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July 17, 2009

Arizona Corporation Commission
DOCKETED
JUL 17 2009
DOCKETED BY

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

RE: ARIZONA PUBLIC SERVICE COMPANY SUPPLEMENTAL DIRECT TESTIMONY IN SUPPORT OF SETTLEMENT AGREEMENT
DOCKET NO. E-01345A-08-0172

Attached is Supplemental Direct Settlement Testimony of Arizona Public Service Company witness David J. Rumolo. This testimony supplements the Direct Settlement Testimony that was previously filed on July 1, 2009 in this matter.

Sincerely,

Leland R. Snook

LS/dst

Attachments

CC: Brian Bozzo
Terri Ford
Barbara Keene
Parties of Record

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# SUPPLEMENTAL DIRECT SETTLEMENT TESTIMONY

# OF DAVID J. RUMOLO

**On Behalf of Arizona Public Service Company**

**Docket No. E-01345A-08-0172**

July 17, 2009

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Revised Service Schedule 8 ..... Attachment DJR-2-S(Supplemental)

**SUPPLEMENTAL DIRECT SETTLEMENT TESTIMONY**
**OF DAVID J. RUMOLO**

**ON BEHALF OF ARIZONA PUBLIC SERVICE COMPANY**
**(Docket No. E-01345A-08-0172)**

I. INTRODUCTION

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is David J. Rumolo. My business address is 400 North Fifth Street, Phoenix, Arizona 85004.

**Q. ARE YOU THE SAME DAVID J. RUMOLO WHO PREVIOULSY FILED DIRECT TESTIMONY IN SUPPORT OF ARIZONA PUBLIC SERVICE COMPANY'S APPLICATION AND LATER DIRECT SETTLEMENT TESTIMONY IN THIS DOCKET?**

A. Yes, I filed Direct Testimony in support of Arizona Public Service Company's ("APS" or "Company") application for rate relief and Direct Settlement Testimony in support of the proposed Settlement Agreement ("Agreement").

**Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT SETTLEMENT TESTIMONY?**

A. My Direct Settlement Testimony included several bill comparisons of typical customer bills before and after the implementation of rates proposed in the Agreement. Those bill comparisons included estimated impacts of proposed changes for the recovery of energy efficiency and demand response program costs through the Demand Side Management Adjustment Charge ("DSMAC") and renewable energy program costs through the Renewable Energy Standard Adjustor ("RES"). In the time since my Direct Settlement Testimony was prepared, APS filed new implementation plans for renewable energy programs and energy efficiency programs. These plans implement the renewable/energy

efficiency goals and objectives that are significant elements of the Agreement. They also identify the required changes in the DSMAC and RES needed to fund the programs described in the plans. The revised bill comparisons (Attachment DJR-1-S (Supplemental)) include the proposed DSMAC and RES charges that were included in the implementation plans. These updated bill comparisons supersede the bill comparisons that were provided by the Settlement Parties on May 15, 2009 and the bill comparisons that were attached to my Direct Settlement Testimony.

My Supplemental Direct Settlement Testimony also proposes additional modifications to Service Schedule 8, Bill Estimation. As before, these modifications are needed because of the introduction of new rate designs as part of the Agreement. The modifications address the procedures that will be followed if APS cannot obtain a meter reading for a customer on the new residential super-peak rate schedule or the new residential critical peak pricing schedule. These are new rate schedules that will be offered to customers after Commission approval of the Agreement.

**Q. THE RATE COMPARISONS PRESENT TWO VARIATIONS FOR THE DSMAC. PLEASE DESCRIBE THE DIFFERENCE IN THE CALCULATIONS.**

A. The Energy Efficiency Implementation Plan that was filed on July 15, 2009 and the corresponding DSMAC can be considered a transitional plan in that it moves from recovery of costs on an historical after the fact basis to more concurrent cost recovery. In this first year of transition, the new DSMAC, which will become effective in March 2010 if approved by the Commission, will need to recover both unrecovered 2009 program costs (the historical element) and estimated 2010 program costs per the approved Energy Efficiency

Implementation Plan (the more concurrent element). In other words, and only for this initial charge, the program costs for two years would be covered in this one adjustment to the DSMAC. Although these costs are associated with cost-effective energy efficiency and demand response programs, the compound impact of this transition DSMAC is not insignificant. Because of this, APS has prepared an alternative DSMAC adjuster proposal that would recover the 2009 program costs over a three-year period. This will lower the bill impact to customers in 2010. APS would not seek any interest on the unrecovered balance during the three-year recovery period. Therefore, the difference between the two sets of bill comparisons is simply the recovery period used for the 2009 energy efficiency program costs.

**Q. DOES THE COMMISSION NEED TO DECIDE WHICH ALTERNATIVE DSMAC RECOVERY CHARGE SHOULD BE IMPLEMENTED AS PART OF THE AGREEMENT?**

A. Not necessarily. That decision could be made during the consideration of approval of the implementation plan. Because the Energy Efficiency Implementation Plan is contingent upon approval of the Agreement, and APS has asked for such approval of the Plan no later than the overall approval of the Agreement, this issue could be resolved in either forum.

**Q. WOULD YOU PLEASE DISCUSS AN ILLUSTRATIVE EXAMPLE OF THE BILL COMPARISIONS THAT ARE ATTACHED TO YOUR SUPPLEMENTAL TESTIMONY?**

A. Yes, I will use the average bill comparison for all residential customers which is the first bill comparison found in the attachment. The comparison shows the increases in base rates and includes the current DSMAC that became effective in April 2009. The increase in the monthly base bill for the typical residential customer who uses 1,177 kWh per month is $6.24. Beneath the base bill

comparisons, the incremental impacts of the new DSMAC and RES are shown. For example, the increase in the DSMAC for the average residential customer per month is $1.71. Of the total costs that will be collected through the DSMAC approximately 26% recovers 2009 energy efficiency program costs, 68% recovers 2010 energy efficiency program costs and the balance of 6% recovers both 2009 and 2010 demand response program costs. If the Commission elects to have APS recover the 2009 costs over a three-year period, the DMSAC increase would be $1.27 per month for the typical residential customer rather than $1.71. When the attached bill comparisons are compared to the bill comparisons provided on May 15, it can be seen that the increase in the RES charge is now lower. The average residential RES charge increase shown on the bill comparisons provided on May 15 was $0.86 per month and is now $0.24 per month. The lower RES charge is due to lower costs in the detailed RES implementation plan than had been anticipated in the previous rate comparisons.

