

**ORIGINAL**

**OPEN MEETING**



**MEMORANDUM**

Arizona Corporation Commission **RECEIVED**

**DOCKETED**

TO: THE COMMISSION

**JUL 26 2012 2012 JUL 26 A 11:39**

FROM: Utilities Division

DATE: July 26, 2012

**DOCKETED BY** [Signature] **UTILITY COMMISSION**  
**DOCKET CONTROL**

RE: GRAHAM COUNTY ELECTIC COOPERATIVE, INC. - APPLICATION TO EXTEND ITS TARIFF FOR RESIDENTIAL TOU SERVICE (DOCKET NO. E-01749A-09-0041)

On July 21, 2011, Graham County Electric Cooperative ("GCEC") filed summary findings and recommendations regarding its Experimental Time of Use Service, Rate Schedule A-TOU ("A-TOU") tariff in compliance with Decision No. 71701 (May 17, 2010).

GCEC has provided information on this time-of-use ("TOU") rate schedule in monthly billing statements and in customer handouts; however, only one customer has chosen to subscribe to the TOU rate schedule. GCEC has responded to over 100 inquiries regarding the TOU program, but most customers seem unwilling to make the necessary lifestyle and/or electric usage changes in order to shift their usages to off-peak. GCEC is unable to provide any data on its demand costs, operations, revenues and customer bill impacts because of the lack of participation in the program. GCEC request that the residential pilot TOU program be extended for an additional year so that greater levels of participation can be attained.

GCEC had originally filed its application for approval of its TOU rate schedule, pursuant to Decision No. 69736 (July 30, 2007). Decision No. 69736 ordered electric distribution utilities to offer a "time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility's cost of generating and purchasing electricity at the wholesale level."

Decision No. 71701 approved GCEC's A-TOU with the same time-of-use hours, days, months, and holidays as the Commission had approved for Trico Electric Cooperative ("Trico") in Decision No. 71253 (September 3, 2009). Like GCEC, Trico also purchased all of its power requirements from Arizona Electric Power Cooperative, Inc. ("AEPSCO"). A key goal of any TOU program is to reduce demand at critical hours. Success in this effort to mitigate demand may help utilities or their "upstream" suppliers avoid or delay expensive additions to generation or transmission capacity. Because both Trico and GCEC purchase power from AEPSCO, both share a goal of controlling peaks on the AEPSCO system. Decision No. 71701 recognized this common goal in applying the Trico time-of-use design to GCEC.

Decision No. 71701 also indicated that the TOU rate schedule was approved as an experimental pilot, until further order of the Commission. Finding of Fact No. 18 in Decision No. 71701 states, "Staff believes that TOU rates approved in this docket should be offered ... as an experimental, optional TOU rate alternative. This approach gives the Applicant and Commission more flexibility to adjust rates, terms and conditions during a transition period from non-TOU rates to optional TOU rates." Decision No. 71701 ordered GCEC to docket its

summary findings and recommendations for Commission consideration within 14 months of the Decision.

Currently, the A-TOU has a summer on-peak period of 1 p.m. to 9 p.m. and winter on-peak periods of 6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. On-peak period pricing applies to selected hours only on weekdays (Monday-Friday). On-peak pricing does not apply on weekend days (Saturday-Sunday) or on selected holidays. All weekend hours and hours for six holidays (New Year's Day, Memorial Day, Independence Day (July 4), Labor Day, Thanksgiving and Christmas Day) are classified as off-peak. The on-peak hours and rates of TOU are listed in the following table, along with the rates of GCEC's standard non-TOU rate.

Table 1  
Comparison of Standard and TOU Rates

	Existing Non-TOU	Existing A-TOU
Service Availability charge per month	\$9.00	\$9.00
Meter & billing charge per month		\$3.40
Standard rate per kWh (applied at all hours)	\$0.11038	
On-peak rate per kWh		\$0.17499
Off-peak rate per kWh		\$0.07651
Summer months (April-October)		
Summer on-peak hours (remaining hours off-peak)		1 p.m. to 9 p.m. Monday-Friday (excludes holidays)
Winter months (November-March)		
Winter on-peak hours (remaining hours off-peak)		6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. Monday-Friday (excludes holidays)

### Staff Analysis

Staff has reviewed hourly load data provided by GCEC. Staff finds that the data support shortening the on-peak time periods by excluding from the peak hour designation the 7 p.m. to 9 p.m. summer time segment, and the 9 a.m. to 10 a.m. and 9 p.m. to 10 p.m. winter time segments. Shorter on-peak periods may be more effective in reducing demand in the most critical hours, because customers are more likely to be able to sustain their curtailment of usage over an entire on-peak period when the duration of the peak period is reduced. A more attractive design may help increase subscription to the time-of-use program. Staff recommends that GCEC promote the TOU rate by discussing the option with customers establishing electric service. GCEC should continue any other promotional efforts now in place.

