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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
APR 18 2014

DOCKETED BY nr

IN THE MATTER OF THE APPLICATION)
OF ARIZONA PUBLIC SERVICE)
COMPANY FOR APPROVAL OF REVISED)
PARTIAL REQUIREMENTS RATE)
SCHEDULES EPR-2 AND EPR-6.)

DOCKET NO. E-01345A-13-0442
DECISION NO. 74438
ORDER

Open Meeting
April 8 and 9, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

Background

2. On December 13, 2013, APS filed an application for approval of revisions to its partial requirements rate schedules EPR-2 and EPR-6. The EPR-2 schedule provides options for customers with qualifying renewable and combined heat and power generators (Qualifying Facilities) of 100 kW or less to sell back their excess generation on their monthly bill. EPR-6 provides customers with net metering facilities options to do the same. On February 21, 2014, APS filed a revised proposed rate schedule EPR-6 to amend some incorrect numbers and to make some minor language changes in the description of peak and off-peak periods.

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1 3. The Company is requesting revisions to the purchase rates paid for excess
 2 generation from participating customers, which are based on avoided costs. The APS-proposed
 3 revisions to EPR-2 and EPR-6 reflect higher avoided costs and therefore increase the avoided cost
 4 rates per kWh for purchases of excess energy from Qualifying Facilities and Net Metering
 5 Facilities.

6 **Rate Rider Schedule EPR-2 [Qualifying Facilities]**

7 4. Schedule EPR-2 is available to Qualifying Facilities of 100 kW or less where
 8 partial requirements service is required from APS to meet customers' electric requirements. A
 9 Qualifying Facility ("QF") is a cogeneration or small power production facility which meets the
 10 requirements of 18 Code of Federal Regulations ("CFR"), Chapter I, Part 292, Subpart B of the
 11 Federal Energy Regulatory Commission ("FERC") Regulations.

12 5. Under Schedule EPR-2, sales of electricity to the customer are priced at the
 13 customer's applicable retail rate schedule. When the customer's own generation facility produces
 14 more electricity than the customer needs, APS buys the excess electricity each month at its avoided
 15 cost. The purchase rates are differentiated by firm and non-firm power, on-peak and off-peak
 16 periods, and summer and winter seasons. Separate purchase rates are provided for customers on a
 17 9 a.m. to 9 p.m. on-peak time-of-use ("TOU") rate schedule, a 12 p.m. to 7 p.m. TOU rate
 18 schedule, and an 11 a.m. to 9 p.m. TOU rate schedule. Residential customers on other rate
 19 schedules receive the 12 p.m. to 7 p.m. TOU purchase rates. Non-residential customers on other
 20 rate schedules receive the 11 a.m. to 9 p.m. TOU purchase rates.

21 6. EPR-2 Proposed excess generation purchase rates are shown below on Table 1
 22 below and Existing rates on Table 2.

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Table 1
Proposed EPR-2
Excess Generation Purchase Rates for Qualified Facilities
(¢ / kWh)

<u>For Customers on 9 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.959	2.892	3.705	3.031
Winter (Nov - Apr)	2.927	2.844	2.927	2.844
<u>For Customers on 12 p.m. - 7 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.989	2.897	4.297	3.009
Winter (Nov - Apr)	3.040	2.831	3.040	2.831
<u>For Customers on 11 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.982	2.888	3.876	3.015
Winter (Nov - Apr)	2.926	2.852	2.926	2.852

Table 2
Existing EPR-2
Excess Generation Purchase Rates for Qualified Facilities
(¢ / kWh)

<u>For Customers on 9 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.956	2.765	3.608	2.887
Winter (Nov - Apr)	2.823	2.701	2.823	2.704
<u>For Customers on 12 p.m. - 7 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	3.016	2.787	4.159	2.885
Winter (Nov - Apr)	2.869	2.713	2.869	2.713
<u>For Customers on 11 a.m. - 9 p.m. On-Peak TOU Rate Schedule</u>				
	<u>Non-Firm Power</u>		<u>Firm Power</u>	
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Summer (May - Oct)	2.991	2.767	3.773	2.878
Winter (Nov - Apr)	2.827	2.709	2.827	2.709

7. Staff has reviewed APS's hourly marginal costs that resulted in the updated EPR-2 rates and finds the data and calculations to be reasonable.