**Q. WHAT IS THE NET DIFFERENCE IN THE BILL COMPARISIONS ATTACHED TO THIS SUPPLEMENTAL TESTIMONY TO THAT PROVIDED ON MAY 15, 2009?**

A. As I noted earlier, the RES charge is lower than APS estimated on May 15, 2009 while the DSMAC is higher. If a three-year transition is used to recover 2009 energy efficiency costs, the combined effect of the changes results in an increase of approximately 14 cents per month for an average residential bill compared to what was estimated on May 15. If 2009 energy efficiency costs are all recovered in 2010, the combined effect of the changes would result in an increase of approximately 58 cents per month for an average residential bill over the May 15 estimate.

**Q. BOTH THE DSM AND RES PROGRAM COSTS ARE DIFFERENT FROM THOSE USED IN THE MAY 15, 2009 BILL COMPARISONS AND**

**ALSO FROM THE AMOUNT REFERENCED IN THE AGREEMENT RELATIVE TO DSM. ARE YOU THE WITNESS TO EXPLAIN THOSE DIFFERENCES?**

A. No. Barbara Lockwood can discuss why the RES estimate is lower, and Jim Wontor is the witness to address the new estimated DSM (including demand response) costs.

II. SERVICE SCHEDULE 8

**Q. ARE YOU PROPOSING ANY ADDITIONAL CHANGES TO SERVICE SCHEDULE 8 IN THIS SUPPLEMENTAL TESTIMONY?**

A. Yes. Service Schedule 8 describes the procedures and protocols that APS uses to estimate energy consumption and demand when a meter reading cannot be obtained. In the APS rate case application and in my Direct Settlement Testimony, proposed modifications to Service Schedule 8 to accommodate new rate offerings were discussed. However, the estimation procedures that will be utilized for residential customers participating in the critical peak pricing pilot that is discussed in the Agreement was not included in proposed Schedule 8. These procedures have been included in the proposed Service Schedule 8 which is attached (DJR-2-S (Supplemental)). The proposed Service Schedule 8 as DJR-2-S (Supplemental) also includes some clarification of the bill estimation procedures that would be used for the residential super-peak rate, Schedule ET-SP.

**Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT SETTLEMENT TESTIMONY?**

A. Yes.

Monthly Bill
Rate Case Settlement Proposal
Revised July 13, 2009

**ARIZONA PUBLIC SERVICE COMPANY**
***Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 6/30/09***
**Revised RES, DSMAC 100% of 2009 Carry Forward Costs Recovered in 2010**

| **Residential (Average - All Rates)** | **Current Rates** Annual Average Monthly Bill (1) | **Proposed Rates** Annual Average Monthly Bill (2) | | **Current Rates** Summer Monthly Bill | **Proposed Rates** Summer Monthly Bill | **Current Rates** Winter Monthly Bill | **Proposed Rates** Winter Monthly Bill |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 1,177 | 1,177 | | 1,417 | 1,417 | 936 | 936 |
| Base Rates | $ 116.78 | $ 131.66 | | $ 151.17 | $ 170.44 | $ 82.38 | $ 92.88 |
| PSA- Forward Component | 5.98 | - | | 7.20 | - | 4.75 | - |
| PSA - Historical Component | 0.31 | 0.31 | | 0.37 | 0.37 | 0.24 | 0.24 |
| Interim Rate Adjustor (January 2009) | 2.66 | - | | 3.20 | - | 2.12 | - |
| TCA (July 1, 2008) | 1.42 | 1.42 | | 1.71 | 1.71 | 1.13 | 1.13 |
| CRCC (April 2005) | 0.40 | 0.40 | | 0.48 | 0.48 | 0.32 | 0.32 |
| EIS (July 2007) | 0.19 | 0.19 | | 0.23 | 0.23 | 0.15 | 0.15 |
| RES (Jan 1, 2009) | 3.17 | 3.17 | | 3.17 | 3.17 | 3.17 | 3.17 |
| DSMAC (April 2009) | 0.72 | 0.72 | | 0.86 | 0.86 | 0.57 | 0.57 |
| Total | $ 131.63 | $ 137.87 | | $ 168.39 | $ 177.26 | $ 94.83 | $ 98.46 |
| **Bill Impact (3)** | | **$ 6.24** | | | $ 8.87 | | $ 3.63 |
| Percent Bill Impact | | **4.74%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 1.71 | 1.30% | | $ 2.05 | | $ 1.36 |
| Increase from Projected 2010 RES (5) | | $ 0.24 | 0.18% | | $ 0.24 | | $ 0.24 |

| **Residential (Rate E-12)** | Annual Average Monthly Bill (1) | Annual Average Monthly Bill (2) | | *Summer* Monthly Bill | *Summer* Monthly Bill | Winter Monthly Bill | Winter Monthly Bill |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 763 | 763 | | 880 | 880 | 645 | 645 |
| Base Rates | $ 81.71 | $ 92.19 | | $ 102.11 | 115.21 | $ 61.30 | 69.16 |
| PSA- Forward Component | 3.88 | - | | 4.47 | - | 3.28 | - |
| PSA - Historical Component | 0.20 | 0.20 | | 0.23 | 0.23 | 0.17 | 0.17 |
| Interim Rate Adjustor (January 2009) | 1.73 | - | | 1.99 | - | 1.46 | - |
| TCA (July 1, 2008) | 0.92 | 0.92 | | 1.06 | 1.06 | 0.78 | 0.78 |
| CRCC (April 2005) | 0.26 | 0.26 | | 0.30 | 0.30 | 0.22 | 0.22 |
| EIS (July 2007) | 0.12 | 0.12 | | 0.14 | 0.14 | 0.10 | 0.10 |
| RES (Jan 1, 2009) | 3.17 | 3.17 | | 3.17 | 3.17 | 3.17 | 3.17 |
| DSMAC (April 2009) | 0.46 | 0.46 | | 0.53 | 0.53 | 0.39 | 0.39 |
| Total | $ 92.45 | $ 97.32 | | $ 114.00 | $ 120.64 | $ 70.87 | $ 73.99 |
| **Bill Impact (3)** | | **$ 4.87** | | | $ 6.64 | | $ 3.12 |
| *Percent Bill Impact* | | **5.27%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 1.10 | 1.19% | | $ 1.27 | | $ 0.93 |
| Increase from Projected 2010 RES (5) | | $ 0.24 | 0.26% | | $ 0.24 | | $ 0.24 |

