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Arizona Corporation Commission
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Attorneys for Arizona Public Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF THE
COMPANY'S 2012 DEMAND SIDE
MANAGEMENT IMPLEMENTATION
PLAN.

DOCKET NO. E-01345A-11-0232
**COMMENTS ON STAFF'S
PROPOSED ORDER**

I. PROCEDURAL HISTORY

On June 1, 2011, Arizona Public Service Company ("APS" or "Company") filed an Application for approval of the Company's 2012 Demand Side Management ("DSM") Implementation Plan as required by R14-2-2405(A). On June 24, 2011, APS filed a Revised 2012 DSM Plan ("2012 Plan") replacing the Company's prior filing in its entirety. On October 20, 2011, the Company filed a revised DSM Adjustment Charge ("DSMAC") to remove costs associated with APS's ev-Ready project in conformance with Arizona Corporation Commission ("Commission") Decision No. 72582 (September 15, 2011). On November 30, 2011, Utilities Division Staff ("Staff") filed its Memorandum and Proposed Order ("Proposed Order") on the Company's 2012 DSM Implementation Plan. APS hereby files its comments in response to Staff's Proposed Order.

1 **II. DISCUSSION**

2 APS is sensitive to the time constraints and the enormous volume of Staff effort
3 required to review an Application of this size and complexity and appreciates the
4 diligence Staff applied to complete their review before the end of 2011. APS is in
5 agreement with most of the conclusions reached by Staff in the Proposed Order.
6 However, APS believes that alternative solutions to Staff's Proposed Order, as discussed
7 herein, are appropriate and beneficial to customers. If approved by the Commission, the
8 Company's proposed solutions would reduce costs to APS customers, reduce evaluation
9 time for Commission Staff, and avoid the need for another filing and second Open
10 Meeting as contemplated in the Staff Proposed Order.

11 The solutions include: 1) allowing the energy savings gained from the pool pump
12 motor legislation supported by APS to be counted toward compliance; 2) allowing the
13 re-evaluation of the inputs and methodology for the calculation of the present value of
14 benefits and costs by Staff, APS, and stakeholders on a regular basis to help ensure that
15 the most cost-effective Energy Efficiency ("EE") programs and measures are developed
16 and implemented; and 3) reallocating funds associated with the residential Heating
17 Ventilation and Air Conditioning ("HVAC") Program as part of the Company's current
18 plan, thereby avoiding another DSM Implementation Plan filing and Open Meeting as
19 proposed by Staff.

20 **A. Increased appliance standards yield significant and cost effective**
21 **energy savings.**

22 Staff has recommended that any potential energy savings from increased
23 appliance standards be disallowed because Staff interpreted the electric EE rules as
24 addressing energy savings from building codes, but not explicitly referencing equally
25 valid savings from appliance standards.¹ The gas EE rules,² which were enacted after

26 ¹ R14-2-2404(E) reads, "An affected utility may count toward meeting the standard up to one third of the
27 energy savings, resulting from energy efficiency building codes, that are quantified and reported through
a measurement and evaluation study undertaken by the affected utility."

28 ² R14-2-2504(E) reads, "An affected utility may count toward meeting the energy efficiency standard up
to one-third of the energy savings resulting from energy efficiency building codes and up to one-third of

1 the electric EE Rules, include savings from improvements to both building codes and
2 appliance standards. APS believes any omission of similar language from the electric
3 Rules was an inadvertent error. The rules for electricity and natural gas should be
4 consistent, and both should include savings from building codes and appliance
5 standards. Both building codes and appliance standards are policy tools that can yield
6 significant progress toward energy efficiency goals in the most cost effective manner.
7 To simply ignore these very real energy savings is counter to the interests of APS
8 customers because it raises the cost of achieving the Commission's EE goals.

9 APS requests that the Commission allow energy savings gained from the
10 appliance standard legislation to be counted towards compliance. In the alternative, if
11 the Commission interprets the electric EE Rules such that savings from appliance
12 standards should not be included, APS requests that the Commission grant APS a waiver
13 from R14-2-2404(E) to allow credit for energy savings from the pool pump motor
14 legislation.

15 **B. Regularly re-evaluate the method and inputs of calculating net**
16 **benefits.**

17 Staff has recommended that APS use the input values and methodology
18 developed by Staff to calculate the present value of benefits and costs to determine
19 benefit-cost ratios.³

20 APS accepts Staff's recommendation. However, APS also believes that these
21 parameters should be re-evaluated on a regular basis by Staff, APS, and other
22 stakeholders to ensure that the most cost-effective EE programs and measures are
23 developed and implemented. APS, in accordance with the Commission's Resource
24 Planning Rules, considers EE to be a valuable resource available to meet customer

25
26 the energy savings resulting from the energy efficiency appliance standards, if the energy savings are
27 quantified and reported through a measurement and evaluation study undertaken by the affected utility,
28 and the affected utility demonstrates and documents its efforts in support of the adoption or
implementation of the energy efficiency building codes and appliance standards.”

