

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COM

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Arizona Corporation Commission

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DEC 12 2013

ARIZONA CORPORATION COMMISSION
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11 IN THE MATTER OF THE APPLICATION OF
 12 ARIZONA PUBLIC SERVICE COMPANY
 13 FOR APPROVAL OF ITS 2014 RENEWABLE
 14 ENERGY STANDARD IMPLEMENTATION
 15 PLAN FOR RESET OF RENEWABLE
 16 ENERGY ADJUSTOR.

Docket No. E-01345A-13-0140

RUCO'S COMMENTS IN RESPONSE TO STAFF'S MEMORANDUM

17 The Residential utility Consumer Office ("RUCO") submits the following comments in
 18 response to Staff's memorandum of September 30, 2013 regarding APS's 2014 Renewable
 19 Energy Standard and Tariff Implementation (REST) Plan.

20 In its totality, RUCO is generally supportive of APS's plan and Staff's recommendations.
 21 However, RUCO is concerned with what appears to be a perpetual over collection in each
 22 yearly implementation plan since 2010. For some years over collection has been in the tens of
 23 millions of dollars. Unlike the energy efficiency budget, no interest is paid on over collections.
 24 Without interest there is no incentive to accurately estimate costs and/or manage the account.
 Moreover, over collections can provide a utility an avenue to propose offsets to other costs
 which changes the purpose for which those costs were intended. RUCO encourages the
 Commission to change this oversight. The following is from the Demand Side Management
 Adjustment Charge (DSMAC) Plan of Administration:

1 "In the event that PC or PI are more or less than DSMAC
2 revenues collected as of the last billing cycle of February, the
3 over or under collection will be subtracted from or added to the
4 DSMAC calculation in the subsequent period. **Any over**
5 **collection will accrue interest charges. Under collections**
6 **will not accrue interest."** (Emphasis added)

7 The administrative handling of over collection in the DSMAC adjuster should be applied to the
8 REST adjuster. Any over collection should accrue interest charges. As with the DSMAC
9 adjuster, the interest rate would be based on the one-year Nominal Treasury Maturities rate
10 from the Federal Reserve H-15 or its successor publication and be adjusted annually on the
11 first business day of the calendar year.

12 To prevent a continuation of chronic over collection, RUCO proposes that over
13 collection exceeding 5 percent of the total budget shall require the Company to pay an interest
14 rate equal to their embedded cost of debt (which is currently 6.38 percent) on those funds over
15 the 5 percent threshold. It is important to note that RUCO does not oppose purposeful carry
16 forward funds to smooth out the surcharge amount and the percentage threshold should apply
17 to the budget less the carry forward amount.

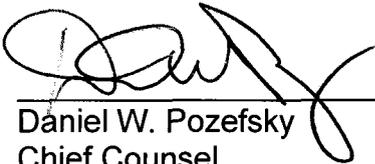
18 In terms of carry forward funds in the 2014 plan, APS is seeking to hold \$14 million of
19 over collection and apply it to the 2015 budget. RUCO supports this proposal but strongly
20 recommends these ratepayer monies be placed into an interest bearing account. Since these
21 funds will not be touched for a year, a higher yielding investment vehicle can be utilized then
22 envisioned for general over collection at the DSMAC prescribed rate. Therefore, the Company
23 should pay at least a 1 percent interest rate with encouragement to find a higher yielding
24 investment vehicle.

1 On the issue of APS's compliance with the REST and 2009 Settlement, RUCO issued a
2 data request to ascertain where the Company stands in relation to its targets. RUCO found
3 that the Company is positioned to meet its requirements but has not done so yet. As specified
4 in the 2009 Settlement, APS must show 1,700 GWh from renewables by end of year 2015 in
5 addition to the output of resources identified (around 1,745 GWh) in APS's 2008 RES
6 Compliance Report. Currently RUCO finds that the Company is around 200 GWh or 128 MW
7 of fixed tilt PV short of their end of 2015 target.

8 Finally, RUCO is supportive of a small program budget for solar water heating.
9 Commissioner Bitter Smith's amendment is reasonable and prudent. Solar water heating can
10 have a high capacity value for some households which can benefit non-participating
11 ratepayers. This can translate into long term savings for all ratepayers.

12 In sum, RUCO is generally supportive of the APS 2014 REST plan. RUCO encourages
13 the Commission to apply the existing DSMAC surcharge over collection policy to the REST
14 surcharge as well as put guidelines in place for excessive over collection. RUCO also
15 encourages the company to find an interest bearing account for its 2015 carry over funds.
16 Additionally, RUCO finds that additional renewable energy procurement is warranted to reach
17 the goals of the 2009 settlement. Finally, RUCO is in support of a small solar hot water
18 program budget. RUCO has attached a proposed amendment.

19 RESPECTFULLY SUBMITTED this 12th day of December, 2013.
20

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22 
23 Daniel W. Pozefsky
24 Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
2 of the foregoing filed this 12th day
3 of December, 2013 with:

4 Docket Control
5 Arizona Corporation Commission
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8 COPIES of the foregoing hand delivered/
9 mailed this 12th day of December, 2013 to:

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By Cheryl Fraulob
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RUCO AMENDMENT # 1

DOCKET NO. E-01345A-13-0140

Page 11, INSERT new paragraphs:

43. RUCO is concerned with what appears to be a continuous over collection in each yearly REST implementation plan. Unlike the energy efficiency adjuster, no interest is paid on over collection. The administrative handling of over collection in the DSMAC adjuster should be applied to the Renewable Energy Standard Plan of Administration. Any over collection should accrue interest charges. As with the DSMAC adjuster, the interest rate would be based on the one-year Nominal Treasury Maturities rate from the Federal Reserve H-15 or its successor publication and be adjusted annually on the first business day of the calendar year.

44. To prevent a continuation of over collection, funds exceeding 5% of the total budget shall require the Company to pay an interest rate equal to their embedded cost of debt, currently 6.38%, on those funds over the 5% threshold. The Company cannot seek future recovery from ratepayers if costs are borne.

45. Purposeful carry forward funds specifically noticed in prior implementation plans to smooth out the surcharge year-to-year can continue to be pursued and the 5% threshold should only apply to the budget less the carry forward amount.

46. For carry forward funds in the 2014 plan, APS is seeking to hold \$14 million of over collection and apply it to the 2015 budget. RUCO supports this proposal but strongly recommends these ratepayer monies be placed into an interest bearing account. Since these funds will not be touched for a year, a higher yielding investment vehicle can be utilized then envisioned for general over collection at the DSMAC prescribed rate. Therefore, the Company should pay at least a 1% interest rate with encouragement to find a higher yielding investment vehicle.

Page 12, line 18

INSERT new Ordering paragraphs:

IT IS THEREFORE ORDERED that interest shall be accrued annually on any over recovery of Allowable Costs that have not been specifically reserved for program participants. The accrued interest shall be applied to reduce the following year's REAC-1. The interest rate is based on the one-year Nominal Treasury Maturities rate from the Federal Reserve H-15 or its successor publication. The interest rate shall be adjusted annually on the first business day of the calendar year. Further, Arizona Public Service Company shall pay an interest rate equal to their embedded cost of debt on over

recovery exceeding 5% of the total budget. Renewable Energy Standard Plan of Administration

IT IS THEREFORE ORDERED that the Arizona Public Service Company shall pay at least a 1% interest rate on carry over funds designated for 2015.

Make all conforming changes.