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27 March 2022

The **October 2019 Open Meeting of the Arizona Corporation Commission** commenced at 1:30 p.m. on Tuesday, October 22, 2019.

The following items were discussed at the October 22, 2019 Open Meeting during the regular agenda:

Securities

5. The Credit Engineers, Inc. et al. (S-21069A-18-0418) – Order to Cease and Desist, Administrative Penalties and Consent to Same, Order to Dismiss Re: Bryn Kosack

The Commission voted 4-0, with Chairman Burns' recusal, to approve an Order to Cease and Desist, an Order for Administrative Penalties, and a Consent to Same ("Consent Order") by **The Credit Engineers, Inc.**, ("TCE") David R. Kosack ("Kosack"), Ernie Barrueta ("Bat'rueta"), and David J. Varrone ("Varrone").

TCE is a corporation organized in Florida in 2018 and controlled by Varrone, its CEO. Varrone is a Florida resident, and Kosack and Barrueta are Arizona residents. Between May and September 2018, TCE sold securities to two Arizona residents in exchange for $324,891.12. Pursuant to the investments, the investors obtained loans with TCE's assistance and wired the loan proceeds to TCE, which would then invest the proceeds in a hedge fund. TCE agreed to pay the investors $10,000 plus a monthly payment of 1% of the proceeds invested for 36 months, after which TCE would pay off the loans. Ultimately, little or none of the investors' proceeds were invested in a hedge fund. As part of the resolution of this matter, TCE has repaid the investors and their loans have also been repaid. Kosack participated in the offering to the two Arizona investors. In August 2018, Barrueta offered a TCE security to another Arizona resident who did not invest.

None of the Respondents were registered or licensed with the Commission in any capacity, nor had the TCE investment contracts been registered as securities. The Order instructed Respondents to cease and desist from violating the Securities Act. The Order also ordered TCE, Varrone, and Kosack, jointly and severally, to pay administrative penalties of $25,000, and dismissed Kosack's spouse from the administrative proceeding. The Order also ordered Barrueta to pay administrative penalties of $2,000.

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6. Theodore W. Fowler et al. (S-21076A-19-0100) – Order to Cease and Desist, Restitution, Administrative Penalties and Consent to Same By:

Theodore W. Fowler, Shana C. Fowler, and Whispering Creek Investments LLC.

The Commission voted 4-0, with Chairman Burns' recusal, to approve an Order to Cease and Desist, an Order for Restitution, an Order for Administrative Penalties, an Order for Other Affirmative Action, and a Consent to Same ("Order") against Respondents Theodore W. Fowler ("Fowler"), Shana C. Fowler ("Respondent Spouse"), and Whispering Creek Investments LLC ("WCI").

From December of 2014, to March of 2017, Fowler and WCI offered and sold securities in the form of promissory notes and/or investment contracts, within or from Arizona to at least eight investors ("Investors"), of which at least seven of the Investors were Arizona residents. Fowler and WCI were raising investment capital to fund fix and flip real estate transactions, and to fund a new build real estate transaction. The Investors collectively invested $1,987,582.19 and have only received back $822,658.42 The remaining principal owed is $1,164,923.77.

Staff found that Fowler and WCI violated A.R.S. §§ 44-1841 and 44-1842 by offering and selling unregistered securities within or from Arizona, while unregistered as salesmen or dealers. The Order further found that Fowler and WCI violated A.R.S. § 44-1991 by making misrepresentations and omissions of material facts.

The Order required Fowler, as his sole and separate obligation, and Fowler and Respondent Spouse, as a community obligation, jointly and severally with WCI to pay restitution in the principal amount of $l,164,923.77, and to pay a $50,000 administrative penalty. The Order further required Fowler and WCI to cease and desist from violating the Securities Act of Arizona.

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Railroad

NOTE: Items No. 7 through 11 were heard together.

7. Union Pacific Railroad Company (RR-03639A-07-0517) – Staff's Response to Union Pacific Railroad Company's Motion to Modify Decision No. 71065 and Proposed Order with Notice and Opportunity to be heard per A.R.S. §40-252.

8. Union Pacific Railroad Company (RR-03639A-08-0618) – Staff's Response to Union Pacific Railroad Company's Motion to Modify Decision No. 71159 and Proposed Order with Notice and Opportunity to be heard per A.R.S. §40-252.

9. Union Pacific Railroad Company (RR-03639A-09-0430) – Staff's Response to Union Pacific Railroad Company's Motion to Modify Decision No. 71487 and Proposed Order with Notice and Opportunity to be heard per A.R.S. §40-252.

10. **Union Pacific Railroad Company** (RR-03639A-09-0393) – Staff's Response to Union Pacific Railroad Company's Motion to Modify Decision No. 71489 and Proposed Order with Notice and Opportunity to be heard per A.R.S. §40-252.

11. **Union Pacific Railroad Company** (RR-03639A-10-0208) – Staff's Response to Union Pacific Railroad Company's Motion to Modify Decision No. 71904 and Proposed Order with Notice and Opportunity to be heard per A.R.S. §40-252.

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Matters Removed From the Agenda

At the outset of the meeting, Chairman Burns announced that Items 16 and 17 were pulled from the regular agenda, without further discussion.

Commission's Consent Agenda

The following items passed on the **Commission's October 22, 2019 Consent Agenda**:

1. Internap Connectivity, LLC (T-21079A-19-0168) – Approval of a Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services.

The Commission approved, on consent, **Internap Connectivity, LLC**'s ("Internap") Application for a Certificate of Convenience and Necessity ("CC&N") to provide resold private line services in the State of Arizona. Internap, located in Chandler, AZ, intended to provide resold private line services, highspeed data services, and Metro Ethernet services to enterprise customers. Internap also indicated that its proposed services are competitive under Arizona Law.

Staff found that Internap has the technical capabilities to provide its proposed services in Arizona. Internap has 13 employees located at its data center in Chandler that are members of the data center operations team, private cloud team, and sales team. Internap has authority to provide and does provide telecommunications services in California, Massachusetts, New Jersey, and Texas that are similar to the services requested in its application.

The Commission unanimously approved **Union Pacific Railroad Company's** Motion to Modify Decision Nos. 71065, 71159, 71487, 71489, 71904 and Proposed Order with Notice and Opportunity to be heard per A.R.S. §40-252.

The purpose of the modification was to remove the final substantive ordering paragraphs of the Decisions requiring that Union Pacific file a report every five years detailing the average daily traffic counts. Staff agreed with Union Pacific's request for the removal of the requirement.

