

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

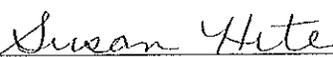
Report – Attachment 3

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 Bret Roberts, Vice Chair
 Representative Walter Blackman
 Representative Pamela Powers Hannley

Representative Amish Shah
 Representative Raquel Terán
 Representative Ben Toma

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

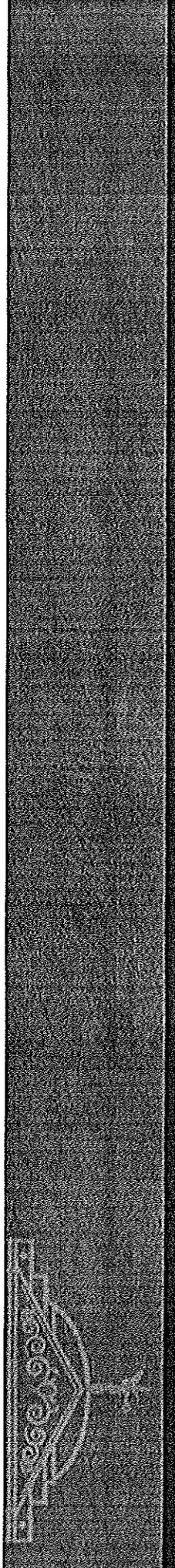
- \$560 million dollars in savings over last three fiscal years!!

	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

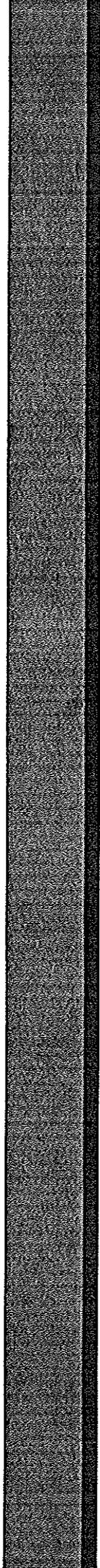
Performance Audit and Sunset Review

Report 19-110

Issued: September 2019

Presenter: Rosa Ellis

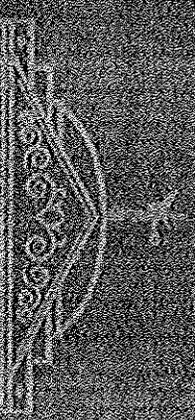
Date: January 16, 2020



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:

