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BEFORE THE ARIZONA CORPORATIO

IN THE MATTER OF THE APPLICATION )	DOCKET NO.
OF ARIZONA PUBLIC SERVICE COMPANY )	E-01345A-08-0172
FOR A HEARING TO DETERMINE THE )	
FAIR VALUE OF THE UTILITY PROPERTY )	PERMANENT
OF THE COMPANY FOR RATEMAKING )	
PURPOSES, TO FIX A JUST AND )	ENERGY EFFICIENCY
REASONABLE RATE OF RETURN THEREON, )	IMPLEMENTATION PLAN
TO APPROVE RATE SCHEDULES DESIGNED )	
TO DEVELOP SUCH RETURN. )	
)	OPEN MEETING

At: Phoenix, Arizona  
 Date: January 13, 2010  
 Filed: **FEB 01 2010**

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AGENDA ITEM U-18

Arizona Corporation Commission  
**DOCKETED**  
 FEB -1 2010

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1 BE IT REMEMBERED that an Open Meeting was held at  
2 the Arizona Corporation Commission, 1200 West Washington  
3 Street, Phoenix, Arizona, commencing at 10:00 a.m. on the  
4 13th day of January, 2010.

5

6 BEFORE: KRISTIN K. MAYES, Chairman  
7 GARY PIERCE, Commissioner,  
8 (Appearing via teleconference.)  
9 PAUL NEWMAN, Commissioner  
10 SANDRA D. KENNEDY, Commissioner  
11 BOB STUMP, Commissioner  
12  
13 SHAYLIN A. BERNAL, Secretary

10

11

12 IN ATTENDANCE FOR AGENDA ITEM NO. U-18:

12

13 For Arizona Corporation Commission:

13

14 Ms. Barbara Keene  
15 Mr. Elijah Abinah

14

16 For Arizona Public Service Company:

15

17 Mr. Thomas Mumaw  
18 Mr. James Wontor  
19 Mr. Tom Hines

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KATE E. BAUMGARTH, RPR  
Certified Reporter  
Certificate No. 50582

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1 (2:10 p.m.)

2 CHMN. MAYES: We have Commissioner Pierce on the  
3 phone, and we have three commissioners present, so let's  
4 go ahead and get started with the last item of our open  
5 meeting, APS's application for approval of its 2010 Energy  
6 Efficiency Implementation Plan, or at least the next  
7 tranche of it.

8 Ms. Keene, are you going to start things off?

9 MS. KEENE: Madam Chair, Commissioners, I'm  
10 Barbara Keene of Commissioner Staff.

11 Item U-18 is the second part of APS 2010 Energy  
12 Efficiency Implementation Plan. It covers three new  
13 measures for the residential consumer products, the  
14 addition of a home performance component to the  
15 Residential Existing Homes Program, and a new, higher  
16 performance tier for the Non-Residential New Construction  
17 Program. It also covers the new Non-Residential Customer  
18 Repayment Financing Program, the Demand-Side Management  
19 Adjustor charge, the Performance Incentive, and budget  
20 increases for existing programs. It also covers the  
21 Non-Residential Existing Facilities Program, which is  
22 unchanged except for an increased budget, but which would  
23 be impacted from other parts of the enhanced APS  
24 portfolio. The Residential New Construction, Energy Star  
25 Plus Program, also filed separately, is currently being

1 reviewed.

2 Staff is recommending an approval of the  
3 enhancements, with some modifications, and of the finance  
4 element. Staff has recommended against the company's  
5 proposed method for calculating the performance incentive  
6 and in favor of a method that Staff believes follows the  
7 language and intent of the Settlement Agreement.

8 Staff has recommended the alternative lower DSM  
9 adjustor charge, which phases in the historic 2009 costs  
10 and which is adjusted downward to reflect the corrected  
11 methodology for calculating the adjustor charge.

12 Staff is recommending approval of the new budgets  
13 and also is recommending that an outside audit of the  
14 Energy Efficiency Program be conducted.

15 Staff would be happy to address any questions.

16 CHMN. MAYES: Thank you.

17 Mr. Mumaw.

18 MR. MUMAW: Madam Chair, it's Tom Mumaw on behalf  
19 of Arizona Public Service. To my right I have  
20 Mr. Jim Wontor. We are here to answer your questions, and  
21 depending on what the question is, we will farm it out to  
22 the appropriate spokesperson.

23 CHMN. MAYES: Okay. You brought your whole team  
24 with you.

25 MR. MUMAW: I even brought an extra lawyer with

1 me today.

2 CHMN. MAYES: Well, that is good because I have  
3 some questions.

4 Let me start with this -- I didn't prepare an  
5 amendment on this, and I don't even know if I need to.  
6 Maybe I don't because this is a one-year -- this plan  
7 covers 2010, I guess, technically.

8 But if I recall correctly the Commission passed  
9 an amendment that I wrote taking the 1,000 homes to 3,000,  
10 1,000 a year until 2012, I guess.

