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7	BEFORE THE ARIZONA CORPORATION COMMISSION		
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9	COMMISSIONERS		
10	BOB STUMP, Chairman GARY PIERCE	DEC 1 0 2014	
11	BRENDA BURNS ROBERT L. BURNS	DOCKETED BY	
12	SUSAN BITTER SMITH	Ext-	
13	IN THE MATTER OF ARIZONA PUBLIC	DOCKET NO. E-01345A-13-0069	
14	SERVICE COMPANY APPLICATION FOR APPROVAL OF AUTOMATED METER	EXCEPTIONS TO STAFF'S	
15	OPT-OUT SERVICE SCHEDULE 17.	PROPOSED ORDER	
16			
17	INTRODUCTION		
18	Arizona Public Service Company ("APS" or "Company") hereby files with the		
19	Arizona Corporation Commission ("Commission") its Exceptions to the Utilities		
20	Division Staff's ("Staff") Proposed Order in the above-captioned matter. The Proposed		
21	Order will increase the overall cost of an Opt-Out Program while making the Opt-Out		
22	customer responsible for almost none of that cost. This will only be to the detriment of		
23	non-participating APS customers in the long run. The Proposed Order also increases the		
24	risk of inaccurate billings, injury to APS employees or to APS customers and their		
25	property, and makes energy theft easier. Finally, the levelized billing proposal (Option 3		
26	in the Proposed Order) is simply unworkable as written and increases the socialization		
27	of costs directly attributable to the Opt-Out customer.		
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#### ALLOWING AND EVEN ENCOURAGING CUSTOMER SELF-READS OF APS METERS WILL NOT DECREASE THE TOTAL COST OF THE OPT-OUT PROGRAM

Staff's Option 2 is premised on the belief that permitting customer self-reads will
dramatically reduce the cost of an Opt-Out program. Nothing could be further from the
truth. In fact, as a result of a Data Request from Staff, the Company indicated that if
even 50% of Opt-Out customers chose the self-read option (a conservative estimate
given the 75% discount proposed by Staff in Option 2), the cost of the Opt-Out program
will likely increase. Below is a breakdown of the increased costs of self-read.

Net Additional Annual Cost Related to Self-Read	(\$000)
Manual Billing Processing	733
Manual Order Processing	52
Additional Call Center Support	65
Mailing (postage, cards)	42
Additional Administration of Program	12
TOTAL ADDITIONAL ANNUAL COST	004

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These increased costs of self-read more than offset the decrease in costs attributable to fewer meter reads, which decrease in costs is <u>not</u> proportional to the decrease in meter reads. Even the above figures do not include IT costs to accommodate self-read, which costs could not be estimated in the time permitted for exceptions to the Proposed Order.

These results should not be surprising. If it were actually significantly cheaper to have customers accurately read their own meters than for APS to read them, the Company, among other utilities nationwide, would have adopted self-read as a standard business practice, and the Commission would likely not have passed regulations requiring electric utilities to regularly read their customers' meters and base customer billings on such reads. *See* A.A.C. R14-2-210.

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THE PROPOSED ORDER'S OPTION 2 (SELF-READ) WILL INEVITABLY LEAD TO LESS ACCURATE AND LESS TIMELY METER READS AND HENCE LESS ACCURATE BILLINGS TO AFFECTED APS CUSTOMERS

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APS, like most if not all larger electric and gas utilities, uses cycle billing and 3 meter reading. That means meters are read throughout the billing month, and customers 4 5 are billed throughout the month, depending on what cycle their meter is read. It is extremely unlikely that customers taking advantage of the huge discount proposed in 6 7 Option 2 of the Proposed Order would routinely read their meters on the appointed day and timely forward that read to APS to be manually input into the Company's Customer 8 Information System. When they do not, an estimated bill would be issued. When that 9 bill does not reflect the information sent in by the customer, they will likely call APS 10 11 and ask questions. When they receive a rebill after APS has finally received the customer's read, there likely will be additional questions about the revised bill. And all 12 this rebilling and customer service time will add to costs. 13

Even if self-reads are timely, there will certainly be accuracy issues. Reading even an antiquated analog meter is more easily said than done. APS's website includes instructions for reading such a meter should the occasion arise. Those instructions are attached hereto as Exhibit A, as is a picture of the meter face itself. Although APS has taken every effort to make the instructions as customer-friendly as possible, it would not be accurate to call these instructions easy to follow, especially for customers never previously asked to read a utility meter of any kind.

21 Neither of the issues discussed above, timeliness and unintentional misreads by customers, address the additional potential for fraud. Analog meters are already more 22 23 easily manipulated than more sophisticated models and have none of the built-in 24 protections of an AMI meter. If these meters are manipulated or deliberately underread, APS would have only a few opportunities per year to detect such behavior without 25 there being regular meter reads by the Company. Even those opportunities may be 26 27 further reduced if there are access problems. Moreover, these access issues themselves are likely to increase with less regular meter reading as customers are less likely to 28

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remember when to put the dog away or unlock the fence. And although a greater problem in the case of Option 3 of the Proposed Order, the fact remains that APS has a very transient customer base, with nearly a third of residential customers remaining at their service location for less than a single year. By the time of any APS "true-up" for inaccurate or missing self-reads, the customer may simply be gone.

