

Rate Case Explained

Most companies can simply set their own prices to sell their products and services. Regulated utilities like APS are different. The prices APS charges to provide customers with safe, reliable electricity are decided through an open, public process called a rate case.

WHAT IS A RATE CASE?

When a pricing adjustment is needed, we file a request with the Arizona Corporation Commission (ACC), the body that regulates public utilities.

The request is considered in a rate case, which offers a public forum to examine and discuss the request. Rate cases seek to balance the needs of customers and the utility with public policy goals. Reasonable costs for electric service are defined, and the amount of money we will collect through rates to provide that service is determined.

During the process, we will file thousands of pages of detailed information about finances and operations to support our request.

WHY IS IT NEEDED?

Electric rates supply APS with the revenue required to serve customers, fund day-to-day operations and maintain a safe, reliable grid. Rates cover needed infrastructure such as poles, wires, substations and transformers. Costs considered in rates include labor, materials, taxes and fuel, as well as depreciation and interest on investments in the grid and power plants.

Rate cases also give us and the ACC opportunities to set policies that keep pace with growth, aid investment in future needs such as grid modernization, renewable resources and cleaner energy, and improve customer service. Lastly, utilities are not guaranteed to make a profit.

Lastly, the ACC instead sets a potential profit target, called an authorized rate of return, that allows a utility's shareholders to earn a reasonable investment return.



WHO PARTICIPATES?

A rate case is open to the public and also permits interested parties with legal representation, called intervenors, to participate in the process. Participants typically include the ACC staff; the state's Residential Utility Consumer Office (RUCO), which represents the interests of residential customers; commercial and industrial customers; industry associations; environmental groups; private citizens and public-interest advocates.

The involved parties may reach a settlement agreement before public hearings begin with a hearing officer, called an administrative law judge. Testimony is heard from parties during the hearings, and then the hearing officer provides a written recommendation to the commissioners.

HOW LONG DOES IT TAKE?

Rate cases typically take about 12-18 months from the initial filing date until the ACC issues a decision and new rates go into effect.

The ACC conducts the final phase in its regular open meetings to consider the written recommendation, receive public input, and deliberate the positions of APS and intervenors. The commissioners can formally vote to accept or reject the written recommendation. They can also make changes with amendments and vote to approve the revised version.