



0000152696

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

Arizona Corporation Commission

DOCKETED

MAR 19 2014

DOCKETED BY
nr

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S APPLICATION
FOR APPROVAL OF ANNUAL LOST
FIXED COST RECOVERY MECHANISM
ADJUSTMENT

DOCKET NO. E-01345A-11-0224
DECISION NO. 74394
ORDER

Open Meeting
March 11, 2014, and March 12, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On January 15, 2014, APS filed an application ("Application") with the Arizona Corporation Commission ("Commission") requesting approval of its annual Lost Fixed Cost Recovery Mechanism ("LFCR") adjustment effective March 1, 2014. The LFCR allows for the recovery of lost fixed costs, as measured by revenue per kWh, associated with the amount of energy efficiency ("EE") savings and distributed generation ("DG") that is authorized by the Commission and determined to have occurred.
3. APS is requesting that the LFCR charge be re-set from 0.2892 percent to 0.9509 percent of the customer's bill, which would result in an increase of \$1.05 per month for a

1 residential customer using the annual average of 1,100 kWh per month. The impact on retail
2 revenues from the new LFCR charge is an overall estimated revenue recovery of approximately
3 \$25.3 million for the 12-month collection period beginning in March, 2014.

4 **Description of the LFCR**

5 4. In Decision No. 73183 (May 24, 2012), the Commission approved the LFCR which
6 provides for the recovery of lost fixed costs associated with EE savings and DG. Costs to be
7 recovered through the LFCR include the portion of transmission costs included in base rates and a
8 portion of the distribution costs not recovered by (1) the Basic Service Charge (“BSC”) and (2) 50
9 percent of demand revenues associated with distribution and the base rate portion of transmission.

10 5. The LFCR also includes an annual 1 percent year over year cap based on
11 Applicable Company Revenues. If the annual LFCR Adjustment results in a surcharge and the
12 annual incremental increase exceeds 1 percent of Applicable Company Revenues, any amount in
13 excess of the 1 percent cap will be deferred for collection until the first future adjustment period in
14 which including such costs would not cause the annual increase to exceed the 1 percent cap. The
15 one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical
16 Release H-15 or its successor publication will be applied annually to any deferred balance. The
17 interest rate will be adjusted annually and will be the annual rate applicable to the first business
18 day of the calendar year.

19 6. The Plan of Administration (“POA”) describes how the LFCR operates. By
20 January 15 of each year, APS will file its calculation of the annual LFCR adjustment, based on the
21 EE and DG savings from the preceding calendar year. APS will use actual data through
22 September and forecast data for October through December. Each year, a true-up mechanism
23 reconciles the three months of forecasted data of EE and DG sales reductions to verified EE and
24 DG sales reductions in those months. There is also a balancing account that tracks the difference
25 between allowed Lost Fixed Cost Revenue and actual amounts billed by the Company through the
26 LFCR adjustment. The balancing account is reflected in Schedule 3 (Attachment C, Page 3) of the
27 Application.

28 ...

1 7. In Decision No. 74202 (December 3, 2013), the Commission ordered APS to
2 implement a \$0.70 per kW per month interim LFCR DG Adjustment for all residential DG
3 installations after December 31, 2013. Decision No. 74202 has no impact on the instant
4 Application because any increased collections were not realized in 2013. However, such
5 collections will be reflected and serve to lower the LFCR in the Company's 2015 Application.

6 8. General Service customers taking service under rate schedules E-32 L, E-32 TOU
7 L, E-34, E-35 and E-36 XL, and metered General Service customers under E-30 and unmetered
8 lighting schedules including E-47, E-58, E-59 and Contract 12, are excluded from the LFCR.
9 Customers taking service under any of these excluded rate schedules are not subject to the LFCR
10 mechanism because other rate designs are in place to address lost fixed costs. Residential
11 customers can opt out of the LFCR adjustment by choosing an optional BSC, which is graduated
12 by kWh monthly usage and is designed to replicate the effects of the LFCR. The number of Opt-
13 Out customers is expressed as the annual average number of customers "Opting-Out" over the
14 Current Period. The LFCR mechanism is not applied to residential customers who choose the Opt-
15 Out provision. The LFCR is subject to Commission review at any time but no later than APS's
16 next rate case and if the Commission were to suspend, terminate, or materially modify the LFCR
17 mechanism prior to then without addressing fixed cost erosion, the moratorium for filing a rate
18 case terminates.

