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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

NOV 20 2014

DOCKETED BY

IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR A HEARING  
TO DETERMINE THE FAIR VALUE OF  
THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING  
PURPOSES, TO FIX A JUST AND  
REASONABLE RATE OF RETURN  
THEREON, AND TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN.

DOCKET NO. E-01345A-11-0224

JOINT MOTION TO EXTEND  
EXPERIMENTAL RATE RIDER  
SCHEDULE AG-1

**ORIGINAL**

Wal-Mart Stores, Inc. and Sam's West, Inc. (collectively "Walmart"); Freeport Minerals Corporation ("Freeport"); Safeway Inc. ("Safeway"); and The Kroger Co. ("Kroger") (collectively, the "AG-1 Customers") and Noble Americas Energy Solutions LLC ("Noble Solutions"); Constellation NewEnergy, Inc./an Exelon company ("Constellation"); Shell Energy North America (US), L.P. ("Shell"); and Direct Energy Business, LLC ("Direct") (collectively, the "AG-Generation Service Providers") and Arizonans for Electric Choice and Competition hereby file as Joint Movants this Motion to Extend Experimental Rate Rider Schedule AG-1 ("Motion").

**I.**

**INTRODUCTION**

Approximately 700 accounts of eight separate customers currently take service under Experimental Rate Rider Schedule AG-1 ("Schedule AG-1") (copy attached as Exhibit "A") in Arizona Public Service Company's ("APS") service territory. Schedule AG-1 provides that it will expire on July 1, 2016 unless extended by the Commission.

1 This innovative buy-through program should not be permitted to expire with no  
2 opportunity for the Commission to hear from interested parties regarding whether  
3 Schedule AG-1 should be extended. The Commission should therefore extend Schedule  
4 AG-1 until such time as the Commission adopts new rates following the determination of  
5 a revenue requirement in APS' next general rate case. By so doing, the Commission can  
6 then hear from all interested parties in that rate case regarding whether it is in the public  
7 interest to continue the program.

## 8 II.

### 9 DISCUSSION

#### 10 A. Background of Schedule AG-1.

11 Schedule AG-1 provides for alternative generation buy-through service whereby  
12 APS customer participants arrange a power purchase from a third-party Generation  
13 Service Provider ("GSP") that is facilitated by APS through its Schedule AG-1 tariff.  
14 The alternative buy-through generation is utilized for the Schedule AG-1 customers in  
15 lieu of APS's own generation supply. AG-1 customers are required to obtain firm power  
16 from their respective GSPs to meet their total load requirement. Program participation is  
17 limited to an aggregate of 200 MW of customer load, and is only available to customers  
18 who otherwise would be served under APS' Rate Schedules E-34, E-35, E-32L and E-32  
19 TOUL.

20 Schedule AG-1 was adopted in Decision No. 73138 in which the Commission  
21 approved, with modifications, a Settlement Agreement in APS's 2011 rate case  
22 ("Settlement Agreement"). The Settlement Agreement included a provision that APS  
23 would not file another general rate case prior to May 31, 2015, and contemplated that new  
24 rates from APS's next general rate case would not become effective prior to July 1, 2016.  
25 Decision No. 73183, Exhibit A § 2.1. Accordingly, the parties to the Settlement  
26 Agreement agreed that Schedule AG-1 would be available until July 1, 2016 to coincide

1 with the first date it was then anticipated that new rates from APS' next rate case would  
2 be effective. The tariff specifically provides, however, that Schedule AG-1 may be  
3 extended by the Commission.

4 Subsequently, in Decision No. 74202, which related to the subject of net metering,  
5 APS was ordered to file its next rate case on June 1, 2015. However, in Decision No.  
6 74702, the Commission deleted the aforesaid ordering paragraph from Decision No.  
7 74202. Thus, as of this juncture, APS is not under any timeline or date by which it must  
8 file its next rate case, and conceivably could delay filing the same into well beyond July  
9 1, 2016 (e.g. until 2017 or 2018), should it so desire.

