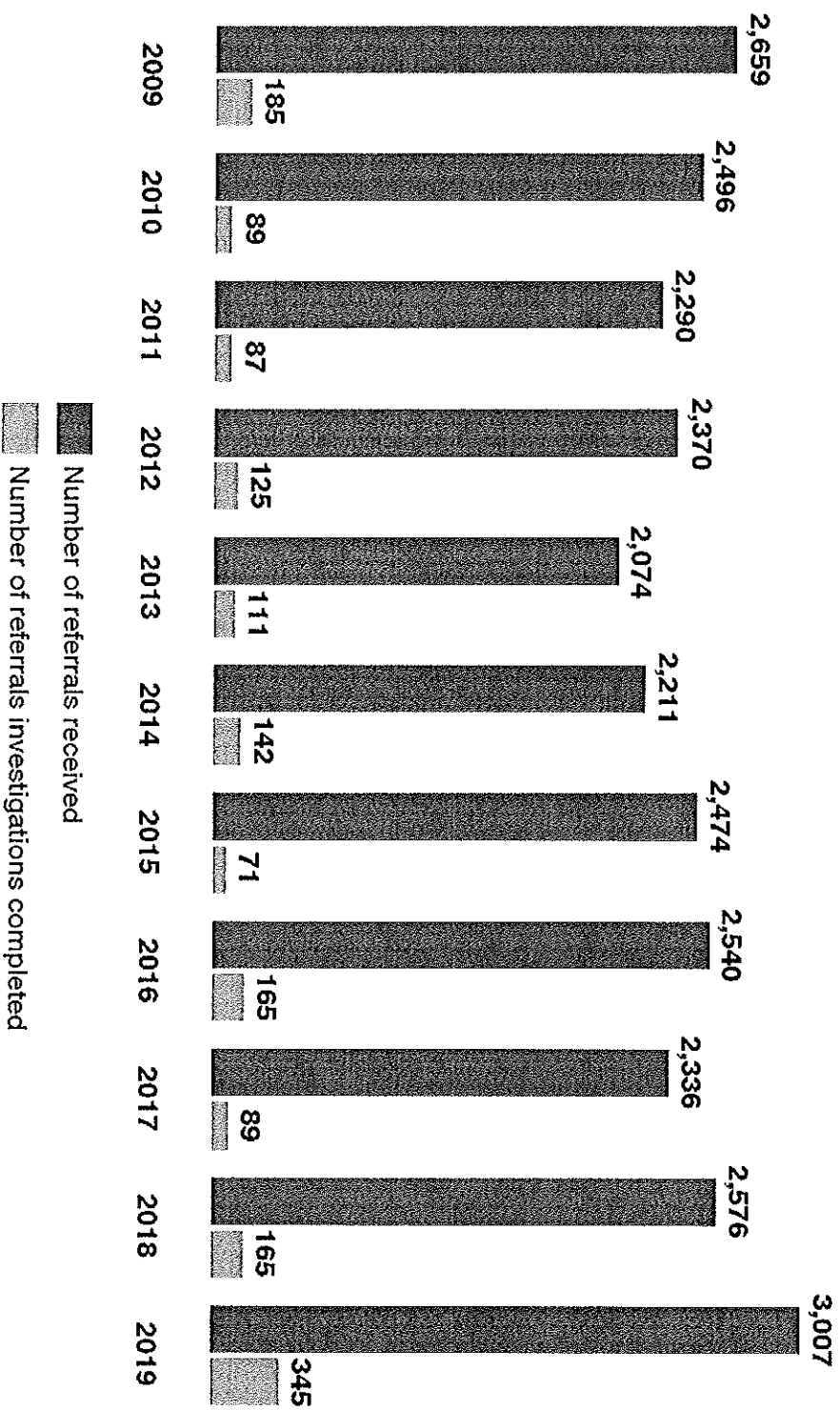
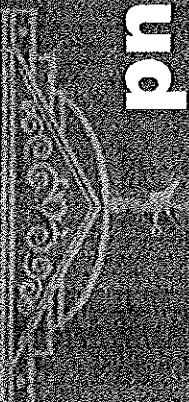
- Arizona Department of Financial Institutions
- Automobile Theft Authority

