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AZ CORP COMMISSION
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7 Attorneys for Arizona Public Service Company

ORIGINAL

9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 **COMMISSIONERS**

11 BOB STUMP, Chairman
12 GARY PIERCE
13 BRENDA BURNS
14 ROBERT L. BURNS
15 SUSAN BITTER SMITH

Arizona Corporation Commission

DOCKETED

MAR 05 2014

DOCKETED BY

16 IN THE MATTER OF THE APPLICATION
17 OF ARIZONA PUBLIC SERVICE
18 COMPANY FOR APPROVAL OF ITS 2013
19 DEMAND SIDE MANAGEMENT
20 IMPLEMENTATION PLAN

DOCKET NO. E-01345A-12-0224

**COMMENTS TO STAFF'S
RECOMMENDED ORDER**

21 Arizona Public Service Company ("APS" or "Company") appreciates the Arizona
22 Corporation Commission ("Commission") Utilities Division Staff's ("Staff") extensive
23 work in preparing a Recommended Order approving APS's proposed 2013 Demand Side
24 Management Implementation Plan. APS respectfully submits the following comments
25 for Staff and Commission consideration.

26 APS supports Staff's proposed Amendment Nos. 1 through 3 and supports certain
27 other minor modifications to Staff's proposed Recommended Order that will enable APS
28 to continue to meet Arizona's Energy Efficiency Standard ("EE Standard") without
increasing costs. Specifically, APS proposes that it be allowed to count towards
compliance with the EE Standard the APS Resource Savings Initiative and fifty percent
of the savings from building codes and appliance standards as outlined in APS's 2013
DSM Implementation Plan and Supplemental filings. In addition, in coordination with

1 the Residential Utility Consumer Office ("RUCO") and the Southwest Energy Efficiency
2 Project ("SWEEP"), APS supports Commission approval of the following modifications
3 proposed as part of a separate filing submitted by RUCO on behalf of RUCO, SWEEP,
4 and APS ("Jointly Proposed Amendments"). These changes would allow APS:

- 5 • To implement the proposed new measures that Staff found to be cost
6 effective;
- 7 • To reduce incentives when warranted to address market conditions with
8 prior notice to the Commission;
- 9 • To have budget flexibility to better react to customers and market
10 conditions while maintaining status quo on the total DSM budget.

11 **A. APS Met Compliance With the 2013 Energy Efficiency Standard While
12 Staying Below the 2012 Budget.**

13 Consistent with the Energy Efficiency Rules and prior Commission Orders, APS
14 continued throughout 2013, its previously approved, and cost-effective, energy efficiency
15 and demand side management programs. In doing so, APS has achieved the cumulative
16 megawatt hour savings goal for 2013 and spent less than the overall budget approved for
17 2012 of \$77 million.

18 APS accepts Staff's total proposed budget of \$68.9 million annually for both 2013
19 and 2014. APS anticipates that it will be able to comply with the EE Standard in 2014
20 and possibly beyond, provided that the Commission adopts the recommended changes
21 addressed herein and in the Jointly Proposed Amendments.

22 **i. APS Requests to Count Its Proposed Resource Savings
23 Initiative and Fifty Percent of Codes and Standards
24 Savings.**

25 APS asks to count toward compliance, savings from energy efficiency
26 improvements to APS's facilities, generation systems, as well as its transmission and
27 delivery systems. Including these savings provides value to APS customers by allowing
28 credit for reduced generation that counts towards the EE Standard without requiring
corresponding funding for these improvements through the DSMAC and without creating
so much as a dime in unrecovered fixed costs that would otherwise need to be recovered

1 from APS customers through the Lost Fixed Cost Recovery Mechanism or in future rate
2 cases.

3 Staff acknowledges that the EE Rules do not specifically prohibit APS from
4 counting generation and facility upgrades; however, Staff points out that the Rules do
5 prohibit counting savings resulting from energy efficiency improvements to delivery
6 systems. *See* A.A.C. R14-2-2404(H). APS urges the Commission to permit it to count
7 the savings from generation and facilities and to grant APS a waiver of A.A.C. R14-2-
8 2404(H) to permit it to also count savings from delivery system improvements. Several
9 other states, including Delaware, Florida, Hawaii, Iowa, Minnesota, Ohio, Virginia, and
10 Washington allow their public utilities to count these valuable savings, which are every
11 bit as real as savings from consumer programs. Indeed, system-wide efficiency
12 improvements exert downward pressure on APS rates by reducing system costs for all
13 customers without foregoing retail sales. Thus, such improvements can reduce APS's
14 cost to serve its customers while ultimately helping APS move toward compliance with
15 the EE Standard at a lower overall cost to customers.

16 For similar reasons, APS requests that the Commission waive A.A.C. R14-2-
17 2404(E) and permit it to count fifty percent of the energy efficiency savings resulting
18 from increases to building codes and appliance efficiency standards. These increases in
19 codes and standards result in real energy savings by APS customers. APS is currently
20 implementing an effective codes and standards initiative that includes training and
21 technical support for code officials, customers, and new construction trade allies to
22 improve code compliance and generate real energy efficiency savings. Codes and
23 standards savings are highly cost effective. Waiving the current thirty-three percent cap
24 and allowing APS to count fifty percent of the savings from increased building codes and
25 appliance standards will assist APS in obtaining a greater amount of savings at a lower
26 cost to customers. APS's Proposed Amendments are attached as Exhibit A.

