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BEFORE THE ARIZONA CORPORATION COMMISSION

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2009 JAN -5 P 3: 57

AZ CORP COMMISSION
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Arizona Corporation Commission

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IN THE MATTER OF THE SALE AND
TRANSITION BY ARIZONA PUBLIC
SERVICE TO ELECTRICAL DISTRICT
NO. 3 OF CERTAIN ELECTRICAL
FACILITIES IN PINAL COUNTY
PURSUANT TO A.R.S. § 40-285 (A) AND
FOR DELETION FROM ITS
CERTIFICATE OF CONVENIENCE AND
NECESSITY CERTAIN AREAS IN
PINAL COUNTY.

DOCKET NO. E-01345A-08-0426

**JOINT TRANSITION PLAN OF APS
AND ED-3 AND REQUESTS FOR
WAIVER OF CERTAIN RULES
PURSUANT TO A.A.C. R14-2-212(I)
AND SPECIFIC ORDERING
LANGUAGE TO EFFECTUATE
SUCH PLAN**

On August 11, 2008, APS filed an application (“Application”) for the sale by Arizona Public Service Company (“APS” or “Company”) to Electrical District Number 3 (“ED-3”) of certain electrical facilities in Pinal County pursuant to A.R.S. 40-285(A), and for deletion from its Certificate of Convenience and Necessity certain areas in Pinal County. Transferring the Company’s assets and customers within the proposed ED-3 Service Area as contemplated by the Company’s Application requires careful planning and cooperation between the parties to provide as smooth a transition for customers as possible. In that vein, APS and ED-3 are working closely together to assure that, if the Arizona Corporation Commission (“Commission”) approves the Company’s Application, the transfer of APS’s distribution system and customers in the ED-3 Service Area will occur in as timely and straightforward a manner as possible.

To that end, the parties determined that the following “transition plan” will best serve the interests of those APS customers that would be affected if the Company’s

1 Application is approved. This plan outlines the parties' intended course of action with
2 respect to several areas: (1) customer notification of the Application; (2)
3 communications with the customer upon approval of the Application; (3) the transfer of
4 operational information from APS to ED-3; (4) the transfer of customer information
5 from APS to ED-3; (5) the treatment of customer applications for installations of
6 equipment that may qualify under the Commissions Renewable Energy Standards
7 ("RES") or the Company's Demand Side Management ("DSM") program guidelines;
8 and (6) the rate-treatment of low-income customers. Where necessary to effectuate this
9 transition, and as described more fully herein, APS respectfully requests, pursuant to
10 A.A.C. R14-2-212(I), that, for the sole purposes of the transaction contemplated by the
11 Company's Application, the Commission include in its final Order in this matter a
12 waiver of rule A.A.C. R14-2-203(A)(2) of the Arizona Administrative Code, and
13 specific language authorizing the Company's proposed treatment of certain RES and
14 DSM projects undertaken by customers affected by the Company's Application.

15 **1. CUSTOMER NOTIFICATION OF APPLICATION.**

16 As expressed in the Company's Community Outreach Plan (attached to the
17 Testimony of Daniel Froetscher in support of the Company's Application at Attachment
18 F), APS and ED-3 are each committed to educating all affected customers of the facts
19 and circumstances underlying the Application and to informing customers of how the
20 Application will affect them. APS and ED-3 have each taken a series of actions to
21 effectuate that goal, including designing and maintaining public websites devoted to
22 educating the public about the Company's Application and responding to all inquiries
23 directed at APS and ED-3 regarding the matter. APS sent a letter to customers advising
24 them of the Application and that communications will continue throughout the process.
25 APS and ED-3 also made a brief presentation to the City Council of Maricopa at their

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1 7/15 and 10/21 Work Study Sessions to discuss the proposed transaction and outline
2 efforts to communicate with customers in the proposed ED-3 Service Area.

3 In addition, APS and ED-3 have jointly held two community open house events
4 – one in Stanfield, Arizona on October 23, 2008, and another in Maricopa, Arizona, on
5 October 28, 2008. To make customers aware of these open houses, the Company sent
6 letters to its customers located within the proposed ED-3 Service Area and placed
7 advertisements in relevant local newspapers, inviting all area residents to attend.
8 Representatives from both ED-3 and APS were present and available at the open houses
9 to discuss the background and current status of the Company's Application, and to
10 resolve any concerns expressed by area residents.