Staff additionally noted that it can get the daily traffic counts easily by calling the municipalities. Staff was confident that the information kept and provided by the municipalities is sufficient for the purposes of the Commission.

Commissioner Kennedy inquired into whether there was a regulation that required the railroads to keep traffic counts. Staff stated there were no regulations for the railroads to keep traffic counts, which is typically a job done by the municipalities.

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Line Siting

12. Chevelon Butte RE, LLC (L-21080A-19-0171-00182) – Application for a Certificate of Environmental Compatibility Authorizing the Chevelon Butte Wind Gen-Tie Project, which includes the Construction of a New 345 KV Transmission Line and Associated Interconnection Facilities Originating in Coconino County and Interconnecting with the Arizona Public Service ("APS") Preacher Canyon-Cholla 345kV Line in Navajo County, Arizona.

The Commission unanimously approved **Chevelon Butte RE, LLC's** Application for a Certificate of Environmental Compatibility ("CEC") Authorizing the Chevelon Butte Wind Gen-Tie Project, which includes the construction of a new 345 kilovolt ("kV") transmission line and associated interconnection facilities originating in Coconino County and interconnecting with the APS Preacher Canyon-Cholla 345kV Line in Navajo County, Arizona ("Project"). The overall length of the Project is approximately 12 miles.

At the conclusion of the hearings, the Arizona Power Plant and Transmission Line Siting Committee ("Committee"), after considering the Application, evidence, testimony, and exhibits presented by the Applicant, and public comments voted 10 to 0, to grant Chevron the CEC for construction of the Project.

Three sample orders were provided to the Commission for consideration: (1) approve the CEC with no changes; (2) approve the CEC with changes; or (3) deny the CEC. The Commission approved the CEC with no amendments. Staff prepared the approval order for the Commission's signature.

Commissioner Kennedy inquired as to the number of employees that the wind project would have. Company representatives estimated that there would be approximately 200 employees during the construction phase and 15-20 full time employees. A majority of the employees will be Arizona residents; however, specialized positions will come from out of state.

Commissioner Kennedy also inquired into the economic benefit to the county, specifically Holbrook, Flagstaff, and Winslow, AZ. Company representatives noted that the economic benefits, beyond items such as property taxes and sales taxes, are estimated to be at least $8 million of indirect local spending for years during construction and over a quarter

Staff recommended approval of Internap's CC&N to provide resold private line telecommunication services in Arizona, subject to Staff's recommendations and conditions, which the Commission approved.

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2. Cactus-Stellar Limited (W-03655A-19-0060) – Adjudication not a Public Service Corporation.

The Commission approved, on consent, **Cactus-Stellar Limited**'s ("Cactus-Stellar") adjudication not a Public Service Corporation ("PSC"). Cactus-Stellar is an Arizona non-profit association formed for the purpose of providing domestic water services to the homeowners within Cactus-Stellar's service area. Cactus-Stellar was formed July 1998 to provide domestic water utility service to 18 lots located within its service area, near Tucson, AZ. Currently, 17 of the 18 lots are occupied or lived on.

Cactus-Stellar was seeking adjudication not a PSC because it claimed it has been operated by volunteers since formation; its basic operations are simple; there are limited volunteers who have the accounting skills necessary for bookkeeping in the manner required by the Commission; that, in the future, Cactus-Stellar would probably need to employ outside services to help with its accounting to meet regulatory standards; and that being adjudicated not a PSC would make it easier for Cactus-Stellar to continue to operate successfully.

Commission Decision No. 55568 issued a policy directive regarding applications for adjudication not a PSC, and provided the following seven criteria for evaluating such applications: (i) the application must be submitted by a non-profit homeowners' association; (ii) the application must be a bona fide request by a majority of the membership of the association through a petition signed by 51 percent or more of the then existing members; (iii) all associations making an application must have complete ownership of the system and necessary assets; (iv) every customer must be an owner/member with equal voting rights and each

million dollars of indirect local spending over the operating life of the project. Permit fees and inspection fees will generate additional revenue for the localities. Additionally, right of way payments will be made to the Arizona State Land Department, which will be directly passed to public education and university beneficiaries.

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Water

13. Box 1 Inc. dba Lazy C Water Company (W-01536A-17-0302 and W-01536A-17-0339) Request to Implement an Amended Financing Surcharge with Notice and Opportunity to be heard per A.R.S. § 40-252.

Without discussion, the Commission approved, by a vote of 5-0, **Box 1 Inc. dba Lazy C Water Company**'s ("Lazy C" or "Company") Request to Implement an Amended Financing Surcharge with Notice and Opportunity to be heard per A.R.S. § 40-252.

Lazy C is a Class E utility, taxed as a C Corporation, which provides water utility service to approximately 139 customers in an area six miles northwest of downtown Tucson, in Pima County, Arizona.

On May 21, 2018, in Decision No. 76676, the Commission approved the Company's current rates along with the Company's financing request. The decision authorized the Company to incur long-term debt in the form of a 20-year amortizing loan in an amount not to exceed $229,712, under terms and conditions that are at least as favorable as those available from the Water Infrastructure Finance Authority ("WIFA") at the time the loan is executed. Additionally, the Company was ordered to file the loan documents along with an application requesting to implement the debt service and debt service reserve surcharges.

On February 13, 2019, the Company docketed the loan documents it executed with WIFA and requested implementation of the debt service and debt service reserve surcharge. On April 26, 2019, the Commission, in Decision No. 77171 authorized the Company to begin to collect a combined WIFA surcharge of $9.73 in the Company's next billing cycle. On May 3, 2019, Lazy C filed an A.R.S. § 40-252 petition requesting to amend Decision No. 76676 to increase the amount of the loan and amend the surcharges. Chairman Burns supported the A.R.S. § 40-252 request, and on August 14, 2019, the Commission issued Decision No. 77367, which amended Decision No. 76676, allowing the Company to increase the loan amount to $352,851 from the originally approved $229,712, an increase of $123,139.

On September 4, 2019, the Company submitted revised loan documents to Staff and requested that a new surcharge be calculated. Staff calculated the debt service surcharge using the Company's current customer count, which yielded a Debt Service Surcharge of $12.46 for 5/8 x 3/4-inch metered customers. Staff also calculated the Debt Service Reserve Surcharge separately, which yielded a $2.49 surcharge for 5/8 x 3/4-inch metered customers. Combined, the total surcharge for all 5/8-inch x 3/4-inch metered customers equal $14.95, an increase of $5.22 over the surcharge approved in Decision No. 77171.

