

ORIGINAL
OPEN MEETING



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MEMORANDUM

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2010 AUG 12 P 1:50

TO: THE COMMISSION

FROM: Utilities Division

DATE: August 12, 2010

RE: ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF
OPTIONAL TIME-OF-USE RATE SCHEDULES FOR PUBLIC AND PRIVATE
SCHOOLS K-12 (DOCKET NO. E-01345A-08-0172)

On March 31, 2010, Arizona Public Service Company ("APS") filed with the Arizona Corporation Commission ("Commission") an application seeking approval of optional time-of-use rate schedules for public and private schools K-12. These schedules are filed in compliance with Commission Decision No. 71448 of December 30, 2009. Decision No. 71448 approved a rate-case settlement agreement containing the following provision:

Within 90 days of the approval of the Settlement Agreement, APS will file a new optional TOU rate applicable to K-12 schools designed to provide daily and seasonal price signals to encourage load reductions during peak periods.

APS describes in the application that it has conferred with representatives of schools who were intervenors in the rate case that was the subject of Decision No. 71448 in design of the time-of-use ("TOU") rates proposed by this application. These school representatives included the Arizona School Boards Association and the Arizona Association of School Business Officials. APS has also communicated to Staff that it has reviewed historic load data of a variety of schools in development of the rate schedules in order to develop rate designs that create the best opportunity for savings to be realized by the average school. The schedules are meant to provide seasonal and time-of-use periods that are more optimal to school load characteristics given considerations such as timing of summer breaks and hours of operation.

The proposed rate schedules are Rate Schedule GS-SCHOOLS M ("Schools M") and Rate Schedule GS-SCHOOLS L ("Schools L"). Schools M is available to private and public elementary and secondary school (k-12) customers whose average monthly maximum demand is less than or equal to 400 kW per month. Schools L is available to private and public elementary and secondary school (K-12) customers whose average monthly maximum demand is greater

Arizona Corporation Commission

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than 400 kW and less than 3,000 kW per month. These rate schedules are optional, and schools may elect to be served under other schedules that already exist. Schools L would serve as an option to APS Rate Schedule E-32 L and E-32TOU L. Schools M would serve as an option to APS Rate Schedule E-32 M, E-32TOU M, E-32 S and E-32TOU S.

The following table compares the seasons contained in the E-32 rate schedules:

Table I
Existing Schedules
E-32 S, E-32 M, E-32 L, E-32TOU S, E-32TOU M, and E-32TOU L

Summer season: May to October
Winter season: November to April

Proposed Schedules
Schools M and Schools L

Summer season: June to August
Summer shoulder season: May, September and October
Winter season: November to April

The following table compares the on-peak and off-peak hours contained in the E-32 rate schedules where applicable:

Table II
Existing Schedules
E-32TOU S, E-32TOU M, and E-32TOU L

On-Peak hours: 11:00 a.m. – 9:00 p.m. Monday through Friday
Off-Peak hours: All remaining hours

Proposed Schedules
Schools M and Schools L

Summer Peak (June - August)

On-Peak hours: 3:00 p.m. – 8:00 p.m. Monday through Friday
Shoulder-Peak hours: 11:00 a.m. – 3:00 p.m. Monday through Friday
Off-peak hours: All remaining hours

Summer Shoulder (May, September and October)

On-Peak hours:	3:00 p.m. – 8:00 p.m. Monday through Friday
Shoulder-Peak hours:	11:00 a.m. – 3:00 p.m. Monday through Friday
Off-Peak hours:	All remaining hours

Winter (November - April)

On-Peak hours:	5:00 a.m. – 11:00 a.m. Monday through Friday
Shoulder-Peak hours:	3:00 p.m. – 8:00 p.m. Monday through Friday
Off-peak hours:	All remaining hours

Table I demonstrates that the new schedules have three rather than two seasons. Table II demonstrates that the proposed rate schedules have three rather than two time-of-use periods. The third seasonal period and the third time-of-use period take the form of a shoulder summer season and shoulder-peak hour periods respectively.