**ARIZONA PUBLIC SERVICE COMPANY**
**Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 6/30/09**
**Revised RES, DSMAC 100% of 2009 Carry Forward Costs Recovered in 2010**

| Commercial (Rate E-32) | Current Rates Annual Average Monthly Bill (1) | Proposed Rates Annual Average Monthly Bill (2) | | Current Rates Summer Monthly Bill | Proposed Rates Summer Monthly Bill | Current Rates Winter Monthly Bill | Proposed Rates Winter Monthly Bill |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 8,769 | 8,769 | | 9,746 | 9,746 | 7,792 | 7,792 |
| Base Rates | $ 781.15 | $ 884.44 | | $ 921.60 | $ 1,043.47 | $ 640.69 | $ 725.41 |
| PSA- Forward Component | 44.55 | - | | 49.51 | - | 39.58 | - |
| PSA - Historical Component | 2.26 | 2.26 | | 2.51 | 2.51 | 2.01 | 2.01 |
| Interim Rate Adjustor (January 2009) | 19.82 | - | | 22.03 | - | 17.61 | - |
| TCA (July 1, 2008) | 15.22 | 15.22 | | 16.91 | 16.91 | 13.53 | 13.53 |
| CRCC (April 2005) | 2.96 | 2.96 | | 3.29 | 3.29 | 2.63 | 2.63 |
| EIS (July 2007) | 1.41 | 1.41 | | 1.56 | 1.56 | 1.25 | 1.25 |
| RES (Jan 1, 2009) | 69.60 | 69.60 | | 77.35 | 77.35 | 61.85 | 61.85 |
| DSMAC (April 2009) | 6.52 | 6.52 | | 7.24 | 7.24 | 5.79 | 5.79 |
| Total | $ 943.49 | $ 982.41 | | $ 1,102.00 | $ 1,152.33 | $ 784.94 | $ 812.47 |
| **Bill Impact (3)** | | **$ 38.92** | | | $ 50.33 | | $ 27.53 |
| Percent Bill Impact | | **4.13%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 12.70 | 1.35% | | $ 14.11 | | $ 11.28 |
| Increase from Projected 2010 RES (5) | | $ 5.22 | 0.55% | | 5.80 | | 4.64 |

| Industrial (Rate E34/35 Medium Load Factor) | Annual Average Monthly Bill (1) | Annual Average Monthly Bill (2) | | Summer Monthly Bill | Summer Monthly Bill | Winter Monthly Bill | Winter Monthly Bill |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 2,250,284 | 2,250,284 | | 2,344,877 | 2,344,877 | 2,155,690 | 2,155,690 |
| Base Rates | $ 201,730.50 | $ 228,929.00 | | $ 210,209.00 | $ 238,550.00 | $ 193,252.00 | $ 219,308.00 |
| PSA- Forward Component | 11,431.45 | - | | 11,911.98 | - | 10,950.91 | - |
| PSA - Historical Component | 580.58 | 580.58 | | 604.98 | 604.98 | 556.17 | 556.17 |
| Interim Rate Adjustor (January 2009) | 5,085.64 | - | | 5,299.42 | - | 4,871.86 | - |
| TCA (July 1, 2008) | 2,666.44 | 2,666.44 | | 2,778.52 | 2,778.52 | 2,554.35 | 2,554.35 |
| CRCC (April 2005) | 760.60 | 760.60 | | 792.57 | 792.57 | 728.62 | 728.62 |
| EIS (July 2007) | 360.05 | 360.05 | | 375.18 | 375.18 | 344.91 | 344.91 |
| RES (Jan 1, 2009) | 353.78 | 353.78 | | 353.78 | 353.78 | 353.78 | 353.78 |
| DSMAC (April 2009) | 2,106.39 | 2,106.39 | | 2,194.93 | 2,194.93 | 2,017.84 | 2,017.84 |
| Total | $ 225,075.43 | $ 235,756.84 | | $ 234,520.36 | $ 245,649.96 | $ 215,630.44 | $ 225,863.67 |
| **Bill Impact (3)** | | **$ 10,681.41** | | | $ 11,129.60 | | $ 10,233.23 |
| Percent Bill Impact | | **4.75%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 4,815.05 | 2.14% | | $ 5,017.45 | | $ 4,612.64 |
| Increase from Projected 2010 RES (5) | | $ 26.48 | 0.01% | | 26.48 | | 26.48 |

Notes:
(1) Bill excludes regulatory assessment charge, taxes and fees. Adjustor levels and interim base rate surcharge in effect as of May 1, 2009.
(2) Bill impacts reflect the proposed increase in base rates, reset of interim surcharge to zero, and reset of PSA Forward Component charge to zero.
(3) Bill impacts for commercial and industrial customers are less than residential on a percentage basis because these customer classes were assessed proportionally more for the interim adjustor and the PSA. The base rates reflect approximately the same percentage increase as residential.
(4) DSMAC costs reflect the 2010 implementation plan and the proposed Plan for Administration. 2009 carry forward costs are recovered in 2010.
(5) RES impacts are based on the 2010 implementation plan filed in July 2009.
Of the projected increase in the RES budget for 2010, only about $1 to $2 million is attributable to the settlement.

Monthly Bill
Rate Case Settlement Proposal
Revised July 13, 2009

**ARIZONA PUBLIC SERVICE COMPANY**
***Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 6/30/09***
**Revised RES, DSMAC 33% of 2009 Carry Forward Costs Recovered in 2010**

