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January 31, 2014

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 2013 annual report for 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,

Lisa Malagon

LM/cd

cc: Steve Olea
Terri Ford
Brian Bozzo

Arizona Corporation Commission

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**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, 2014**

Arizona Public Service Company
Residential Time-of-use Rates ET-2, ECT-2
Compliance Report, Decision No. 68645, Docket No. E-01345A-05-0674
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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 2013, 268,423 customers are participating in the ET-2 rate. The year-over-year increase is 26,566 customers, a growth rate of 11.0%. For ECT-2, the participation is 84,849 customers and the year-over-year increase is 12,951, which is a growth rate of 18.0%. Overall, as of December 2013, the series-2 time-of-use rates have a total participation level of 353,272. This represents a year-over-year increase in customer participation of 39,517, which is a 12.6% 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 2013 through October 2013. The winter load shape includes data from January 2013 through April 2013 and November 2013 and December 2012. 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 26.7% for ET-2 and 23.3% 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	26.7%	17.8%
ECT-2	23.3%	16.5%

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 \$70,624,090 for ET-2 and \$35,597,498 for ECT-2, for a combined average savings of \$106,221,588 or 14.13%.

Table 2

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

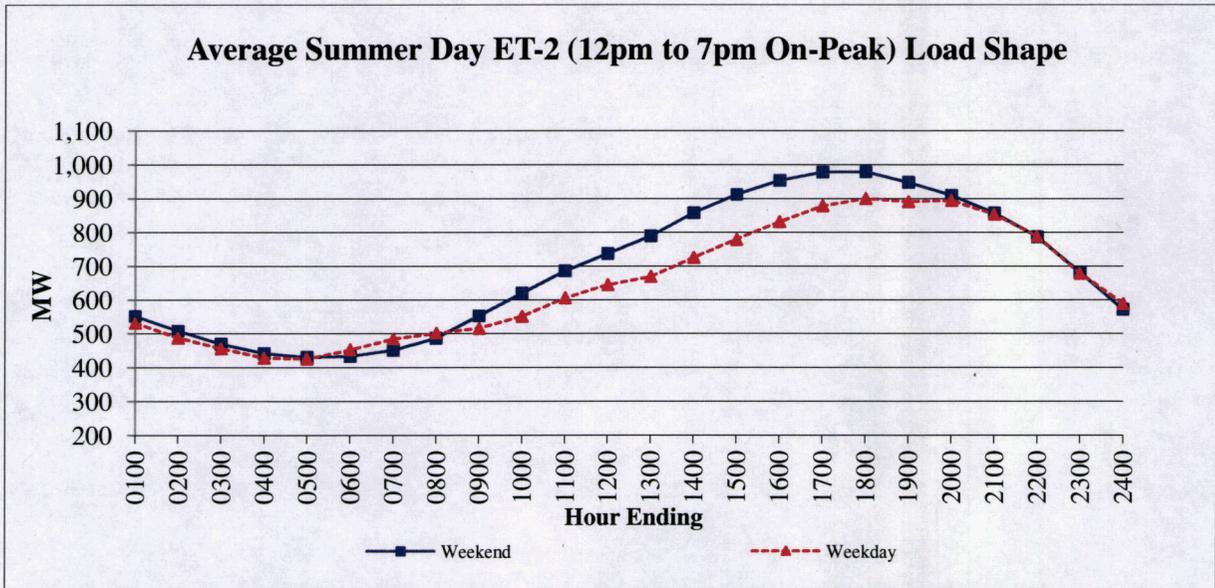
Rate	Bill Savings Compared with Non-TOU Rate E-12	Average % Bill Savings per Customer
ET-2	\$ 70,624,090	13.79%
ECT-2	\$ 35,597,498	14.85%
Total	\$ 106,221,588	14.13%

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.