19 **Staff Analysis**

20 9. Staff has reviewed APS's projections used in the calculation of the LFCR
21 adjustment. Staff has found that the LFCR Annual Adjustment Percentage is calculated in
22 accordance with the POA for the LFCR as approved by the Commission. This calculation is
23 shown in Schedules 1 through 6 (Attachment C) of the Application. According to the calculations,
24 and in accordance with the POA, the LFCR charge would be 0.9509 percent, which would result in
25 recovery of approximately \$25.3 million (or a \$20 million increase according to APS) for the 12-
26 month collection period beginning in March 2014.

27 ...

28 ...

1 10. In Attachment D of the Application, APS provided bill impact calculations for
2 various rate schedules that are subject to the LFCR. APS has calculated that for the average
3 residential customer (all residential rate schedules), using an average of 1,100 kWh per month, the
4 customer's bill would increase by \$1.05 per month.

5 11. APS has noted that, if the full revenue per customer decoupling mechanism that
6 APS proposed in its June 1, 2011 rate application were in effect during the period covered by the
7 instant Application, that fully decoupled mechanism would have resulted in a total revenue
8 adjustment of \$27.6 million with an average customer bill impact of 1.02 percent, which would
9 result in an increase of \$1.43 per month. Staff has noted that under such a fully decoupled
10 mechanism, all customers are considered as a single group for purposes of determining the
11 adjustment rate. In addition, APS's originally proposed full decoupling mechanism offered no
12 Opt-Out alternative for residential customers.

13 **Staff Recommendation**

14 12. Staff has recommended that an LFCR rate of 0.9509 percent be approved and
15 become effective March 1, 2014.

16 **CONCLUSIONS OF LAW**

17 1. Arizona Public Service Company is an Arizona public service corporation within
18 the meaning of Article XV, Section 2, of the Arizona constitution.

19 2. The Commission has jurisdiction over Arizona Public Service Company and over
20 the subject matter of the Application.

21 3. The Commission, having reviewed Arizona Public Service Company's application
22 and Staff's Memorandum dated February 25, 2014, finds that an LFCR rate of 0.9509 percent for
23 the period beginning March 1, 2014, has been correctly calculated using the method approved in
24 Decision No. 73183.

25 ...

26 ...

27 ...

28 ...

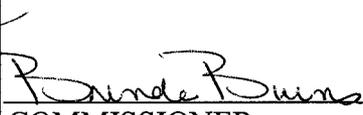
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

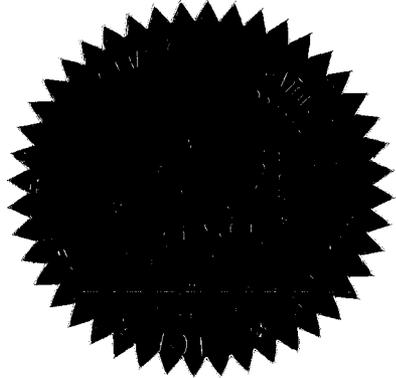
ORDER

IT IS THEREFORE ORDERED that an LFCR rate of 0.9509 percent is hereby approved for Arizona Public Service Company and shall become effective with the first billing cycle of the month following the Commission's Decision in this matter.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

	
CHAIRMAN	COMMISSIONER
	
COMMISSIONER	COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 19th day of March, 2014.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RBL:sms\MAS