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Electricity

member is or will be a customer; (v) the service area involved encompasses a fixed territory, which is not within the service area of a municipal utility or PSC, or if it is, the municipal utility or public service corporation is unable to serve; (vi) there is a prohibition against further sub-division evidenced by deed restrictions, zoning, water restriction, or other enforceable governmental regulations; and (vii) the membership is restricted to a fixed number of customers, actual or potential.

Staff found that Cactus-Stellar satisfied the criteria for adjudication not a PSC and is therefore not a PSC within the meaning of Article XV of the Arizona Constitution.

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3. Payson Water Co., Inc. (W-03514A-18-0230) – Staff's Recommendations Regarding the Mesa Del Caballo Capital and Maintenance Expense Surcharge.

The Commission approved, on consent, **Payson Water Co., Inc.**'s ("PWC") determination of the Fair Value of its Utility Plants and Property and increases in its rates and charges for utility service based thereon, specifically regarding the Mesa Del Caballo Capital and Maintenance Expense Surcharge.

On May 15, 2019, the Commission issued Decision No. 77179, which ordered that, upon filing notice confirming the execution of the Water Infrastructure Financing Authority ("WIFA") of Arizona loan authorized by Decision No. 76756, PWC may file an application for implementation of the Mesa Del Caballo Capital and Maintenance Expense Surcharge ("Cragin Surcharge"), to be charged only to customers within the Mesa Del Cabal lo System ("MDC").

On May 22, 2019, PWC filed, as a compliance item, a notice confirming the execution of the loan authorized in Decision No. 76756. On August 26, 2019, PWC filed an application requesting implementation of the Cragin Surcharge. The Company requested implementation of a Cragin Surcharge of $7.56 per MDC customer per month, replacing the current WIFA loan surcharge approved in Decision No. 77179.

14. Sulphur Springs Valley Electric Cooperative, Inc. (E-01575A-12-0457) – Extension of Time Request with Notice and Opportunity to be heard per A.R.S. §40-252.

The Commission approved, by a vote of 5-0, **Sulphur Springs Valley Electric Cooperative, Inc**.'s ("SSVEC" or "Cooperative") Extension of Time Request with Notice and Opportunity to be heard per A.R.S. § 40-252.

SSVEC is a member-owned, non-profit cooperative that provides electric distribution service to approximately 51,000 customers in parts of Cochise, Graham, Pima and Santa Cruz counties. As a regional electric distribution provider, SSVEC purchases power from Arizona Electric Power Cooperative ("AEPCO"). SSVEC exists for the purpose of providing reliable electric service to its members/owners.

On November 6, 2012, SSVEC filed an application with the Commission requesting approval of a proposed Comprehensive Credit Management Program ("CCMP"). The CCMP was intended to authorize the Cooperative, in addition to borrowing from standard lenders such as the National Rural Utilities Cooperative Finance Corporation ("CFC") and CoBank ACB ("CoBank"), to issue commercial paper and bonds in the capital markets in order to refinance its existing debt as well as financing unissued debt authorized in Decision No. 72237. The Cooperative's application asserted that the CCMP would provide additional financing options beyond the typical options of the CFC and CoBank that would potentially lower SSVEC's overall borrowing costs and reduce interest rate risk. The original application did not seek an increase in the total authorized outstanding debt previously approved by the Commission.

On July 31, 2019, SSVEC filed an application seeking to extend the expiration date of the CCMP from December 31, 2019 to December 31, 2024. The Cooperative stated that if the CCMP authorization deadline is not extended, it will lose the benefits of a very robust borrowing program which will result in potentially higher interest rates in the future. SSVEC also believed that the CCMP has functioned well by allowing the Cooperative to convert all of its variable rate debt to fixed rate debt at favorable interest rates. Further, the application stated that, although the variable rate debt has been refinanced, the CCMP remains important to SSVEC's borrowing program because the authorization to aggregate short term debt in order to access capital markets (i.e., issue bonds) created competition among the Cooperative's lenders. SSVEC contended that maintaining the CCMP will ensure that SSVEC and its members continue to benefit from low interest costs.

Staff concluded that SSVEC's CCMP is a valuable program that allows the Cooperative to increase the number of available financing options and has allowed it to benefit from lower, fixed interest rates. SSVEC stated that this has resulted in a significant savings in interest rate expense for the Cooperative and its members. Additionally, SSVEC communicated that the CCMP allows SSVEC to employ alternative forms of financing while leaving untouched the Cooperative's ability to continue using CFC or CoBank. The application did not seek an increase in the total authorized outstanding debt previously approved by the Commission, only to extend the authorization of the CCMP program. Therefore, Staff recommended approval of the Cooperative's request for an extension of time of the expiration date of the CCMP, and recommended that the current December 31, 2019, expiration date be extended until December 31, 2024. Staff further recommended that the extension be approved without a hearing.

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15. **UNS Electric, Inc. & UNS Gas, Inc.** (E-04204A-18-0317 and G-04204A-18-0318) – Joint Application for a Financing Order Authorizing Various Financing Transactions.

Staff found that the PWC-proposed calculation was consistent with the method discussed during the processing of the rate case. Staff made a few adjustments resulting in a recommendation of $7.58 as the monthly Cragin Surcharge per MDC customer. Staff recommended replacing the current WIFA loan surcharge approved in Decision No. 77179 with the Cragin Surcharge. Based on the median usage of 1,500 gallons for a typical 5/8 x 3/4-inch meter, the MDC customer is billed $43.85 plus the current $4.93 WIFA surcharge, for a total of $48.78 per month. The Cragin Surcharge, replacing the WIFA surcharge, would result in an increase of $2.65 per month to $51.43.

Staff noted that, as of July l, 2019, all of the Debt Service Reserve ("DSR") payments required by WIFA for the first loan authorized in Decision No. 74175, have been made by PWC. The DSR payments for the second WIFA loan authorized in Decision No. 76756, began on November l, 2019. The DSR amounts of each loan, when fully funded, are approximately $20,000 and $30,000 respectively. Staff recommended that the DSR funds for the two WIFA loans be tracked and separately recorded as regulatory liabilities.

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4. Arizona Water Company (W-01445A-15-0277) – For Authority to Implement a Step-1 Arsenic Cost Recovery Mechanism Surcharge for its Pinal Valley Service Area Well No. 13.

The Commission approved, on consent, **Arizona Water Company's** ("AWC") request for authority to implement a Step-1 Arsenic Cost Recovery Mechanism ("ACRM") Surcharge for its Pinal Valley Service Area Well No. 13.

