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December 2, 2005

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: Decision No. 68112
Docket No's. E-01345A-03-0775 and E-01345A-04-0657
Declaratory Order and Bill Estimation

Dear Sir/Madame:

Attached please find Arizona Public Service Company's Access Improvement Program which is being filed for Commission approval, pursuant to Decision No. 68112. The Plan was submitted to the Director of Utilities and the Manager of Compliance Enforcement on November 8, 2005.

If you have any questions, please give me a call at 602-250-3933.

Sincerely,

David J. Rumolo
Manager
Regulation and Pricing

Attachment

JT/vld

Cc: Docket Control (Original, plus 15 copies)

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November 8, 2005

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: ACCESS IMPROVEMENT PROGRAM, PROPOSED SETTLEMENT AGREEMENT PARAGRAPH 24 AS REQUIRED BY DECISION NO. 68112

Dear Mr. Johnson:

Pursuant to Paragraph 24 of the Commission-approved Proposed Settlement Agreement regarding demand estimation, APS is submitting the details of its proposed Access Improvement program for Commission approval.

If you have any questions, please feel free to call me at 602-250-3933.

Sincerely,

David J. Rumolo
Manager
Regulation and Pricing

Attachment

DJR/jms

cc: Brian Bozzo, Compliance Enforcement

Arizona Public Service
Access Improvement Program

Introduction

Decision No. 68112 (Proposed Settlement Agreement, paragraphs 22 – 24) requires Arizona Public Service (APS) to design and submit for approval a cost effective Access Improvement Program to reduce the number of estimated bills due to "no access" issues. Pursuant to that Decision, APS must expend at least $600,000 on this program and the expenditures must be separate from any ongoing or anticipated expenditures. The program must have a direct, measurable effect upon APS' ability to obtain access to sites where access is a recurring problem.

APS has already implemented some additional measures that should have a positive impact on reducing the frequency of "no access" issues, which will subsequently reduce the frequency of estimated bills caused by lack of access. The employees who are responsible for resolving "no access" issues have been reorganized into a single department. This fosters more consistency and provides better oversight in the handling of "no access" issues. In addition, the "no access" report that includes detailed information about every "no read" is now being loaded into a database for electronic distribution and a number of enhancements/additions have been added to the report to streamline the workflow process. The system automates many processes, such as sending customer letters, identifying the number of consecutive "no access" months, prioritizing accounts needing demand (kW) resets, and provide better monitoring of the actions taken to resolve each access issue.

Overview

APS needs to collect meter reads from each customer meter every month to allow the Customer Information System (CIS) to generate a bill that is based on each customer's actual usage. APS meter readers use Itron handheld computers to collect reads from customer meters each month. When a meter reader encounters a meter that is not accessible, the time to handle that meter is significantly increased due to the measures taken by the meter reader to find alternative ways to obtain the read (e.g.; reading from a neighbor's yard or from an alley, etc.).

A significant problem when dealing with "no access" situations is the fact that APS' service territory has a very transient customer base. A site that is not an access issue today may become an access issue when the current customer moves and a new customer connects service. Each new customer brings with them their own set of situations (e.g. dogs, lifestyle patterns, and security needs) as it relates to obtaining meter reads.

If the meter reader cannot obtain an actual read, then CIS estimates the customer's usage – and demand if necessary – and bills the customer based on those estimated values. The volume of estimated bills at APS is in the normal range for other utilities of equivalent size despite the fact that we offer somewhat unique rate options, such as residential rates with demand billing.

Because demand (kW) usage does not true up once an actual read is obtained, as kWh usages does, it is all the more important to gather actual reads.

Access Improvement Program

I. Proposals

While there are additional steps that APS can take to help reduce the number of "no access" issues faced by meter readers, the customer is ultimately in control of APS' ability to access the meter. It should be noted that while meter access provides for more timely and accurate bills, APS' and the Commission's requirement that APS have safe, unassisted access to the meter is a factor in providing safe and reliable electric service to our customers. Therefore, once a meter reading access solution is implemented for a customer, APS still must insist on safe unassisted access to the premise to address meter and service issues. In an effort to reduce access issues for the meter reader, increase the overall efficiency of the meter reader and reduce the number of estimated bills sent to customers, APS has considered several potential solutions.

Listed below are those items that APS recommends be implemented as the Access Improvement Program.

A. Potential Future Access Issues Identification

As meter readers read their routes each day, they encounter situations that could signal a potential future access issue. For example, new construction at a location could reduce the ability for a meter reader to gain the access needed to obtain a read or read a meter over a fence. New puppies spotted in a customer's yard could well turn into a safety issue within a few months for the meter reader, thus preventing access to the meter. APS is recommending that a new "comment code" be created for the Itron Meter Reading system. Meter readers would be trained to use this new "comment code" in the appropriate situations, and a new report would be created to identify the locations where potential future access issues may exist. The customer could then be contacted and APS would work with the customer to resolve the potential access issue before it even occurs.