| **Residential (Average - All Rates)** | **Current Rates Annual Average Monthly Bill (1)** | **Proposed Rates Annual Average Monthly Bill (2)** | | **Current Rates Summer Monthly Bill** | **Proposed Rates Summer Monthly Bill** | **Current Rates Winter Monthly Bill** | **Proposed Rates Winter Monthly Bill** |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 1,177 | 1,177 | | 1,417 | 1,417 | 936 | 936 |
| Base Rates | $ 116.78 | $ 131.66 | | $ 151.17 | $ 170.44 | $ 82.38 | $ 92.88 |
| PSA- Forward Component | 5.98 | - | | 7.20 | - | 4.75 | - |
| PSA - Historical Component | 0.31 | 0.31 | | 0.37 | 0.37 | 0.24 | 0.24 |
| Interim Rate Adjustor (January 2009) | 2.66 | - | | 3.20 | - | 2.12 | - |
| TCA (July 1, 2008) | 1.42 | 1.42 | | 1.71 | 1.71 | 1.13 | 1.13 |
| CRCC (April 2005) | 0.40 | 0.40 | | 0.48 | 0.48 | 0.32 | 0.32 |
| EIS (July 2007) | 0.19 | 0.19 | | 0.23 | 0.23 | 0.15 | 0.15 |
| RES (Jan 1, 2009) | 3.17 | 3.17 | | 3.17 | 3.17 | 3.17 | 3.17 |
| DSMAC (April 2009) | 0.72 | 0.72 | | 0.86 | 0.86 | 0.57 | 0.57 |
| Total | $ 131.63 | $ 137.87 | | $ 168.39 | $ 177.26 | $ 94.83 | $ 98.46 |
| **Bill Impact (3)** | | **$ 6.24** | | | $ 8.87 | | $ 3.63 |
| Percent Bill Impact | | **4.74%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 1.27 | 0.96% | | $ 1.52 | | $ 1.01 |
| Increase from Projected 2010 RES (5) | | $ 0.24 | 0.18% | | $ 0.24 | | $ 0.24 |

| **Residential (Rate E-12)** | **Annual Average Monthly Bill (1)** | **Annual Average Monthly Bill (2)** | | **Summer Monthly Bill** | **Summer Monthly Bill** | **Winter Monthly Bill** | **Winter Monthly Bill** |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 763 | 763 | | 880 | 880 | 645 | 645 |
| Base Rates | $ 81.71 | $ 92.19 | | $ 102.11 | 115.21 | $ 61.30 | 69.16 |
| PSA- Forward Component | 3.88 | - | | 4.47 | - | 3.28 | - |
| PSA - Historical Component | 0.20 | 0.20 | | 0.23 | 0.23 | 0.17 | 0.17 |
| Interim Rate Adjustor (January 2009) | 1.73 | - | | 1.99 | - | 1.46 | - |
| TCA (July 1, 2008) | 0.92 | 0.92 | | 1.06 | 1.06 | 0.78 | 0.78 |
| CRCC (April 2005) | 0.26 | 0.26 | | 0.30 | 0.30 | 0.22 | 0.22 |
| EIS (July 2007) | 0.12 | 0.12 | | 0.14 | 0.14 | 0.10 | 0.10 |
| RES (Jan 1, 2009) | 3.17 | 3.17 | | 3.17 | 3.17 | 3.17 | 3.17 |
| DSMAC (April 2009) | 0.46 | 0.46 | | 0.53 | 0.53 | 0.39 | 0.39 |
| Total | $ 92.45 | $ 97.32 | | $ 114.00 | $ 120.64 | $ 70.87 | $ 73.99 |
| **Bill Impact (3)** | | **$ 4.87** | | | $ 6.64 | | $ 3.12 |
| Percent Bill Impact | | **5.27%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 0.82 | 0.89% | | $ 0.95 | | $ 0.69 |
| Increase from Projected 2010 RES (5) | | $ 0.24 | 0.26% | | $ 0.24 | | $ 0.24 |

**ARIZONA PUBLIC SERVICE COMPANY**
**Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 6/30/09**
**Revised RES, DSMAC 33% of 2009 Carry Forward Costs Recovered in 2010**

| Commercial (Rate E-32) | Current Rates Annual Average Monthly Bill (1) | Proposed Rates Annual Average Monthly Bill (2) | | Current Rates Summer Monthly Bill | Proposed Rates Summer Monthly Bill | Current Rates Winter Monthly Bill | Proposed Rates Winter Monthly Bill |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 8,769 | 8,769 | | 9,746 | 9,746 | 7,792 | 7,792 |
| Base Rates | $ 781.15 | $ 884.44 | | $ 921.60 | $ 1,043.47 | $ 640.69 | $ 725.41 |
| PSA- Forward Component | 44.55 | - | | 49.51 | - | 39.58 | - |
| PSA - Historical Component | 2.26 | 2.26 | | 2.51 | 2.51 | 2.01 | 2.01 |
| Interim Rate Adjustor (January 2009) | 19.82 | - | | 22.03 | - | 17.61 | - |
| TCA (July 1, 2008) | 15.22 | 15.22 | | 16.91 | 16.91 | 13.53 | 13.53 |
| CRCC (April 2005) | 2.96 | 2.96 | | 3.29 | 3.29 | 2.63 | 2.63 |
| EIS (July 2007) | 1.41 | 1.41 | | 1.56 | 1.56 | 1.25 | 1.25 |
| RES (Jan 1, 2009) | 69.60 | 69.60 | | 77.35 | 77.35 | 61.85 | 61.85 |
| DSMAC (April 2009) | 6.52 | 6.52 | | 7.24 | 7.24 | 5.79 | 5.79 |
| Total | $ 943.49 | $ 982.41 | | $ 1,102.00 | $ 1,152.33 | $ 784.94 | $ 812.47 |
| **Bill Impact (3)** | | **$ 38.92** | | | $ 50.33 | | $ 27.53 |
| Percent Bill Impact | | **4.13%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 9.43 | 1.00% | | $ 10.48 | | $ 8.38 |
| Increase from Projected 2010 RES (5) | | $ 5.22 | 0.55% | | 5.80 | | 4.64 |