Arizona Department of Insurance and Financial
Institutions effective July 1, 2020

Examples of Department meeting its statutory objectives and purposes

- Issued licenses we reviewed to qualified applicants
- Resolved complaints we reviewed timely
- Reaccredited in April 2019 to license and monitor insurance companies operating in Arizona and facilitate reciprocal licensing

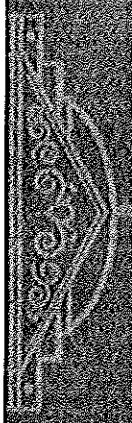
Department determines which fraud referrals to investigate



Other states we contacted also receive more fraud referrals than they investigate

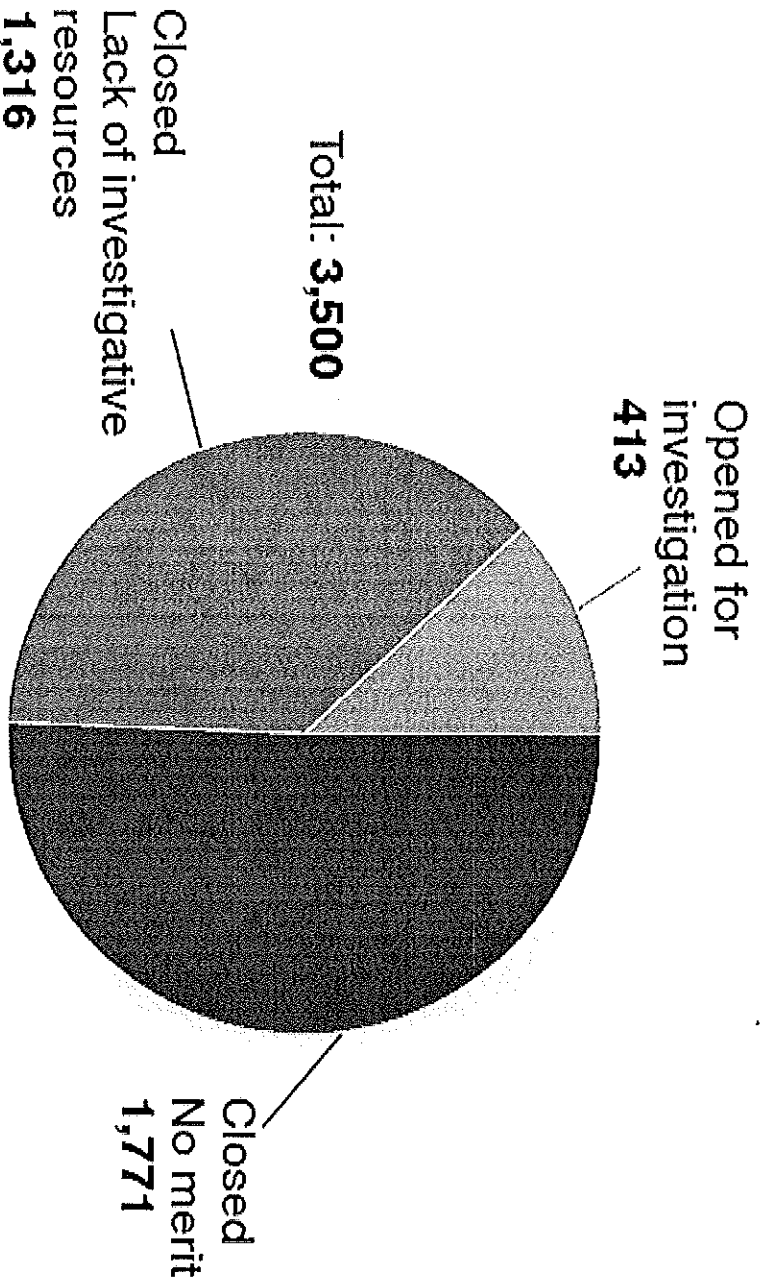
| State | Referrals received | Referrals opened for investigation | Responsible state entity |
|--------------|--------------------|------------------------------------|-------------------------------|
| Utah | 972 | 334 | Insurance department |
| Pennsylvania | 2,508 | 304 | Attorney General's Office |
| Arizona | 2,576 | 231 | Insurance department |
| Florida | 15,593 | 2,108 | Financial services department |
| California | 25,159 | 1,226 | Insurance department |