Rate Rider Schedule EPR-6 [Net Metering]

8. Rate Schedule EPR-6 is available to any customer served by a retail rate schedule who has a Net Metering Facility as defined by Arizona Administrative Code ("A.A.C.") R-14-2-2301. That definition is repeated in the tariff. When the customer's own generation facility produces more electricity than the customer needs, APS credits the customer for the excess kWh in subsequent billing periods. For the last billing period of each calendar year, APS pays a credit to the customer for any remaining excess generation balance at APS's avoided cost. The purchase rates are specified in EPR-6 and are differentiated by firm and non-firm power and by on-peak, off-peak, and total time periods. For TOU customers, excess generation credits are applied to the TOU periods in which the kWh were generated by the customer.

9. EPR-6 Proposed and Existing rates are shown below on Table 3.

Table 3
EPR-6 Annual Purchase Rates for Excess Generation
(¢ / kWh)

<u>PROPOSED RATES</u>						
	<u>Non-Firm Power</u>			<u>Firm Power</u>		
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Time of Use	2.943	2.868		3.320	2.938	
Other			2.895			3.075
<u>EXISTING RATES</u>						
	<u>Non-Firm Power</u>			<u>Firm Power</u>		
	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>	<u>On-Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Time of Use	2.89	2.733		3.220	2.795	
Other			2.789			2.947

10. Staff has reviewed APS's hourly marginal costs that resulted in the updated EPR-6 rates and finds the data and calculations to be reasonable.

Recommendations

11. Staff has recommended that APS's revised avoided cost rates in EPR-2 and EPR-6 be approved.

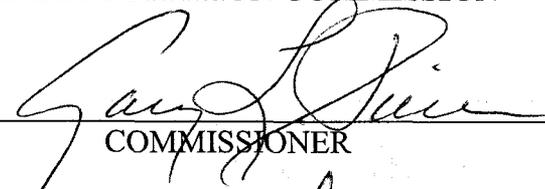
1 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide notice to
2 customers of the revised avoided cost rates, in a form acceptable to Staff, within 30 days of the
3 effective date of this Decision.

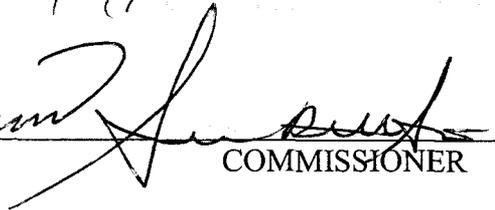
4 IT IS FURTHER ORDERED that Arizona Public Service Company shall file updated
5 EPR-2 and EPR-6 rate schedules consistent with the Decision in this case within 15 days of the
6 effective date of the Decision.

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

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9 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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11 CHAIRMAN COMMISSIONER

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14 COMMISSIONER COMMISSIONER COMMISSIONER

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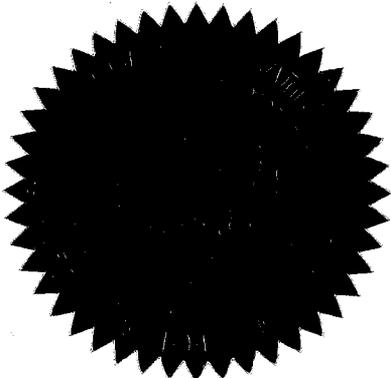
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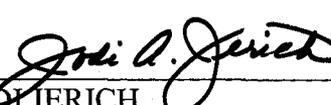
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IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 18th day of April, 2014.


JODI JERICH
EXECUTIVE DIRECTOR

23 DISSENT: _____

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25 DISSENT: _____

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SMO:JJP:sms\CHH

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1 SERVICE LIST FOR: Arizona Public Service Company
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