³ Staff Recommended Order, page 58, lines 22 – 24.

1 energy needs. A continuing dialogue on how benefit cost ratios are established is
2 important in ensuring customers can fully benefit from these programs.

3 **C. Reallocating funds within APS's currently filed Plan associated with**
4 **the residential HVAC Program will avoid another DSM**
5 **Implementation Plan filing and Open Meeting and will result in**
6 **additional budget reductions.**

7 Staff has recommended that APS reallocate \$9.8 million associated with the
8 residential HVAC program to certain programs and measures Staff has found to be cost
9 effective, to produce 20,477 megawatt hours ("MWh") of savings and meet 100 percent
10 of the 2012 savings target, and recommends the Company file a revised 2012
11 Implementation Plan reflecting these revised allocations by February 10, 2012.⁴
12 However, APS believes this reallocation can be accomplished now through revisions to
13 the Company's currently filed Plan, eliminating any need to file a revised 2012 Plan, and
14 assisting the Commission in completing the review process quickly.

15 As a result of the Company's proposed reallocation, APS would achieve an
16 additional program cost savings, while meeting the 2012 savings target, due to the fact
17 that APS has reallocated these funds to more cost effective measures. This reallocation
18 reduces the overall budget by \$2.5 million.

19 In addition to the reallocation of funds, APS proposes to maximize the cost
20 effectiveness of the Residential HVAC program by changing from an equipment
21 replacement (with Quality Installation) program to a Quality Installation only program.
22 APS proposes to offer the Quality Installation program rebate for all sizes of HVAC
23 replacement units (including all SEER levels and any EER of 10.8 or above). Quality
24 Installation provides cost-effective savings regardless of the efficiency level of HVAC
25 units. The most recent program measurement and evaluation ("MER") study results
26 indicate that Quality Installation works well in the field and generates significant
27 savings. APS proposes to set the Residential HVAC incentive at \$270 (under 75% of
28 incremental cost) and to eliminate the contractor incentive of \$50. The \$270 incentive

⁴ Staff Recommended Order, page 59, lines 6-10.

1 would be paid directly to the customer. A residential customer rebate set at this level
 2 has proven to be significant enough to encourage participation in the Residential HVAC
 3 measure, which would allow the program to continue offering assistance for the largest
 4 energy-using device in the typical residential customer's home. APS proposes to target
 5 the number of Quality Installation measures at 10,000.

6 APS also proposes that the remaining energy savings to achieve the target would
 7 come from an increase to the Home Performance with ENERGY STAR[®] and Consumer
 8 Product programs. Specifically, APS proposes to increase the number of in-home
 9 energy assessments conducted, variable speed pool pump motor incentives offered, and
 10 CFL bulbs issued from what the Company originally filed in its 2012 Plan. The
 11 modified 2012 Plan achieves the end result of APS reallocating \$7.3 million, resulting in
 12 the same amount of energy savings in APS's original filing, and reducing the budget by
 13 \$2.5 million as illustrated by the table below.

14 **Table 1**

15 **Reallocation of \$7.3 Million in Funding**

16 **APS Proposed Reallocation of Dollars to Achieve 20,447 MWh Savings**

	APS 2012 Plan	Staff Recommended Order	APS Reallocation	Dollar Change from 2012 Plan
Residential HVAC	\$ 10,756,000	\$ 930,329	\$ 6,356,000	\$ (4,400,000)
Home Performance with ENERGY STAR	\$ 4,873,000	\$ 4,873,000	\$ 5,962,000	\$ 1,089,000
Consumer Products	\$ 7,605,000	\$ 7,605,250	\$ 8,395,250	\$ 790,250
Net Change to Total Budget				\$ (2,520,750)

22 The revised DSMAC rate reflecting this reduced budget is contained in
 23 Attachment 1 of this filing. The bill impact for the revised DSMAC is anticipated to be
 24 a \$0.08 or 0.06% increase on an average residential customer's monthly bill.

25 The change to the currently effective DSMAC is shown in Table II below.
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Table II
Revised Change to DSMAC

	2011 Charge	Proposed 2012 Charge
Per kWh	\$0.002717	\$0.002793
Per kW	\$0.9685	\$1.062

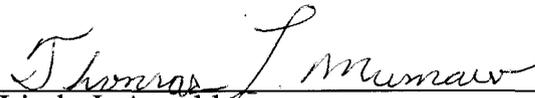
APS requests the Commission approve the Company's proposal to reallocate \$7.3 million, modify the 2012 Plan as described herein, and approve a revised DSMAC rate effective for the first billing cycle in March 2012. APS is providing amendments to the recommended order consistent with the Company's proposals contained herein as Attachment 2.