New prioritization process piloted in fiscal year 2019



Fiscal year 2019

- Criteria used:
- Public impact of the fraud
 - Estimated loss over \$10,000



Prioritization process lacks important components to help ensure effectiveness

- Does not require specific, standardized referral information
- Does not use referral data to identify fraud trends and to inform future prioritization efforts

Recommendations

- Strengthen its referral prioritization process
- Evaluate the effectiveness of the process and implement any needed changes
- Assess fraud investigative staffing needs

Practices for managing conflicts of interest increase nondisclosure risk

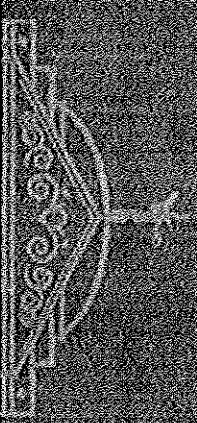
Statute requires public officers and employees to fully disclose substantial interests and refrain from participating in related decisions and matters

Can help deter self-dealing by public officers and employees and promote transparency and public confidence

Practices for managing conflicts of interest increase nondisclosure risk

- Department supports 3 boards, but Board members not required to complete disclosures
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- Department directed employees—but not board members—to complete a disclosure form. As of April 2019, 59 percent had a disclosure form on file for public inspection.

Recommendations

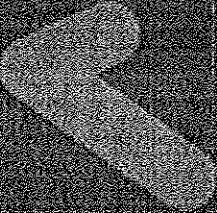
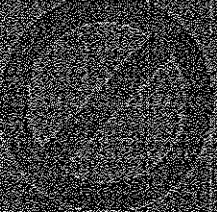
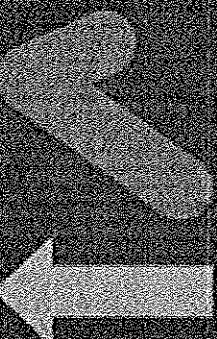


Implement conflict-of-interest policies that address:

- Annual disclosure requirements for employees and board members
- Process for managing disclosed conflicts
- Process for maintaining completed forms for public inspection

Department not reviewing long-term care insurance rates within 45 days

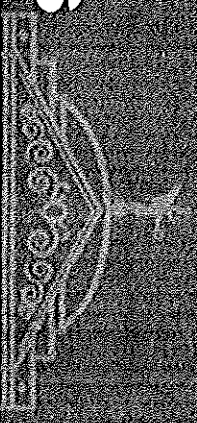
Rate filings received in 2018 averaged 250 days to complete important review

| Approved | Disapproved | Approved an average reduced rate of 33% |
|---|--|---|
|  |  |  |
| 3 | 2 | 7 |

Recommendations

- Department should research an appropriate time frame and work with the Legislature to revise the statutory time frame
- Implement the national task force's recommendations for improving long-term care insurance rate reviews, as applicable and appropriate

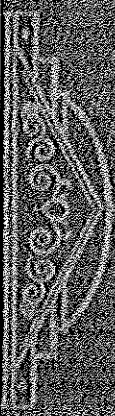
Department has not convened 2 statutorily required public boards



- Insurance Consumer Advisory Board never formed
- Continuing Education Review Committee not met since 2005

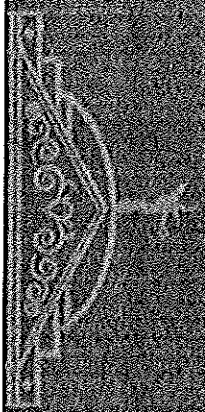
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Department agreed with findings and will implement recommendations