The Schools M and Schools L schedule's summer season (June through August) is designed to more closely match the average school's summer break. The remaining months of what is normally the summer season become the summer shoulder season.

The Schools M and Schools L schedules TOU hours can be described generally as dividing the normal on-peak period into a shoulder-peak period and an on-peak period. This shoulder-peak period provides a lower rate than the on-peak rate allowing schools the opportunity for savings during the mid-day hours when school is in session and load reduction is likely to be less achievable than during after school hours.

In the application, APS states that its costs to provide electricity are highest after 3:00 p.m. in the summer peak and summer shoulder months. The 3:00 p.m. starting time for on-peak rates in the summer peak and summer shoulder months will allow schools the opportunity to reduce load and realize costs savings. This contrasts with the 11:00 a.m. to 9:00 p.m. on-peak hours of the E-32 TOU rate schedules.

The Schools M and Schools L schedule options will allow schools the possibility of realizing savings during after school hours when compared to the E-32 TOU rates.

APS states in the application that the proposed rates are designed to be revenue neutral as compared to the existing general service rates E-32 M and E-32 L. Staff has reviewed the APS calculations that indicate revenue neutrality and finds the calculations to be mathematically correct and properly constructed.

Attachment I to this Memorandum indicates the total annual difference as modeled by Staff in utility payments that schools would experience should they switch from existing E-32 rate schedules to the proposed rate schedules. Staff's calculations assume that no shifting or reduction of load would occur. Schools could realize savings should they switch to the new schedules and modify either their consumption or the timing of their consumption.

The schools selected for inclusion in Attachment I are selected by various criteria in an effort to depict the effects of switching tariffs on a range of schools with differing usage characteristics. The characteristics used in selection of these examples are: highest and lowest kWh, highest and lowest kW, highest and lowest load factor, and highest and lowest ratios of off-peak kWh usage to total winter kWh usage. Two other characteristics were included. One school was selected from Northern Arizona representing 'high country'. Another was selected from the Phoenix metro area representing a school from 'low country'.

The characteristic 'highest and lowest ratios of off-peak kWh usage to total winter kWh usage' is included to show the effects to schools with the highest and lowest off-peak kWh usage as a percentage of total kWh usage. This characteristic is included as the Schools M and Schools L schedules introduce on-peak morning hours in winter where none exist presently.

The schools included in Attachment I were selected from data provided to Staff by APS. The data supplied by APS included usage data for a population of 43 schools. Therefore, Attachment I's references to the highest and lowest characteristics refer to the highest and lowest examples from the sample population provided by APS to Staff rather than the highest and lowest examples from the entire population of APS school customers.

TOU information was made available for the sample population as interval meters capable of collecting usage data for each hour in a day had been installed at the sample schools previously for load research. The sample schools are identified by a number (e.g. school #1, school #2, etc.) in Attachment I rather than by name, address, or APS account number in order to not divulge customer information in a public document.

Staff inquired of APS through a data request about the subject of performing bill analyses for schools considering switching to the new schedules. APS responded that it has account representatives who work with schools on a regular basis and that upon request, APS provides bill analysis support.

Staff recommends approval of the proposed APS rate schedules Schools M and Schools L in order to implement new rates as contemplated by Decision No. 71448 and to provide schools the opportunity to select rate schedules that could result in savings.

THE COMMISSION

August 12, 2010

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Staff further recommends that APS docket with Docket Control, as a compliance item in this matter, tariff pages consistent with the terms of this Decision within 15 days from the effective date of this Decision.