Table 2 shows the pilot TOU rates and on-peak hours currently in effect, and Staff's proposed changes to the pilot TOU rates and on-peak hours. The "Meter Charge" represents an estimate of the cost differential between non-TOU and TOU meters. A \$3.40 differential is

reasonable and in-line with the differential of other utilities in the state. Peak and off-peak prices have been adjusted to eliminate any revenue impact associated with the reduction in the length of the on-peak period. Staff's proposed rate design change is revenue neutral.

Table 2  
Comparison of Existing and Staff-proposed A-TOU Rates and On-peak Hours

	Existing A-TOU	Staff-Proposed A-TOU
Service Availability charge per month	\$9.00	\$9.00
Meter & billing charge per month	\$3.40	\$3.40
On-peak rate per kWh	\$0.17499	\$0.23835
Off-peak rate per kWh	\$0.07651	\$0.06734
Summer months (April-October)		
Summer on-peak hours (remaining hours off-peak)	1 p.m. to 9 p.m. Monday-Friday	1 p.m. to 7 p.m. Monday-Friday
Winter months (November-March)		
Winter on-peak hours (remaining hours off-peak)	6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. Monday-Friday	6 a.m. to 9 a.m. and 6 p.m. to 9 p.m. Monday-Friday

Off-Peak hours include weekends and the following holidays:

New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

### Fair Value Considerations

Staff has analyzed GCEC's application in terms of whether there are fair value implications. In Decision No. 70289, issued on April 24, 2008, the Commission determined the fair value of Graham County's property to be \$19,076,282. According to more recent information provided by GCEC, as of 2011, the estimated value GCEC's plant is \$25,053,398. Staff considered both of these values for the purposes of this analysis, along with the fact that Staff's recommendation is revenue neutral. Staff believes that the impact of proposed changes to GCEC's revenue, fair value rate base, or rate of return would be de minimis.

### Summary of Recommendations

1. Staff recommends approval of the prices, time-of-use hours, days, months, and holidays for A-TOU shown as "Staff-Proposed" in Table 2.
2. Staff recommends that GCEC promote TOU by discussing the option with customers establishing electric service. GCEC should continue any other promotional efforts now in place.
3. Staff recommends that GCEC provide an annual filing by April 1 of each year, until further Commission order, summarizing subscription and savings of its A-TOU customers for the previous calendar year. The first filing should be in 2013.

4. Staff recommends a change in the A-TOU tariff language for "Conditions of Service." The current language reads: *"The consumer may choose to return to Rate Schedule A – Residential Service at any time but will not be allowed to come back on Rate Schedule A-TOU for a period of at least 12 months."* Staff recommends the following new language: *"An A-TOU customer may choose to return to Rate Schedule A – Residential Service at any time, and this change may be made free-of charge. An A-TOU customer who opts to return to Rate Schedule A – Residential Service will not be allowed to re-subscribe to A-TOU for a period of at least 12 months."*
5. Staff recommends that GCEC notify all customers, in a form acceptable to Staff, on the existing A-TOU of any changes to the time-of-use program approved by the Commission. This notice should advise customers of any differences in the previously approved (current) A-TOU and the A-TOU as approved by the Commission in this proceeding, and also advise customers of their ability to change to the standard (non-time-of-use) rate at any time without penalty.
6. Staff recommends that the revised A-TOU not become effective until 15 calendar days after the notice required above is provided by GCEC to all customers presently on the previously-approved (current) A-TOU tariff.
7. Staff recommends that GCEC file a revised A-TOU in compliance with the Decision in this case in Docket Control within 15 days of the effective date of the Decision.
8. Staff recommends that A-TOU continue as experimental until further order of the Commission.



Steven M. Olea  
Director  
Utilities Division

SMO:PML:sms\CHH

ORIGINATOR: Patrick M. Lowe

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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

IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01749A-09-0041.  
OF GRAHAM COUNTY ELECTIC )  
COOPERATIVE, INC. FOR APPROVAL TO ) DECISION NO. \_\_\_\_\_  
EXTEND ITS TARIFF FOR RESIDENTIAL ) ORDER  
TOU SERVICE )  
)

Open Meeting  
August 14 and 15, 2012  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Graham County Electric Cooperative ("GCEC") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On July 21, 2011, GCEC filed summary findings and recommendations regarding its Experimental Time of Use Service, Rate Schedule A-TOU ("A-TOU") tariff in compliance with Decision No. 71701 (May 17, 2010).
3. GCEC has provided information on this time-of-use ("TOU") rate schedule in monthly billing statements and in customer handouts; however, only one customer has chosen to subscribe to the TOU rate schedule. GCEC has responded to over 100 inquiries regarding the TOU program, but most customers seem unwilling to make the necessary lifestyle and/or electric usage changes in order to shift their usages to off-peak. GCEC is unable to provide any data on its

1 demand costs, operations, revenues and customer bill impacts because of the lack of participation  
2 in the program. GCEC request that the residential pilot TOU program be extended for an  
3 additional year so that greater levels of participation can be attained.

