

OPEN MEETING

MEMORANDUM



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TO: THE COMMISSION

FROM: Utilities Division

DATE: December 1, 2014

RE: ARIZONA PUBLIC SERVICE COMPANY- APPLICATION FOR APPROVAL OF AUTOMATED METER OPT-OUT SERVICE SCHEDULE 17 (DOCKET NO. E-01345A-13-0069)

ORIGINAL

AZ CORP COMMISSION
DOCKET CONTROL

Background

On March 22, 2013, Arizona Public Service Company ("APS" or "Company") filed an application requesting approval for its Automated Meter Opt-Out Service Schedule. APS reports that it has now almost completely deployed Advanced Metering Infrastructure ("AMI") meters or "smart" meters in its service territory. Several groups of APS customers have raised concerns to the Commission and APS regarding the health effects of radio frequency ("RF") transmissions and the security of AMI meter-transmitted data. These customers have requested the ability to retain non-transmitting analog meters, and this Opt-Out Schedule is intended for those customers.


Estimated Costs

In its attached Service Schedule 17, APS proposes two charges for customers who choose to opt out of AMI metering. Those charges include a one-time \$75.00 initial "set-up" charge, and a recurring monthly reading charge of \$30.00, although the Company has recently provided Staff with updated cost estimates in support of a lower monthly fee of \$21.00.

Staff requested APS provide an itemized breakdown of the estimated costs associated with both charges. APS provided the following table in support of the initial \$75.00 charge. (Note that according to APS, the \$75 figure represents costs for a "blend" of customers with and without analog meters in place.)

Arizona Corporation Commission
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Administration	Cost per Meter
Call Center Associate	\$3.00
Opt-Out Processing	\$3.00
Meter Processing	
Process and Refurbish Removed AMI Meters	\$6.00
Process and Refurbish Analog Meter for Testing	\$6.00
Meter Testing	
Test and Calibrate Analog Meter	\$10.00
Field Trips per Customer	
Exchange Meter and install Meter Seal twice, including should customer opt-out of program due to a move, etc.	\$57.00
Total	\$85.00

APS also provided the following cost estimates should no meter exchange be required. (For example, a customer who has an analog meter currently installed.)

Administration	Cost per Meter
Call Center Associate	\$3.00
Opt-Out Processing	\$3.00
Field Trips per Customer	
Exchange Meter and install Meter Seal should customer opt-out due to a move, etc.	\$29.00
Total	\$35.00

Commission Staff also requested an itemized breakdown of the estimated costs associated with the monthly fee, and the table below reflects updated cost estimates from the time of APS's application filing. These cost estimates are based on the assumption that approximately 19,200 customers will elect to opt out of AMI metering.

Personnel Expenses	Annual Cost (\$000)
Employee Salary	\$3,756
Transportation	\$757
Materials and Supplies	\$106
Computer Leases	\$31
Other Expenses	
Program Administration	\$24
Field Coordinator Support	\$24
Call Center Support	\$97
Meter Reading Equipment and Maintenance	\$26
Total Annual Meter Reading Opt-Out Cost	\$4,821
Monthly Meter Reading Cost per Customer Per Month (\$4,821,000/19,200 customers/12 months)	\$21

Staff Analysis

Staff has evaluated APS's proposed Schedule 17 and the estimated costs the Company has provided for this program. Staff also examined the operation and charges of similar AMI Opt-Out programs in other jurisdictions. Staff recognizes that there are costs associated with maintaining an older meter technology for a select group of customers, and that those customers and the Company will not be able to utilize the advanced capabilities AMI meters provide. Staff's evaluation of APS's proposal included specific inquiries into the most appropriate method for reading the analog meters for customers in this program. The use of an analog meter necessitates on-site meter reading, and Staff evaluated different options for the timing of reads.

APS has expressed opposition to self-reading to Staff. The Company cites concerns about safety, inaccurate and/or untimely meter reads, deliberate false reads, and administrative difficulties as reasons to avoid a self-read program.

Staff Proposal

Staff supports a one-time initial setup fee of \$75.00 only for customers with an AMI meter currently in place. Staff does not agree with APS's cost estimates for customers with analog meters already in place, and recommends that those customers incur no initial charge under the Opt-Out program. Staff proposes that APS offer three alternatives for customers selecting to opt out of AMI:

Alternative 1: Monthly Reading

The first alternative would function as APS requests in its application. Meter reading would occur on a monthly basis, the charge associated with reading the meter would be commensurate with the cost estimates APS has provided, less \$1.00, which is already embedded in the base rates all customers on the E-12 rate schedule already pay for meter reading. (The E-12 rate schedule is required for customers joining the Opt-Out program.) Customers selecting this option would pay \$20 per month.