| Industrial (Rate E34/35 Medium Load Factor) | Annual Average Monthly Bill (1) | Annual Average Monthly Bill (2) | | Summer Monthly Bill | Summer Monthly Bill | Winter Monthly Bill | Winter Monthly Bill |
|---|---|---|---|---|---|---|---|
| Average kWh per Month | 2,250,284 | 2,250,284 | | 2,344,877 | 2,344,877 | 2,155,690 | 2,155,690 |
| Base Rates | $ 201,730.50 | $ 228,929.00 | | $ 210,209.00 | $ 238,550.00 | $ 193,252.00 | $ 219,308.00 |
| PSA- Forward Component | 11,431.45 | - | | 11,911.98 | - | 10,950.91 | - |
| PSA - Historical Component | 580.58 | 580.58 | | 604.98 | 604.98 | 556.17 | 556.17 |
| Interim Rate Adjustor (January 2009) | 5,085.64 | - | | 5,299.42 | - | 4,871.86 | - |
| TCA (July 1, 2008) | 2,666.44 | 2,666.44 | | 2,778.52 | 2,778.52 | 2,554.35 | 2,554.35 |
| CRCC (April 2005) | 760.60 | 760.60 | | 792.57 | 792.57 | 728.62 | 728.62 |
| EIS (July 2007) | 360.05 | 360.05 | | 375.18 | 375.18 | 344.91 | 344.91 |
| RES (Jan 1, 2009) | 353.78 | 353.78 | | 353.78 | 353.78 | 353.78 | 353.78 |
| DSMAC (April 2009) | 2,106.39 | 2,106.39 | | 2,194.93 | 2,194.93 | 2,017.84 | 2,017.84 |
| Total | $ 225,075.43 | $ 235,756.84 | | $ 234,520.36 | $ 245,649.96 | $ 215,630.44 | $ 225,863.67 |
| **Bill Impact (3)** | | **$ 10,681.41** | | | $ 11,129.60 | | $ 10,233.23 |
| Percent Bill Impact | | **4.75%** | | | | | |
| Reduction from accelerated reset of PSA Historical Component | | TBD | TBD | | TBD | | TBD |
| Increase from Projected 2010 DSMAC (low income exempt) (4) | | $ 3,557.53 | 1.58% | | $ 3,707.07 | | $ 3,407.98 |
| Increase from Projected 2010 RES (5) | | $ 26.48 | 0.01% | | 26.48 | | 26.48 |

Notes:
(1) Bill excludes regulatory assessment charge, taxes and fees. Adjustor levels and interim base rate surcharge in effect as of May 1, 2009.
(2) Bill impacts reflect the proposed increase in base rates, reset of interim surcharge to zero, and reset of PSA Forward Component charge to zero.
(3) Bill impacts for commercial and industrial customers are less than residential on a percentage basis because these customer classes were assessed proportionally more for the interim adjustor and the PSA. The base rates reflect approximately the same percentage increase as residential.
(4) DSMAC costs reflect the 2010 implementation plan and the proposed Plan for Administration. 2009 carry forward costs are phased in over three years.
(5) RES impacts are based on the 2010 implementation plan filed in July 2009.
Of the projected increase in the RES budget for 2010, only about $1 to $2 million is attributable to the settlement.

# SERVICE SCHEDULE 8
# BILL ESTIMATION

Arizona Public Service Company (APS or Company) regularly encounters situations in which APS cannot obtain a complete and valid meter read. Situations that result in an estimated meter read include inclement weather, lack of access to a customer's meter, energy diversion, labor unavailability and equipment malfunction. Without a valid meter read, the customer's energy usage and/or demand must be estimated in order to render a bill for the missing read period. A bill based on estimated usage is often referred to as an "estimated bill."

APS uses situation specific methods to estimate electrical usage to ensure that the most accurate usage estimate is obtained. This Schedule describes the estimation methods and procedures used when an actual meter read cannot be obtained or when energy diversion and/or meter tampering has occurred. The estimating process is applicable to customers receiving Standard Offer service and to direct access customers receiving unbundled delivery service from the Company.

## 1. GENERAL

1.1 Estimating a read for energy (kWh) and/or demand (kW) is performed in accordance with the provisions of this Schedule or such supplemental or amendatory guidelines or regulations as may hereafter be established and as provided by law.

1.2 This Schedule shall be considered a part of all rate schedules.

1.3 Upon discovery of the need to estimate kWh or kW, Company will make reasonable attempt (s) to secure an accurate meter reading and to resolve no-access issues.

1.4 Company is not obligated to obtain, or attempt to obtain, a customer supplied meter read prior to sending an estimated bill. In circumstances where APS has agreed in writing to permit customer supplied meter reads in accordance with Arizona Corporation Commission (ACC or Commission) regulations and that customer fails to provide Company with the meter read, estimation is also allowed.

1.5 Estimates due to equipment malfunctions may exceed one month if the malfunction of Company owned or maintained equipment could not be reasonably discovered and/or corrected before the need for additional estimates, or if the equipment malfunction is with regard to customer-owned or maintained equipment.

1.6 This schedule is not intended to supersede the Commission's rules and regulations in effect at the time the Commission approved this Schedule 8 without a specific decision of the Commission.

## 2. BILL ESTIMATION

2.1 The causes that result in an estimated bill include but are not limited to:

2.1.1 Inclement weather where conditions prevent meter access or compromise APS employee safety as determined by Company.

2.1.2 Lack of access to the meter either due to conditions on the customer's premise or to road closures that prevent access to the customer's premise.

2.1.3 Equipment or meter failure or malfunction with no reliable information retained by the meter.

2.1.4 Labor unavailability due to circumstances such as unforeseen illness, natural disasters, or other extreme events.

2.1.5 Meter tampering or energy diversion resulting in a lack of accurate metered consumption information.

2.1.6 An electronic meter reading is obtained, but the data cannot be transferred to a billing computer.

2.1.7 Only a partial read for a meter (for example, the total kWh read is obtained from a time-of-use meter, but on-peak kWh and/or kW reads are unavailable). Company will use the read available, and estimate the missing read(s).

2.2 The following defines certain conditions under which a bill is not considered estimated:

2.2.1 A bill based on an actual kWh read, following an estimated bill. This is considered a "true-up" bill and has an explanation of "true-up" on the bill.

2.2.2 Rate changes in the middle of the billing cycle.

2.2.3 A meter failure or malfunction which does not prevent the meter from accurately recording customer usage or from being read.

2.2.4 The meter read is not available using electronic meter reading devices, but data is obtained from a visual meter reading.

2.2.5 Meter reading information is not available because the service is provided on an un-metered basis.

2.2.6 Unbundled service for direct access customers is provided on the basis of load profiles in accordance with ACC regulations rather than using interval data metering.

2.2.7 When Company determines a meter is misread, but the actual read on the meter at the time it was read can be determined, Company makes a manual correction to the incorrect read. This includes, but is not limited to, the following examples:

2.2.7.1 A shut-off read is obtained, and on the same day the monthly meter read is taken and is higher by 1 kWh. The monthly meter read is changed to the same read as the shut off read.

2.2.7.2 The serviceman enters a shut-off or turn-on read and then calls into the office to say he entered the read for the wrong address. The correct reads are entered for the appropriate addresses.

2.2.7.3 Accurate consumption information can be obtained from load research meters.

2.2.8 A bill is estimated, and then rebilled when an actual read is obtained for the same billing period. The first bill is considered an estimated bill and is coded as such. The subsequent bill is considered a corrected bill and is not coded as an estimate, but does contain "corrected bill" language.