10 **B. The Linkage Between Schedule AG-1 and APS' Next General Rate Case.**

11 The foregoing rate case timing circumstance is directly relevant to the Motion and  
12 the action of the Commission herein requested, because both Schedule AG-1 and Section  
13 17.2 of the Settlement Agreement expressly contemplate (i) the possibility of an extension  
14 of Schedule AG-1 and the underlying buy-through program beyond the initial four-year  
15 term; and, (ii) a decision by the Commission in that regard being made in APS' next  
16 general rate case. For example, in the third paragraph under the "Application" section on  
17 page 1 of Schedule AG-1 the following statement appears:

18 "This [AG-1] rate rider schedule shall be available for four years from the  
19 effective date of Schedule AG-1, unless extended by the Commission."  
20 [emphasis added]

21 Similarly, in the section on page 3 of Schedule AG-1, which discusses the subject of  
22 "Return to Company's Standard Generation Service," provision is made for an AG-1  
23 customer's return to APS' Standard Generation Service

24 "... if this [AG-1] rate rider schedule is discontinued at the end of the 4 year  
25 experimental period..." [emphasis added]

26 Further, the contemplated linkage between the status of the buy-through program and

1 APS' next rate case is confirmed by the language of Section 17.2 from the Settlement  
2 Agreement:

3 "17.2 APS shall make commercially reasonable efforts to eliminate or  
4 mitigate all unrecovered costs resulting from the AG-1 experimental  
5 program established in this docket. If there are any lost fixed generation  
6 costs related to the AG-1 experimental rate, in its next general rate case,  
7 APS shall provide testimony that explains why it was unable to eliminate all  
8 lost fixed generation costs. Because AG-1 is an experimental program that  
9 may benefit certain General Service customers, and because residential  
10 customers cannot participate in the program, any APS proposal in APS'  
next general rate case that seeks to collect lost fixed generation costs related  
to the AG-1 experimental rate shall not propose to recover such costs from  
residential customers." [emphasis added]

11 **C. Benefits of Schedule AG-1.**

12 Schedule AG-1 has been a successful experiment as evidenced by the Program  
13 being fully subscribed since its inception and a lengthy customer waiting list. The AG-1  
14 Program has provided significant benefits to the public, and the Commission should not  
15 allow the Program to expire by "default," or without any further consideration of the  
16 matter on the merits. Benefits to participating customers, who are large employers in the  
17 State, include (i) commodity risk management through product structuring that fits their  
18 individual business needs, (ii) budget certainty if so desired, and (iii) cost savings  
19 compared to their otherwise applicable APS tariff, even after paying their individual  
20 customer hedge buyout cost and other associated fees and charges APS collects from the  
21 customers in the AG-1 Program. These cost savings improve the competitiveness of the  
22 AG-1 businesses, and will help those businesses grow and bring value to their customers.  
23 Allowing Schedule AG-1 to expire before a revenue requirement determination in APS'  
24 next rate case and thereafter re-instituting Schedule AG-1 would economically harm the  
25 AG-1 Customers, because they would be forced to incur interim charges from APS that  
26 might have been unnecessary had the Commission considered the question of AG-1

1 Program continuation within the context of a revenue requirement determination in APS'  
2 next general rate case, as discussed below in Section II(D).

3 Further, AG-1 Customers have previously paid all of the AG-1 Program's start-up  
4 costs that have been allocated to them, and none of those costs have been allocated to or  
5 proposed to be recovered from any other APS customers. Thus, extension of Schedule  
6 AG-1 will not prejudice non-participating customers.

7 **D. Impact of Docket No. AU-00000C-14-0329 on Timing and Processing of APS'**  
8 **Next Rate Case.**

9 On September 11, 2014, the Commission's Docket Control opened a generic  
10 docket with the following caption:

11 "IN THE MATTER OF THE COMMISSION'S INQUIRY INTO  
12 CONSIDERATION OF DEVELOPING PROCEDURES FOR RATE  
13 CASES OR OTHER UTILITY SPECIFIC APPLICATION PROCESSES  
14 IN ORDER TO STUDY AND CONSIDER RATE DESIGN OPTIONS  
FOR ELECTRIC AND GAS PUBLIC SERVICE CORPORATION."

15 It is the Joint Movant's understanding that, in conjunction with its opening of this new  
16 docket, the Commission is considering making available a new optional procedure for  
17 processing and deciding rate increase applications filed by electric and natural gas public  
18 service corporations.