11 The orders talk about the 1,000 in 2010.

12 MR. MUMAW: Yes.

13 CHMN. MAYES: Do we need to amend that to include  
14 the 3,000 that was approved in the settlement agreement --  
15 in the order that adopted the settlement agreement?

16 MR. MUMAW: Madam Chairman, Members of the  
17 Commission, I don't believe so. We are fully aware that  
18 under the terms of the settlement agreement as approved by  
19 this Commission that we are required to do 3,000 --  
20 roughly 1,000 per year, but certainly 3,000 over the  
21 three-year period, 2010 through 2012.

22 If it make people more comfortable to make some  
23 reference to it in here, I don't have a problem. I just  
24 don't think it's necessary.

25 CHMN. MAYES: Okay. Does Staff agree with that?

1 That is essentially why I didn't prepare an amendment.

2 MS. KEENE: Chairman, Staff agrees.

3 CHMN. MAYES: Okay. And I will have a chance to  
4 see another implementation plan before I go, so I guess we  
5 can deal with it then, you know. But anyway, okay.

6 And then I wanted to just chat briefly about the  
7 pool pump program, which was something I was very glad to  
8 see; although, I have to -- I think I would be remiss if I  
9 didn't ask you and challenge the company a little bit to  
10 state why we haven't done this before now. I mean, it  
11 strikes me as odd that Arizona, with all of the backyard  
12 swimming pools that we have, is lagging behind California  
13 in adopting this program.

14 I mean, I understand from reading the order and  
15 the Staff report that, you know, California utilities have  
16 been provided rebates and incentives for pool pumps for  
17 some time now. Why has it taken us so long to do this,  
18 Mr. Mumaw?

19 MR. MUMAW: Madam Chair, I know the program has  
20 been successful in California and I also believe southern  
21 Nevada, but I will let Mr. Wontor or one of his team to  
22 respond as to why it's in this particular year's program  
23 as opposed to last year's program.

24 CHMN. MAYES: Mr. Wontor, good afternoon.

25 MR. WONTOR: Good afternoon, Chairman Mayes,

1 Commissioners. Jim Wontor on behalf of APS.

2 With respect to this particular program, you  
3 know, the technologies, the various speed motors and the  
4 timers, are fairly new technologies that have not been  
5 around a long time. There is very few of these programs  
6 around the rest of the country, and quite frankly with the  
7 evolution of our program, we have grown significantly in  
8 our programs over the last five years. And so we are just  
9 at the stage where this is the next step and I think this  
10 is the natural evolution of our program, to look at  
11 additional measures like this. And then for those reasons  
12 that is why we haven't had a program like this prior to  
13 now.

14 CHMN. MAYES: How long have the California  
15 utilities had it; do you know?

16 MR. WONTOR: We are not positive, but it sounds  
17 like maybe a couple years.

18 CHMN. MAYES: Okay. And are we comfortable that  
19 the amount of money we are setting aside for these pool  
20 pumps is appropriate and adequate, \$4.2 million in 2010?  
21 It seems like to me that's something that could really  
22 take off. I don't know if it will or how quickly it will,  
23 but it seems to me -- I mean, I think everybody who buys a  
24 pool pump ought to be buying this kind of pool pump.

25 And so I wanted to talk to you about the adequacy

1 of the funding, and then, how you are going to go about  
2 marketing it and getting it out there on the street?

3 MR. WONTOR: Chairman Mayes, Commissioners, I  
4 will try to answer the first part of that and probably  
5 turn it over to the program manager to address the second  
6 part.

7 And now I forgot what the first part was.

8 CHMN. MAYES: The adequacy of the funding.

9 MR. WONTOR: Yes, the adequacy of the funding.

10 With respect to that we have talked to a lot of  
11 the folks in Nevada who run a very similar program. Our  
12 implementation contractors that we plan to use for this  
13 program also implemented the program in Nevada. So with  
14 their input, we have estimated what we think the first  
15 year size of the market will be for this size of a  
16 program. Certainly it may be more or less than that, but  
17 we feel it's a pretty good estimate of the first year  
18 penetration of this kind of a program.

19 CHMN. MAYES: Okay. And in terms of marketing  
20 it, how many -- I understand that you are going to send it  
21 out through retailers, distributors, and  
22 contractor/installers.

23 MR. WONTOR: Right. And, Chairman Mayes, at this  
24 point, with your permission, I'd like to introduce  
25 Tom Hines, the program manager for this program.

1 CHMN. MAYES: Okay. Hi, Mr. Hines.

2 MR. HINES: Chairman Mayes, Commissioners,  
3 Tom Hines on behalf of APS.

4 And correct, we are going to use every possible  
5 channel in terms of where are pool pumps currently being  
6 purchased. So some are being purchased retail, and we  
7 intend to work with all the large pool retailers on the  
8 program. Similar to what -- once again, as Mr. Wontor  
9 said, we are using the same contractor who actually is  
10 implementing -- we intend to -- in Nevada. They are also  
11 implementing in Southern California.