On January 22, 2001, the United States Environmental Protection Agency ("EPA") enacted a new standard that reduced the Safe Drinking Water Act Arsenic Maximum Contaminant Level ("MCL") standard from 50 Particles Per Billion ("ppb") to ten ppb. The EPA required water utilities with arsenic MCL higher than ten ppb to comply with the new standard by January 23, 2006,

The Commission approved, with a 5-0 vote, **UNS Electric, Inc. & UNS Gas, Inc.'s** Joint Application for a Financing Order Authorizing Various Financing Transactions.

On September 26, 2018, UNS Electric, Inc. ("UNS Electric") and UNS Gas, Inc. ("UNS Gas") (collectively "Companies") filed with the Commission, pursuant to Arizona Revised Statutes ("A.R.S.") §§ 40-301 and 40-302, a Joint Application for Financing Order ("Application"). The Application requested that the Commission authorize the Companies to: (1) enter into one or more credit agreements consisting of one or more revolving credit facilities, limiting the amount of credit available to each company under such facilities to $100 million per company; (2) refinance long-term indebtedness of $50 million at UNS Electric maturing in August 2023; (3) issue up to $100 million of additional long-term debt at UNS Electric and up to $50 million additional long-term debt at UNS Gas to fund capital expenditures and for general corporate purposes; (4) accept new equity contributions at each company up to $35 million to maintain balanced capital structures in addition to any contributions that otherwise could be made under the Commission's rules and orders; (5) provide security for any financing transactions authorized in this proceeding and for short-term debt issued pursuant to A.R.S. § 40-302; and (6) enter into these financing transactions through December 31, 2024.

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The **October 29, 2019 Open Meeting of the Arizona Corporation Commission** commenced at 9:00 a.m.

The Arizona Corporation Commission recognized Executive Director Matt Neubert for winning the 2019 North American Securities Administrators Association Lifetime Achievement Award. Congratulations, Mr. Neubert!

Items 1 and 7 were pulled from the regular agenda, without further discussion.

There was no **Commission Consent Agenda** for this meeting. The following items were discussed at the October 29, 2019 Open Meeting during the **regular agenda**.

Water and Wastewater

2. Johnson Utilities L.L.C. (WS-02987A-18-0050 and WS-02987A-15-0284) – Update from Interim Manager and/or Utilities Division Staff.

EPCOR, acting as **Johnson Utilities L.L.C.**'s interim manager, provided a status update.

EPCOR explained that the new ion exchange is removing nitrates at the expected concentrations, which gives EPCOR the ability to source higher nitrate wells that may have been usable in the past. The design and construction for Phase 2 has begun. EPCOR expects the new system to be operational by March 2020. Newly sourced production wells are relieving pressure, a major concern at the beginning of the project.

EPCOR noted a few problematic areas in the community are still experiencing compliant but undesirable water pressures, which it expects to improve by Spring 2020. The two major areas of concern are located near the western side of the community (the Promenade Well) and the Copper Basin subdivision.

On the wastewater side, EPCOR is continuing to mitigate sanitary sewer overflows ("SSOs"), several of which have occurred lately. These SSOs through installation of appropriate arsenic remediation systems. As a result of this new standard, the Commission established an Arsenic Cost Recovery Mechanism ("ACRM") to facilitate water utilities' ability to comply with the new arsenic MCL. An ACRM provides water utilities the opportunity to recover arsenic remediation costs through a monthly arsenic surcharge that is comprised of both fixed and volumetric charges. It is designed to facilitate water utilities' timely recovery of the cost of installing and operating the arsenic remediation plant.

On August 8, 2019, AWC filed an application for Commission approval to implement an ACRM Step-l surcharge related to $3,990,558 in expenditures incurred for the installation of an Arsenic Removal Facility ("ARF") at Pinal Valley Well No. 13. AWC reported that the MCL at Pinal Valley Well No. 13 increased from eight ppb to over 15 ppb, in excess of the EPA prescribed ten ppb. AWC stated that in order to remain in compliance with the EPA Safe Drinking Water Act, it was necessary to decrease the MCL at Pinar Valley Well No. 13 to below ten ppb, by installing an ARF.

AWC received Commission approval to recover $3,929,632 of arsenic rate base related to the cost of installing an ARF at Pinar Valley Well No. 13. AWC estimated that the reported arsenic rate base at its authorized Original Cost Rate Base ("OCRB") rate of return (Decision No. 75741) of 8.53 percent, will increase its revenue requirement by $534,353. AWC proposed to recover the additional revenue requirement through an ACRM fixed monthly surcharge of $0.55 per 1,000 gallons, and an ACRM quantity surcharge of $0.0614 per 1,000 gallons. AWC estimated that the average monthly bill for a customer on 5/8-inch meter, with an average consumption of 7,781-gallons, will increase from $37.27 to $38.29, an increase of $1.02 or 2.74 percent in the Pinal Valley service area.

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were related to developers not removing mechanical equipment, failing air relief valves, and a monitoring system that fell back to default settings because no electrical upgrade existed at the site. Odors have greatly improved throughout the community. EPCOR installed an automated odor treatment system that measures the odors and automatically activates to treat any nauseous air.

The design of the Pecan Pump Effluent Station has been completed and rolled into the plant expansion project for coordination purposes. This project is expected to be complete in Fall 2020.

Chairman Burns inquired into reported cash flow issues created by the capital plan approved by the Commission. EPCOR estimated that the utility would be cash flow negative by the end of March 2020 without additional capital, either equity from the owner or an increase in hookup fees. In September, EPCOR proposed a hookup fee increase for water and wastewater. The water hookup fee would increase from $900 per connection to $2,800 per connection. The wastewater hookup fees would increase from $1,000 to $3,900.

Commission Dunn inquired into problems with checks being issued to pay vendors and ongoing expenses. EPCOR affirmed that the owner of Johnson Utilities had held back several checks, which created problems with contractors and vendors – an issue that was raised with the Pinal County Superior Court in related litigation. EPCOR was one of the vendors that was not being paid. At the time of the meeting, EPCOR had received an email from the CFO of Johnson Utilities stating that all checks would be released.

The Commission entered Executive Session to discuss possible next steps on this issue. Upon returning, Commissioner Olson requested status updates on the meter management program. EPCOR intended to lift the meter management program by the end of the year, but the capitalization issues create a potential barrier.

Johnson Utilities counsel provided an update regarding the funding of the capital plan. Johnson Utilities is waiting on the outcome of the hookup fee increase request and an Arizona Department of Environmental Quality ("ADEQ") approved compliance plan before determining whether and how much money will be provided to fund the plan. Johnson Utilities questioned the amount and timing of the funding needed.

