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BEFORE THE ARIZONA CORPORATION COMMISSION

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GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission
DOCKETED

JUN 27 2011

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IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S APPLICATION
FOR A REQUEST TO REVISE RATE
SCHEDULES E-47 AND E-58

DOCKET NO. E-01345A-10-0133

DECISION NO. 72433

ORDER

Open Meeting
June 21 and 22, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "the Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On April 6, 2010, APS filed an application to revise its Rate Schedule E-47 for Dusk to Dawn Lighting Service and Rate Schedule E-58 for Street Lighting Service. APS filed an amended application on August 13, 2010, requesting a method for adding additional fixtures and poles in the future without having to file individual applications with the Commission. On February 11, 2011, APS filed an amended application with revised monthly charges, calculated using an updated fixed charge rate and discount rate. APS waived any requirement that the Commission act within 30 days under Arizona Revised Statutes ("A.R.S.") §§ 40-250(B) and 40-367.

3. The E-47 service is used, for example, by businesses to light their parking lots. The E 58 service is used, for example, by cities and towns for lighting public thoroughfares. The application requests approval of proposed rates for twenty-three new fixtures and six new poles.

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1 **Proposed Lighting Equipment Additions**

2 4. APS proposes to add new lighting fixtures and poles to the list of equipment options
3 offered under the E-47 and E-56 rate schedules. The proposed new lighting fixtures utilize either
4 induction current or light-emitting diode (“LED”) technologies, both of which offer significant
5 improvements in energy efficiency over traditional lighting methods.

6 5. The new fixtures will be available under the “Company-Owned” (aka “Investment
7 by Company”) “Customer-Owned,” and “Investment by Others” options. Under the Company-
8 Owned option, APS owns, installs, and maintains the lighting facilities, and provides replacement
9 at the end of the equipment’s life. Under the Customer-Owned option, the customer owns, installs,
10 and maintains the lighting fixtures, and APS operates the fixtures and replaces only the lamps.
11 Under the Investment by Others option, the customer would install the facilities or provide a non-
12 refundable advance to APS to cover the cost of installing the facilities, and APS would own,
13 operate, and maintain the facilities and provide replacement.

14 6. The attributes of the proposed lighting fixture additions, along with the proposed
15 monthly rates under the E-47 and E-58 rate schedules, are presented below in Table I.

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Table I
New Fixture Attributes and Proposed Monthly Rates

Fixture Style	Lumen Output	Watts	kWh	E-47		E-58	
				Company Owned	Customer Owned	Investment by Company	Investment by Others
Acorn	6,000 Induction	85	29	\$ 17.87	\$ 2.77	\$ 17.87	\$ 4.77
Architectural	6,200 Induction	85	29	\$ 9.40	\$ 2.77	\$ 9.40	\$ 3.65
	8,400 induction	100	34	\$ 9.93	\$ 3.15	\$ 9.93	\$ 4.05
	10,200 induction	120	41	\$ 10.91	\$ 3.67	\$ 10.91	\$ 4.63
	13,000 induction	150	52	\$ 12.05	\$ 4.50	\$ 12.05	\$ 5.50
	20,500 induction	200	69	\$ 13.72	\$ 5.79	\$ 13.72	\$ 6.84
	22,500 induction	265	91	\$ 16.37	\$ 7.44	\$ 16.37	\$ 8.62
	5,800 LED	94	32	\$ 16.53	\$ 3.00	\$ 16.53	\$ 4.79
Cobra / Roadway	7,400 LED	127	44	\$ 18.96	\$ 3.90	\$ 18.96	\$ 5.89
	12,300 LED	203	70	\$ 23.66	\$ 5.86	\$ 23.66	\$ 8.22
Cobra / Roadway	6,200 induction	75	26	\$ 9.78	\$ 2.54	\$ 9.78	\$ 3.50
	6,400 induction	85	29	\$ 8.33	\$ 2.77	\$ 8.33	\$ 3.51
	8,000 induction	88	30	\$ 9.72	\$ 2.84	\$ 9.72	\$ 3.75
	8,400 induction	100	34	\$ 9.01	\$ 3.15	\$ 9.01	\$ 3.93
	10,200 induction	120	41	\$ 9.69	\$ 3.67	\$ 9.69	\$ 4.47
	13,000 induction	150	52	\$ 10.67	\$ 4.50	\$ 10.67	\$ 5.32
	15,250 induction	200	69	\$ 12.87	\$ 5.79	\$ 12.87	\$ 6.73
	22,500 induction	250	86	\$ 17.22	\$ 7.06	\$ 17.22	\$ 8.41
	6,000 LED	95	33	\$ 15.83	\$ 3.07	\$ 15.83	\$ 4.76
	8,700 LED	142	49	\$ 17.80	\$ 4.27	\$ 17.80	\$ 6.06
Post Top - Copper Square	9,600 LED	157	54	\$ 18.94	\$ 4.65	\$ 18.94	\$ 6.54
	11,600 B-LED	181	62	\$ 17.67	\$ 5.25	\$ 17.67	\$ 6.90
Post Top - Copper Square	6,000 Induction	85	29	\$ 17.52	\$ 2.77	\$ 17.52	\$ 4.72