## 3. BILL ESTIMATION METHODS

The following section describes the estimation methods used to estimate energy consumption and demand for most instances. Estimation techniques required where special circumstances exist, such as initial bills, are also described. In general, the estimation methodologies utilize historical data.

### 3.1 ENERGY ESTIMATION (kWh)

For energy estimation, the following hierarchy is used: 1) The estimate will be based on the customer-specific prior month's energy consumption unless that month was an initial bill. 2) If the prior month's customer-specific energy consumption is not available or was an initial bill, the estimate will be based on the customer-specific energy consumption for the same month in the prior year. 3) If the customer-specific prior month or same month last year energy consumption is unavailable but adequate seasonal customer history exists, energy consumption will be estimated based on daily usage during six months of the same season. 4) If customer-specific energy consumption is not available, the estimate will be based on the prior month's energy consumption at that premise unless that month was an initial bill. 5) If prior month's premise energy consumption is not available or was an initial bill, the premise energy consumption for the same month in the prior year will be used to estimate consumption. 6) If premise-specific prior month or same month last year is unavailable but adequate seasonal premise history exists, energy consumption will be estimated based on daily usage during six months of the same season. 7) When adequate customer or premise history is not available, the estimate is based on the customer class average usage found in Section 3.3.1.

For customers served under time-of-use schedules, the hierarchy listed above will be utilized to develop the estimated on-peak and off-peak energy consumption.

For customers served under rate schedules SC-S, EPR-2, EPR-5, and EPR-6 the hierarchy listed above will be used to estimate the energy consumed by the Customer. Section 3.1.3 below shall be used to estimate any excess energy purchased by the Utility. For customers served under rate schedules E-56, CPP-RES and CPP-GS, the energy estimation will be addressed on a case-by-case basis.

For bill estimation purposes, the Summer Season is defined as May through October and the Winter Season is defined as November through April.

The energy estimation methods are described in detail below.

Previous Month Method

Estimated energy usage is calculated as follows:

1. Determine the number of days for the previous month's billing period.

2. Determine the kWh for the previous month's billing period.

3. Divide the previous month kWh by the previous month number of days to determine p~~P~~revious m~~M~~onth per d~~D~~ay u~~U~~sage.

4. Multiply the p~~P~~revious m~~M~~onth per d~~D~~ay u~~U~~sage by the number of days in the missing read billing period to yield the kWh for the missing read billing period.

Same Month Prior Year Method

Estimated energy is calculated as follows:

1. Determine the number of days for the same month of the previous year's billing period.

2. Determine the kWh for the same month of the previous year's billing period.

3. Divide the same month prior year's kWh by the same month prior year's number of days to get s~~S~~ame m~~M~~onth p~~P~~rior y~~Y~~ear per d~~D~~ay u~~U~~sage.

4. Multiply the s~~S~~ame m~~M~~onth p~~P~~rior y~~Y~~ear per d~~D~~ay usage by the number of days in the missing read billing period to yield the kWh for the missing read billing period.

Seasonal Average Method

Estimated energy is calculated as follows:

Where there is sufficient seasonal history (the number of days billed in the season is between 165 and 195 days), energy is estimated by calculating the average use per day for the same season as the billing period with the missing read. The resulting per day usage is multiplied by the number of days in the missing-read billing period to yield the usage estimate for the billing period. Seasonal average is calculated as follows:

1. Determine the total number of days from each of the previous six same-season months to yield s~~S~~easonal t~~T~~otal d~~D~~ays.

2. Add the kWh from each of the previous six same-season months to yield s~~S~~easonal t~~T~~otal kWh.

3. Divide s~~S~~easonal t~~T~~otal kWh by s~~S~~easonal t~~T~~otal d~~D~~ays to yield the s~~S~~easonal p~~P~~er d~~D~~ay u~~U~~sage.

4. Multiply the s~~S~~easonal p~~P~~er d~~D~~ay u~~U~~sage by the number of days in the missing read billing period to yield the kWh for the missing read billing period.

Class Average Method

Estimated energy usage is calculated as follows:

Where neither customer nor premise history is available, energy is estimated by calculating the average use per day for customer served under the same rate schedule. The resulting per day usage is multiplied by the number of days in the missing-read billing period to yield the usage estimate for the billing period.

3.1.1 TIME-OF-USE AND SEASONAL ESTIMATION (kWh):

If the rate for the estimated billing period is a time-of-use rate and sufficient time-of-use history does not exist for a customer or premise, on-peak energy usage is allocated as follows:

| | Super Summer (Jun, Jul, Aug) ET-SP Only | Summer (May through October) | Winter (November through April) |
|---|---|---|---|
| Residential | | | |
| ET-1 | - | 40% | 30% |
| ET-2 | - | 25% | 16% |
| ET-SP | | | |
| Super Peak | 12% | ~~25%~~ | ~~8%~~ |
| On-Peak (12-3, 6-7) | ~~14~~13% | ~~25%~~ | ~~11%~~ |
| ~~Total~~ Onff-Peak (12-7) | ~~-12~~25 | 25% | 1~~6~~9% |
| ECT-1R | - | 40% | 30% |
| ECT-2 | - | 23% | 16% |
| Non-Residential | | | |
| All | - | ~~40~~32% | ~~30~~31% |

NOTE: The percentages specified above will also apply for seasonal estimation of Customer-owned on-site distributed generators to include both the energy consumed by the Customer and any excess energy purchased by the utility.

Seasonal on-peak energy percentages listed above will be modified through general rate case or tariff filings or within three months whenever annual Load Research studies indicate that changes in these data are greater then 5%.

3.1.2 ENERGY ESTIMATION FOR CUSTOMER-OWNED ON-SITE DISTRIBUTED GENERATORS

For energy estimation for Customer-owned on-site distributed generators, the following hierarchy is used: 1) The estimate will be based on each generators previous month's energy output unless that month was an initial bill. 2) If the

prior month's generator-specific energy output is not available or was an initial bill, the estimate will be based on the generator-specific energy output for the same month in the prior year. 3) If the generator-specific prior month or same month last year energy output is unavailable but adequate seasonal history exists for a similar type of generator, energy output will be estimated based on the similar generator's output during six months of the same season 4) If similar generator output is not available, the estimate will be based on the prior month's generation output at that premise unless that month was an initial bill. 5) If prior month's premise generator output is not available or was an initial bill, the premise generator output for the same month in the prior year will be used to estimate generator output. 6) If premise-specific prior month or same month last year generator output is unavailable but adequate seasonal premise generation output history exists, energy output will be estimated based on daily generation output during six months of the same season. 7) When adequate Customer or similar generator output history is not available, the generator estimate is based on a 50% availability factor for the month (20% for PV systems).