12 So they have good experience, not only in what  
13 size the market is, but in actually working with those  
14 market players to engage them.

15 And so we have already met with the three main  
16 pool pump manufactures. For instance, the pool pump timer  
17 manufacturer is actually a company based out of Chandler,  
18 Arizona, so that is kind of a nice additional benefit.

19 So we will work with the retailers to make sure  
20 that this is -- my belief is that at point of sale we need  
21 to make this very obvious, why would you buy anything but  
22 this?

23 CHMN. MAYES: Right.

24 MR. HINES: The other side of the market, a lot  
25 of people don't really interact with their pool a lot;

1 it's their pool service maintenance provider. So we will  
2 engage those folks to help us to inform their customers,  
3 and when a pool pump does go out, that they would  
4 recommend this as the best option.

5 CHMN. MAYES: Okay. And the incentive amount, is  
6 that -- I guess my question would be: How much of the  
7 premium associated with these more efficient pool pumps  
8 and timers will be brought down by the incentive.

9 MR. HINES: I don't have that right in front of  
10 me. I can probably -- let me see if I can get you an  
11 exact answer.

12 CHMN. MAYES: I am trying to understand if this  
13 is -- how willing people will be to go for the more  
14 efficient pool pumps by virtue of having this incentive  
15 available to them.

16 MR. HINES: So the incremental cost in general, a  
17 standard pool pump is going to be in the range of, say, 3-  
18 to \$400. The variable speed pool pumps -- one of the  
19 reasons we included the dual speed is because you get a  
20 lot of the benefit for less cost.

21 So the dual speed is running about \$600 today.  
22 Our rebate would bring that down to \$500. So you are now  
23 talking about the incremental cost that you could make up  
24 in one year typically of energy savings.

25 CHMN. MAYES: Okay.

1 MR. HINES: So it's very attractive.

2 The other thing is that this is one of those  
3 technologies that I love as an implementer because these  
4 are significantly quieter in operation. They actually do  
5 a better job of cleaning pools because rather than always  
6 operating at one speed, they are able to operate at a very  
7 high speed for a small amount of time, which gets all that  
8 debris off the bottom, and then operate at a very slow  
9 speed for a much longer run time, which saves energy, but  
10 also does a better job of circulating the pool water and  
11 keeping it clean.

12 So there are a whole bunch of reasons why we feel  
13 this will take off. I think in year one the feeling is  
14 you need to do a lot of awareness building, you need to do  
15 a lot of marketing and education with the pool industry as  
16 well as consumers. Today you would be hard-pressed to  
17 find a lot of these on the shelves in Arizona.

18 CHMN. MAYES: Wow. That is depressing.

19 MR. HINES: And that is true of almost every  
20 state, though. When we talk to manufacturers, these  
21 represent a very small chunk of the market today. It's a  
22 new technology.

23 CHMN. MAYES: And can you -- I don't know if you  
24 have the answer to this ready, but do you know how many  
25 pumps total will be sold with the incentive? How many do

1 you anticipate will be sold using the incentive, and how  
2 many total are generally sold in the state of Arizona on  
3 an annual basis?

4 MR. HINES: I don't have that at my fingertips.  
5 We did have -- we went actually to the pool industry as  
6 well as our implementation contractor who is working in  
7 Nevada to say, how much of the -- first of all, I can tell  
8 you that the market right now, this is single-digit  
9 percentage of the market.

10 I don't have a good number offhand in terms of  
11 total pool pump sales. They are typically only replaced  
12 at burnout. I don't see a lot of people replacing them  
13 prior to that.

14 Our feeling is that we can start to generate a  
15 market for that to say, this is so much -- I mean, in some  
16 cases we are talking about a 70 percent savings. So you  
17 can actually justify replacing earlier rather than at  
18 burnout.

19 CHMN. MAYES: Is that something that, Mr. Hines  
20 or Mr. Wontor, you could provide to the Commission maybe  
21 at a later date either through a letter or e-mail or  
22 something like that?

23 MR. HINES: Repeat the question.

24 CHMN. MAYES: Could you provide that information  
25 to the Commission at a later date?

1 MR. HINES: Sure.

2 CHMN. MAYES: The total number that you believe  
3 will be sold using the incentive, and if you have it, the  
4 total pumps sold every year.

5 MR. HINES: To answer your first question, in  
6 terms of the number through the rebate problem, our  
7 guesstimate going in -- and these are subject, obviously,  
8 to a whole bunch of variables -- we are not sure how the  
9 economy plays into this right now with the up-front  
10 cost -- but we are estimating 1800 at the variable speed  
11 and 200 at the dual speed for 2010.

12 I don't have a sense exactly in terms of what the  
13 total market is, but that is still going to be a minority  
14 of the market we believe in 2010 with it growing as  
15 awareness builds.

16 CHMN. MAYES: Okay. Commissioner Newman.

17 COM. NEWMAN: Yeah, I want to expand beyond the  
18 pool discussion. You also have down here air sealing and  
19 installation repair, showerheads and all that.