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-11-0224

3 Meghan Grabel
4 Arizona Public Service
5 P.O. Box 53999, Station 8695
6 Phoenix, Arizona 85072-3999

7 C. Webb Crockett
8 Fennemore Craig, P.C
9 2394 E. Camelback Rd, Ste 600
10 Phoenix, Arizona 85016

11 Bradley Carroll
12 88 E. Broadway Blvd. MS HQE910
13 P.O. Box 711
14 Tucson, Arizona 85702

15 Douglas Fant
16 3655 W. Anthem Way -A-109 PMB 411
17 Anthem, Arizona 85086

18 Thomas Mumaw
19 400 N. Fifth St.
20 M.S. 8695
21 Phoenix, Arizona 85004

22 Jody Kyler
23 36 East 7th Street, Ste. 1510
24 Cincinnati, Ohio 45202

25 Samuel Miller
26 USAF Utility Law Field Support Center
27 139 Barnes Ave., Ste. 1
28 Tyndall AFB, Florida 32403

Jeff Schlegel
1167 W. Samalayuca Dr.
Tucson, Arizona 85704-3224

Steve Chriss
2011 S.E. 10th St.
Bentonville, Arkansas 72716-0500

Craig Marks
10645 N. Tatum Blvd.
Suite 200-676
Phoenix, Arizona 85028

- 1 Scott Wakefield
Ridenour, Hienton & Lewis, PLLC
2 201 No. Central, Ste. 3300
3 Phoenix, AZ 85004-1052
- 4 Jay Moyes
1850 N. Central Ave. - 1100
5 Phoenix, Arizona 85004
- 6 Jeffrey Woner
K.R. SALINE & ASSOC., PLC
7 160 N. Pasadena, Suite 101
8 Mesa, Arizona 85201
- 9 Lawrence Robertson, Jr.
PO Box 1448
10 Tubac, Arizona 85646
- 11 Laura Sanchez
12 P.O. Box 287
Albuquerque, New Mexico 87103
13
- 14 Nicholas Enoch
349 N. Fourth Ave.
15 Phoenix, Arizona 85003
- 16 Greg Patterson
2398 E. Camelback Rd., Ste. 240
17 Phoenix, AZ 85016
- 18 Karen White
19 AFLOA/JACL-ULT
139 Barnes Drive
20 Tyndall Air Force Base, Florida 32403
- 21 Gary Yaquinto
Arizona Utility Investors Association
22 2100 North Central Avenue, Suite 210
23 Phoenix, Arizona 85004
- 24 Michael Grant
Gallagher & Kennedy
25 2575 E. Camelback Rd.
26 Phoenix, Arizona 85016-9225
- 27
- 28

1 Jeffrey Crockett
One East Washington St., Ste. 2400
2 Phoenix, Arizona 85004

3 Michael Patten
4 400 E. Van Buren St. - 800
Phoenix, Arizona 85004-3906

5 Cynthia Zwick
6 1940 E. Luke Avenue
7 Phoenix, Arizona 85016

8 John Moore, Jr.
7321 N. 16th Street
9 Phoenix, Arizona 85020

10 Kurt Boehm
11 Boehm, Hurtz & Lowry
36 E. Seventh St. Suite 1510
12 Cincinnati, Ohio 45202

13 Timothy Hogan
202 East McDowell, #153
14 Phoenix, Arizona 85004

15 David Berry
16 Western Resource Advocates
P.O. Box 1064
17 Scottsdale, Arizona 85252-1064

18 Barbara Wyllie-Pecora
19 14410 W. Gunsight Dr.
Sun City West, Arizona 85375

20 Michael Curtis
21 501 East Thomas Road
22 Phoenix, AZ 85012-3205

23 Daniel Pozefsky
RUCO
24 1110 West Washington, Suite 220
Phoenix, Arizona 85007

25
26 Mr. Steven M. Olea
Director, Utilities
27 Arizona Corporation Commission
1200 West Washington Street
28 Phoenix, Arizona 85007

1 Ms. Janice M. Alward
2 Chief Counsel, Legal Division
3 Arizona Corporation Commission
4 1200 West Washington Street
5 Phoenix, Arizona 85007
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28