III. CONCLUSION

In its 2012 Plan, APS proposed a DSM implementation strategy that would assist customers with their electric bills and comply with the energy savings goal in the Electric EE Rules. APS requests that the Commission:

1. allow energy savings gained from the appliance standard legislation to be counted toward compliance; or, in the alternative, if the Commission interprets the electric EE Rules such that savings from appliance standards should not be included, APS requests that the Commission grant APS a waiver from R14-2-2404(E) to allow credit for energy savings from the pool pump motor legislation;
2. allow the re-evaluation of the inputs and methodology for the calculation of the present value of benefits and costs by Staff, APS, and stakeholders on a regular basis to help ensure that the most cost-effective EE programs and measures are developed and implemented;
3. approve APS's proposal to reallocate \$7.3 million and modify the 2012 Plan as described herein; and
4. approve a revised DSMAC rate effective for the first billing cycle in March 2012.

1 RESPECTFULLY SUBMITTED this 9th day of December, 2011.

2
3 By: 
4 Linda J. Arnold
Thomas L. Mumaw

5 Attorneys for Arizona Public Service Company

6 ORIGINAL and thirteen (13) copies
7 of the foregoing filed this 9th day of
8 December, 2011, with:

9 Docket Control
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 COPY of the foregoing mailed/delivered this
14 9th day of December, 2011 to:

15 Steven M. Olea
16 Director
17 Utilities Division
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Janice Alward
22 Legal Division
23 Arizona Corporation Commission
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Phoenix, Arizona 85012
Attorneys for Freeport-McMoRan and AECC



ATTACHMENT 1



ADJUSTMENT SCHEDULE DSMAC-1
DEMAND SIDE MANAGEMENT COST ADJUSTMENT

APPLICATION

The Demand Side Management Adjustment Charge ("DSMAC") shall be applied monthly to every metered and/or non-metered retail Standard Offer or Direct Access service with the exception of customers served on rate schedules E-3 and E-4, and Solar-2. All provisions of the customer's currently applicable rate schedule will apply in addition to this adjustment charge. The DSMAC is applied to Standard Offer or Direct Access customer's bills as monthly charge to recover the cost of Commission approved demand side management programs above those costs included in base rates. The DSMAC will be changed in billing cycle 1 of the March revenue month and will not be prorated. The DSMAC and the RES adjustors may be combined on the customer's bill and appear on the "Environmental Benefits Surcharge" line. Details of how the DSMAC is derived and administered can be found in the Demand Side Management Adjustment Charge Plan for Administration.

RATE

The charge shall be calculated at the following rate:

For all residential customers and general service customers whose billing does not include demand charges:

All kWh \$0.0027172793 per kWh

For general service customers whose billing includes demand charges:

All metered kW \$0.96851.062 per kW

SELF DIRECTION

Self direction of DSM charges collected through base rates and Adjustment Schedule DSMAC-1 shall be available for customers who use more than 40 million kWh per year, based on an aggregation of the usage for all the customer's accounts for the January through December billing months in the year the request for self direction is made.

Qualifying customers who elect to self direct their DSM charges must notify APS on or before December 1st in each year that they wish to self direct. Upon such notification, and verification of eligibility by APS, 85% of the customer's DSM charges paid over the January through December billing months in the election year will be reserved for tracking purposes for the customer's eligible energy efficiency project(s) to be completed within two years. The remaining 15% will be retained to cover the self direction program administration, management and verification, measurement and evaluation, and low-income program costs.

Customers who elect to self direct must continue to pay the DSM charges in base rates and Adjustment Schedule DSMAC-1.

Self direction shall be provided in accordance with the Self Direction Provisions approved in Arizona Corporation Commission (Commission) Decision No. 71448, Attachment C to the Settlement Agreement as modified from time to time with Commission approval.

Self direction amounts shall be the DSMAC-1 charges billed over the election year plus the DSM charges recovered in base rates. The latter shall be calculated by multiplying the kWh billed for the System Benefits Charge in the customer's current applicable rate schedule multiplied by \$0.000359 per kWh.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: April 1, 2005

A.C.C. No. 5785XXXX
Canceling A.C.C. No. 57745785
Adjustment Schedule DSMAC-1
Revision No. 56
Effective: March 1, 2014



ADJUSTMENT SCHEDULE DSMAC-1
DEMAND SIDE MANAGEMENT COST ADJUSTMENT

APPLICATION

The Demand Side Management Adjustment Charge ("DSMAC") shall be applied monthly to every metered and/or non-metered retail Standard Offer or Direct Access service with the exception of customers served on rate schedules E-3 and E-4, and Solar-2. All provisions of the customer's currently applicable rate schedule will apply in addition to this adjustment charge. The DSMAC is applied to Standard Offer or Direct Access customer's bills as monthly charge to recover the cost of Commission approved demand side management programs above those costs included in base rates. The DSMAC will be changed in billing cycle 1 of the March revenue month and will not be prorated. The DSMAC and the RES adjustors may be combined on the customer's bill and appear on the "Environmental Benefits Surcharge" line. Details of how the DSMAC is derived and administered can be found in the Demand Side Management Adjustment Charge Plan for Administration.

