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Arizona Corporation Commission
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January 31, 2012

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company Time-of-Use Rates ET-2 and ECT-2 Annual Report, Docket No. E-01345A-05-0674

Pursuant to Decision No. 68645 dated April 12, 2006:

APS will file with Docket Control annual reports that detail the load shape of the participants in the experimental rates ET-2 and ECT-2.

Attached is Arizona Public Service Company's 2011 annual report on the residential TOU (time-of-use) rates ET-2 and ECT-2.

If you have any questions regarding this information, please contact Chuck Miessner at (602)250-3081.

Sincerely,


Jeffrey W. Johnson

JJ/cd
Attachments

Cc: Steve Olea
Terri Ford
Brian Bozzo

**Arizona Public Service Company
Residential Time-of-use Rates ET-2, ECT-2
Compliance Report, Decision No. 68645, Docket
No. E-01345A-05-0674
Initial Filing, Docket No E-01345A- 07-0448
January 31, 2012**

Arizona Public Service Company
Residential Time-of-use Rates ET-2, ECT-2
Compliance Report, Decision No. 68645, Docket No. E-01345A-05-0674
Initial Filing, Docket No E-01345A- 07-0448
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Background

In July 2006, APS implemented the “series-2” residential time-of-use rate schedules, ET-2 and ECT-2, which have an on-peak period of noon to 7:00 p.m. Rate Schedule ET-2 has on-peak and off-peak energy charges. Rate Schedule ECT-2 has an on-peak demand charge in addition to on-peak and off-peak energy charges. The Company is also serving customers on the “series-1” residential time-of-use rate schedules, ET-1 and ECT-1R, which have an on-peak time period of 9:00 a.m. to 9:00 p.m. The series-1 time-of-use rate schedules were closed to new customers effective January 1, 2010. However, existing customers can continue service on the rates.

Customer Participation

As of December 2011, 200,760 customers are participating in the ET-2 rate. The year-over-year increase is 53,453 customers, a growth rate of 36.3%. For ECT-2, the participation is 58,603 customers and the year-over-year increase is 14,871, which is a growth rate of 34.0%. Overall, as of December 2011, the series-2 time-of-use rates have a total participation level of 259,363. This represents a year-over-year increase in customer participation of 68,324, which is a 35.8% increase.

Load Shapes

Average daily load shapes for the winter and summer seasons are derived from recorded load research data. The summer seasonal load shapes consist of hourly load data from May 2011 through October 2011. The winter load shape includes data from December 2010 through April 2011 and November 2011. The attached load shapes are provided for weekday and weekend days.

Peak Usage and Shifting

The ET-2 and ECT-2 summer weekday load shapes show a modest increase in usage after 7:00 p.m., when the on-peak period expires, which indicates that usage is being shifted to the off-peak hours. This impact is more pronounced for the ECT-2 rate, which has an on-peak demand charge in addition to on-peak and off-peak energy charges.

In addition, as shown in Table 1, the percent kWh consumed during the noon to 7:00 p.m. on peak period for the summer season is approximately 24.8% for ET-2 and 22.4% for ECT-2, based on load research data.

Table 1.

**Peak Consumption
(12pm to 7pm)
Time-Of-Use Rates**

Rate Schedule	On-Peak Usage – Summer	On-Peak Usage – Winter
ET-2	24.8%	17.6%
ECT-2	22.4%	16.6%

Customer Bill Savings

As depicted in Table 2, customer savings from the series-2 time-of-use rates are significant when compared to the estimated revenue that participating customers would have paid under the standard non-time-of-use rate E-12. The total estimated bill savings is \$33,729,827 for ET-2 and \$17,457,708 for ECT-2, for a combined savings of \$51,187,535 or 15.15%.

Table 2.

**Estimated Customer Bill Savings
Time-of-use Rates
(ET-2 and ECT-2)**

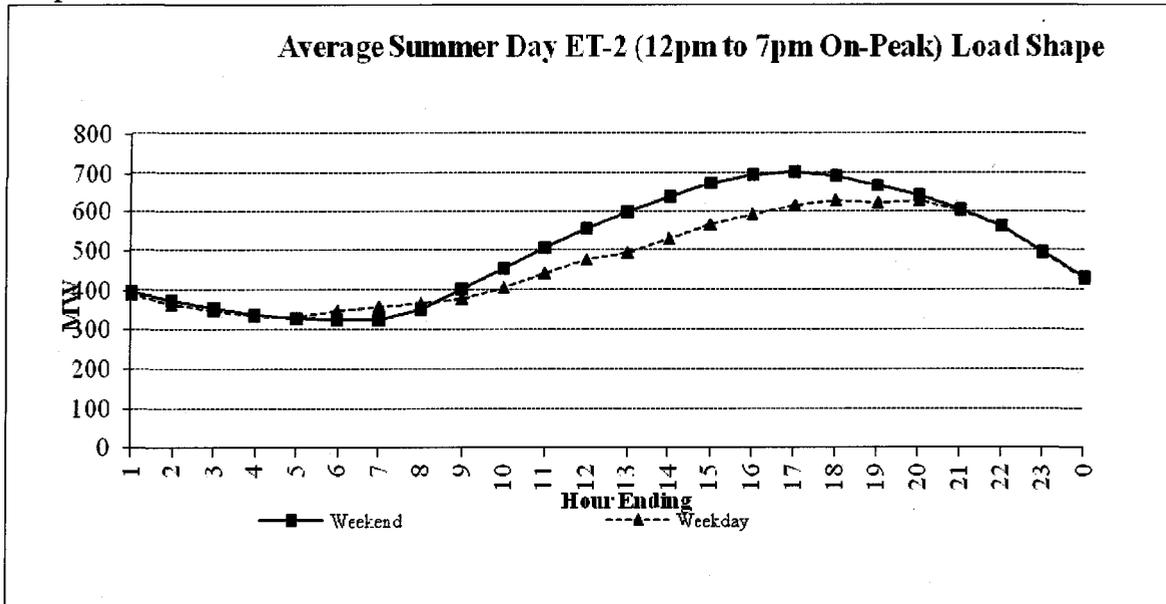
Rate	Bill Savings Compared with non-TOU rate, E-12	Average % Bill Savings per Customer,
ET-2	\$ 33,729,827	14.89%
ECT-2	\$ 17,457,708	15.40%
Total	\$ 51,187,535	15.15%

1. ET-2 and ECT-2 savings are estimated from customer monthly bill frequencies by kWh level and the rates that were in effect during the report period.