Public comments from customers in the San Tan Valley and at Johnson Ranch expressed frustration with the lack of promised water connections, even after they had shown interest in the community to sign up for water. A representative from the Town of Queen Creek inquired into the status of the Pecan Plant expansion and groundwater and planning study updates, which EPCOR agreed to docket.

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3. Global Water-Santa Cruz Water Company, LLC and Global Water-Palo Verde Utilities Company, LLC (W-20446A-19-0067 and SW-20445A-19-0068) – Application for an Extension of its Existing Certificate of Convenience and Necessity for both the Santa Cruz Water Company and Palo Verde Utility Company, LLC.

After considerable discussion, the Commission decided to hold a vote on **Global Water-Santa Cruz Water Company, LLC and Global Water-Palo Verde Utilities Company, LLC's** ("Global Utilities") application for an Extension of its Existing Certificate of Convenience and Necessity ("CC&N") for both the Santa Cruz Water Company and Palo Verde Utility Company, LLC.

On April 5, 2019, Global Water-Santa Cruz Water Company, LLC ("Santa Cruz") filed an application with the Commission for an extension of its

existing CC&N. On the same day, Global Water-Palo Verde Utilities Company, LLC (“Palo Verde”) filed an application with the Commission for an extension of its existing CC&N. Both applications were consolidated into a single matter because the dockets concerned the same property and Palo Verde and Santa Cruz are sister companies that will provide integrated water, wastewater, and reclaimed water service to the property.

The Global Utilities application sought to extend their service territories to include approximately 700 acres of land being developed by Midway Development (“Extension Areas”). The Extension Areas are adjacent to Global Utilities' existing Southwest Service Areas CC&Ns and are located approximately four miles south of the city of Maricopa in Pinal County, immediately to the west of SR-347. The Extension Areas are also adjacent to and immediately west of the Santa Rosa Water Company and Santa Rosa Utility Company CC&Ns on the east side of SR-347. The Midway Development property within the Extension Areas is planned for construction in three phases that, upon full build out, is expected to include 2,247 residential units, 27 commercial/industrial lots, and 44 irrigation (recycled water) lots. Global Utilities' engineering department estimated construction of Phase I of the development to begin in 2021 and for the development to reach build out in 2025. Global Utilities plans to provide service to the Extension Areas by extending service from existing facilities within the Southwest Service Area. Global Utilities noted that over $32 million worth of existing water and wastewater infrastructure has been constructed to serve the Southwest Service Area. However, there are no customers yet taking service in the Southwest Service Area.

Staff found that Global Utilities’ water and wastewater systems were compliant with ADEQ and Arizona Department of Water Resources (“ADWR”) regulations and recommended approval of the Global Utilities’ application to provide service to the property, subject to conditions laid out in the order. Conditions included requiring Global Utilities to obtain permits from ADEQ, and that the decision granting the extension should be considered null and void if Global Utilities failed to obtain the proper permits.

Global Utilities filed exceptions to the recommended order to propose technical corrections, which were adopted by the ALJ. The second exception requested the inclusion of due process language that is typically included in standard CC&Ns. Chairman Burns clarified that, before deletion of a CC&N extension, a hearing is required and would address the due process concerns regardless of language.

Commissioner Kennedy had docketed Kennedy Proposed Amendment 1, the purpose of which was to condition the extension of the CC&N on compliance with Commission Decision Nos. 68307, 68922, 70037, and 70381. Global Utilities opposed the motion and noted it has several extensions of time pending regarding those decisions. A discussion ensued regarding whether a company is in compliance with an order if it files a request for an extension of time to comply with it, but the Commission has not yet acted on int. Staff stated its position that, until the Commission issues a decision that the Company is in compliance with the order, it is out of compliance. Commissioner Dunn expressed concern with tying the current CC&N extension request to unrelated CC&N compliance matters. Commissioner Olson believed Global Utilities was fit and proper for the extension and the non-compliant decisions were different issues than the one before the Commission. Commissioner Kennedy ultimately withdrew the proposed amendment.

Chairman Burns proposed two amendments: one to replace “Approval of Construction” with “Approval to Construct,” intended to make it easier for the applicant to comply with the CC&N condition. This change was related to Chairman Burns’ second amendment, which would grant an order preliminary instead of a conditional CC&N. Global Utilities did not believe that the order preliminary was a good fit in this case because the CC&N

provides certainty for continued investment and moving forward with planning and permitting. Also, a CC&N provides certainty needed to the property owner because many of the county approvals are tied to the grant of a CC&N, not an order preliminary.

A developer in the area offered public comment in support of the proposed CC&N extension, and also opposed the order preliminary language.

Commissioner Dunn stated that the Commission needs to have a discussion in the future to change the approach to granting and extending CC&Ns. The item was pulled to be discussed at a future open meeting.

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4. Water Utility of Greater Tonopah, Inc. (W-02450A-06-0253) – Order Extending the Deadlines Contained in Decision Nos. 70037, 71516, 74819, and 76106.

The Commission approved **Water Utility of Greater Tonopah, Inc.'s** ("WUGT") Order Extending the Deadlines Contained in Decision Nos. 70037, 71516, 74819, and 76106 until September 30, 2020, to file a copy of the Designation of Assured Water Supply or a copy of the Developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources for the extension area; copies of the Certificates of Approval of construction for its water source, treatment plant, storage tanks, and water distribution system; and a copy of the Discharge Authorization Letter related to its proposed water treatment plant.

On April 14, 2006, WUGT filed with the Commission an application for an extension of its Certificate of Convenience and Necessity ("CC&N") to include a portion of a development known as Balterra, in Maricopa County, Arizona. On December 6, 2007, the Commission issued Decision No. 70037, approving WUGT's application to extend its CC&N to include a 3/4 section of land in Balterra. The extension area is located in the vicinity of 395th Avenue and Camelback road in Maricopa County. WUGT subsequently filed 4 extensions of time – this application was its 5th extension request.

Typically, Staff recommends two-year extensions, but WUGT requested an extension until September 30, 2020.

Chairman Burns withdrew, without discussion, his proposed amendment which would have extended the time deadline.

Ultimately the Commission approved the extension by a vote of 4-1, with Commissioner Kennedy voting against it without explanation. Commissioner Marquez-Peterson, explaining her vote, expressed interest in establishing a policy for handling the CC&N process.

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5. Arroyo Water Company, Inc. (W-04286A-18-0282 and W-04286A-19-0130) –Application for Approval of a Rate Increase and for Financing.

The Commission approved, by a vote of 3-2, **Arroyo Water Company, Inc**.'s ("Arroyo") Application for Approval of a Rate Increase and for Financing. This item was previously presented and discussed at the Commission's September Open Meeting.