20 MR. HINES: Correct.

21 COM. NEWMAN: This was the only question I had,  
22 was, how is this going to be rolled out?

23 In the counties in which you serve, some of the  
24 counties are very hypersensitive to water usage and power  
25 usage, as it should be, of course. And it applies to

1 building codes and even new subdivisions and different  
2 things like that.

3           So I would just encourage you, without having  
4 orange paper on this -- and I didn't intend to -- I was  
5 going to ask this question today -- is this enough? I  
6 know in Cochise county when we had this energy -- not  
7 energy, water efficiency statute, that we were selling  
8 better showerheads and low-flow toilets and all that  
9 stuff. We put a lot of taxpayer money in the budget for  
10 rebates and hired a person to be in charge of making sure  
11 that all the Wal-Marts had it and the Home Depots had it.

12           So this is a very similar program. It took a  
13 couple years to get it going, but we have pretty high  
14 usage, especially for places like Sierra Vista that have  
15 water issues.

16           So I would like -- I think it's a good suggestion  
17 to work with the counties in question and the home  
18 builders in question, you know, for the new homes that  
19 will ultimately be coming on the market.

20           Then I would like to say with regard to the usage  
21 for your first year, even though people are not -- that  
22 they don't have actually the money to replace it right  
23 away, once they understand that it's much more efficient  
24 and it will save them X amount of money, which is what  
25 these water-saving devices do, that they do take them up

1 and that there are different entities that you could be  
2 working with -- cities and counties -- to make sure that  
3 the retailers are working.

4 So just so we might be collaboratively doing  
5 that. I didn't want to run an orange piece of paper on  
6 that, just a friendly suggestion.

7 MR. HINES: And certainly, Commissioner Newman  
8 and Chairman Mayes, as implementers that is the exact kind  
9 of partnerships we are always looking for. So we will be  
10 pursuing those kinds of arrangements.

11 One of the things that I really think is  
12 important about that program is that it is a \$99 entry  
13 point for a customer to be able to get a low-flow  
14 showerhead, three faucet aerators, and up to ten FCLs  
15 directly installed in their home, and also get an energy  
16 audit, which gives them an idea, some, you know,  
17 admittedly higher investment items but that have much more  
18 return in terms of engineer savings as well.

19 So I think the program design, I think I'm very  
20 excited about, in getting customers to really look at the  
21 opportunity for savings in their homes.

22 COM. NEWMAN: Okay. And any of these other  
23 things -- it only applies to this rebate.

24 Is there any other place out of the feds or the  
25 state where they could get other rebates other than the

1 utility rebate in question? I'm referring to a housing  
2 kind of loan or a rural development assistance for  
3 entities?

4 MR. HINES: There are a number of channels, and  
5 those are growing almost daily. You know, there is an  
6 appliance rebate that is -- we haven't heard the exact  
7 details of it, but through some of the stimulus dollars,  
8 that will be coming to the state. So those would  
9 certainly be opportunities for customers in addition, and  
10 we could identify some of those through the program.

11 COM. NEWMAN: Perhaps they could be helping to  
12 rebate this pool appliance, is what I'm saying.

13 MR. HINES: Potentially, from what we have heard,  
14 they are probably going in more the refrigerator and  
15 washing machines.

16 COM. NEWMAN: All right. Thank you.

17 CHMN. MAYES: With regard to the direct install  
18 program, the 1,000-homes-a-year retrofit program that you  
19 just referred to, Mr. Hines, how will those 3,000  
20 homeowners be chosen or select themselves? What is the  
21 process? If a homeowner wanted to have APS do that energy  
22 audit and have those measures installed, what is the  
23 process?

24 MR. HINES: It really starts with marketing. It  
25 starts with building awareness out there. We have already

1 been -- in anticipation of hopefully an approval today, I  
2 have been working directly with our ad agency, working it  
3 into the umbrella campaign that we have with "Get in the  
4 Game" and "A Better Tomorrow Starts Today," to really make  
5 this potentially kind of a flagship.

6 I know CFLs have been. We are getting close to  
7 the 9 million CFLs that we sold through the program. It's  
8 time for folks to do the next step. And so we feel like  
9 in a lot of cases people don't know what that next step  
10 is.

11 CHMN. MAYES: I totally agree with you.

12 MR. HINES: So one of the big challenges is that  
13 right now the service, to have someone come out and take a  
14 look at your home and identify those best opportunities,  
15 is really the best chance that we have for getting people  
16 pointed in the right direction.

17 Today that service is available, but it's about  
18 4- to \$500. And most customers do not necessarily have  
19 the wherewithal or the interest in spending 4- to \$500 out  
20 of the pocket to just get a diagnosis that tells them what  
21 other things they might need to spend money on.

22 So the feel was to get that price point bought  
23 down to a two-digit number. \$99, we think, is much more  
24 attractive. We will certainly do a lot of mass media,  
25 education, and marketing.