19 The AG-1 Customers and the AG-1 Generation Service Providers do not have any  
20 collective position on this new approach to managing a rate case, except to point out that  
21 any Commission proceeding that is held in connection with the new docket, should be a  
22 proceeding that is entirely separate and apart from any Commission proceeding that is  
23 held in connection with this Joint Motion. The purpose of the Joint Motion is to obtain an  
24 Order from the Commission extending Schedule AG-1 so it will not expire prior to a full  
25 evaluation of it in conjunction with a full and complete rate case. Until there is a  
26 complete evaluation upon which the Commission can render a decision as to whether or

1 not it should (or should not) be extended, it should continue in full force and effect.

2 **III.**

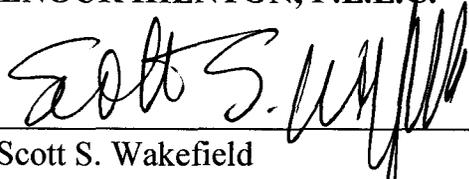
3 **CONCLUSION**

4 Rather than permitting Schedule AG-1 to expire without the Commission first  
5 having an opportunity to consider continuation of the same on the merits within the  
6 context of APS' next general rate case, the Commission should extend Schedule AG-1  
7 and the related buy-through program until at least such time as new rates go into effect for  
8 APS. By so doing, the Commission will then have an adequate opportunity to hear from  
9 all interested parties, within the context of a complete rate case, regarding whether to  
10 further extend, expand or otherwise modify Schedule AG-1; or, conversely, to allow the  
11 same to terminate by a date thereafter certain. Accordingly, by means of this Motion,  
12 Joint Movants request that the Commission issue an order extending Schedule AG-1 until  
13 the conclusion of APS' next general rate case.

14 Dated this 20<sup>th</sup> day of November, 2014.

15  
16 Respectfully submitted,

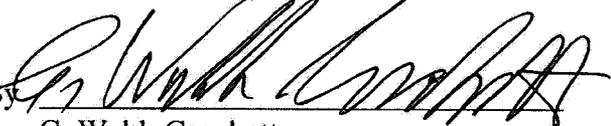
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# EXHIBIT A



**EXPERIMENTAL RATE RIDER SCHEDULE AG-1  
ALTERNATIVE GENERATION  
GENERAL SERVICE**

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AVAILABILITY

This experimental rate rider schedule is available in all territories served by the Company at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the sites served.

APPLICATION

This rate rider schedule is available for Standard Offer customers who have an Aggregated Peak Load of 10 MW or more and are served under Rate Schedules E-34, E-35, E32-L, or E-32 TOU L. An aggregated group may also include metered accounts that are served under Rate Schedules E-32 M or E-32 TOU M, if the accounts are located on the same premises and served under the same name as an otherwise eligible Customer.

Customers must have interval metering, Advanced Metering Infrastructure, or an alternative in place at all times of service under this schedule. If the Customer does not have such metering, the Company will install the metering equipment at no additional charge. However, the customer will be responsible for providing and paying for any communication requirements associated with the meter, such as a phone line.

All provisions of the customer's applicable rate schedule will apply in addition to this Schedule AG-1, except as modified herein. This rate rider schedule shall be available for four years from the effective date of Schedule AG-1, unless extended by the Commission. Total program participation shall be limited to 200 MW of customer load, 100 MW of which shall be initially reserved for Customers served under Rate Schedule E-32 L.

DEFINITIONS

**Aggregated Peak Load:** The sum of the maximum metered kW for each of the Customer's aggregated metered accounts over the previous 12 months, as determined by the Company and measured at the Customer's meter(s) at the time of application for service under this rate rider schedule.

**Standard Generation Service:** Power provided by the Company to a retail customer in conjunction with transmission and delivery services, at terms and prices according to a retail rate schedule other than Schedule AG-1.

**Customer:** A metered account or set of aggregated metered accounts that meet the eligibility requirements for service and enrollment as an aggregated load for service, under this rate rider schedule.

**Generation Service Provider:** A third party entity that provides wholesale power to the Company on behalf of a Customer. This entity must be legally capable of selling and delivering wholesale power to the Company.