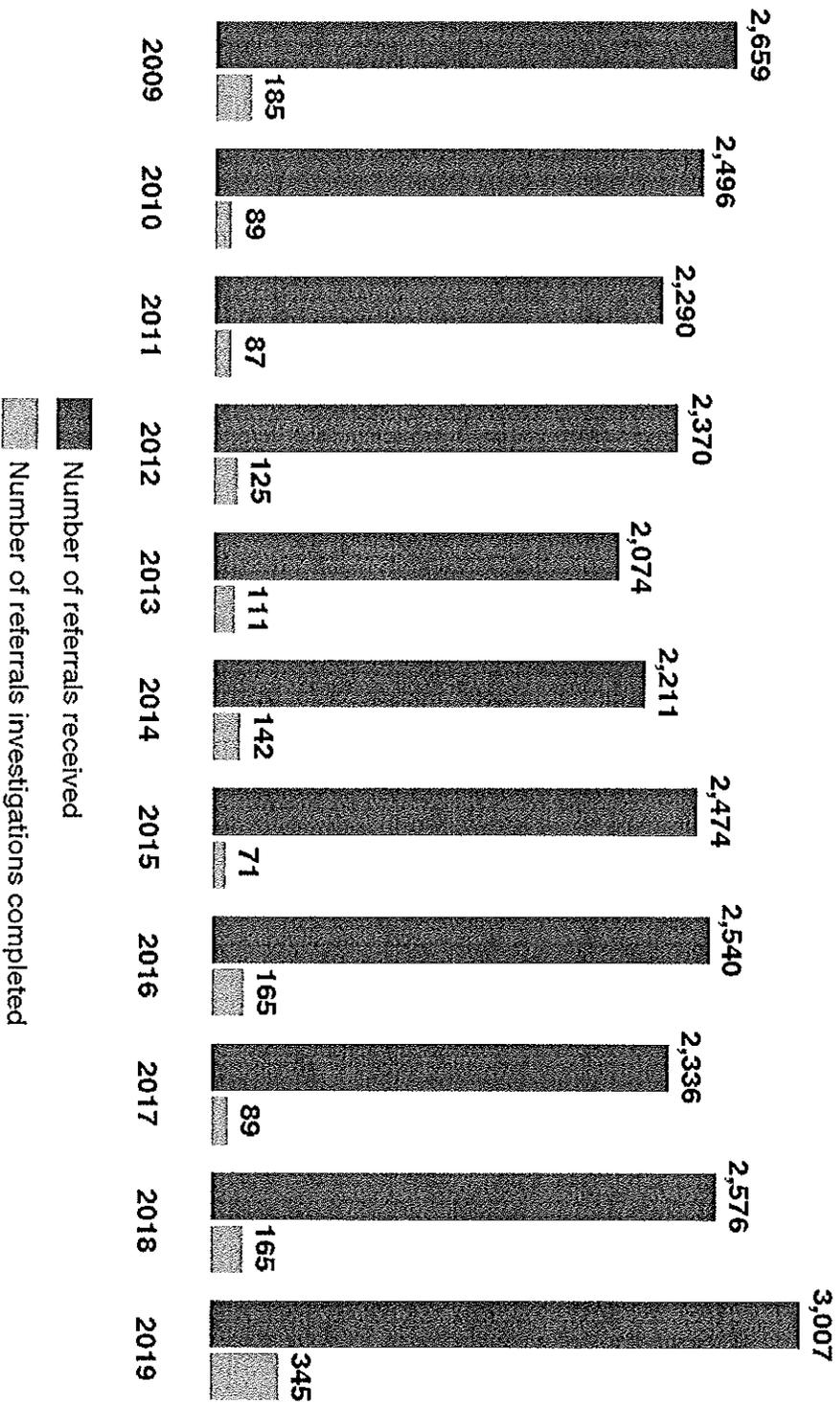
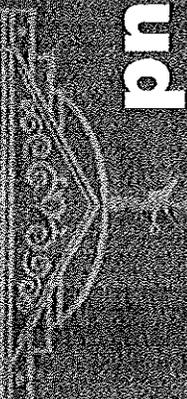
- Arizona Department of Financial Institutions
- Automobile Theft Authority