For customers served under time-of-use schedules, the hierarchy listed above will be utilized to develop the estimated on-peak and off-peak energy consumption.

3.1.3 EXCESS POWER (ENERGY) ESTIMATION FOR CUSTOMERS WITH CUSTOMER-OWNED ON-SITE DISTRIBUTED GENERATORS

This section estimates the amount of Customer-owned on-site distributed generation energy provided to the APS distribution system ("Excess Power"). For Excess Power estimation for Customer-owned on-site distributed generators, the following hierarchy is used: 1) The estimate will be based on the previous month's Excess Power kWh level unless that month was an initial bill. 2) If the prior month's Excess Power kWh level is not available or was an initial bill, the estimate will be based on the Excess Power kWh level for the same month in the prior year. 3) If the Excess Power kWh level for the prior month or same month last year is unavailable but adequate seasonal Excess Power history exists, the Excess Power kWh level will be estimated based on the daily Excess Power kWh level during six months of the same season. 4) If the seasonal daily Excess Power kWh level is not available, the Customer's estimate will be based on the prior month's Excess Power kWh level at that premise unless that month was an initial bill. 5) If prior month's premise Excess Power kWh level is not available or was an initial bill, the premise Excess Power kWh level for the same month in the prior year will be used to estimate the Excess Power kWh level. 6) If premise-specific prior month or same month last year Excess Power kWh level data is unavailable but adequate seasonal premise Excess Power kWh level history exists, the Excess Power kWh level will be estimated based on the daily Excess Power kWh level during six months of the same season. . 7) When adequate Customer or similar Excess Power kWh level history is not available, the Excess Power kWh level estimate is based on the following formula:

a. Residential PV Systems: (1,630.8 x the nameplate continuous output power rating of the generating facility)/12 x .10
b. All other generating systems will be addressed on a case-by-case basis

For customers served under time-of-use schedules, the hierarchy listed above will be utilized to develop the estimated on-peak and off-peak Excess Power kWh levels.

3.2 DEMAND ESTIMATION

For those accounts where the missing read period is billed on a demand rate and the missing read billing period is not for an initial bill, demand is estimated using the following hierarchy:

3.2.1 If it is the same customer, use the prior month's demand unless that demand was estimated or is for an initial bill.

3.2.2 If it is the same customer, but the prior month's customer-specific demand is not available or was estimated or was an initial bill, use the customer-specific demand read from the same billing month a year ago, unless that demand was estimated or is for an initial bill.

3.2.3 If the bill for the same month of the prior year was not for the same customer, or was estimated or for an initial bill, use the premise demand read for the prior month, unless that demand was estimated or is for an initial bill.

3.2.4 If the prior month's premise demand was estimated or was an initial bill, use the premise demand read from the same billing month of the prior year, unless that demand was estimated or was for an initial bill.

3.2.5 For purposes of this Section 3.2., a demand read is considered "estimated" if the demand was not reset the prior month (or any time thereafter) and the demand read is not greater than the prior month's demand read which was not reset.

3.2.6 If none of the above is applicable, apply the rate schedule load factor percentage to the appropriate kWh. The rate schedule load factor percentages are:

| Residential: | Load Factor % |
|---|---|
| ~~EC-1~~ | ~~35%~~ |
| ET-SP Super-Peak | 43% |
| ET-SP On-Peak | 38% |
| ECT-1R | 42% |
| ECT-2 | ~~46~~39% |
| Non-residential: | |
| All | 50% |

Load factors listed above will be modified through general rate case or tariff filings or within three months whenever annual Load Research studies indicate that changes in these data are greater than 5%.

3.2.7 From time to time, meter reader may be unable to reset demand readings. When this occurs the readings are noted as "Demand Not Reset."

3.2.7.1 In the month when the "Demand Not Reset" is noted, the kWh and kW are not estimates and are used for billing purposes.

3.2.7.2 In the following month, if the meter reader is able to reset the demand, the "Demand Not Reset" notation is removed.

1) If the kW reading is less than the reading for the previous month, the demand is used for billing purposes and is not an estimated demand.

2) If the demand reading is greater than the previous month when the "Demand Not Reset" was noted, the read demand is used.

3) If the demand reading is equal to the demand reading when the "Demand Not Reset" was noted, demand will be estimated using the procedures described in previous sections of this schedule.

3.2.8 DEMAND ESTIMATION FOR CUSTOMER-OWNED DISTRIBUTED GENERATORS

For those accounts where the missing read period is billed on a demand rate and the missing read billing period is not for an initial bill, demand is estimated using the following hierarchy:

3.2.8.1 If it is the same customer, use the prior month's demand from the Customer-owned generator unless that demand was estimated or is for an initial bill.

3.2.8.2 If it is the same customer, but the prior month's customer-specific demand from the generator is not available or was estimated or was an initial bill, use the customer-specific demand on the generator from the same billing month a year ago, unless that demand was estimated or is for an initial bill.

3.2.8.3 If the demand on the generator for the same month of the prior year was not for the same customer, or was estimated or for an initial bill, use the premise generator demand read for the prior month, unless that demand was estimated or is for an initial bill.

3.2.8.4 If the prior month's premise demand from the generator was estimated or was an initial bill, use the premise demand from the generator from the same billing month of the prior year.

3.2.8.5 For purposes of this Section 3.2., a demand read on the generator is considered "estimated" if the demand was not reset the prior month (or any time thereafter) and the demand read on the generator is not greater than the prior month's demand read which was not reset.

3.2.8.6 If none of the above is applicable, apply the rate schedule load factor percentage to the appropriate kWh. The rate schedule load factor percentages are:

| Residential: | Load Factor % |
|---|---|
| ET-SP Super Peak | 43% |
| ET-SP On-Peak | 38% |
| ECT-1R | 42% |
| ECT-2 | 39% |
| Non-residential: | |
| All | 50% |

Load factors listed above will be modified through general rate case or tariff filings or within three months whenever annual Load Research studies indicate that changes in these data are greater than 5%.

3.2.8.7 From time to time, meter reader may be unable to reset demand readings. When this occurs the readings are noted as "Demand Not Reset."