11 As described in the Community Outreach Plan, APS and ED-3 will continue to
12 communicate with all customers residing in the proposed ED-3 Service Area
13 throughout the application process and will continue to address customer questions and
14 concerns in order to make the transition as smooth and transparent as possible.

15 **2. CUSTOMER COMMUNICATIONS UPON APPROVAL OF** 16 **APPLICATION.**

17 If the Company's Application is approved, APS and ED-3 will provide all
18 affected customers with written notice of that approval. This notice will contain
19 information regarding the exact date on which that customer will be transferred from
20 APS to ED-3 (based on APS's normal meter reading cycle for each customer),
21 information regarding how APS's final meter reading and billing will be handled, and
22 information regarding the applicability of any security deposits, line extension
23 advances, and credit or debit balances with APS. In that regard, the communication
24 will make clear that, to the extent that APS holds a security deposit for the customer at
25 the time of the transfer, APS will apply that deposit to the customer's final bill and
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1 refund any remaining balance. Credit balances will also be refunded at such time, and
2 any existing debit balances will be due from the customer upon that customer's receipt
3 of the final bill. APS customers eligible for refunds under refundable line extension
4 agreements will receive a full refund of such amounts upon the closing of the transfer of
5 assets to ED-3.

6 In this same communication, customers will be provided with a listing of ED-3's
7 available rates, programs, and deposit and credit policies. Customers will be asked to
8 choose an ED-3 rate for which they qualify and will be given a deadline for doing so.
9 The communication will also clarify that if such deadline passes and the customer has
10 not selected an ED-3 rate, that customer will be placed automatically on the ED-3 rate
11 that is most comparable to its current APS rate. The letter will also make clear that
12 both APS and ED-3 are available to answer any questions remaining about the transfer
13 and how it will affect that specific customer, and will provide contact information for
14 personnel at both utilities who will be available to address the customer's needs.

15 Finally, customers that are currently enrolled in special programs offered by
16 APS such as Equalizer, automatic payment, and the like will be asked in the same
17 communication outlined above to discuss whether the customer would like to continue
18 to participate in similar programs through ED-3.

19 **3. TRANSFER OF OPERATIONAL INFORMATION FROM APS TO ED-3.**

20 If the Company's Application is approved, APS will provide ED-3 available
21 information regarding its distribution operations in the relevant area. Such information
22 will include the following:

- 23 • Maps of the area, including GIS maps, wall maps, one-lines and cabinet
24 details.
- 25 • Right-of-way, survey and easement information.

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- 1 • Meter locations, routes, and other relevant metering information.
- 2 • Locations of regulators, capacitor banks, reclosers, switches, and fuses.
- 3 • Equipment records.

4 APS operations personnel will work closely with ED-3 personnel before, during, and
5 after any transfer of equipment and information to assure that the transfer of APS's
6 distribution system and customers to ED-3 will occur in as seamless and
7 straightforward a manner as possible.

8 **4. TRANSFER OF CUSTOMER INFORMATION FROM APS TO ED-3.**

9 If the Company's Application is approved, ED-3 will require certain information
10 regarding the APS customers that it will serve. For residential customers, this may
11 include their name, relevant contact and identification information, billing and service
12 addresses, kilowatt hour and kilowatt demand usage history, meter number and meter
13 code, the rates and programs in which the customer is then participating with APS, and
14 whether that customer is on a medical monitoring account. For non-residential
15 customers, this may include similar information, including business identification
16 information, federal tax id number, and officer identities. Such information is
17 reasonably necessary for ED-3 to establish service with the customer, thereby
18 effectuating the transition of that customer from APS to ED-3. ED-3 will take
19 commercially reasonable steps to protect and preserve the confidentiality of all
20 customer-specific information APS provides, in accordance with ED-3's privacy
21 policies and applicable law.

22 APS is concerned that it may be prohibited from providing this customer-
23 specific information to ED-3 without a waiver from the Commission from the
24 requirements of A.A.C. R14-2-203(A)(2). That rule prohibits APS from releasing any
25 customer-specific information "without specific prior written customer authorization
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1 unless the information is requested by a law enforcement or other public agency, or is
2 requested by the Commission or its staff, or is reasonably required for legitimate
3 account collection activities, or is necessary to provide safe and reliable service to a
4 customer.”