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

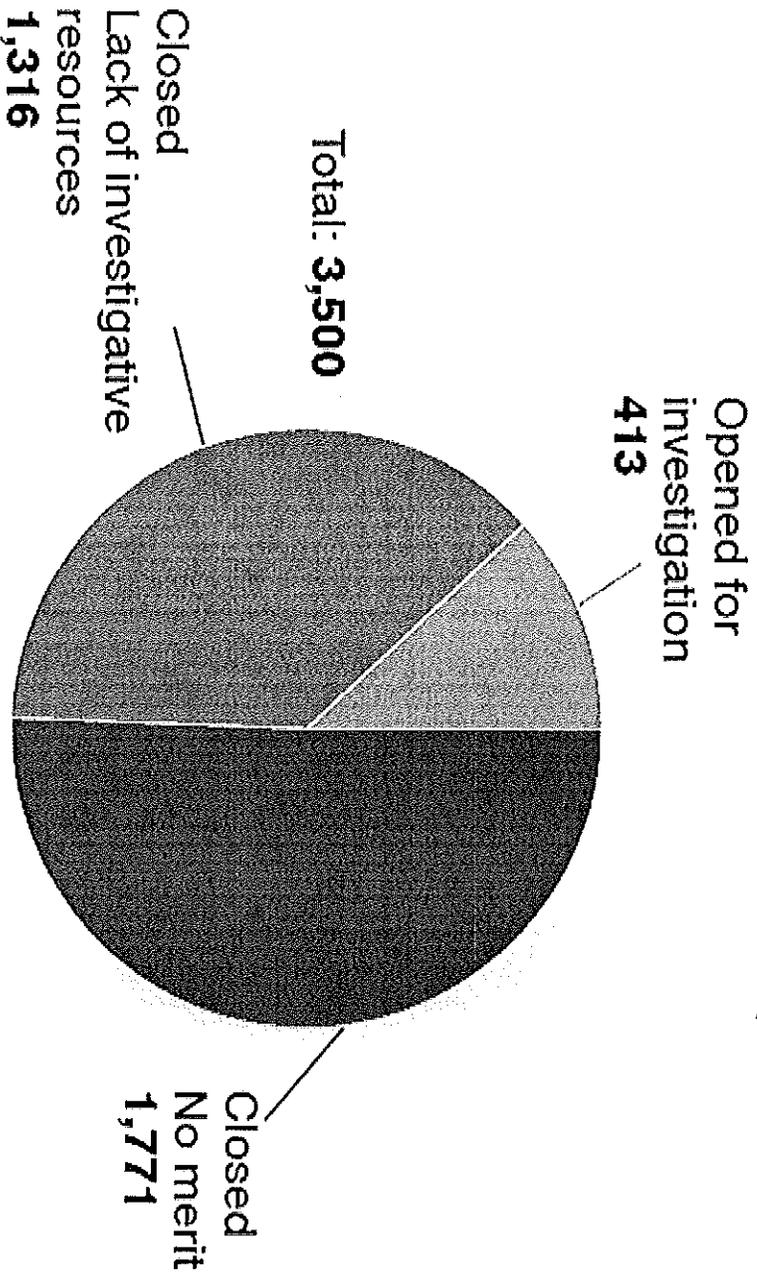
State	Referrals received	Referrals opened for investigation	Responsible state entity
Utah	972	334	Insurance department
Pennsylvania	2,508	304	Attorney General's Office
Arizona	2,576	231	Insurance department
Florida	15,593	2,108	Financial services department
California	25,159	1,226	Insurance department

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

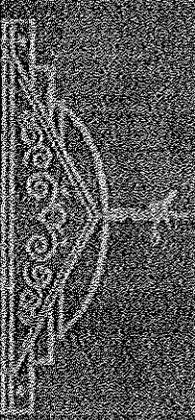
Statute requires public officers and employees to fully disclose substantial interests and refrain from participating in related decisions and matters

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
- Employees not required to update disclosures
- 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

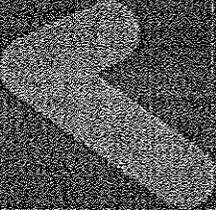
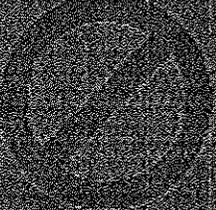


Implement conflict-of-interest policies that address:

- 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

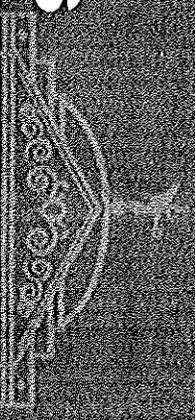
Rate filings received in 2018 averaged 250 days to complete important review

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

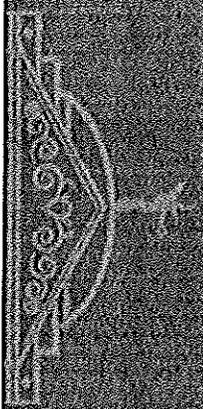
Recommendation: The Department should determine whether these public bodies are necessary and, if so, convene the bodies to fulfill their purposes. If not, the Department should work with the Legislature on statutory changes.