3.2.8.7.1 In the month when the "Demand Not Reset" is noted, the kWh and kW are not estimates and are used for billing purposes.

3.2.8.7.2 In the following month, if the meter reader is able to reset the demand on the generator, the "Demand Not Reset" notation is removed.

1) If the kW reading is less than the reading for the previous month, the demand on the generator is used for billing purposes and is not an estimated demand.

2) If the demand reading on the generator is greater than the previous month when the "Demand Not Reset" was noted, the read demand is used.

3) If the demand reading is equal to the demand reading when the "Demand Not Reset" was noted, demand will be estimated using the procedures described in previous sections of this schedule.

3.3 INITIAL BILL

An initial bill is the first bill a customer receives for a premise. Examples of an initial bill include a new meter set where no service has previously been provided, or a previously occupied premise that is now in the new connecting customer's name.

If the billing period for an initial bill is fewer than 11 days and no read was obtained, the customer is billed only a daily basic service charge, and any energy used during this period is included in the following month's billing period usage. If the billing period is 11 or more days, the bill is estimated as follows:

3.3.1 ENERGY USAGE (kWh):

If there is no usage history for the premise, a "minimum usage" estimate is multiplied by the number of days in the missing read billing period. The difference in energy used during this period and the "minimum usage" estimate is included in the following month's billing period usage. The "minimum usage" estimates for total kWh are:

| | |
|---|---|
| Residential: | |
| E-12 ~~and E-10~~ | ~~23~~ 25 kWh per day |
| ~~EC-1~~ | ~~55 kWh per day~~ |
| ET-1 and ET-2 | ~~41~~ 47 kWh per day |
| ET-SP | 47 kWh per day |
| ECT-1R and ECT-2 | ~~66~~ 75 kWh per day |
| Non-residential: | |
| Under 20 kW | 45 kWh per day |
| Over 20 kW | 1,156 kWh per day |

NOTE: The minimum usage estimates specified above also apply to energy consumed by the Customer under rate schedules EPR-2 and EPR-5. Excess energy purchased by the utility will be estimated at zero for the initial bill.

Initial bill minimum energy usage estimates for total kWh listed above will be modified through general rate case or tariff filings or within three months whenever annual Load Research studies indicate that changes in these data are greater then 5%.

If there is usage history for the premise, energy will be estimated using the applicable method in Section 3.1. If there is no on-peak usage history for the premise, the allocations found in Section 3.1.1 will be utilized.

3.3.2 DEMAND (kW):
For those accounts where the missing read period is billed on a demand rate, demand is estimated as follows:

For initial bills fewer than 11 days, no demand charge is billed.

For initial bills 11 or more days, the kW is estimated using the same hierarchy as indicated in Section 3.2.

3.4 ADVANCED METER INFRASTRUCTURE (AMI) METERS

When a missing read occurs on an account with an AMI meter, an initial attempt to estimate will be performed using partial month data as available. AMI meter data is normally collected on a daily basis, and therefore would be used to compute an estimate for the billing month, even if some of these daily reads are missing.

3.4.1 For initial and normal bills ~~of 11-24 days~~:

If the latest AMI meter data is available with a meter reading of 11 or more days since the last read date for the previous billing month:

1) Review the daily AMI incremental reads to determine the total energy consumption, on-peak percentage and demand for the billing month. Use reads from the latest AMI data to determine a per-day usage value and multiply by the number of days in the current billing period to yield the estimates for total and on-peak usage.

2) If the AMI meter data is unavailable use the estimation methods for non-AMI meters.

3.4.2 For initial and normal bills of 10 or less days, use the estimation methods described in Section 3.3.

3.5 DEAD OR FAILING METER

For accounts where it is determined the meter is dead or failing, no adjustment to the bill will be made until the new meter is in place at least 11 days. Then the usage for the previous month(s) is to be determined by taking the lower of the per day usage calculated from the new meter, less 3% (plus 3% for estimating customer-owned on-site generation bought by Utility), or the Same Month Prior Year Method described in Section 3.1. Charges for underbillings of dead or failing meters will be limited to three months for residential accounts and six months for non-residential accounts, in accordance with Schedule 1 Section 4.3. In instances where Company believes the customer's usage patterns were different during the dead or failing meter period than those being used to estimate, Company may adjust its estimate downward from either method.

3.6 ENERGY DIVERSION OR METER TAMPERING

In instances where energy diversion or meter tampering has occurred, meter reads from the ~~customer's~~ meter will not accurately reflect all of the energy usage. Energy consumption for the period during which the diversion or meter tampering occurred shall be estimated by calculating a per day usage based on the best available information. This may include 1) metered data obtained from an auxiliary meter installed during the diversion investigation; 2) meter information obtained from the customer's meter after the diversion or meter tampering was discovered by Company and stopped; and 3) consumption history for the customer or site prior to when the diversion or meter tampering began.

In some instances, the estimated consumption based on per day usage may be less than what the ~~customer's~~ meter actually registered during the time period. In those cases, the actual usage will be used in the calculation of the total energy diversion or meter tampering back bill.

3.7 NON-CUSTOMER INFORMATION SYSTEM ESTIMATES

In some instances, an account is coded to not be automatically estimated by Company's Customer Information System (CIS). This occurs when, due to special circumstances of the account (such as: served at substation voltage, receives a power allowance from a

federal agency, partial requirements/self-generation, etc.), manual intervention in the billing process is required. For those accounts which are coded to not be automatically estimated by the CIS, additional attempts may be made to obtain meter readings which will be used for billing. If reads are not obtained, then energy and demand will be estimated, using the applicable methods described in this Schedule.

3.8 REBILLS OF PREVIOUS ESTIMATES

In instances where the reads from the previous month are estimated and a subsequent actual read is obtained, the following "true-up" is performed.

3.8.1 ENERGY USAGE
If the actual read following an estimated read is either lower than the estimated read, or, in Company's opinion, considerably higher than the previously estimated read(s), then per day usage is calculated using the difference in kWh between the last actual read and the current month actual read. The per day usage is multiplied by the number of days in each estimated month and each affected month is rebilled using the new per day usage kWh.

3.8.2 DEMAND
If the actual demand read obtained after an estimate is lower than the estimated demand read, the previous month(s) estimated demand read(s) are lowered to the subsequent actual demand read.

The estimates used in this Section 3.8 take precedence over the estimating methods described elsewhere in this Service Schedule.