5 So that APS may provide ED-3 with information relating to the APS customers
6 that will be transferred to ED-3 upon approval of the Company’s application, APS
7 hereby requests that the Commission include in its final Order in this matter either: (a)
8 a waiver pursuant to A.A.C. R14-2-212(I) from the requirements of A.A.C. R14-2-
9 203(A)(2) for all customers affected by the Company’s Application and for the sole
10 purpose of the transaction contemplated therein, or (b) a declaration that the transfer of
11 customer-specific information from APS to ED-3 as contemplated by the Application
12 does not require a waiver from A.A.C. R14-2-203(A)(2) because, in these
13 circumstances, APS’s release of such information falls within one of the exceptions to
14 that rule (that, for example, it is “reasonably required for legitimate account collection
15 activities” or is “necessary to provide safe and reliable service to a customer”).

16 **5. TREATMENT OF CUSTOMER APPLICATIONS FOR**
17 **INSTALLATIONS THAT WOULD QUALIFY UNDER THE**
18 **COMMISSION’S RENEWABLE ENERGY STANDARDS OR APS’S**
19 **DEMAND SIDE MANAGEMENT PROGRAM.**

20 APS intends for all of its current customers (residential, commercial, and
21 industrial) to remain eligible to participate in the Company’s RES and DSM programs
22 up to the date, if any, that the Commission approves the Company’s Application. The
23 Company anticipates, however, that some customers will have applied for an incentive
24 from APS under the Company’s RES or DSM programs, but the projects will not be
25 completed prior to the date, if any, that the Commission approves the Company’s
26 Application. The Company believes that any current APS customer that applies for an

1 applicable energy saving and/or renewable energy installation project prior to that
2 customer's potential transition to ED-3 should be motivated to complete such project
3 and receive the applicable incentive from APS even after the customer's transfer to ED-
4 3, under reasonable conditions. To achieve this end, and with the Commission's
5 approval, the Company hopes to proceed in these circumstances as follows:

6 With respect to RES projects, if APS has received an application from an APS
7 customer (whether residential or non-residential) for an incentive under one of the
8 Company's RES programs and the customer has a reservation in place for a RES-
9 qualifying installation at the time the Company's Application is approved, APS will
10 honor that customer's reservation and will provide the customer with the applicable
11 incentive even after that customer's transfer to ED-3, if: (a) the customer completes the
12 installation and interconnection of the applied-for RES project before or within twelve
13 (12) months from the date of the Commission's approval of the Company's
14 Application; and (b) the Commission includes specific language in the Order in this
15 matter that allows the Company to continue to pay such incentives to APS customers
16 from RES funds after the transfer under the circumstances described and permits APS
17 to credit such incentives toward APS RES distributed generation targets.

18 Similarly, if any customer (residential or non-residential) affected by the
19 Company's Application has applied with APS for an incentive related to any of the
20 Company's Commission-approved DSM programs, and that application remains
21 pending at the time the Company's Application is approved, APS will pay the
22 applicable incentive to such customer provided that: (a) the customer completes the
23 qualifying project before or within twelve (12) months from the date of the
24 Commission's approval of the Company's Application, and (b) the Commission
25 includes specific language in the Order in this matter that allows the Company to
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1 continue to pay such incentives to APS customers after the transfer under the
2 circumstances described and permits the Company to recover the costs relating to that
3 incentive through APS's Demand Side Management Adjustment Clause and claim the
4 energy savings resulting from that project for all DSM-related regulatory purposes.

5 **6. TREATMENT OF LOW INCOME CUSTOMERS.**

6 Approximately 190 of the customers affected by the Company's Application are
7 enrolled in APS's low income assistance programs through rate schedules E-3 and E-4.
8 Although ED-3 does not offer similar low-income assistance programs, it has agreed to
9 apply a low-income discount in an amount that matches that of APS's E-3 and E-4 rates
10 for those APS customers that are enrolled in those programs at the time the Company's
11 Application is approved so that such customers will continue to receive the same low-
12 income assistance they currently receive as APS customers.

13 **CONCLUSION**

14 As previously described, APS and ED-3 are committed to working together
15 throughout the transfer process in an attempt to anticipate issues that may arise and to
16 be prepared to address those issues in a manner that best serves the APS customers
17 affected by the Company's Application. APS believes that the foregoing transition plan
18 is in the best interests of its customers, and that the requested waivers serve the public
19 interest and should therefore be granted.
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RESPECTFULLY SUBMITTED this 5th day of January, 2009.

PINNACLE WEST CAPITAL CORPORATION



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Original and 13 copies of the foregoing were
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Docket Control
Arizona Corporation Commission
1200 West Washington
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All Parties of Record