Alternative 2: Self-Reading

The self-reading option would reduce the costs customers pay for meter reading by permitting them to read meters themselves, thereby reducing the number of APS meter reader trips to the home and corresponding travel costs. Under this option, customers would read their analog meter and fill out a post card indicating monthly usage, and then submit that card to APS by a specified date every month. Every fourth month, an APS meter reader would conduct an on-site reading to ensure accuracy. This option would only require on-site meter reading once every four months, so Staff estimates a corresponding reduction in costs for APS of 75% over its proposed monthly reading charge. Thus, customers selecting this option would pay \$5 per month.

APS has specifically cited concerns about self-reading customers providing false low reads. Staff recognizes that this option could enable customers to falsify usage. Therefore, Staff recommends that should APS determine a customer is engaging in this behavior, APS would notify

the customer of being taken off of the self-reading option and being placed on the monthly reading option.

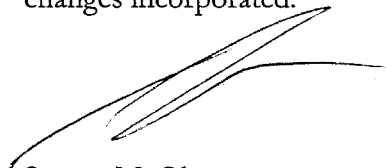
Alternative 3: Equalizer Payments

The final option is an "equalizer" payment plan. Under this plan, APS would use an average of recent bills over a 12-month period at the customer's present location to determine a monthly payment. An annual average bill would continue to be calculated (and updated annually) using historical and/or other relevant data, and the customer would receive a monthly average bill rather than an actual usage bill. APS would conduct an on-site meter read once annually. This option would only require on-site meter reading once annually, so Staff estimates a corresponding reduction in costs for APS of 92% over its proposed monthly charge. Thus, customers selecting this option would pay \$2 per month.

Staff Recommendations

Staff recommends each of the three alternatives described above be incorporated into Service Schedule 17. Staff further recommends that the Charges and Billing portion of Schedule 17 be modified to include the revised charges discussed above that correspond to each alternative and reflect a one-time \$75.00 set-up fee only for those customers with an AMI meter already in place.

Staff recommends approval of APS' Automated Meter Opt-Out Schedule 17 with these changes incorporated.



Steven M. Olea
Director
Utilities Division

SMO:EAH:sms\WVC

ORIGINATOR: Eric A. Hill

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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

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY APPLICATION FOR
APPROVAL OF AUTOMATED METER
OPT-OUT SERVICE SCHEDULE 17

DOCKET NO. E-01345A-13-0069
DECISION NO. _____
ORDER

Open Meeting
December 12, 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 March 22, 2013, Arizona Public Service Company ("APS" or "Company") filed an application requesting approval of its Automated Meter Opt-Out Service Schedule. APS reports that it has now almost completely deployed Advanced Metering Infrastructure ("AMI") meters or "smart" meters in its service territory. Several groups of APS customers have raised concerns to the Commission and APS regarding the health effects of radio frequency ("RF") transmissions and the security of AMI meter-transmitted data. These customers have requested the ability to retain non-transmitting analog meters, and this Opt-Out Schedule is intended for those customers.

...

1 **Estimated Costs**

2 3. In its attached Service Schedule 17, APS proposes two charges for customers who
3 choose to opt-out of AMI metering. Those charges include a one-time \$75.00 initial "set-up" charge,
4 and a recurring monthly reading charge of \$30.00, although the Company has recently provided Staff
5 with updated cost estimates in support of a lower monthly fee of \$21.00.

6 4. Staff requested APS provide an itemized breakdown of the estimated costs associated
7 with both charges. APS provided the following table in support of the initial \$75.00 charge. (Note that
8 according to APS, the \$75 figure represents costs for a "blend" of customers with and without analog
9 meters in place.)

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Total	\$85.00

18 5. APS also provided the following cost estimates should no meter exchange be required.
19 (For example, a customer who has an analog meter currently installed.)

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Total	\$35.00

26 6. Commission Staff also requested an itemized breakdown of the estimated costs
27 associated with the monthly fee, and the table below reflects updated cost estimates from the time of
28 ...

1 APS' application filing. These cost estimates are based on the assumption that approximately 19,200
2 customers will elect to opt-out of AMI metering.

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Monthly Meter Reading Cost per Customer Per Month (\$4,821,000/19,200 customers/12 months)	\$21

12 Staff Analysis

13 7. Staff has evaluated APS's proposed Schedule 17 and the estimated costs the Company
14 has provided for this program. Staff also examined the operation and charges of similar AMI Opt-Out
15 programs in other jurisdictions. Staff recognizes that there are costs associated with maintaining an
16 older meter technology for a select group of customers, and that those customers and the Company
17 will not be able to utilize the advanced capabilities AMI meters provide. Staff's evaluation of APS's
18 proposal included specific inquiries into the most appropriate method for reading the analog meters
19 for customers in this program. The use of an analog meter necessitates on-site meter reading, and
20 Staff evaluated different options for the timing of reads.

21 8. APS has expressed opposition to self-reading to Staff. The Company cites concerns
22 about safety, inaccurate and/or untimely meter reads, deliberate false reads, and administrative
23 difficulties as reasons to avoid a self-read program.