**Generation Service:** Wholesale power delivered to APS by a Generation Service Provider.

**Imbalance Energy:** For each Generation Service Provider, Imbalance Energy will be calculated by the Company as the difference between the hourly delivered energy from the Generation Service Provider and the actual hourly metered load for each Customer for all Customers that have selected the Generation Service Provider under this rate rider schedule.

**Imbalance Service:** Calculating and managing the hourly deviations in energy supply for imbalance energy.

**Total Load Requirements:** The Customer's hourly load including losses from the point of delivery to the Company's transmission system to the Customer's sites for the duration of the contract.



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CUSTOMER ENROLLMENT

The Company shall establish an initial enrollment period during which Customers can apply for service under this rate rider schedule. If the applications for service are greater than the program maximum amount, then Customers shall be selected for enrollment through a lottery process as detailed in the program guidelines, which may be revised from time-to-time during the term of this rate rider schedule.

AGGREGATION

Eligible customers may be aggregated if they have the same corporate name, ownership, and identity. In addition, (1) an eligible franchisor customer may be aggregated with eligible franchisees or associated corporate accounts, and (2) eligible affiliate customers may be aggregated if they are under the same corporate ownership, even if they are operating under multiple trade names.

DESCRIPTION OF SERVICES AND OBLIGATIONS

The Customer shall apply for service under this rate rider schedule.

The Company shall conduct the enrollment process in accordance with the provisions of this rate rider schedule.

The Customer shall select a Generation Service Provider to provide Generation Service in accordance with the timeline specified in the program guidelines

The Company shall enter into a contract with the Generation Service Provider to receive delivery and title to the power on the Customer's behalf.

The Generation Service Provider shall provide to the Company on behalf of the Customer firm power sufficient to meet the Customer's Total Load Requirements for each of the specified metered accounts, and will attest in its contract with the Company that this condition is met. For the purposes of this rate schedule, "firm power" refers to generation resources identified in Western System Power Pool Schedule C or a reasonable equivalent as determined by the Company.

The Company shall provide transmission, delivery and network services to the Customer according to normal retail electric service.

The Company will settle with the Generation Service Provider for Imbalance Service and other relevant costs on a monthly basis according to the program guidelines.

The Generation Service Provider shall bill the Company the monthly billed amounts for each customer for Generation Service and Imbalance Service according to the program guidelines.

The Company shall bill the customer for the Generation Service Provider's charged amounts and remit the amounts to the Generation Service provider.

The customer will be responsible for paying for the cost of the power provided by the Generation Service Provider, as specified in the contract and this rate rider schedule.



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DELIVERY OF POWER TO THE COMPANY'S SYSTEM

Power provided by the Generation Service Provider must be firm power as defined above and delivered to the Company at the Palo Verde network delivery point, or other point of delivery as agreed to by the Company. The Generation Service Provider is responsible for the cost of transmission service to deliver the power to the Company's delivery point.

SCHEDULING

The Company shall serve as the scheduling coordinator. The Generation Service Provider shall provide monthly schedules of hourly loads along with day-ahead hourly load deviations from the monthly schedule to the Company according to the program guidelines. Line losses, in the amount of 7%, from the point of delivery to the Customer's sites shall be either scheduled or financially settled.

IMBALANCE SERVICE

The Company will provide Imbalance Service according to the terms and provisions in the Company's Open Access Transmission Tariff, Schedule 4. Imbalance Energy will be based on the Generation Service Provider's portfolio of Customer loads.

POWER SUPPLY ADJUSTER AND HEDGE COST TRUE-UP

The customer will be subject to the power supply adjustment – historical component for the first twelve months of service under this rate rider schedule. The customer will also pay for the hedge cost associated with the customer's Standard Generation Service at the time the customer takes service under this rate rider schedule. For the purpose of this rate rider schedule, the Company will determine the applicable pro rata hedge cost based on the market price for hedge costs at the time the customer takes service under this rate rider schedule.

DEFAULT OF THE THIRD PARTY GENERATION PROVIDER

In the event that the Generation Service Provider is unable to meet its contractual obligations, the customer must notify the Company and select another Generation Service Provider within 60 days. Prior to execution of any new power contract, the Company shall provide the required power to the customer, which will be charged at the New Jones Electricity Palo Verde Hourly Index price for the power delivery date plus \$10 per MWh. In addition, all other provisions of this rate rider schedule will continue to apply.