1 My other feeling with this is, this is customers  
2 who call us with inquiries about high bills that they are  
3 having; those are exactly the customers that this program  
4 is designed to help. And so we will be working with our  
5 call center, with all the associates that are that front  
6 line that talk to customers who are having challenges with  
7 their bills and with their usage being higher than what  
8 they would anticipate. And let's make sure that we are  
9 offering this up as a solution for them to be looking into  
10 opportunities for savings in their home.

11 CHMN. MAYES: Well, I agree with you that it  
12 ought to be the flagship of your program. I mean, this is  
13 the future, and this is where we are all headed, I think,  
14 in Arizona and in the country.

15 Are you going to marry up this program with the  
16 Residential On-the-Go Financing Program once it comes to  
17 the Commission and if it's approved?

18 MR. HINES: Absolutely. Our feeling on that is  
19 that this is the point in our portfolio in the evolution  
20 of it where we are talking about potentially, you know,  
21 things that will have great payback, will save tons of  
22 energy, but when we are getting into what sort of the  
23 energy-efficiency committee is calling deep retrofits, you  
24 need to provide some means for customers to afford that  
25 up-front cost.

1 CHMN. MAYES: Right.

2 MR. HINES: And we are working hard right now  
3 with lenders to try to identify that sweet spot where the  
4 amount that is financed ends up -- that monthly finance  
5 charge, we would love to get that close to the amount that  
6 customers are going to see in savings so that it's sort of  
7 a cash-flow neutral or positive for customers.

8 CHMN. MAYES: And I agree it has to be,  
9 especially in this economy.

10 And then my follow-up question would be, who will  
11 be doing the energy audit and direct installation of these  
12 measures? Will third parties be permitted to participate  
13 in the deployment of the measures and the audit?

14 MR. HINES: Yes. As a matter of fact, the  
15 program design is that a customer call APS or go on the  
16 Web site, and we would then have a list of contractors who  
17 are qualified by virtue of being trained with the Building  
18 Performance Institute. So they have to be certified  
19 through BPI -- and this is the same protocol that the  
20 Department of Energy is recommending across the United  
21 States. It's very similar to what they are doing in  
22 weatherization, actually the same type of training.

23 And my feeling is that this helps those companies  
24 to create jobs. It helps to create more of an  
25 infrastructure so that this becomes a sustainable practice

1 going forward, where we have a talented pool of qualified  
2 professionals that can be out there and help folks  
3 identify the issues and solve those problems.

4 CHMN. MAYES: And how do they get chosen? I  
5 mean, do you give a customer the APS list of qualified  
6 contractors?

7 MR. HINES: We will, and we will also -- if they  
8 would prefer to just have a referral to a contractor, we  
9 work with the contractors. Similar to the HVAC program,  
10 we have a rotating list, and it depends on the service.  
11 We have the contractor tell us the areas that they serve,  
12 and then we just make sure to rotate that list equally.

13 CHMN. MAYES: You know, I mean, it strikes me  
14 that -- obviously, this is a problem that hasn't happened  
15 yet, but I hope it does -- that once we get on the no  
16 financing in place and once you have this -- we have the  
17 direct install program running, that we could start to see  
18 more business than 3,000 homes. Because I frankly don't  
19 see any reason why someone wouldn't do this if they could  
20 do on-the-bill parallel to the on-the-bill financing.

21 I assume that if you start to see that, you will  
22 come in for additional funding of the program, correct?

23 MR. HINES: I believe you are correct, and that  
24 is exactly what we would do.

25 CHMN. MAYES: Okay. Great.

1 COM. NEWMAN: Madam Chair.

2 CHMN. MAYES: Yes.

3 COM. NEWMAN: Another good question -- I didn't  
4 see it in here, but it could be in here -- there are a  
5 couple things in my head. I wanted to make sure -- I have  
6 to tell this story.

7 California has done a lot of this, and they have  
8 statistics on the amount of energy saved and the amount of  
9 greenhouse gasses saved, things like that.

10 I would like to see -- and again, it's not an  
11 orange paper on this, but I would like that sort of  
12 evaluation tool for us to monitor this.

13 Is that -- I didn't see it in here. Is an  
14 evaluation in here?

15 MR. HINES: Yes, Commissioner Newman and Chairman  
16 Mayes and Commissioners, we actually have an independent  
17 third party who does measurement and valuation. We  
18 actually go out and do a random sample of installations to  
19 verify that they are not only installed but installed  
20 appropriately and are the correct energy-efficient levels  
21 according to what we see.