7. APS also proposes to add six poles to its lighting equipment list, in addition to the lighting fixtures discussed above. The ownership option definitions that apply to fixtures also apply to poles, except that a Customer-Owned option is not offered for poles because there is no general maintenance required for poles.

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Table II
New Lighting Poles and Proposed Monthly Rates

Anchor Type	Base Type	Pole Type	Height	E-47	E-58	
				Company Owned	Investment by Company	Investment by Others
Flush	Hinged	Square	15 ft.	\$ 13.20	\$ 13.20	\$ 1.08
		Round	19 ft.	\$ 11.93	\$ 11.93	\$ 0.97
Direct Bury	Round Steel	Self-Support	25 ft.	\$ 49.72	\$ 49.72	\$ 4.06
			32 ft.	\$ 52.36	\$ 52.36	\$ 4.27
	Square Steel	8-inch	28 ft.	\$ 28.45	\$ 28.45	\$ 2.32
			32 ft.	\$ 29.74	\$ 29.74	\$ 2.43

8. Using data provided by APS in the instant application and in response to data requests, Staff analyzed the present value of the proposed payments to APS under Schedules E-47 and E-58, and the present value of APS' estimated costs. The proposed rates cover APS' costs to provide the services. The proposed tariff revisions would offer customers additional lighting options which are not currently available. None of the proposed additions would result in an increase for any existing APS service.

7. Staff also analyzed this application in terms of whether there were fair value implications. Compared to APS' total revenues, any impact from these tariff revisions would be de minimus, and any impact on APS' fair value rate base and rate of return would also be de minimus.

Determination of Rates for New Equipment

8. APS requests that the Commission approve the method and the various pricing parameters used to develop the monthly rates, such as fixed charge rate, the combined escalation and present value factor, and the per kWh charges for generation, transmission and distribution costs. Once approved, APS will then develop monthly charges for new lighting equipment, without having to request additional Commission approval, by applying the approved charges and parameters to the installed costs, O&M costs, and monthly kWh for any new lighting equipment being added to the Company's lighting service offerings. Under the proposed method, the monthly charges for new lighting equipment would be calculated using the same standardized method and data that has been used for calculating street lighting rates for a number of years.

1 9. Once a monthly charge is established for a new lighting fixture or pole, it would not
2 be changed until a subsequent rate case. Furthermore, this method would not be used for revising
3 any charges for current lighting equipment specified in Schedules E-47 and E-58 without further
4 Commission order, but would only apply to new equipment.

5 10. The method proposed by APS for determining rates for new lighting equipment is
6 described as follows and included in the proposed revised tariff:

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Table III
E-47 and E-58 Rate Formula

<u>Rate Schedule E-47</u>							
Step 1 Determination of Charges for each Charge Type							Monthly Fixed Charge Rate
<u>Charge Type</u>	<u>Monthly Charge</u>	=	<u>Cost Inputs</u>	x	<u>PV Factor</u>	x	
1	Carrying Cost (fixtures)	=	Equipment Cost (installed)	x	NA	x	1.533%
2	Lighting O&M	=	O&M Cost (lifecycle)	x	0.381	x	1.533%
3	Carrying Cost (Poles)	=	Equipment Cost (installed)	x	NA	x	1.449%
<u>Charge Type</u>	<u>Monthly Charge</u>		<u>kWh Input</u>		<u>\$/kWh</u>		
4	Generation	=	kWh per month	x	0.04023		
5	T&D, RCS, SB	=	kWh per month	x	0.03516		
Step 2 Determination of Total Monthly Charge							
The total monthly charge shall be the summation of the charges for each applicable charge type							
	<u>Equipment</u>	<u>Charge Type</u>					
	Fixture - Company Owned	1,2,4,5					
	Fixture - Customer Owned	2,4,5					
	Pole, Anchor Base - Company Owned	3					
<u>Rate Schedule E-58</u>							
Step 1 Determination of Charges for each Charge Type							Monthly Fixed Charge Rate
<u>Charge Type</u>	<u>Monthly Charge</u>	=	<u>Cost Inputs</u>	x	<u>PV Factor</u>	x	
1	Carrying Cost (fixtures)	=	Equipment Cost (upfront installed)	x	NA	x	1.533%
2	Carrying Cost (Poles)	=	Equipment Cost (upfront installed)	x	NA	x	1.449%
3	Fixture Replacement Cost	=	Equipment Cost (upfront installed)	x	0.132	x	1.533%
4	Pole, Anchor Replacement Cost	=	Equipment Cost (upfront installed)	x	0.082	x	1.449%
5	Lighting O&M	=	O&M Cost (lifecycle)	x	0.381	x	1.533%
<u>Charge Type</u>	<u>Monthly Charge</u>		<u>kWh Input</u>		<u>\$/kWh</u>		
6	Generation	=	kWh per month	x	0.04023		
7	T&D, RCS, SB	=	kWh per month	x	0.03516		
Step 2 Determination of Total Monthly Charge							
The total monthly charge shall be the summation of the charges for each applicable charge type							
	<u>Equipment</u>	<u>Charge Type</u>					
	Fixture - IBC	1,5,6,7					
	Fixture - IBO	3,5,6,7					
	Pole, Anchor Base - IBC	2					
	Pole, Anchor Base - IBO	4					