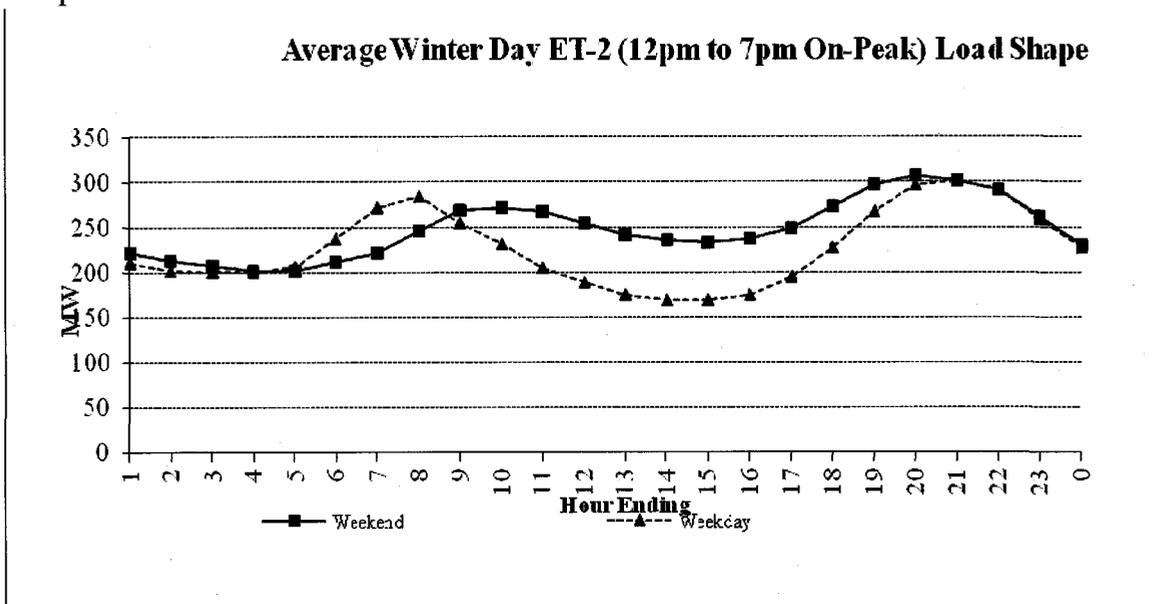
Appendix A: LOAD SHAPES

The following load shapes display the average summer and winter usage for all customers who take service under the listed TOU rate.

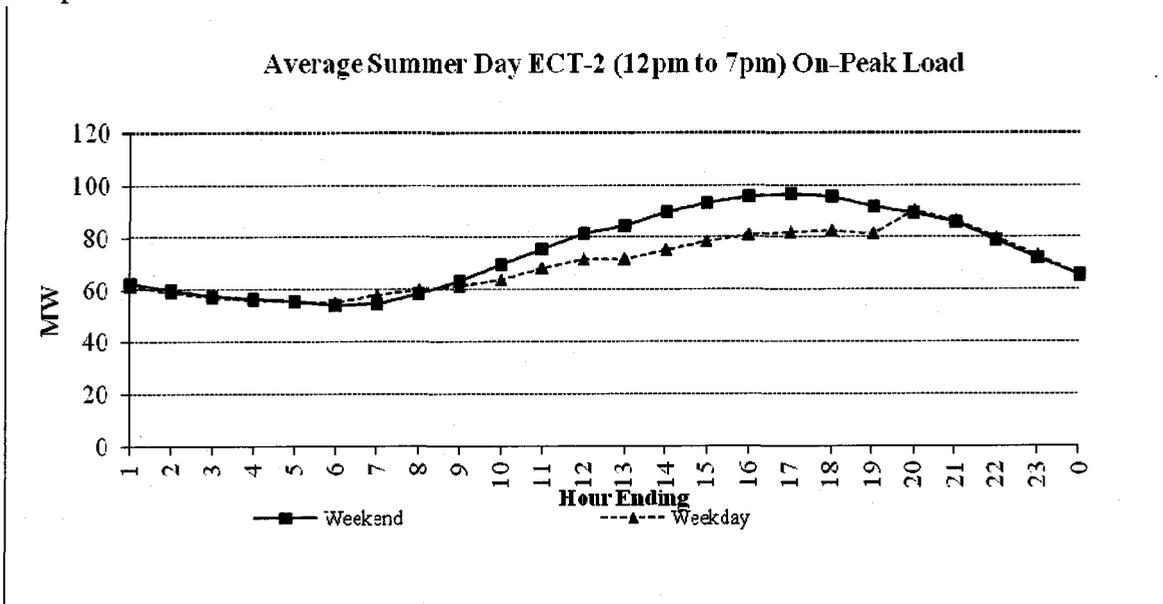
Graph 1.



Graph 2.



Graph 3.



Graph 4.