Department agreed with findings and will implement recommendations



Department agreed with 16 recommendations

Initial followup will begin in February 2020



Arizona Department of Insurance

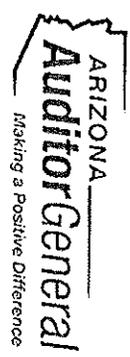
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Date: January 16, 2020





Arizona Department of Insurance

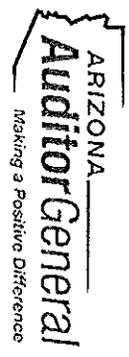
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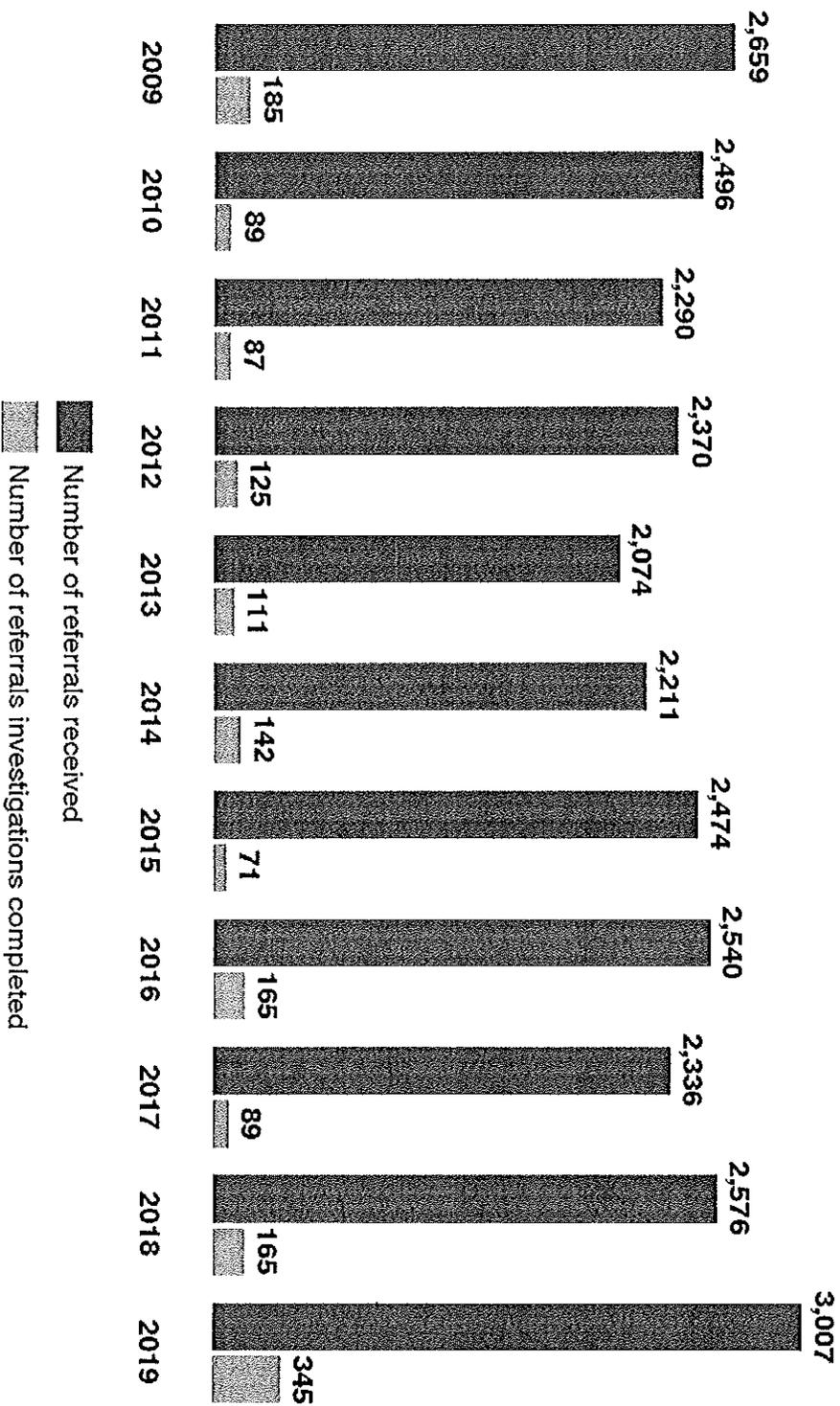