If the Customer is unable to select another Generation Service Provider within sixty days, the customer will automatically return to Standard Generation Service, and be subject to the conditions below.

RETURN TO COMPANY'S STANDARD GENERATION SERVICE

Customer may return to the Company's Standard Generation Service under their applicable retail rate schedule without charge if: (1) they provide one year notice (or longer) to the Company; or (2) if this rate rider schedule is discontinued at the end of the 4 year experimental period; or (3) if the Commission terminates the program prior to the initial four year experimental period. Absent one of these three conditions, the Company will provide the customer with generation service at the market index rate provided in the Company's Open Access Transmission Tariff until the Company is reasonably able to integrate the customer back into their generation planning and provide power at the applicable retail rate schedule. This transition will be at the Company's determination but no longer than 1 year. The returning customer must remain with the Company's Standard Generation Service for at least 1 year.



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RATES

All provisions, charges and adjustments in the customer's applicable retail rate schedule will continue to apply except as follows:

1. The generation charges will not apply;
2. Adjustment Schedule PSA-1 will not apply, except that the Historical Component will apply for the first twelve months of service under this rate rider schedule;
3. Adjustment Schedule EIS will not apply; and
4. The applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder shall be applied to the customer's bill.

Schedule AG-1 charges determined and billed by the Company include:

1. A monthly management fee of \$0.00060 per kWh applied to the customer's metered kWh;
2. A monthly reserve capacity charge applied to 15% of the customer's billed kW (on-peak for Rate Schedules E-35 and E-32 TOU L) at the Company's applicable cost-based rate filed at the Federal Energy Regulatory Commission and revised from time to time, which is currently \$6.985 per kW month;
3. An initial charge or credit for fuel hedging costs, as described herein;
4. Returning Customer charge, where applicable, as described herein;
5. Generation Service Provider Default charge, where applicable, as described herein.

Schedule AG-1 Generation Service and Imbalance Service charges billed by the Company include:

1. Generation Service charges shall be charged at a rate within the minimum and maximum limits as follows:
  - a. When the contract provides for pricing that reflects a specific index price, the minimum price will be the specified index minus 35% and the maximum price will be the specified index plus 35%. The determination that a contract is consistent with this provision will be based on the specified index price applicable on the date the contract is executed.
  - b. When the contract provides for a fixed price supply for the term of the contract, the minimum price will be the generation rate of the Customer's applicable retail rate schedule minus 35%, and the maximum price shall be the generation rate of the Customers applicable retail schedule plus 35%. If the Customer has more than one otherwise applicable retail rate schedule, the highest applicable retail rate schedule will be used for purposes of the consistency determination. The determination that a contract is consistent with this provision will be based on the Customer's otherwise applicable retail rate schedule in effect on the date the contract is executed.
  - c. Losses from the delivery point to the Customer's meters and any charges assessed by the Company on the Customer, including charges for transmission and distribution, Capacity Reservation Charge, the Management Fee, Imbalance Service charges, PSA balance and hedging costs, and Returning Customer Charges, shall not be included in the Generation Service charge for purposes of determining whether the contract is consistent with the minimum and maximum price provisions of this rate rider schedule.
2. Imbalance Service charges shall be charged at a rate greater than \$0.00 per kWh and less than or equal to the rate that the Company charges the Generation Service Provider for Imbalance Service as specified herein.



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CONTRACT TERM AND REQUIREMENTS

The term of the contract with the Generation Service Provider shall be for not less than one year and shall not exceed four years.

The Generation Service Provider and Customer will enter into a contract or contracts with the Company, stating the pertinent details of the transaction with the Generation Service Provider, including but not limited to the scheduling of power, location of delivery and other terms related to the Company's management of the generation resource.

CREDIT REQUIREMENTS

A Generation Service Provider or its parent company must have at least an investment grade credit rating or demonstrate creditworthiness in the form of either a 3rd-party guarantee from an investment grade rated company, surety bond, letter of credit, or cash in accordance with the Company's standard credit support rules