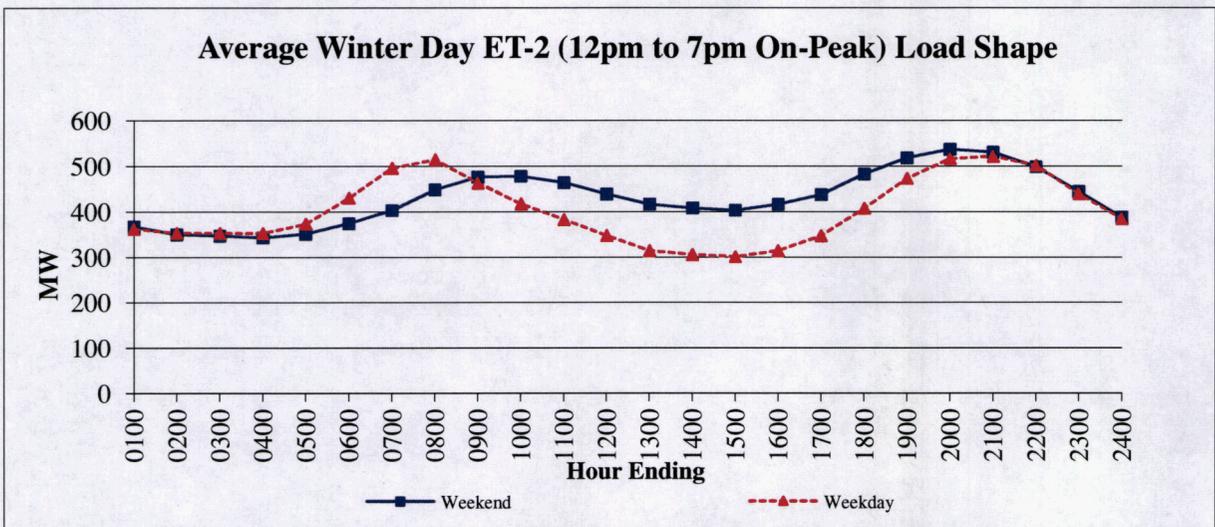
Appendix A: LOAD SHAPES

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

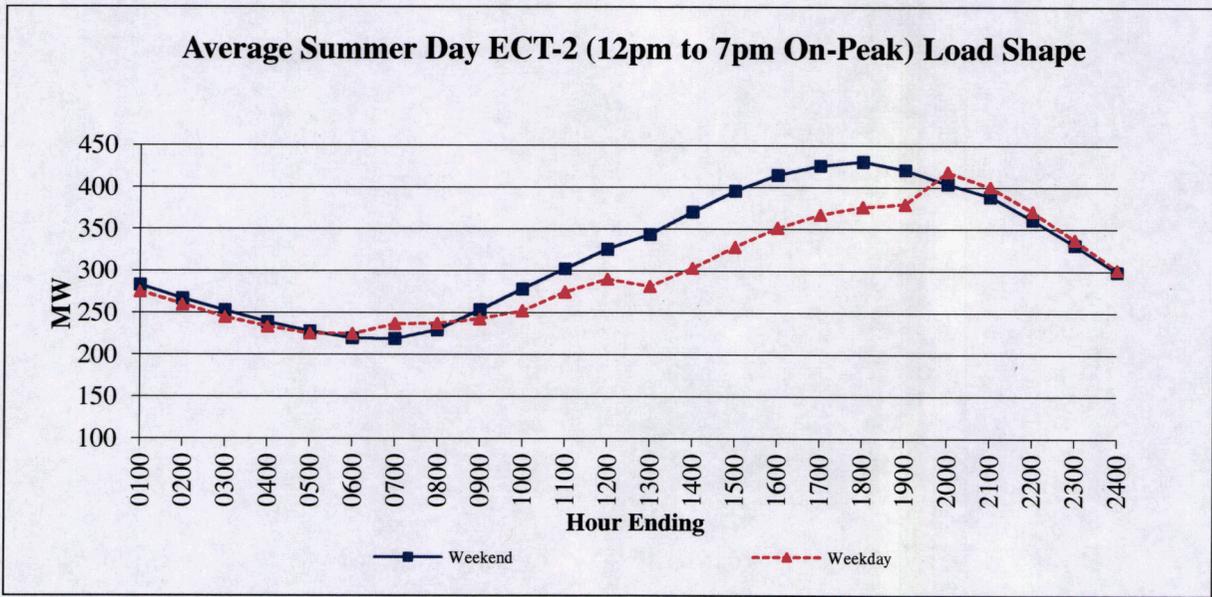
Graph 1



Graph 2



Graph 3



Graph 4