22 Then we do report that semiannually to the  
23 Commission in our semiannual DSM report.

24 COM. NEWMAN: I did see that, but I didn't see  
25 any specific language.

1           When I talk to the California Commissioner, she  
2 had this number off the top of her head.

3           CHMN. MAYES: Diane Grunich?

4           COM. NEWMAN: Yeah, and she is in charge of this.

5           MR. HINES: I know her.

6           COM. NEWMAN: But she has those numbers in her  
7 head of how much they save, and they have that all there.

8           It would be helpful for us as Commissioners to  
9 have that sort of information.

10          CHMN. MAYES: Well, let me take this. This is an  
11 interesting point you raise.

12          One of the problems we have -- we have the  
13 information, Commissioner Newman. What we don't have is  
14 we don't have it totaled for all of the utilities. It  
15 comes in in an annual report -- a twice annual report --  
16 semiannual reports -- I'm just absolutely fried at this  
17 point.

18          But one year I decided that we should tally it  
19 up, and we did a press conference. This was before this  
20 Commission was seated. We did a press conference.

21          MR. HINES: I remember that.

22          CHMN. MAYES: We did a press conference where we  
23 talked about the total for that year CO2 and water savings  
24 for all of the energy-efficiency programs.

25          But I must tell you, it took my personal staff

1 about a week to pull it all together and working with  
2 Ms. Keene, and it was really hard to do. And I sort of  
3 thrashed around on this for a while. I have been trying  
4 to figure out how we could do that better and maybe --

5 I don't know if Ms. Keene has any ideas on that  
6 point, but it takes a lot of work to go through those  
7 semiannual reports for every single utility that we  
8 regulate and that we have energy-efficiency programs  
9 implemented at.

10 COM. NEWMAN: But the least we could do here with  
11 APS is, if they are going to do this semi-annual report,  
12 they might be able to get it down pretty well. And they  
13 are a big --

14 CHMN. MAYES: Well, I think they are doing this.

15 MR. HINES: Yes. Correct.

16 COM. NEWMAN: Those numbers will come back to us?

17 MR. HINES: Absolutely. Every number in terms of  
18 savings, and we are also including emission reductions in  
19 those reports as well.

20 COM. NEWMAN: Barbara, I didn't want to cut you  
21 off. I just wanted to make sure that that was there, and  
22 I didn't want orange paper, but I didn't say it  
23 specifically either.

24 MS. KEENE: Chairman Mayes, Commissioner, all of  
25 the utility companies that have Commission-approved DSM

1 programs are filing reports. We have tried to have more  
2 standardization.

3 At one time everyone did it differently, and they  
4 didn't all include the environmental information. But as  
5 we approve more programs for these companies, we began  
6 listing the types of things that they have to include in  
7 the report.

8 This one doesn't include all the details because  
9 in the previous orders for these programs those things  
10 were detailed.

11 COM. NEWMAN: Okay. But we can -- so we are on  
12 top? Staff is on top of this? APS understands what would  
13 be helpful from a policy standpoint to have these numbers?

14 And it also, you know, it would be very important  
15 for newspapers and the public to understand --

16 CHMN. MAYES: Yes.

17 COM. NEWMAN: -- exactly what they are getting.  
18 It's good for the evaluation -- the societal evaluation of  
19 whether they accept this or not.

20 MR. HINES: Absolutely. I agree. And I believe  
21 we are providing that information.

22 COM. NEWMAN: Okay. That was the only -- you  
23 understand my concern.

24 CHMN. MAYES: Yes. I think it would be great if  
25 we did another press conference maybe towards the end of

1 this year or whenever the next reporting cycle is. But it  
2 takes work. We will probably have the commissioners'  
3 offices work on putting together that information.

4 But I think it's -- you know, heck, we ought to  
5 do it every year so that the people we represent, you  
6 know, know what they are getting for their money. I mean,  
7 it is, after all, ratepayer money, and there are huge  
8 environmental benefits associated with these programs.

9 COM. NEWMAN: And people also want to know why  
10 these fees exist and almost -- it doesn't matter how  
11 educated you are. In fact, the more educated you are, I  
12 think the more they resist these fees because they don't  
13 really understand what benefit they are getting.

14 MR. HINES: Right, and as someone who implements  
15 the programs, it's always good when customers hear how  
16 much is being saved and how cost-effective it is, because  
17 then we attract more customers to participate, which is  
18 always good for us, too.

19 CHMN. MAYES: I just had a couple more questions.  
20 Turning to the third-party financing partner on page 13 of  
21 the memo, can you give the Commission some color on who  
22 you are working with, what kinds of banks and entities  
23 that have expressed an interest in being the third-party  
24 financier of the direct-install measures on the  
25 On-the-Bill Financing Program? Do you have anyone

1 selected or are you still negotiating with them?

2 MR. WONTOR: Chairman Mayes, Commissioners, with  
3 respect to the financing, we have been working since last  
4 summer really in trying to identify some partners on  
5 financing. So we talked to several banks and other  
6 entities that might be interested in providing financing  
7 and working with us on a financing package.

8 We have narrowed it down and have selected a bank  
9 that we are prepared to move forward with pending approval  
10 of the program today, that we would sign a contract with  
11 and who would provide third-party financing as we have  
12 proposed it in this plan.