4 4. GCEC had originally filed its application for approval of its TOU rate schedule,  
5 pursuant to Decision No. 69736 (July 30, 2007). Decision No. 69736 ordered electric distribution  
6 utilities to offer a "time-based rate schedule under which the rate charged by the electric utility  
7 varies during different time periods and reflects the variance, if any, in the utility's cost of  
8 generating and purchasing electricity at the wholesale level."

9 5. Decision No. 71701 approved GCEC's A-TOU with the same time-of-use hours,  
10 days, months, and holidays as the Commission had approved for Trico Electric Cooperative  
11 ("Trico") in Decision No. 71253 (September 3, 2009). Like GCEC, Trico also purchased all of its  
12 power requirements from Arizona Electric Power Cooperative, Inc. ("AEPSCO"). A key goal of  
13 any TOU program is to reduce demand at critical hours. Success in this effort to mitigate demand  
14 may help utilities or their "upstream" suppliers avoid or delay expensive additions to generation or  
15 transmission capacity. Because both Trico and GCEC purchase power from AEPSCO, both share a  
16 goal of controlling peaks on the AEPSCO system. Decision No. 71701 recognized this common  
17 goal in applying the Trico time-of-use design to GCEC.

18 6. Decision No. 71701 also indicated that the TOU rate schedule was approved as an  
19 experimental pilot, until further order of the Commission. Finding of Fact No. 18 in Decision No.  
20 71701 states, "Staff believes that TOU rates approved in this docket should be offered ... as an  
21 experimental, optional TOU rate alternative. This approach gives the Applicant and Commission  
22 more flexibility to adjust rates, terms and conditions during a transition period from non-TOU  
23 rates to optional TOU rates." Decision No. 71701 ordered GCEC to docket its summary findings  
24 and recommendations for Commission consideration within 14 months of the Decision.

25 7. Currently, the A-TOU has a summer on-peak period of 1 p.m. to 9 p.m. and winter  
26 on-peak periods of 6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. On-peak period pricing applies to  
27 selected hours only on weekdays (Monday-Friday). On-peak pricing does not apply on weekend  
28 days (Saturday-Sunday) or on selected holidays. All weekend hours and hours for six holidays

(New Year's Day, Memorial Day, Independence Day (July 4), Labor Day, Thanksgiving and Christmas Day) are classified as off-peak. The on-peak hours and rates of TOU are listed in the following table, along with the rates of GCEC's standard non-TOU rate.

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#### Staff Analysis

8. Staff has reviewed hourly load data provided by GCEC. Staff finds that the data support shortening the on-peak time periods by excluding from the peak hour designation the 7 p.m. to 9 p.m. summer time segment, and the 9 a.m. to 10 a.m. and 9 p.m. to 10 p.m. winter time segments. Shorter on-peak periods may be more effective in reducing demand in the most critical hours, because customers are more likely to be able to sustain their curtailment of usage over an

1 entire on-peak period when the duration of the peak period is reduced. A more attractive design  
 2 may help increase subscription to the time-of-use program. Staff recommends that GCEC promote  
 3 the TOU rate by discussing the option with customers establishing electric service. GCEC should  
 4 continue any other promotional efforts now in place.

5 9. Table 2 shows the pilot TOU rates and on-peak hours currently in effect, and Staff's  
 6 proposed changes to the pilot TOU rates and on-peak hours. The "Meter Charge" represents an  
 7 estimate of the cost differential between non-TOU and TOU meters. A \$3.40 differential is  
 8 reasonable and in-line with the differential of other utilities in the state. Peak and off-peak prices  
 9 have been adjusted to eliminate any revenue impact associated with the reduction in the length of  
 10 the on-peak period. Staff's proposed rate design change is revenue neutral.

Table 2

## Comparison of Existing and Staff-proposed A-TOU Rates and On-peak Hours

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Winter months (November-March)		
Winter on-peak hours (remaining hours off-peak)	6 a.m. to 10 a.m. and 6 p.m. to 10 p.m. Monday-Friday	6 a.m. to 9 a.m. and 6 p.m. to 9 p.m. Monday-Friday

1           10.     Off-Peak hours include weekends and the following holidays: New Year's Day,  
2 Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

3 Fair Value Considerations

4           11.     Staff has analyzed GCEC's application in terms of whether there are fair value  
5 implications. In Decision No. 70289, issued on April 24, 2008, the Commission determined the  
6 fair value of Graham County's property to be \$19,076,282. According to more recent information  
7 provided by GCEC, as of 2011, the estimated value GCEC's plant is \$25,053,398. Staff  
8 considered both of these values for the purposes of this analysis, along with the fact that Staff's  
9 recommendation is revenue neutral. Staff believes that the impact of proposed charges to GCEC's  
10 revenue, fair value rate base, or rate of return would be de minimis.

