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ARIZONA CORPORATION COMMISSION

October 11, 2023

Governor Katie Hobbs
Office of the Arizona Governor
1700 W. Washington
Phoenix, AZ 85007

Dear Governor Hobbs:

As you and your team are aware, electricity customers of the San Carlos Irrigation Project (SCIP) were recently hit with massive price increases in their monthly utility bills, in many cases more than doubling their previous payments. The sudden increase is purportedly related to the U.S. Department of Interior's Bureau of Indian Affairs' (BIA) application of new purchased Power Cost Adjustment (PCA) agreements which soared to \$0.056 per kilowatt hour (kWh). This new PCA rate is in addition to customers' existing electric power rates.

The unfortunate situation in Central Arizona highlights the dangers of any utility subject to the volatility of disproportionately purchasing power on the open market. It has now become painfully obvious that SCIP has long overextended its original 1928 mission of providing irrigation water and minimal power to tribal lands and surrounding communities. It is estimated that roughly 80% of SCIP's approximately 10,000 customers are located on non-tribal lands.

As you are also well aware, neither the Arizona Corporation Commission (ACC) nor the State of Arizona has any regulatory authority over SCIP, and any solution will likely require federal intervention. Among suggested proposals is the divestiture of SCIP, which could potentially allow current SCIP ratepayers to become customers of Arizona electric utilities. It is worth noting that divestiture has been attempted before but was unsuccessful for reasons that are too complicated to detail here.

The first piece of federal legislation proposing divestiture of SCIP was introduced in 1987, but it wasn't until Arizona Congressman Jim Kolbe introduced H.R. 1476 (San Carlos Indian Irrigation Project Divestiture Act of 1991), that the Act would be signed into law (Public Law No: 102-231). The bill had bipartisan support from Arizona's delegation, but unfortunately, the plan to complete divestiture and free SCIP customers from federal authority never manifested.

Costly upgrades to the SCIP electrical system are necessary. Perhaps it is time to reignite collaborative discussions with our federal partners exploring divestiture of the federally owned utility with the end goal of transferring generation, transmission, and customer responsibility to regulated Arizona utilities. Additionally, we believe federal funds could be requested to provide necessary maintenance and improvements to the SCIP grid. We have heard anecdotally from SCIP customers that it is not uncommon for rolling blackouts to impact the SCIP electrical system for multiple days.


More immediately, we welcome the exploration of financial protections that can be provided to SCIP customers to increase the safety net and protect vulnerable ratepayers. For example, the Biden-Harris Administration recently announced more than \$167 million in “grid resilience formula” grants to states and tribes across the country. While we are unclear whether your Office of Resiliency will have any role in dispersing the \$13 million allocated to Arizona, we believe it is worth exploring if any of these funds can be devoted to reducing “rate shock” for this community or providing necessary improvements to the SCIP electrical system.

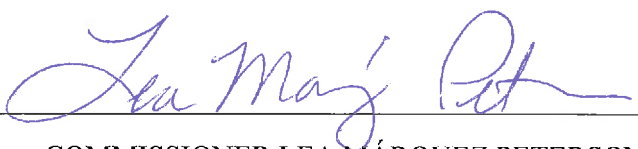
In July of this year, you wrote to Arizona utilities expressing your concerns regarding the unprecedented heatwave and medical dangers posed to customers at risk of losing electricity service due to financial constraints and nonpayment. We share those same concerns for the public and were not surprised by the regulated utilities collective response that there are well-established policies in place ensuring vulnerable customers will not have their power shut off during the most grueling days of summer. Unfortunately, similar protections do not exist for SCIP customers. And while Arizona’s extreme weather is finally beginning to subside, there is no guaranteed protection for SCIP customers in the future when our temperatures dangerously begin reaching the 100-degree mark next summer.

More than 30 years ago the U.S. Congress led the charge to address the problems with SCIP and attempted to implement changes that would allow the system to operate efficiently and provide ratepayers with an improved experience. Given the fact the Act never manifested into reality, it is unsurprising that history is repeating itself and the dire situation for these Arizonans will only continue to worsen. During the House floor debate in November 1991, former Congressman Kolbe promoted the idea of “getting the government out of the business that private enterprise ought to be doing.” We completely agree.

It should be acknowledged that we recognize the vast majority of potential long-term solutions are outside of your control and authority as governor. However, like us, we know you are looking for meaningful solutions, and we would appreciate your willingness to advocate for Arizona ratepayers. We write to you today in our individual capacities, and we welcome an opportunity to provide any assistance to you or your office on this important matter.

Sincerely,


COMMISSIONER KEVIN THOMPSON


COMMISSIONER LEA MÁRQUEZ PETERSON


COMMISSIONER NICK MYERS


CHAIRMAN JIM O’CONNOR