RATE

The charge shall be calculated at the following rate:

For all residential customers and general service customers whose billing does not include demand charges:

All kWh \$0.002793 per kWh

For general service customers whose billing includes demand charges:

All metered kW \$1.062 per kW

SELF DIRECTION

Self direction of DSM charges collected through base rates and Adjustment Schedule DSMAC-1 shall be available for customers who use more than 40 million kWh per year, based on an aggregation of the usage for all the customer's accounts for the January through December billing months in the year the request for self direction is made.

Qualifying customers who elect to self direct their DSM charges must notify APS on or before December 1st in each year that they wish to self direct. Upon such notification, and verification of eligibility by APS, 85% of the customer's DSM charges paid over the January through December billing months in the election year will be reserved for tracking purposes for the customer's eligible energy efficiency project(s) to be completed within two years. The remaining 15% will be retained to cover the self direction program administration, management and verification, measurement and evaluation, and low-income program costs.

Customers who elect to self direct must continue to pay the DSM charges in base rates and Adjustment Schedule DSMAC-1.

Self direction shall be provided in accordance with the Self Direction Provisions approved in Arizona Corporation Commission (Commission) Decision No. 71448, Attachment C to the Settlement Agreement as modified from time to time with Commission approval.

Self direction amounts shall be the DSMAC-1 charges billed over the election year plus the DSM charges recovered in base rates. The latter shall be calculated by multiplying the kWh billed for the System Benefits Charge in the customer's current applicable rate schedule multiplied by \$0.000359 per kWh.

ARIZONA PUBLIC SERVICE COMPANY
Phoenix, Arizona
Filed by: David J. Rumolo
Title: Manager, Regulation and Pricing
Original Effective Date: April 1, 2005

A.C.C. No. XXXX
Canceling A.C.C. No. 5785
Adjustment Schedule DSMAC-1
Revision No. 6
Effective: March 1, 2012

ATTACHMENT 2

ATTACHMENT 2

Arizona Public Service Company
2012 Demand Side Management Implementation Plan
Docket No. E-01345A-11-0232

Proposed Amendment # 1 Energy Codes and Standards Support Project

Page 57, Line 9

DELETE:

“not”

INSERT:

“be granted a waiver from R14-2-2404(E) to”

Page 57, Line 11

DELETE:

“under A.A.C. R14-2-2404(E)”

Page 58, Lines 3 – 5

DELETE:

“IT IS FURTHER ORDERED that the Energy Codes & Standards Support Project be renamed the Energy Building Codes Support Project to reflect that only savings from improved building codes, and not appliance standards, are eligible to be counted under the standard.”

MAKE CONFORMING CHANGES

ATTACHMENT 2

Arizona Public Service Company
2012 Demand Side Management Implementation Plan
Docket No. E-01345A-11-0232

**Proposed Amendment # 2
Residential HVAC**

Page 56, Line 26

DELETE:

“Staff”

INSERT:

“APS’ proposal contained in the Company’s Comments filed December 9, 2011”

MAKE CONFORMING CHANGES

ATTACHMENT 2

Arizona Public Service Company
2012 Demand Side Management Implementation Plan
Docket No. E-01345A-11-0232

**Proposed Amendment # 3
Societal Cost Test Methodology and Inputs**

Page 58, Line 24

INSERT:

“This method will be re-evaluated on a regular basis allowing Staff, APS, and stakeholders to help ensure that cost-effective EE programs and measures are developed and implemented.”

MAKE CONFORMING CHANGES

ATTACHMENT 2

Arizona Public Service Company
2012 Demand Side Management Implementation Plan
Docket No. E-01345A-11-0232

**Proposed Amendment # 4
DSMAC Rates and Performance Incentive**

Page 59, Line 1

DELETE:

“\$0.002487”

INSERT:

“0.002793”

Page 59, Line 1

DELETE:

“\$0.9450”

INSERT:

“1.062”

Page 59, Line 12

DELETE:

\$5,603,684

INSERT:

\$6,665,332

MAKE CONFORMING CHANGES

ATTACHMENT 2

Arizona Public Service Company
2012 Demand Side Management Implementation Plan
Docket No. E-01345A-11-0232

**Proposed Amendment # 5
February 10, 2011 Re-filing**

Page 59, Lines 9 – 10

DELETE:

“by February 10, 2012”

INSERT:

“in the Company’s Comments filed on December 9, 2011”

MAKE CONFORMING CHANGES