On August 15, 2018, Arroyo filed an application for a rate increase. Arroyo's application was made to comply with the requirements of Decision No. 75452 (February 11, 2016), which authorized Arroyo to implement an emergency surcharge. Arroyo Water Company, Inc., a Class E water utility serving approximately 130 customers, had its rates set in 1991 and has been charging an emergency surcharge since 2016. Arroyo requested an

11.16% rate of return on a proposed $167,712 rate base, resulting in a 17.5% operating margin. Commission Staff recommended a 10% rate of return and an operating income of 12.5%. Due to high usage, this rate increase would result in a roughly 600% bill increase for a small number of customers. Arroyo stated that these customers were informed of the rate increase and a decrease in usage is expected. Additionally, Arroyo Water requested, and Commission Staff initially denied, recovery of funds for a 22 kW backup generator.

Chairman Burns Proposed Amendment No. 1 approved financing for a backup generator. The amendment was approved by a 4-1 vote, with Commissioner Olson dissenting.

Ultimately, the Commission approved the rate increase by a vote of 3-2, with Commissioner Olson and Commissioner Kennedy voting against it. Commissioner Olson noted concern about substantial increase in rates and that the Recommended Opinion and Order ("ROO") correctly identified that Arroyo had dealt with water shortages in the past and had sufficient storage.

Commissioner Kennedy supported the findings in the ROO and was "shocked" by the monthly bill increases that would result from the rate increase.

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6. Perkins Mountain Utility Company and Perkin Mountain Water Company (SW-20379A-05-0489 and W-20380A-05-0490) – Order Extending the Deadline Contained in Decision Nos. 70663, 73265, and 76099.

The Commission approved **Perkins Mountain Water Company's** ("PMWC") Order Extending the Deadline Contained in Decision Nos. 70663, 73265, and 76099 for two years from the effective date of the Commission's decision.

On December 24, 2008, the Commission issued Decision No. 70663, which conditionally approved a water utility Certificate of Convenience and Necessity ("CC&N") for PMWC to include areas southeast of Kingman, AZ and south of the Hoover Dam. On May 21, 2019, PMWC filed a Motion for Extension of Time to Comply with Decision Nos. 70663 and 73265 ("Motion"), requesting that deadlines to comply with the conditional CC&N requirements for the Companies be extended for an additional two years. In its Motion, PMWC stated that there was continuing need for water and wastewater services in the certificated area and that the landowners desired to receive water and wastewater services from PMWC. According to PMWC, PMWC has invested approximately $750,000 in the certificated area, and that investment would be lost if the filing deadlines were not extended. PMWC indicated that the inability to meet the remaining deadlines is the result of delayed development, over which PMWC has no control.

Without further discussion, the Commission approved the extension of time by a vote of 3-2. Chairman Burns and Commission Kennedy voted against the item without explanation.

Electric

8. Graham County Electric Cooperative Inc. (E-01749A-19-0108) – Line of Credit Financing.

After considerable discussion, the Commission approved **Graham County Electric Cooperative Inc.'s** ("GCEC") request for line of credit financing,

approving $8 million for utility infrastructure and up to a $6 million loan to act as an intermediate lender for United States Department of Agriculture ("USDA") Rural Utilities Service's Rural Economic Development Loan and Grant Program ("REDL&G"). Staff initially recommended denial of the request to participate in the REDL&G program because of concerns for the risk of loan default. This item was previously presented and discussed at the Commission's September Open Meeting.

In the September Open Meeting, GCEC explained the history of the GCEC service area and operational strategies to improve the Cooperative's financial health, which includes a four-part plan to reduce costs and increase revenue. A key component of that plan is to grow the commercial load in its service territory. The REDL&G program allows GCEC to use no cost federal loans to expand local business within its service area and to build local business that would otherwise struggle to obtain financing from typical commercial lenders that no longer fund rural communities.

The Commission heard from several commenters living and working in Graham County, who spoke about the challenges of economic development in that rural area and the importance of GCEC's participation in the REDL&G program.

Pima Mayor C.B. Fletcher shared that the Town is a farming, mining, and ranching community with few large employers and only a handful of local businesses. Young people leave Pima because there are few job opportunities to sustain a family. The Optimal Health Systems ("OHS") building in Pima, a beneficiary of the REDL&G program, has created an uplift in the community and sparked interested from other businesses due to its success.

Pima Town Manager Shawn Lewis shared that Pima is in need of economic development. OHS originally looked to relocate out of Pima for its expanded facility, but the Town's participation through GCEC in the REDL&G program kept the business in the area and increased the number of employees from 14 to 44, with an average yearly income of approximately $38,000. The OHS building cost roughly $800,000, financed in part by a $375,000 loan from the Town of Pima through the REDL&G program. Additionally, the payment from OHS to the Town has been in excess of the loan amount and the 5-year loan will likely be paid off in 3 years, which will result in more revenue for the Town once the loan has been repaid.

Joe Goodman, owner of the Taylor Freeze restaurant located in Pima, gave further comment about the benefits of his participation in the REDL&G program. Taylor Freeze is a permanent fixture in the Pima area and was looking to expand; however, no banks were willing to loan money for a proposed expansion because they do not typically fund rural development. REDL&G was the only source of financing available in rural Arizona for an expansion project. Mr. Goodman estimated that the new store will generate at least 25 new jobs, in addition to creating a new customer load for GCEC.

GCEC expressed further optimism about the benefits of the REDL&G program to its rural communities. REDL&G has provided $400 million in loans with a 0% default rate. GCEC, through extensive vetting, will not expose its members to undue risk and has turned down viable projects that have not met the program's stringent eligibility requirements.

Commissioner Olson emphasized that the current outstanding loans are heavily collateralized and requested information about the new loan collateral requirements. GCEC cited its stringent three phase vetting process and the requirement that a borrower must put at least 20% equity in the project, plus evidence a demonstratable cashflow. The conservative GCEC Board of Directors makes final decisions as to whether acting as an intermediary for any applicant will benefit the cooperative members.

Commissioner Kennedy inquired into what would happen if there were to be a default through the REDL&G program and who would be ultimately responsible. GCEC clarified that it has an irrevocable line of credit with the National Rural Utility Cooperative Financing Corporation ("CFC") to USDA that guarantees the loan. If there is a default, USDA would exercise its rights under the letter of credit. CFC would then ask GCEC to pay back those funds. GCEC currently has first deeds of trust (200% collateralization) which would be the source of repayment. If there were any remaining balance, GCEC would be considered liable for that amount. However, GCEC also agreed to satisfy any such default with non-member revenue.