Steven M. Olea
Director
Utilities Division

SMO:SPI:lhM\MAS

ORIGINATOR: Steve Irvine

**Annual Bill Impact of Switching from E-32 Schedules to Proposed School Schedules
For select schools
Assuming no change to usage characteristics**

School	Characteristics	GS-SCHOOLS M		Annual Billing Impact**
		E-32 S		
#16	Lowest kWh Lowest kW	\$ 13,115.60	\$ 13,123.79	\$ 8.19
		GS-SCHOOLS M		
		E-32 M		
#3	Lowest winter off-peak kWh ratio *	\$ 115,579.53	\$ 116,495.89	\$ 916.36
#6	Highest kWh Highest kW Highest load factor Highest winter off-peak kWh ratio * Phoenix Metro area / Low Country	\$ 151,567.67	\$ 153,709.93	\$ 2,142.26
#11	Lowest load factor	\$ 103,862.94	\$ 96,410.43	\$ (7,452.52)
#13	Northern Arizona / High Country	\$ 50,525.45	\$ 48,801.69	\$ (1,723.76)
		GS-SCHOOLS L		
		E-32 L		
#8	Highest kWh Highest kW	\$ 703,066.80	\$ 718,090.02	\$ 15,023.22
#9	Highest load factor Highest winter off-peak kWh ratio * Phoenix Metro area / Low Country	\$ 489,395.99	\$ 509,929.38	\$ 20,533.39
#12	Lowest load factor	\$ 433,366.00	\$ 413,597.24	\$ (19,768.75)
#18	Lowest winter off-peak kWh ratio *	\$ 309,640.57	\$ 302,516.24	\$ (7,124.33)
#20	Lowest kWh Lowest kW Northern Arizona / High Country	\$ 173,526.00	\$ 166,914.87	\$ (6,611.13)

* These are measures of the lowest and highest ratios of off-peak kWh usage to total winter kWh usage. These ratios are included as sample characteristics because the proposed schools rate schedules introduce on-peak morning hours in winter. No on-peak morning hours exist presently in the E-32 schedules.

** Numbers not in parenthesis are bill increases.
Numbers in parenthesis are bill decreases.

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION)
OF ARIZONA PUBLIC SERVICE)
COMPANY FOR APPROVAL OF)
OPTIONAL TIME-OF-USE RATE)
SCHEDULES FOR PUBLIC AND PRIVATE)
SCHOOLS K-12)

DOCKET NO. E-01345A-08-0172
DECISION NO. _____
ORDER

Open Meeting
August 24 and 25, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On March 31, 2010, APS filed with the Arizona Corporation Commission ("Commission") an application seeking approval of optional time-of-use rate schedules for public and private schools K-12.
3. These schedules are filed in compliance with Commission Decision No. 71448 of December 30, 2009. Decision No. 71448 approved a rate-case settlement agreement containing the following provision:

Within 90 days of the approval of the Settlement Agreement, APS will file a new optional TOU rate applicable to K-12 schools designed to provide daily and seasonal price signals to encourage load reductions during peak periods.

Proposed Schedules
Schools M and Schools L

Summer season:	June to August
Summer shoulder season:	May, September and October
Winter season:	November to April

8. The following table compares the on-peak and off-peak hours contained in the E-32 rate schedules where applicable:

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9. Table I demonstrates that the new schedules have three rather than two seasons. Table II demonstrates that the proposed rate schedules have three rather than two time-of-use periods. The third seasonal period and the third time-of-use period take the form of a shoulder summer season and shoulder-peak hour periods, respectively.

10. The Schools M and Schools L schedule's summer season (June through August) is designed to more closely match the average school's summer break. The remaining months of what is normally the summer season become the summer shoulder season.

1 11. The Schools M and Schools L schedules TOU hours can be described generally as
2 dividing the normal on-peak period into a shoulder-peak period and an on-peak period. This
3 shoulder-peak period provides a lower rate than the on-peak rate allowing schools the opportunity
4 for savings during the mid-day hours when school is in session and load reduction is likely to be
5 less achievable than during after school hours.