13 CHMN. MAYES: Okay. Well, that is good to hear.

14 I did have some concerns about the conditions  
15 that you attached to those applicants for the On-the-Go  
16 Financing Program. Again, in this case we are talking  
17 about the non-residential sector. So this would be  
18 businesses that would be applying for the loans that would  
19 then be used to purchase the measures, and measure savings  
20 would repay the financing, as I understand it.

21 It seemed a little onerous to me. I was  
22 wondering, why so many conditions? And I mean, you know,  
23 they would have to be in business and under the same  
24 management for at least two years. Applicant/owners must  
25 not have filed for bankruptcy, that makes sense to me.

1 Applicants must have been APS customers for a minimum of  
2 one year, must be current on their bill. Applicant must  
3 meet financing provider's minimum underwriting standards.

4 What does that mean? This seems all very scary,  
5 if I'm somebody applying for it.

6 MR. WONTOR: Chairman Mayes, the general  
7 principle here is to try to run a balance between having  
8 some criteria for qualification that will minimize the  
9 default. We don't want to run up the default cost of  
10 people applying for loans and getting the loans but not  
11 paying for the loan.

12 So we are trying to strike a balance between  
13 allowing as many businesses to participate as possible but  
14 also not letting everyone participate if we can somehow  
15 differentiate on those who we don't think will pay their  
16 bills.

17 So in general the list that is in the recommended  
18 order does appear to be onerous, and it's really our  
19 intent to communicate that the larger the loan, the more  
20 criteria would be used. The smaller the loan the less or  
21 the fewer criteria will be used. So not necessarily each  
22 and every one of those will be considered for every single  
23 loan, but certainly as the size of the loan grows, then  
24 the criteria would be a little more strict.

25 COM. NEWMAN: It doesn't say that in the fine

1 print. It doesn't say that in the fine print, however.

2 CHMN. MAYES: Well, so you're deciding on a  
3 case-by-case basis which criteria to apply?

4 MR. WONTOR: Chairman Mayes, no. No. The list  
5 that is provided was responsive to a data request as to  
6 the possible criteria that could be used.

7 We have not worked out the exact details of what  
8 that criteria would be. But all I'm suggesting is that  
9 not on a case-by-case basis, but for certain sizes of  
10 loans there would be different criteria and those would be  
11 grouped and not on a case-by-case basis.

12 CHMN. MAYES: And I understand that. In this  
13 case we are talking about larger loans than we will be  
14 when we are talking about the consumer loan program when  
15 that gets to us. So I get that. I mean, if we are  
16 talking about \$500,000 or \$50,000, that is a lot of money  
17 and it's ratepayer money and you want to have some  
18 conditions attached.

19 I guess we will watch this, I assume, and I think  
20 there was some language in the order about Staff wanting  
21 to see additional details down the road on this.

22 Did -- in fact on page 16 it states in the third  
23 paragraph down, "Staff recommends approval of the  
24 Non-Residential Repayment Financing Program. Staff also  
25 recommends that APS work to modify the loan requirements

1 or otherwise modify this program element if it comes  
2 necessary to address unanticipated problems."

3 I guess for Staff, what did you mean by that?

4 MS. KEENE: Chairman, I think what our concern  
5 was, what if a lot of customers default, you know, maybe  
6 something needs to be done to prevent that.

7 CHMN. MAYES: Okay. So your problem was on the  
8 other end? You don't think it is onerous enough. I think  
9 it's pretty onerous, but maybe that is just me.

10 MS. KEENE: Well, I guess that wasn't our first  
11 impression.

12 CHMN. MAYES: Okay. Well, we will see. I mean,  
13 you know, I think we have to look at it from both  
14 directions. If you're not getting anybody signing up,  
15 that is a problem. So we will be monitoring that.

16 MR. WONTOR: Absolutely, as we will. As I said  
17 earlier, it's a balancing act. We don't want to be too  
18 onerous, but we don't want to be too lenient. We will  
19 certainly be monitoring that.

20 CHMN. MAYES: Okay.

21 COM. NEWMAN: Quick question while you are  
22 looking.

23 CHMN. MAYES: Yes.

24 COM. NEWMAN: Banks are doing the loans. Who is  
25 doing these loans? That is another partner. I work with

1 obviously credit unions. That could be an excellent  
2 advertising source in itself; people walking into the  
3 banks in your service territory seeing that they could do  
4 weatherization and pool stuff. That could be quite  
5 striking.

6 Who are you working with in terms of -- or is it  
7 just a total market? Do you have a favorite bank?

8 MR. WONTOR: Chairman Mayes, Commissioner Newman,  
9 we do. As I mentioned, we have talked to several banks  
10 and we at this point have selected a local Arizona bank,  
11 National Bank of Arizona. That is who will be working on  
12 us with this particular program.

13 So it's certainly the intent to have them help  
14 market the programs through these loans. They have got  
15 locations -- branch locations throughout the state, so we  
16 see that as a real good fit and a nice synergy with an  
17 Arizona bank offering this loan.

18 COM. NEWMAN: But that would preclude credit  
19 unions and other kinds of -- those kind of banks also  
20 participating. They are the primary prevailers; there was  
21 no other bank but National Bank of Arizona?