24 Staff Proposal

25 9. Staff supports a one-time initial setup fee of \$75.00 only for customers with an AMI
26 meter currently in place. Staff does not agree with APS's cost estimates for customers with analog
27 meters already in place, and recommends that those customers incur no initial charge under the Opt
28 ...

1 -Out program. Staff proposes that APS offer three alternatives for customers selecting to opt out of
2 AMI:

3 Alternative 1: Monthly Reading

4 10. The first alternative would function as APS requests in its application. Meter reading
5 would occur on a monthly basis, the charge associated with reading the meter would be
6 commensurate with the cost estimates APS has provided, less \$1.00, which is already embedded in the
7 base rates all customers on the E-12 rate schedule already pay for meter reading. (The E-12 rate
8 schedule is required for customers joining the Opt-Out program.) Customers selecting this option
9 would pay \$20 per month.

10 Alternative 2: Self-Reading

11 11. The self-reading option would reduce the costs customers pay for meter reading by
12 permitting them to read meters themselves, thereby reducing the number of APS meter reader trips to
13 the home and corresponding travel costs. Under this option, customers would read their analog meter
14 and fill out a post card indicating monthly usage, and then submit that card to APS by a specified date
15 every month. Every fourth month, an APS meter reader would conduct an on-site reading to ensure
16 accuracy. This option would only require on-site meter reading once every four months, so Staff
17 estimates a corresponding reduction in costs for APS of 75% over its proposed monthly reading
18 charge. Thus, customers selecting this option would pay \$5 per month.

19 12. APS has specifically cited concerns about self-reading customers providing false low
20 reads. Staff recognizes that this option could enable customers to falsify usage. Therefore, Staff has
21 recommended that should APS determine a customer is engaging in this behavior, APS would notify
22 the customer of being taken off of the self-reading option and being placed on the monthly reading
23 option. If a customer believes APS is in error, the customer shall be notified of the option to contact
24 the Commission's Consumer Services section.

25 Alternative 3: Equalizer Payments

26 13. The final option is an "equalizer" payment plan. Under this plan APS would use an
27 average of recent bills over a 12-month period at the customer's present location to determine a
28 monthly payment. An annual average bill would continue to be calculated (and updated annually)

1 using historical and/or other relevant data, and the customer would receive a monthly average bill
2 rather than an actual usage bill. APS would conduct an on-site meter read once annually. This option
3 would only require on-site meter reading once annually, so Staff estimates a corresponding reduction
4 in costs for APS of 92% over its proposed monthly charge. Thus, customers selecting this option
5 would pay \$2 per month.

6 Recommendations

7 14. Staff has recommended each of the three alternatives described above be incorporated
8 into Service Schedule 17. Staff has further recommended that the Charges and Billing portion of
9 Schedule 17 be modified to include the revised charges discussed above that correspond to each
10 alternative and reflect a one-time \$75.00 set-up fee only for those customers with an AMI meter
11 already in place.

12 15. For the purposes of this case, we find that APS's fair value rate base is \$8,167,126,000,
13 the number that we approved in APS's last rate case (Decision No. 73183). We also find that 6.09
14 percent (APS's current fair value rate of return) remains appropriate as a fair value rate of return.
15 These findings are appropriate because few customers are expected to select this program, so any
16 corresponding change in revenue would be de minimis.

17 16. Staff has recommended approval of APS' Automated Meter Opt-Out Schedule 17 as
18 discussed herein.

19 CONCLUSIONS OF LAW

20 1. Arizona Public Service Company is an Arizona public service corporation within the
21 meaning of Article XV, Section 2, of the Arizona Constitution.

22 2. The Commission has jurisdiction over Arizona Public Service Company and over the
23 subject matter of the application.

24 3. The Commission, having reviewed the filing and Staff's Memorandum dated
25 December 1, 2014, concludes that it is in the public interest to approve the application with the
26 changes incorporated as described above.

27 4. For the purpose of this case, we will rely on the fair value rate base and fair value rate
28 of return findings that we adopted in APS's last rate case. These findings are appropriate because few

1 customers are expected to select this program, so any corresponding change in revenue would be de
2 minimis.

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ORDER

IT IS THEREFORE ORDERED that Arizona Public Service Company's Service Schedule 17 be modified to include the three alternatives as discussed herein.

ITS IS FURTHER ORDERED that the Charges and Billing portion of Schedule 17 shall be modified to include the revised charges which correspond to each alternative.

IT IS FURTHER ORDERED that a one-time \$75.00 set-up fee be assessed only for those Arizona Public Service Company customers with an AMI meter already in place.

IT IS FURTHER ORDERED that Arizona Public Service Company submit a revised Schedule 17 in compliance with this decision within 30 days of the effective date of this decision.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

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 _____ day of _____, 2014.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:EAH:sms\WVC

Decision No. _____

1 SERVICE LIST FOR: ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-01345A-13-0069

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3 SERVICE LIST FOR: ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-00000C-11-0328

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