Department agreed with 16 recommendations

Initial followup will begin in February 2020



Arizona Department of Insurance

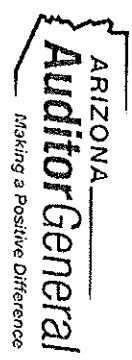
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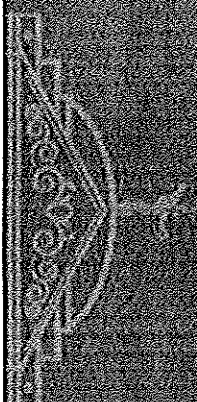
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Date: January 16, 2020





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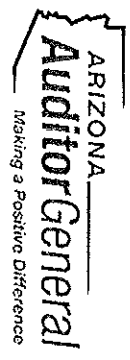
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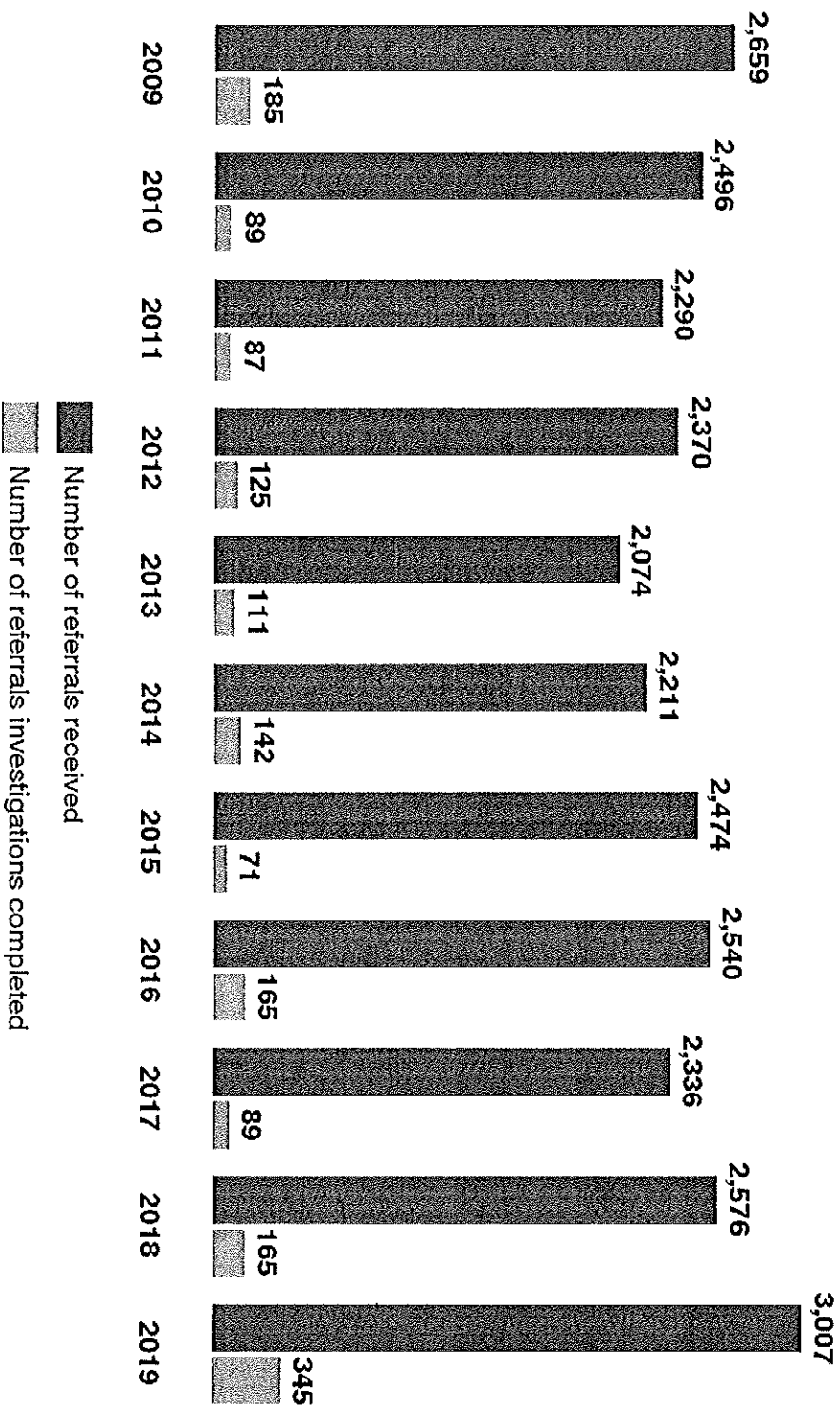
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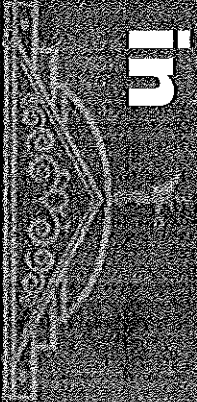
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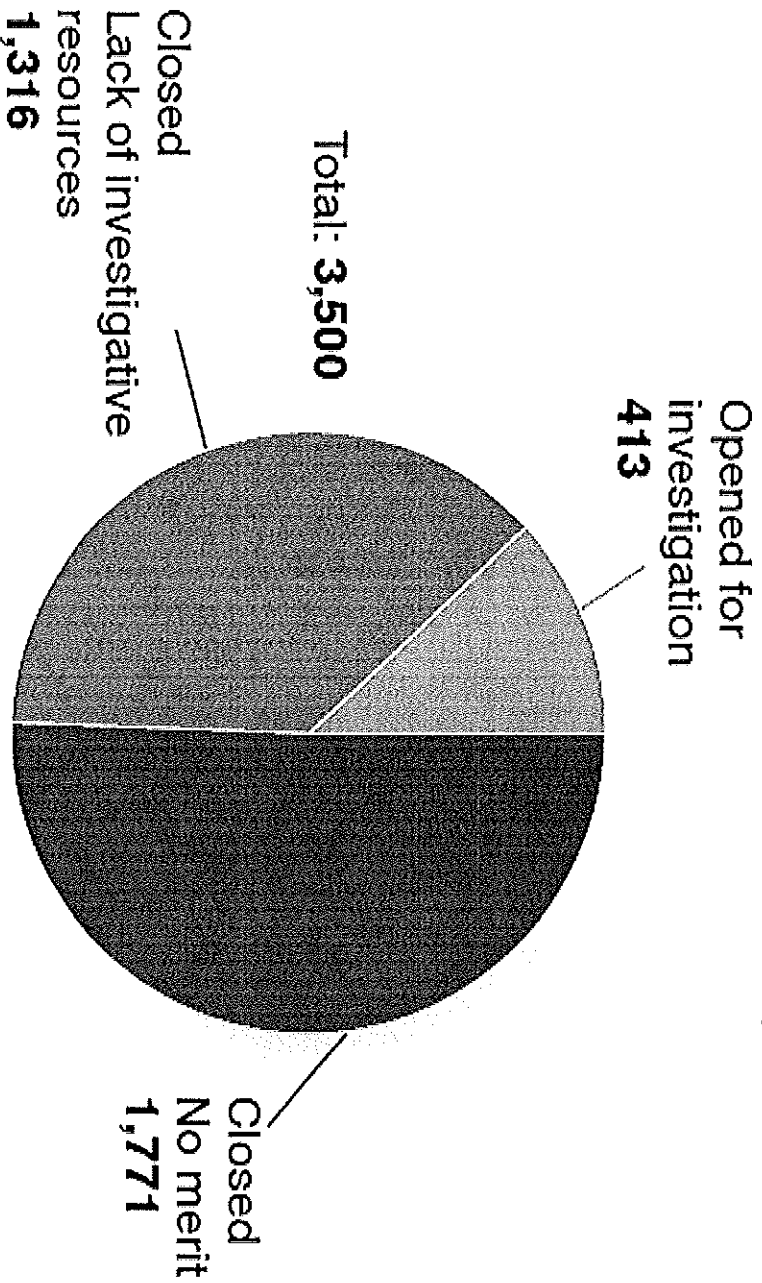
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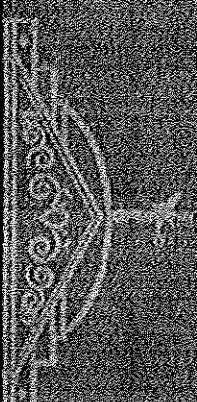
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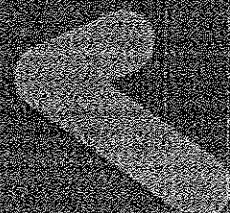
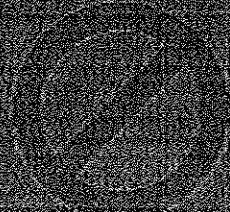