22 MR. WONTOR: Commissioner Newman, that would be  
23 correct. At this point it would be the primary provider  
24 of the loans would be National Bank.

25 COM. NEWMAN: I think that is good in some ways,

1 but it also, you know -- listen to me. I'm surprised to  
2 hear that it's one bank, but thank God there is a bank.

3 MR. WONTOR: Correct. And I think at this point  
4 we want to get started with this bank and get some  
5 experience before we determine where else we need to go in  
6 the future.

7 CHMN. MAYES: Okay.

8 COM. NEWMAN: Okay. Because I have read articles  
9 recently about how the credit unions and the banks are at  
10 each other's throats for market share. There are people  
11 out there seeking these kind of things, too.

12 CHMN. MAYES: Okay. I think that -- are there  
13 any other questions on the item?

14 Mr. Mumaw, I know you are probably not happy  
15 about it, but are you quibbling at this point with Staff's  
16 and our adoption of Staff's proposal of the performance  
17 incentive calculation?

18 MR. MUMAW: Madam Chairman, no. I mean, when we  
19 made the original application it was under the old regime.  
20 That regime has changed with the approval of the  
21 settlement. So that is the deal that we agreed to, and  
22 that is the deal we will stick by.

23 CHMN. MAYES: Okay. All right.

24 If we -- I don't believe we have any orange paper  
25 on this one. So, Commissioner Kennedy.

1 COM. KENNEDY: Madam Chairman, I move Item U-18.

2 CHMN. MAYES: Okay. U-18 has been moved.

3 One last question, the new home performance  
4 incentive has been pushed off. That one is not in front  
5 of us.

6 Do we know when we will get that one? It was  
7 filed last summer sometime, and I know we are overworked,  
8 but I am eager to get my hands on that thing. It pains me  
9 to think there are houses that are built without these  
10 energy-efficiency measure.

11 MR. ABINAH: Elijah Abinah for Staff.

12 Our goal is to bring this before you in the  
13 first -- hopefully in March.

14 MR. MUMAW: Madam Chairman, I think before you  
15 get ready to call for a vote, APS -- we think we would be  
16 remiss if we didn't compliment and thank Staff. We know  
17 this required a lot of work, especially over the holiday  
18 season, to get these very important programs in front of  
19 you today. And I just wanted to state publicly that we  
20 certainly appreciate their hard work as, of course, I know  
21 you do, too. But perhaps we don't say it often enough.

22 CHMN. MAYES: No, you don't, Mr. Mumaw. You  
23 don't.

24 I know they appreciate that, and I agree. We  
25 appreciate all of their effort and how much stress they

1 are under right now, especially given the budget cutbacks.

2 So thank you very much for all the work on this,  
3 Barbara, Eli, and who else?

4 MR. ABINAH: It's Julie McNeely.

5 CHMN. MAYES: Julie. Oh, she is not feeling well  
6 today.

7 MS. KEENE: She's worn out.

8 CHMN. MAYES: She's worn out from all this work,  
9 exactly.

10 Madam Secretary, please call the roll.

11 MADAM SECRETARY BERNAL: Commissioner Kennedy?

12 COM. KENNEDY: Aye.

13 MADAM SECRETARY BERNAL: Commissioner Stump?

14 COM. STUMP: Aye.

15 MADAM SECRETARY BERNAL: Commissioner Newman?

16 COM. NEWMAN: Aye.

17 MADAM SECRETARY BERNAL: Commissioner Pierce?

18 CHMN. MAYES: Commissioner Pierce?

19 COM. PIERCE: Aye.

20 MADAM SECRETARY BERNAL: Madam Chair Mayes?

21 CHMN. MAYES: Well, I think these programs are  
22 going to be terrific, particularly to be able to vote for  
23 the new and approved pool pumps and the On-the-Bill  
24 Financing Program for businesses.

25 I vote aye.

1 By your vote of five ayes and zero nays you  
2 passed U-18, the APS Energy Efficiency Implementation  
3 Plan. And now we will adjourn this meeting and go to our  
4 staff meeting.

5 (TIME NOTED: 2:53 p.m.)

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1 STATE OF ARIZONA )  
 ) ss.  
 2 COUNTY OF MARICOPA )

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7 I, KATE E. BAUMGARTH, RPR, Certified Reporter  
 8 No. 50582, for the State of Arizona, do hereby certify  
 9 that the foregoing printed pages constitute a full, and  
 10 accurate transcript of the proceedings had in the  
 11 foregoing matter, all done to the best of my skill and  
 12 ability.

13

14 WITNESS my hand this 26th day of January, 2010.

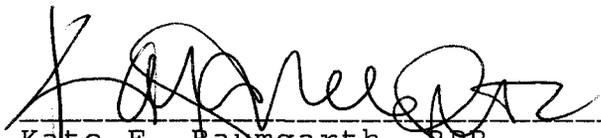
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