1 11. The proposed method and formula has been used by APS to determine the proposed
2 equipment charges contained in Table I. Staff believes that approval of this methodology and the
3 associated formula will be an efficient mechanism for APS to utilize when adding future equipment
4 offerings in these service categories. However, Staff recommends that APS be required to file a
5 notice with the Commission in a new docket whenever APS wishes to add equipment to the
6 equipment schedule. Staff would have 90 days from the date the notice is filed with Docket
7 Control to review the notice for compliance with the Decision in this case. If Staff has concerns
8 regarding the compliance of any new equipment offerings, Staff may recommended that the
9 Commission consider the matter at Open Meeting. If Staff and / or the Commission takes no action
10 on the notice within the 90-day period, the rates for the new equipment offerings would be deemed
11 approved.

12 **Summary of Staff Recommendations**

13 12. Staff has recommended approval of the revised E-47 and E-58 Rate Schedules.

14 13. Staff has further recommended approval of the method and formula for calculating
15 charges associated with future equipment offerings provided that APS docket notice of its intention
16 to add equipment as discussed herein.

17 14. Staff has further recommended that APS file revised Rate Schedules E-47 and E-58
18 consistent with the Decision in this case in Docket Control within 15 days from the effective date of
19 the Decision.

20 **CONCLUSIONS OF LAW**

21 1. Arizona Public Service Company is an Arizona public service corporation within
22 the meaning of Article XV, Section 2, of the Arizona Constitution.

23 2. The Commission has jurisdiction over Arizona Public Service Corporation and over
24 the subject matter of the application.

25 3. The Commission, having reviewed the application and Staff's Memorandum dated
26 June 8, 2011, concludes that it is in the public interest to approve the revised Rate Schedules E-47
27 and E-58, as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the revised E-47 and E-58 Rate Schedules be and hereby are approved as discussed herein.

IT IS FURTHER ORDERED that the method and formula for calculating charges associated with future equipment offerings is approved, provided that Arizona Public Service Company shall docket notice of its intention to add equipment as discussed herein. Staff shall have 90 days from the date the notice is filed with Docket Control to review the notice for compliance with the Decision in this case.

IT IS FURTHER ORDERED that if Staff and/or the Commission takes no action on the notice within the 90-day period, the rates for the new equipment offerings would be deemed approved.

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall file revised Rate
2 Schedules E-47 and E-58 consistent with the Decision in this case in Docket Control within 15
3 days from the effective date of the Decision.

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

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

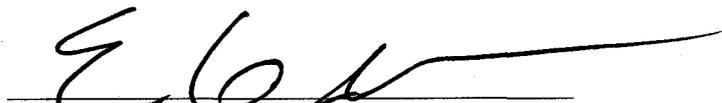

COMMISSIONER


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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 27th day of June, 2011.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RBL:lh\CH

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-10-0133

3 Mr. Thomas Mumaw, Esq.
4 Arizona Public Service Company
400 North Fifth Street
5 Post Office Box 53999/Mail Station 9708
6 Phoenix, Arizona 85004

7 Mr. Steven M. Olea
8 Director, Utilities Division
9 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

10 Ms. Janice M. Alward
11 Chief Counsel, Legal Division
12 Arizona Corporation Commission
1200 West Washington Street
13 Phoenix, Arizona 85007

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