Commissioner Kennedy expressed her support of the idea of growing the utility's customer base but expressed concerns with the amount borrowed before Commission approval and concern with ratepayers picking up any potential default.

Commissioner Marquez-Peterson proposed an amendment that would grant GCEC's request for authority to incur debt from the REDL&G program. Commissioner Marquez-Peterson emphasized the importance of finding and accessing funding for underserved and small businesses in rural communities.

Chairman Burns noted that he is not sure that loan financing is a function of an electric cooperative, and expressed concern that other cooperatives, who are not as well-managed, may come forward looking for approval of the program.

Commissioner Dunn, supporting Commissioner Marquez-Peterson, noted that GCEC has the backing from the community and the utility will directly benefit from the program. Commissioner Dunn further believes that economic development, while not the primary consideration, is a factor in each decision the Commission makes. Participation in the program is vital to the health and welfare of the utility.

Commissioner Marquez-Peterson's amendment passed with a vote of 3-2, with Chairman Burns and Commissioner Kennedy voting no.

GCEC provided two amendments to the ROO, which were adopted by Commissioner Olson and passed by the Commission. The first amendment removed the requirement that GCEC immediately repay the existing $875,000 in loans before they are repaid by the ultimate recipients. The second amendment removed the requirement that GCEC file its line of credit agreement with CFC for Commission approval.

Ultimately, the Commission approved GCEC's request for line of credit financing as amended by a vote of 3-2, with Chairman Burns and Commissioner Kennedy voting against.

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11. Arizona Public Service Company (E-01345A-18-0226) – Application for the Approval of its 2019 Renewable Energy Standard Implementation Plan for Reset of Renewable Energy Adjustor.

The Commission unanimously approved **Arizona Public Service Company's** ("APS") Application for the Approval of its 2019 Renewable Energy Standard Implementation Plan for Reset of Renewable Energy Adjustor.

On June 29, 2018, APS filed its 2019 Renewable Energy Standard ("RES") and Tariff Plan ("REST Plan" or "Plan"). In its REST Plan, APS requested funding for previously authorized programs, including legacy performance-based incentives, renewable purchased power costs and ongoing program administrative costs, educational outreach, and administration of prior initiatives already being implemented. APS did not propose any new

programs for the REST Plan. The REST Plan included the following: (a) summary information regarding the amount of renewable generation on APS's system and its progress towards compliance with the RES; (b) a request for waiver under Arizona Administrative Code ("A.A.C.") Rl4-2-1816 of the residential distributed energy requirement contained in A.A.C. R14-2-1805; (c) a request to continue the Green Choice Program; (d) estimated budgets for 2019 through 2023; and (e) exploration of biomass renewable generation to assist with forest health. In its REST Plan, APS requested approval of a budget of $89.9 million for 2019, including $76.6 million that will be collected through the RES adjustor ("REAC-l") in 2019.

APS currently has six REAC-l customer categories: residential, extra small commercial, small commercial, medium commercial, large commercial, and industrial. REAC-l adjustor charges are applied based on Kilowatt Hour ("kWh") usage, with a monthly cap for each of the categories. Customers who installed a Distributed Generation ("DG") system and received an incentive after July 1, 2012, and customers who installed a DG system and interconnected with APS after February l, 2013, regardless of incentive, pay the average charge for the relevant customer classification. APS proposed an adjustment to REAC-1, lowering both the monthly RES adjustor caps and kwh charge.

Commissioner Olson thanked APS for submitting additional information and highlighted the significant expenses associated with the Commission policy.

Commissioner Kennedy noted that she will docket questions relating to website traffic, website advertising, and data analysis.

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12. Arizona Public Service Company (E-01345A-18-0003) – Application to Implement Tax Expense Adjustor Mechanism.

The Commission approved, by a 5-0 vote, **Arizona Public Service Company's** ("APS") Application to Implement Tax Expense Adjustor Mechanism ("TEAM") Phase III. In efforts to accurately reflect the impacts of the Tax Cuts and Jobs Act, the Commission approved a TEAM and the related Plan of Administration ("POA") for APS in Decision No. 76295.

TEAM Phase III was designed to implement tax-related savings associated with protected Excess Deferred Income Taxes ("EDIT"). APS proposed to amortize its $881 million of protected EDIT over 28.5 years, based on the Reverse South Georgia Method ("RSGM"), which translates to an annual refund of approximately $31 million. APS indicated that its estimated annual refund of $31 million is further increased to $34.452 million, due to the impacts of its gross revenue conversion factor and pertinent adjustments to rate base. The Commission approved APS's application to refund $64 million of protected EDIT accrued from January 2018 through October 1, 2019 as a one-time bill credit at the rate of $0.006945 per kWh to customers between August 1, 2019 and October 31, 2019. The Commission also approved a monthly bill credit in the amount of $0.001169 per kWh to refund $39.5 million from November 1, 2019 through December 31, 2020. APS anticipated to fully incorporate the impacts of the federal Tax Act within its upcoming rate case.

Gas

9. Southwest Gas Corporation (G-01551A-16-0107) – Application for Approval to Set Customer-Owned Yard Line Cost Recovery Mechanism Surcharge Rate.

The Commission approved **Southwest Gas Corporation's** ("Southwest Gas") request for approval of its Customer Owned Yard Line ("COYL") surcharge pursuant to Decision No. 72723, which established a COYL program that would periodically survey existing COYLs and replace those that have leaks.

Southwest Gas requested recovery of a revenue requirement of $6,714,079, resulting in a COYL surcharge of $0.01063 per therm. This increase would have an average incremental impact of approximately $0.13 per month and a total monthly impact of $0.29 to residential customers' bills. Staff recommended that the COYL surcharge be reset to $0.00000 per therm and remain in effect until otherwise ordered by the Commission. Staff suggested that Southwest Gas's current rate proceeding is a more appropriate setting for the surcharge application to address the bidding of projects involving Southwest Gas's affiliate and other related matters. Staff recommended that an independent monitor be appointed for the COYL program.

Chairman Burns offered, but withdrew, an amendment that would have left the COYL surcharge at its present level of $0.00566 per therm until the entire COYL program could be re-evaluated in Southwest Gas's pending rate case. Commissioner Burns explained that this would have allowed the program to continue, at least up to the rate case.