B. AMS Meters

APS has been evaluating Advanced Metering Systems (AMS) for the last year and is working with an AMS vendor to implement a solution that will help reduce operating expenses and improve service to our customers. APS is piloting AMS with 500 meters in the Metro Center area, with plans to roll out the system to other areas next year. APS' initial deployment strategy is to install AMS meters at apartment complexes to take advantage of the high rate of customer churn, as well as in new growth areas to reduce the cost of implementation of this new AMS technology. The system that APS is evaluating has a hub and client architecture and the communications are totally contained within the meter. Both hubs and clients perform all metering functions – the primary difference is that a hub has a data modem built into the meter. When a client meter is installed it automatically finds a hub to communicate with using 900Mhz RF. Hub meters act as the communication conduit to the APS host system for their respective clients. It is important that hub meters be placed at locations that are easily accessible

since a hub meter needing servicing could potentially be affecting the reading of many additional client meters.

The cost of a client meter is approximately $18 higher than the standard TOU meter APS purchases today. After APS is able to obtain safe access to the premise to set an AMS meter, all subsequent meter reads, "change-name" shut-off/turn-ons, and rate changes can be performed by CIS. Additional benefits of the AMS meter include the ability to program the meter to accommodate any rate schedule without having to make a field visit as well as to notify the APS outage management system when the meter experiences a power outage and when power is restored. This allows APS to restore service sooner and removes the need for customers to notify APS when their power is out. AMS meters will also help in reducing energy theft by notifying APS when a meter is inverted.

APS is recommending the use of this new AMS technology to address chronic access issues. A client meter would be set allowing reading of these meters without having to access the site. If there is not an existing hub meter within range (typically up to 750 feet), an easily accessible site close to the access issue would need to be identified and a hub meter installed to provide communications for the client meter back to the APS host.

C. Expanded Use of EZ Reads

There is a piece of hardware known as an EZ Read that can be placed between the meter and the meter socket that orients the face of the meter 90° to the left or right. EZ Read has been successfully used at APS to address access issues for customers with hard dial kWh-only meters in the past. This allows the meter reader to be able to read the meter over the fence from an accessible location.

APS is recommending that it expand the use of EZ Reads by creating a survey in the Itron handheld used by the meter readers. This survey would prompt the meter reader to answer the question, "would an EZ Read facilitate reading the meter?" This survey could be initiated during any specific month and would prompt for all locations where the meter is identified as behind a fence, and the customer is on a kWh only rate but has a TOU meter installed. A report would be created identifying all positive responses to the survey question. The "No Access" team would contact the customer and schedule a time to install a kWh only meter and an EZ Read.

D. Customer Lock / Latch Location

APS has noticed an increase in the usage of customer locks to prevent access to their premises. This increases the potential that the meter reader will encounter an access issue when attempting to read the meter. In many situations the locks are on the outside of the gate and accessible to the meter reader, but because it is a customer lock the meter reader does not have the ability to open the lock or the latch is on the inside of the gate and not accessible by the meter reader.

APS is recommending that a new process be created in the meter reading handheld that when a meter reader codes a meter as "no access" using the "locked gate" code, the meter reader would be required to enter whether the only reason for the "no access" was because of a customer lock or a inside latch. A report would be created and worked by

the "No Access" team who will then contact customers where it was identified that an accessible customer lock or an inside latch was the only reason preventing access. APS would attempt to resolve the issue by having the customer provide APS with a key or providing the customer with an APS lock in the event that the lock is accessible. If the latch is on the inside of the gate, APS would offer the customer a one time $25.00 credit towards having the gate latch repositioned to an accessible position on the outside of the gate. An APS lock would also be provided at no cost to the customer.

II. Costs

APS proposes implementing the above programs to reduce the frequency of chronic Access Issues. The table below identifies the projected monthly volume for each option, and the associated one time and monthly costs for the 15 month implementation of this program. The total projected cost for the Access Improvement Program is $623,818. The one time costs will be incurred during the six month implementation period, and the monthly costs will be incurred during the first fifteen months of the program.

Option	Projected Monthly Volume	One Time Costs	15 Month Costs	Total Costs
Potential Future Access Issues	80	$8,100	$8,940	$17,040
AMS Meters	125	$1,200	$431366	$432,566
Expanded Use of EZ Reads	40	$39,100	$45,272	$84,372
Customer Lock / Latch Location	100	$8,100	$81,740	$89,840
Total		**$56,500**	**$567,318**	**$623,818**

III. Additional Items Considered

Listed below are those additional items that items that APS considered for the Access Improvement Program, but were not recommended.