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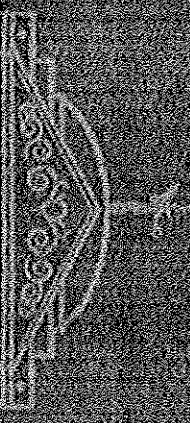
| | | |
|---|---|--|
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|---|---|--|

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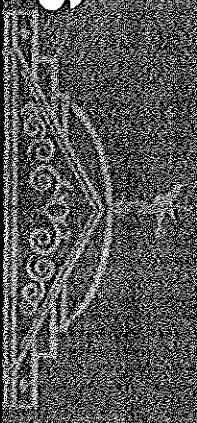
7

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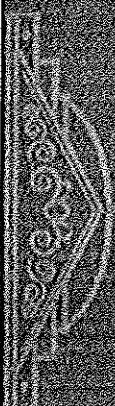
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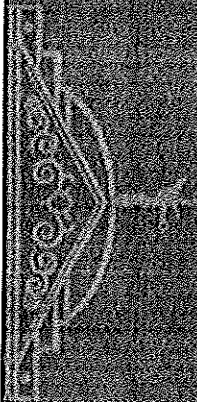
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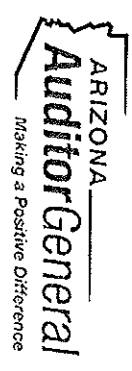
Performance Audit and Sunset Review

Report 19-110

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STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS




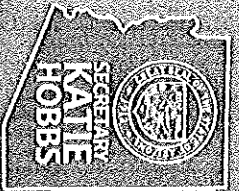
SUNSET REVIEW
January 16, 2020

Arizona State Library, Archives and Public Records
A Division of the Arizona Secretary of State

ROUNDING
COURTESY
OF
ARIZONA

Arizona State Library,
Archives and Public Records

Attachment 



STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS

ARS 11-906

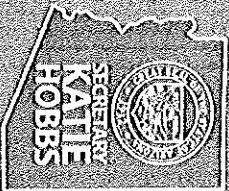


Membership

- Director of the Arizona State Library
 - Ex officio chairman
- Librarian of the University of Arizona
- Librarian of the Phoenix Public Library
- Two County Librarians
 - One-year terms
 - Appointed by the Director on a rotating basis to represent each county free library

Arizona State Library, Archives and Public Records
A Division of the Arizona Secretary of State

RONALD MC
SHERMAN
Arizona
Arizona State Library,
Archives and Public Records



STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS

ARS 11-906

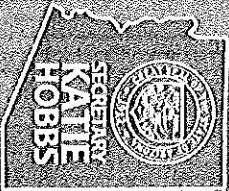


Compensation

- None
- Actual and necessary travel expenses allowed
- May be paid from the general fund

Arizona State Library, Archives and Public Records
A Division of the Arizona Secretary of State





STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS

ARS 11-906

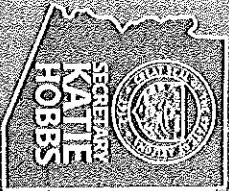


Powers & Duties

- Pass upon the qualifications of persons desiring to become county librarians
- May adopt rules not inconsistent with law
- For its government
- To carry out its purposes

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STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS

ARS 11-908

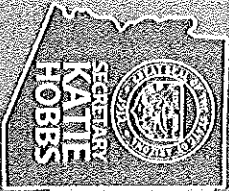
County Librarian Appointments

- A. Upon establishment of a county free library, the board of supervisors shall appoint a county librarian to serve at the pleasure of the board.
- B. No person shall be eligible for appointment to the office of county librarian unless prior to appointment he has received from the board of library examiners a certificate of qualification for the office.