6 12. In the application, APS states that its costs to provide electricity are highest after
7 3:00 p.m. in the summer peak and summer shoulder months. The 3:00 p.m. starting time for on-
8 peak rates in the summer peak and summer shoulder months will allow schools the opportunity to
9 reduce load and realize costs savings. This contrasts with the 11:00 a.m. to 9:00 p.m. on-peak
10 hours of the E-32 TOU rate schedules.

11 13. The Schools M and Schools L schedule options will allow schools the possibility of
12 realizing savings during after school hours when compared to the E-32 TOU rates.

13 14. APS states in the application that the proposed rates are designed to be revenue
14 neutral as compared to the existing general service rates E-32 M and E-32 L. Staff has reviewed
15 the APS calculations that indicate revenue neutrality and finds the calculations to be
16 mathematically correct and properly constructed.

17 15. Attachment I to the Staff Memorandum of August 12, 2010, indicates the total
18 annual difference as modeled by Staff in utility payments that schools would experience should
19 they switch from existing E-32 rate schedules to the proposed rate schedules. Staff's calculations
20 assume that no shifting or reduction of load would occur. Schools could realize savings should
21 they switch to the new schedules and modify either their consumption or the timing of their
22 consumption.

23 16. The schools selected for inclusion in Attachment I are selected by various criteria in
24 an effort to depict the effects of switching tariffs on a range of schools with differing usage
25 characteristics. The characteristics used in selection of these examples are: highest and lowest
26 kWh, highest and lowest kW, highest and lowest load factor, and highest and lowest ratios of off-
27 peak kWh usage to total winter kWh usage. Two other characteristics were included. One school

28 ...

1 was selected from Northern Arizona representing 'high country'. Another was selected from the
2 Phoenix metro area representing a school from 'low country'.

3 17. The characteristic 'highest and lowest ratios of off-peak kWh usage to total winter
4 kWh usage' is included to show the effects to schools with the highest and lowest off-peak kWh
5 usage as a percentage of total kWh usage. This characteristic is included as the Schools M and
6 Schools L schedules introduce on-peak morning hours in winter where none exist presently.

7 18. The schools included in Attachment I to the Staff Memorandum were selected from
8 data provided to Staff by APS. The data supplied by APS included usage data for a population of
9 43 schools. Therefore, Attachment I's references to the highest and lowest characteristics refer to
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15 20. The sample schools are identified by a number (e.g. school #1, school #2, etc.) in
16 Attachment I rather than by name, address, or APS account number in order to not divulge
17 customer information in a public document.

18 21. Staff inquired of APS through a data request about the subject of performing bill
19 analyses for schools considering switching to the new schedules. APS responded that it has
20 account representatives who work with schools on a regular basis and that upon request, APS
21 provides bill analysis support.

22 22. Staff has recommended approval of the proposed APS rate schedules Schools M
23 and Schools L in order to implement new rates as contemplated by Decision No. 71448 and to
24 provide schools the opportunity to select rate schedules that could result in savings.

25 23. Staff has further recommended that APS file with Docket Control, as a compliance
26 item in this matter, tariff pages consistent with the terms of this Decision within 15 days from the
27 effective date of this Decision.

28 ...

CONCLUSIONS OF LAW

1
2 1. Arizona Public Service Company is a public service corporation within the meaning
3 of Article XV of the Arizona Constitution.

4 2. The Commission has jurisdiction over Arizona Public Service Company and the
5 subject matter of the application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated
7 August 12, 2010, concludes that it is in the public interest to approve Rate Schedule GS-
8 SCHOOLS M and Rate Schedule GS-SCHOOLS L, as discussed herein.

ORDER

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10 IT IS THEREFORE ORDERED that Rate Schedules GS-SCHOOLS M and GS-
11 SCHOOLS L be and hereby are approved.

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IT IS FURTHER ORDERED that Arizona Public Service Company shall file with Docket Control, as a compliance item in this matter, tariff pages consistent with the terms of this Decision within 15 days from the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:SPI:lhM\MAS

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