A. Remote Ports

In the past APS has used remote ports to help address "no access" issues. This is a device that extends the optical port that the meter reading system uses to probe the meter to obtain reads. The remote port could be run from the meter to a location that was easily accessible by the meter reader. A field visit would identify if a remote port was an option for the customer premise, and then a field serviceperson would be dispatched to install the remote port. All subsequent meter reads could be obtained by the meter reader probing the remote port.

The company from which APS purchased remote ports is no longer manufacturing this product. Additionally, the meter that was compatible for use with the remote port is also no longer being manufactured. APS has not been able to find another supplier of a remote port solution. For this reason APS is not considering remote ports as an option for this program.

B. Relocating Electric Meters

Relocating a customer's electric meter to a location that is easily accessible is an option that can address "no access" issues. In order to move a meter, the service entrance must also be relocated. A number of customers may not be receptive to this solution because

the relocation would leave exposed conduit running around the outside of their home. The average cost of relocating an electric meter is approximately $2,000.

APS has relocated electric meters in rare circumstances in the past and will continue to do so. However, the cost per meter of this solution makes it prohibitive to expand the practice into a larger scale offering for resolving "no access" issues. APS feels that there are other more cost-effective solutions, and therefore APS is not considering relocating electric meters as an option for this program.

C. ERT Meters

ERT meters are kWh-only meters that have an added Radio Frequency (RF) communication element. These meters can send a kWh-only read, for a short distance, via RF to an RF-adapted Itron handheld unit. ERT meters do not have the functionality to accommodate time-of-use (TOU) or kW (demand). ERT meters are currently in use at APS for locations that have short distance access conditions, such as reading from over a fence where no obstructions are in the RF path to the meter and the customer is on the Standard rate option (non-demand and non-TOU).

APS will continue to utilize the ERT meters where the conditions are appropriate. The use of ERT meters for access issues is more applicable in APS' Northern territory where more customers utilize the Standard rate option versus TOU options. ERT meters are approximately five times the cost of a standard kWh meter and an additional $1,300 cost is associated with upgrading a standard Itron handheld to ERT communication capability. Because of the significant increased cost of an ERT meter it is not practical to install these meters in a location where the customer has a higher probability of changing to a TOU or demand rate.

IV. Reporting

APS proposes two methods of measuring the success of this program. First, total APS Access Issues per 1,000 installed meters compared with the same data from 2004. Secondly, a more specific measurement calculating the percentage of access issues for the specific meters that have been addressed through the approved solutions compared to the percentage of access issues for the same customer/site meters in 2004. Within fifteen months after the conclusion of the program, APS will file a report with the Commission that addresses the impact of the Program and details and verifies the program's expenditures.

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October 27, 2005

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: AUTO-DIALER PILOT PROGRAM OCTOBER 2005 QUARTERLY REPORT, SETTLEMENT AGREEMENT PARAGRAPH 32 (f) AS REQUIRED BY DECISION 68112

Dear Mr. Johnson:

Pursuant to Paragraph 32(f) of the Commission-approved Demand Estimation Settlement, APS changed its procedure of using an auto-dialer to attempt customer contact when the account had experienced consecutive months of estimated reads due to no-access. The change was the creation of a pilot program to call customers after the second consecutive estimated read instead of the third. This pilot went into effect in June of this year. Calls are attempted between 1 and 4 days prior to the customer's scheduled meter read date.

The attached page shows the numbers of two- and three-month consecutive estimated reads due to customer-controlled no-access for the quarter immediately following the change to the auto-dialer procedure.

At this time there is not enough information to evaluate the effectiveness of the auto-dialer program. APS will continue to evaluate the results in an effort to measure the effectiveness of the program.

If you have any questions please feel free to call me at 602-250-3933.

Sincerely,

David J. Rumolo
Manager
Regulation and Pricing

Attachment

DJR/jms

cc: Brian Bozzo, Compliance Enforcement

RESULTS OF NEW AUTO-DIALER PROCEDURE
3rd Quarter 2005

CYCLE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	TOTALS
July 2005																						
2nd Consecutive	N/A	42	24	12	29	20	16	37	40	42	36	36	41	44	36	48	N/A	36	47	44	23	653
3rd Consecutive	12	12	15	9	9	9	8	22	16	14	8	18	20	23	14	24	9	14	26	22	10	314
August 2005																						
2nd Consecutive	33	33	37	15	27	25	24	37	29	42	45	59	53	N/A	33	43	21	39	47	41	30	713
3rd Consecutive	16	10	17	8	16	15	9	19	14	19	21	22	17	23	14	17	3	11	20	23	13	327
September 2005																						
2nd Consecutive	32	31	N/A	20	N/A	33	26	45	32	41	45	51	45	48	39	31	12	26	54	36	36	683
3rd Consecutive	16	14	18	7	17	14	10	26	10	21	19	16	17	26	9	9	4	10	23	12	13	311

10/28/2005