Commissioner Marquez-Peterson proposed an amendment intended to balance the recommendations and concerns of the parties in the case, while respecting previous decisions of the Commission. The amendment would have kept the COYL Surcharge at its current rate of $0.00566 cents per therm until the conclusion of the Southwest Gas's pending rate case and allowed Southwest Gas to create the regulatory asset requested. The amendment also retained Staff's recommendation that Southwest Gas's annual COYL reset filing requirement should be waived until the conclusion of Southwest Gas's pending rate case and prevented future COYL replacement and COYL relocation contracts from being awarded to Southwest Gas affiliates until the Commission has a chance to complete its comprehensive re-evaluation. Commissioner Marquez-Peterson further explained that the amendment would establish a regulatory asset in order to defer the revenue requirement, which may be amortized over a specific number of years for recovery in base rates in Southwest Gas's pending rate case. However, Staff did not support the regulatory asset language.

Chairman Burns moved to amend Commissioner Marquez-Peterson's amendment and remove the language establishing a regulatory asset for the COYL program. Chairman Burns' verbal amendment passed by a vote of 4-1, with Commissioner Marquez-Peterson voting no. Commissioner Olson and Commissioner Dunn explained that it is reasonable to keep the surcharge in place to allow Southwest Gas to recover expenses it incurred under a Commission approved program, and the Commission would reevaluate the program in the pending rate case. Subsequent to the vote to amend, Commissioner Marquez-Peterson withdrew her amendment.

Commissioner Dunn then offered a verbal amendment identical to Commissioner Marquez-Peterson's amendment as amended by Chairman Burns. Commissioner Dunn's amendment passed by a vote of 4-1, with Commissioner Kennedy voting no.

Ultimately, the Commission approved Southwest Gas's COYL surcharge, as amended, by a vote of 4-1, with Commissioner Kennedy voting no.

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10. Southwest Gas Corporation (G-01551A-16-0107) – Application for Approval to Set Vintage Steel Pipe Replacement Adjustor Mechanism Surcharge Rate.

The Commission approved, by 4-1 vote, **Southwest Gas Corporation**'s ("Southwest Gas") application to reset its Vintage Steel Pipe ("VSP") Replacement Adjustor Mechanism Surcharge Rate from $0.00386 to $0.01874 per therm. The new adjustor rate is higher to reflect the revenue requirements associated with increased VSP Program capital expenditures recorded through 2018.

Commissioner Marquez-Peterson withdrew a proposed amendment intended to balance the recommendations and concerns of the parties in the case, while respecting previous decisions of the Commission. The amendment would have kept the VSP Surcharge at its current rate of $0.386 cents per therm until the conclusion of the Southwest Gas's pending rate case and allowed Southwest Gas to create the regulatory asset requested. The amendment also retained Staff's recommendation that Southwest Gas's annual VSP filing should be suspended until the conclusion of Southwest Gas's pending rate case and prevented future projects from being awarded to Southwest Gas's affiliates until the Commission has a chance to complete its comprehensive re-evaluation.

Commissioner Marquez-Peterson asked Southwest Gas what benefit a regulatory asset will have on the program. Southwest Gas stated that it is helpful to have a regulatory asset to track costs for future potential recovery (rather than foregoing recovery of those costs altogether) and will allow Southwest Gas to continue the program. Without the regulatory asset, Southwest Gas indicated that it would evaluate whether it would continue the program beyond the end of the year.

Chairman Burns offered a verbal amendment identical to Commissioner Marquez-Peterson's amendment without the regulatory asset language. Chairman Burns' amendment passed by a vote of 3-2, with Commissioner Kennedy and Commissioner Marquez-Peterson voting no. Ultimately, the Commission approved Southwest Gas's application, as amended, to reset the VSP Replacement Adjustor Mechanism Surcharge Rate by a vote of 4-1. Commissioner Kennedy voted no, stating that the cost of the program has increased tremendously and is not in the best interest of the ratepayers.

Pinal Energy, an intervenor in the docket, noted its opposition to the VSP surcharge. Additionally, Pinal Energy provided a history of the fair value rate base of Southwest Gas, specifically noting the significant increase over the previous few years.

Rulemaking – Electric

13. Arizona Corporation Commission (RE-00000A-07-0609) – Notice of Proposed Rulemaking Regarding Interconnection of Distributed Generation Facilities.

The **Commission** unanimously voted to adopt a Final Rulemaking Regarding Interconnection of Distributed Generation ("DG") Facilities.

Among other things, the rules for interconnection of DG facilities would establish mandatory technical standards, processes, and timelines for regulated utilities to use for interconnection and parallel operation of different types of DG facilities. The groundwork for this rulemaking began in the 1990s, with numerous workshops held in 2005 and 2006, resulting in the Commission's adoption of an Interconnection Document in 2007, designed to serve as a guide for interconnection until formal rules became effective.

A formal rulemaking docket was opened in October 2007; draft rules were not filed until 2015. Workshops were held in 2016 and 2017 followed by the filing of a second revised draft rules in April 2018. In November 2018, Staff filed a third revised draft rules for consideration by the Commission. At the

Open Meeting in January 2019, the Commission passed numerous amendments and issued a decision directing staff to initiate a formal rulemaking process.

The Notice of Final Rulemaking package was filed with the Office of the Arizona Attorney General.

The Commission heard comments from several interested parties. Public comments suggested the creation of a merchant market for grid scale services, specifically gird scale storage. Comments from solar installers indicated hesitation with the maximum capacity language proposed (20 kW to 2 MW range) and stated that there are no economic, technical, or other reasons that consumers would attempt to change the output characteristics of their solar and storage systems from their initial settings. Representatives from Tesla echoed comments regarding operating characteristics of DG technologies, specifically relating to imports and exports of energy, and the ability of an individual to manipulate settings that could lead to harmful effects on the grid. SunRun expressed support for the rules as written but highlighted a similar DG rulemaking process from Maryland. Arizona Public Service, while opposing the rules, filed no exceptions and stated there comes a time to “fold your cards and go home.” Tucson Electric Power filed exceptions in the interest of public safety and liability, relating to the maximum capacity definition that includes a range from 20 kW to 2 MW. Grand Canyon State Electric Cooperative Association clarified that the cooperatives are concerned about the economics and safety for members and customers.

Chairman Burns stated that the utility and solar installers are competitors, and suggested, for the future, that the Commission should remove the utility’s authority to review and approve hookups on interconnection because companies should not be determining what its competitors do on the system. Chairman Burns clarified that it should be the Commission that approved applications for interconnection. Additionally, Chairman Burns raised questions about the benefits of a hosting capacity mapping program that would allow opportunities for those looking to interconnect to see what is available and where it is available. Staff suggested that the Commission direct the utilities to include a hosting capacity discussion in the Interconnection Manual required by the DG rules.