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STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS

Administrative Code
R2-4-01

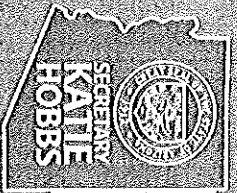


Academic Requirements

- A. Applicant shall have a Master's degree in library science, together with one year of experience in a public library of recognized standing, or
- B. A Bachelor's degree conferred by an accredited college or university, plus fifteen (15) hours of courses in library science and two (2) years of appropriate experience in a public library of recognized standing.

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STATE OF ARIZONA Department of State
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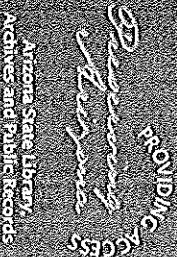
Administrative Code
R2-4-02



Application Information

- A. Applicant shall furnish satisfactory recommendations from two former employers.
- B. Consideration shall be given to applicant's moral character and commendable conduct; to his or her ability to work with the public; to maintain public relations; to conduct the financial affairs of a library in a business-like manner; and to show willingness to continue his or her training.

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STATE OF ARIZONA Department of State BOARD OF LIBRARY EXAMINERS

Administrative Code
R2-4-02



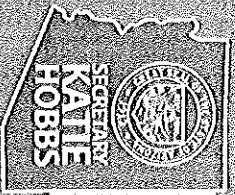
Application Process

Anyone wanting to be considered for certification as a County Librarian must send the Board a letter requesting consideration. This letter should have attached:

- a transcript showing completion of the Bachelor's or Master's degree or a copy of a diploma in the place of a transcript.
- a transcript showing completion of hours in library science for those who do not have the Master's degree.
- a letter of recommendation from two employers (current or past) verifying the required experience.

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Administrative Code
R2-4-02

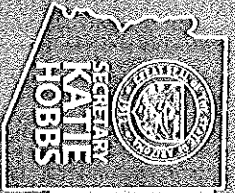


Application Process

The Board will consider giving a provisional certificate for 3 years to applicants in counties with a population under 100,000.

- Applicant must have a Bachelor's degree and two years of experience in a public library of recognized standing.
- Provisional certificates will be subject to renewal at the discretion of the Board.

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BOARD OF LIBRARY EXAMINERS

Administrative Code
R2-4-02



Approved Applicants since 2009

| | | |
|------------------------------|----------|----------|
| SueAn Stradling-Collins | Aug-2019 | Apache |
| Amadee Ricketts | Aug-2019 | Cochise |
| Will Ascarza | Aug-2019 | Cocoino |
| Karen Soohy – Provisional | Aug-2019 | Greenlee |
| Amber Mathewson | Aug-2019 | Pima |
| Corey Christians | Aug-2019 | Yavapai |
| Victoria Silva | Aug-2019 | Graham |
| Lisa Mendez | Aug-2019 | Yuma |
| Kathy Pennell – Provisional | Sep-2013 | Mohave |
| Leanne McElroy – Provisional | Mar-2013 | Graham |
| Karen Soohy – Provisional | Mar-2013 | Greenlee |
| Danielle Kroi | Aug-2012 | Mohave |
| Melissa Cervantes | Jul-2012 | Pima |
| Dan Field – Provisional | Apr-2012 | La Paz |
| Alice Webb – Provisional | Apr-2012 | Greenlee |
| Cindy Kolaczynski | Sep-2011 | Maricopa |
| Amelia Flores - Provisional | Jun-2011 | La Paz |

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