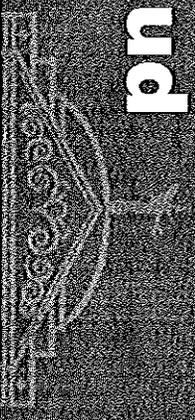
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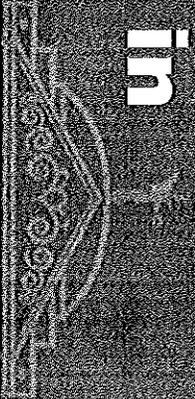
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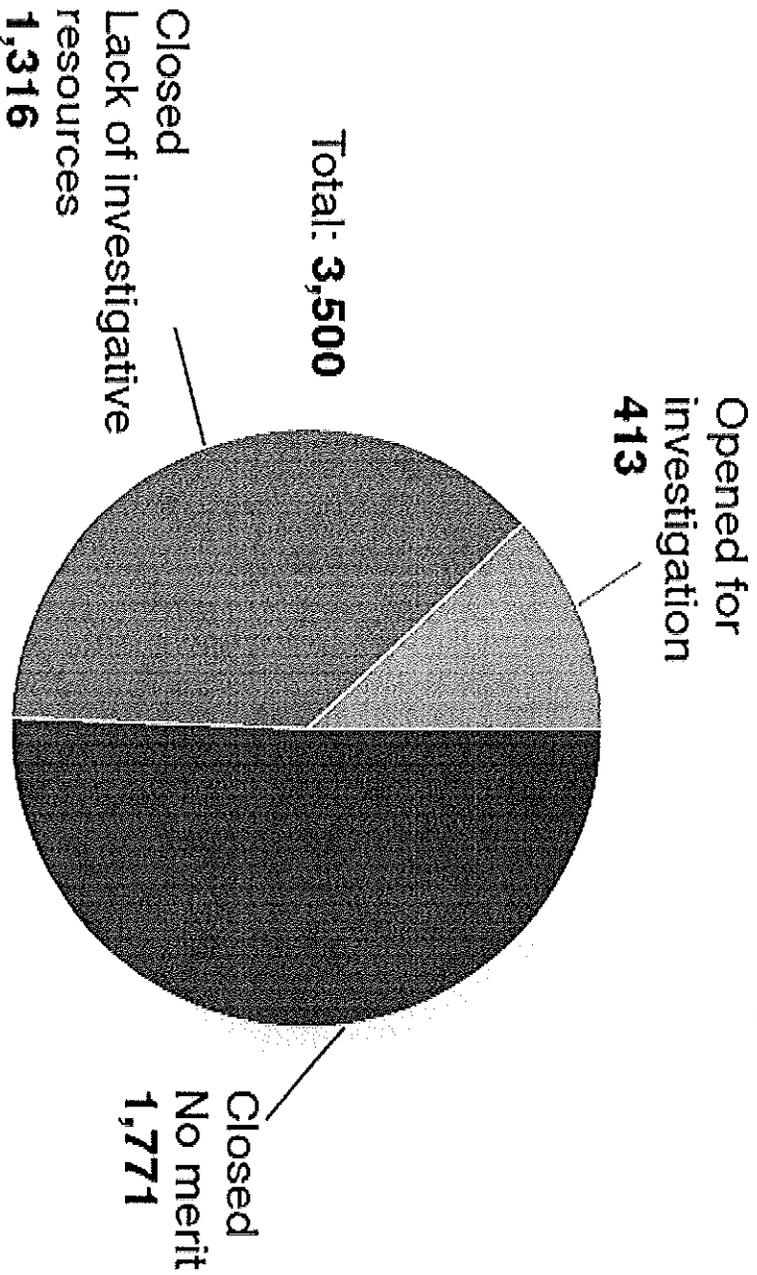
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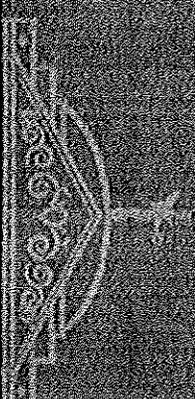
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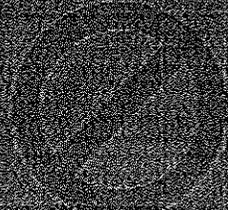