11 Summary of Recommendations

12           12.     Staff has recommended approval of the prices, time-of-use hours, days, months, and  
13 holidays for A-TOU shown as "Staff-Proposed" in Table 2.

14           13.     Staff has recommended that GCEC promote TOU by discussing the option with  
15 customers establishing electric service. GCEC should continue any other promotional efforts now  
16 in place.

17           14.     Staff has recommended that GCEC provide an annual filing by April 1 of each year,  
18 until further Commission order, summarizing subscription and savings of its A-TOU customers for  
19 the previous calendar year, with the first filing in 2013.

20           15.     Staff has recommended a change in the A-TOU tariff language for "Conditions of  
21 Service." The current language reads: "*The consumer may choose to return to Rate Schedule A –  
22 Residential Service at any time but will not be allowed to come back on Rate Schedule A-TOU for  
23 a period of at least 12 months.*" Staff recommends the following new language: "*An A-TOU  
24 customer may choose to return to Rate Schedule A – Residential Service at any time, and this  
25 change may be made free-of charge. An A-TOU customer who opts to return to Rate Schedule A –  
26 Residential Service will not be allowed to re-subscribe to A-TOU for a period of at least 12  
27 months.*"

28



1 IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. shall promote  
2 TOU by discussing the option with customers establishing electric service and shall continue any  
3 other promotional efforts now in place.

4 IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. shall provide  
5 an annual filing by April 1 of each year, beginning in 2013, until further Commission order,  
6 summarizing subscription and savings of its A-TOU customers for the previous calendar year.

7 IT IS FURTHER ORDERED that language in the A-TOU tariff language under  
8 "Conditions of Service." be changed from: *"The consumer may choose to return to Rate  
9 Schedule A – Residential Service at any time but will not be allowed to come back on Rate  
10 Schedule A-TOU for a period of at least 12 months."* to read as: *"An A-TOU customer may  
11 choose to return to Rate Schedule A – Residential Service at any time, and this change may be  
12 made free-of charge. An A-TOU customer who opts to return to Rate Schedule A – Residential  
13 Service will not be allowed to re-subscribe to A-TOU for a period of at least 12 months."*

14 IT IS FURTHER ORDERED that, within 30 days of the effective date of this Decision,  
15 Graham County Electric Cooperative shall notify all customers on the existing A-TOU, in a form  
16 acceptable to Staff, of any changes to the time-of-use program approved by the Commission.  
17 This notice shall advise customers of any differences in the previously approved (current) A-TOU  
18 and the A-TOU as approved by the Commission in this proceeding, and also advise customers of  
19 their ability to change to the standard (non-time-of-use) rate at any time without penalty.

20 IT IS FURTHER ORDERED that the revised A-TOU shall not become effective until 15  
21 calendar days after the notice required above is provided by Graham County Electric Cooperative,  
22 Inc. to all customers presently on the previously-approved (current) A-TOU tariff.

23 ...  
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1 IT IS FURTHER ORDERED that Graham County Electric Cooperative, Inc. shall file a  
2 revised A-TOU in compliance with the Decision in this case in Docket Control within 15 days of  
3 the effective date of this Decision.

4 IT IS FURTHER ORDERED that A-TOU shall continue as experimental until further  
5 order of the Commission.

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

7  
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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11 CHAIRMAN

COMMISSIONER

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13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14  
15 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
16 Executive Director of the Arizona Corporation Commission,  
17 have hereunto, set my hand and caused the official seal of  
18 this Commission to be affixed at the Capitol, in the City of  
19 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

20 \_\_\_\_\_  
21 ERNEST G. JOHNSON  
22 EXECUTIVE DIRECTOR

23 DISSENT: \_\_\_\_\_

24  
25 DISSENT: \_\_\_\_\_

26  
27 SMO:PML:sms/CHH

28

1 SERVICE LIST FOR: Graham County Electric Cooperative, Inc.  
2 DOCKET NO. E-01749A-09-0041

3 Mr. John V. Wallace ✓  
4 Grand Canyon State Electric Cooperative Association, Inc.  
5 120 North 44<sup>th</sup> Street, Suite 100  
6 Phoenix, Arizona 85034

6 Mr. Than Ashby  
7 Graham County Electric Cooperative, Inc.  
8 Post Office Drawer B  
9 Pima, Arizona 85543

9 Mr. Steven M. Olea  
10 Director, Utilities Division  
11 Arizona Corporation Commission  
12 1200 West Washington Street  
13 Phoenix, Arizona 85007

12 Ms. Janice M. Alward  
13 Chief Counsel, Legal Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

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