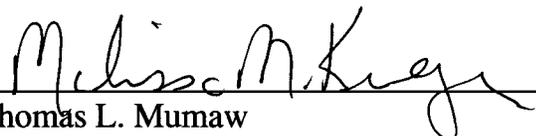
1 recommended order for 2013. APS has, however, adjusted individual program budgets to
2 better align with anticipated program and market needs. This proposed budget attempts
3 to anticipate and most efficiently meet market demand going forward.

4
5 **B. Conclusion**

6 For the reasons discussed above, APS respectfully requests that the Commission
7 adopt APS's Proposed Amendments, as well as the Jointly Proposed Amendments filed
8 by RUCO, and modify Staff's proposed Recommended Order as follows:

- 9 (i) Allow APS to count towards compliance the APS Resource Savings
10 Initiative and fifty percent of the savings from building codes and
11 appliance standards as outlined in APS's filing;
- 12 (ii) Allow APS to implement the proposed new measures which Staff found
13 to be cost effective;
- 14 (iii) Allow APS to reduce incentives when warranted, upon 30-day advance
15 notice to the Commission, and
- 16 (iv) Increase from twenty-five percent to fifty percent the limit on shifting
17 monies between programs in the same sector.

18 RESPECTFULLY SUBMITTED this 5th day of March, 2014.

19
20 By: 
21 Thomas L. Mumaw
22 Melissa M. Krueger
23 Attorneys for Arizona Public Service Company
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28

1 ORIGINAL and thirteen (13) copies
2 of the foregoing filed this 5th day of
3 March, 2014 with:

3 Docket Control
4 ARIZONA CORPORATION COMMISSION
5 1200 West Washington Street
6 Phoenix, Arizona 85007

6 Copies of the foregoing delivered
7 this 5th day of March, 2014 to:

8 Janice Alward
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23 *Christie Dodson*
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25
26
27
28

Exhibit A

EXHIBIT A
ARIZONA PUBLIC SERVICE COMPANY
2013 Demand Side Management Implementation Plan
Docket No. E-01345A-12-0224

APS Proposed Amendments

Resource Savings Initiative

Page 41, Lines 8-10

DELETE: Ordering Paragraph

INSERT: New Ordering Paragraph

“IT IS FURTHER ORDERED that the prohibition contained in A.A.C. R14-2-2404(H) is waived, and APS may count energy savings from transmission and delivery system improvements toward compliance with the energy efficiency standard.”

MAKE CONFORMING CHANGES

Resource Savings Initiative

Page 41, Lines 13-15

DELETE: Ordering Paragraph

INSERT: New Ordering Paragraph

IT IS FURTHER ORDERED that Arizona Public Service Company may count energy savings from improvements to APS facilities and generation systems toward compliance with the energy efficiency standard.”

MAKE CONFORMING CHANGES

EXHIBIT A
ARIZONA PUBLIC SERVICE COMPANY
2013 Demand Side Management Implementation Plan
Docket No. E-01345A-12-0224

APS Proposed Amendments

Building Codes and Appliance Standards

Page 41, Line 4-7

DELETE: Ordering Paragraph

INSERT: New Ordering Paragraph

“IT IS FURTHER ORDERED that the thirty-three percent limit contained in A.A.C. R14-2-2404(E) is waived and Arizona Public Service Company may count toward compliance up to fifty percent of any energy savings quantified and reported through a measurement and evaluation study and resulting from building codes and appliance standards.”

MAKE CONFORMING CHANGES

EXHIBIT A
ARIZONA PUBLIC SERVICE COMPANY
2013 Demand Side Management Implementation Plan
Docket No. E-01345A-12-0224

APS Proposed Amendments

Alternative 2014 Proposed Budget

Page 37, Line 17

INSERT: New Ordering Paragraph

“IT IS FURTHER ORDERED that Arizona Public Service Company’s proposed 2014 budget submitted to the Commission as Exhibit B to APS’s Comments to Staff’s Recommended Order is hereby approved.”

MAKE CONFORMING CHANGES

Exhibit B

EXHIBIT B
APS Proposed Alternative Budget for 2014

Program	Staff Proposed 2013 Budget	APS Proposed 2014 Budget	Difference
Consumer Products Program	7,524,000	8,019,390	495,390
Residential New Construction	3,151,000	5,000,000	1,849,000
Residential HVAC	5,900,000	5,750,000	(150,000)
Home Performance with ENERGY STAR	5,108,000	4,620,000	(488,000)
Appliance Recycling	1,600,000	1,500,000	(100,000)
Shade Tree	297,000	193,300	(103,700)
Residential Behavior	1,053,000	1,037,000	(16,000)
Multifamily	1,653,000	1,600,000	(53,000)
Low Income Weatherization	2,476,000	2,476,000	0
Subtotal Residential	28,762,000	30,195,690	1,433,690
Large Existing	17,834,000	17,834,000	0
New Construction	3,478,000	3,736,167	258,167
Small Business	3,899,169	3,785,313	(113,856)
Schools	2,599,000	2,599,000	0
Energy Information Services	77,000	62,200	(14,800)
Subtotal Non-Residential	27,887,169	28,016,680	129,511
Demand Response Program ("DR")	5,217,130	5,217,130	0
Subtotal DR	5,217,130	5,217,130	0
Codes Support	100,000	200,000	100,000
System Savings	0	\$0	0
Subtotal Initiatives	100,000	200,000	100,000
Subtotal	61,966,299	63,629,500	1,663,201
Evaluation	2,300,000	2,000,000	(300,000)
Performance Incentive	4,634,000	3,270,799	(1,363,201)
TOTAL	68,900,299	68,900,299	0