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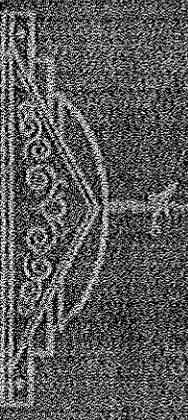
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3

2

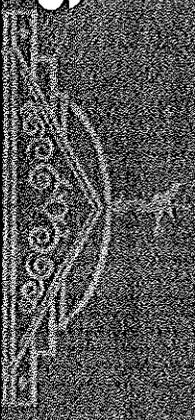
7

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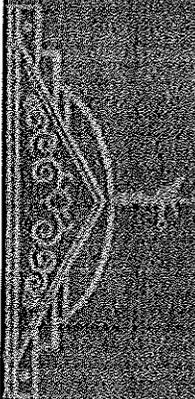
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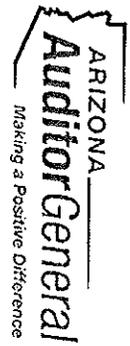
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STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS



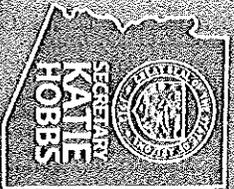
SUNSET REVIEW
January 16, 2020

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

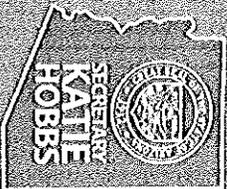


Membership

- 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

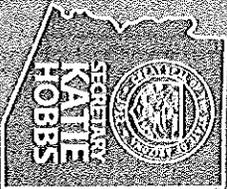


Compensation

- 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

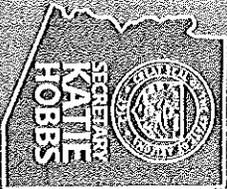


Powers & Duties

- 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

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

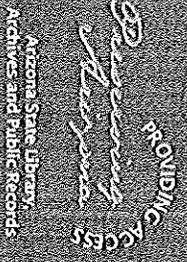
ARS 11-908

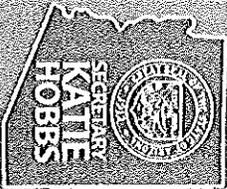
County Librarian Appointments

- 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.



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

Administrative Code
R2-4-01

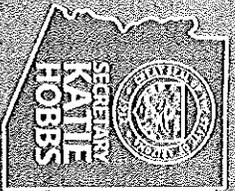


Academic Requirements

- 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.

Arizona State Library, Archives and Public Records
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STATE OF ARIZONA Department of State
BOARD OF LIBRARY EXAMINERS

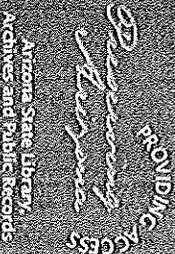
Administrative Code
R2-4-02

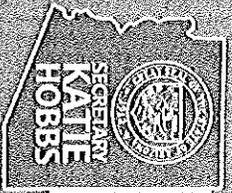


Application Information

- 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.

Arizona State Library, Archives and Public Records
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STATE OF ARIZONA Department of State BOARD OF LIBRARY EXAMINERS

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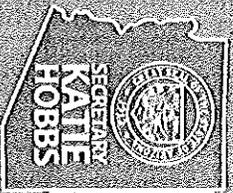
Application Process

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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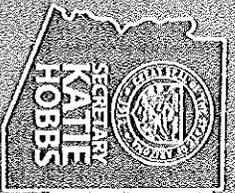


Application Process

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.

Arizona State Library, Archives and Public Records
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STATE OF ARIZONA Department of State
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

Arizona State Library, Archives and Public Records
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