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#### CUSTOMER SELF-READS CREATE ADDITIONAL RISK OF INJURY TO APS EMPLOYEES AND OTHER SAFETY CONCERNS

This point may appear counter-intuitive, but it is nonetheless a real concern. 8 9 Although there would be fewer opportunities for injury to meter readers, the potential 10 for injury during any particular read will increase greatly. Meter readers who have a 11 particular route they read every month quickly come to know who has an aggressive dog or a beehive in their back yard, who has fences or walls that need to be navigated 12 13 (sometimes in fading light), or where natural obstacles to meter access might be lurking. 14 When meter reading becomes more sporadic and necessarily performed by personnel 15 with less experience, the chances for injury increases substantially. And while APS employee injuries also increase costs, the real tragedies are the injuries themselves. 16

Although not directly affecting APS employees, the Company's meter readers also detect potentially unsafe conditions associated with customer-owned equipment such as damaged meter sockets and service panels. AMI meters can self-report some of these types of problems, including damage to the meter itself, but without either AMI meters or regular APS meter reads, these conditions will likely go undetected until they become reliability and potentially safety issues for the customer.

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### THE PROPOSED ORDER REQUIRES APS TO ACCEPT CUSTOMER SELF-READS IN VIOLATION OF THE COMMISSION'S OWN RULES

No doubt for many if not all of the reasons discussed above, A.A.C. R14-2-209
(A)(1) states: "Each utility, or Meter Reading Service Provider, may *at its discretion*allow for customer reading of meters." Option 2 removes the very discretion allowed
APS by virtue of the cited Commission regulation. The Company acknowledges the

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1 Commission's authority to grant variances or waivers of its own rules and even to 2 change rules through the rulemaking process. But such variances or waivers ought to 3 always be for good cause, and here we have no cause whatsoever other than the 4 mistaken belief that customer self-reads would reduce the cost of an Opt-Out program.

Because APS has not used customer reads for routine billing purposes, staffing
and training for the numerous manual processes required by customer self-reads will
have to take place before APS can offer this option to Opt-Out or any other customers
for that matter. Thus, APS would have to use Option 1 for at least several months after
approval of Service Schedule 17.

THE PROPOSED ORDER'S OPTION 3 (JUST PUT CUSTOMERS ON A LEVELIZED BILLING PROGRAM) IS UNWORKABLE FROM AN OPERATIONAL STANDPOINT AND HAS MANY OF THE SAME ISSUES OF INACCURATE BILLINGS, NEW OPPORTUNITIES FOR FRAUD, AND EMPLOYEE SAFETY AS OPTION 2

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14 Under Option 3, customers receive a 90% discount merely by signing up for an 15 equalized billing program described in Option 3 but not APS's existing "Equalizer Program." The present APS "Equalizer" program is a balanced payment option, not a 16 17 rate or even a billing program. The Company's "Equalizer Program" still entails 18 monthly meter-readings that are reported on the participating customer's bill, thus 19 allowing the customer to know how his or her levelized billing is tracking actual usage – 20 no surprises wanted in this regard. APS adjusts the levelized billings as often as 21 quarterly to reflect the customer's actual usage by billing season.

The Proposed Order's levelized billing proposal, by which the customer avoids nearly all the costs of the Opt-Out program, has one meter reading annually. Reading meters once a year would not allow APS to determine seasonal variances in usage, an important part of accurate billing because all of the Company's residential rate schedules have seasonal differences in rates. Instead, the customer's historical winter/summer ratio of usage would necessarily become the ratio used in all future years, regardless of weather, customer-initiated energy efficiency, new and different appliances, etc. The

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same would be true for the impact of rate adjustors and rate blocks, the effect of which
 on billings in any one year could only be crudely estimated. And as noted earlier, nearly
 a third of APS residential customers are not around for an entire year, thus potentially
 avoiding (either intentionally or not) any annual true-up.

Even fewer meter reads would take place under Option 3 than under Option 2.
The opportunities for fraud and safety problems correspondingly increase. And once
again, any savings in actual meter reading costs would be consumed by increases in
back office costs, including but not limited to the necessity of extensive IT reprograming
since the current "Equalizer Program" needs a meter read to trigger the issuance of the
levelized billing.

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### ALL OF THE PROPOSED ORDER'S OPTIONS WILL TAKE TIME TO IMPLEMENT

13 If the Commission approves Option 2 in any form, it will take a considerable time to implement given the additional IT and employee training required. APS would in 14 15 such instance ask that it not be required to implement Option 2 until the first billing 16 cycle of June 2015. Even Option 1 will require several months to notify customers of 17 the Commission's approved Opt-Out program, secure their selection (in or out), and (if necessary) change out their meter. Thus, APS would suggest an implementation date for 18 19 Option 1 as the first billing cycle of March 2015. Option 3 is essentially impossible to 20 implement in any reasonable time frame.

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#### CONCLUSION

Options 2 and 3 do not reduce costs and carry with them greater inaccuracy of billings, risk of injury to persons or property, and energy theft. On the other hand, APS can support Option 1 of the Proposed Order. Further, if the Commission further reduces the monthly charges for Option 1, that would still be preferable to approving either Option 2 or Option 3 of the Proposed Order.

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2	RESPECTFULLY SUBMITTED this 10 <sup>th</sup> day of December 2014.		
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7			
8	of the foregoing filed this 10 <sup>th</sup> day of December 2014, with:		
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11	Phoenix, Arizona 85007		
12	Copies of the foregoing delivered/mailed this 10 <sup>th</sup> day of December 2014, to:		
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- 8 -

#### **EXHIBIT A**

Dial meters resemble small clocks with 5 dials numbered in opposite directions. Each dial represents 1 number in the meter reading. A disk spins as energy is used. The faster it spins. the more energy's being used.

# how to read your meter

Read your dial meter from right to left. If a hand is between 2 numbers, use the lower number. If a hand is directly on a number, view the dial to its right. And if the hand hasn't moved past 0, write the number 1 lower than the number at which the dial's pointing



0 - Dial 1 is 0 2 - Dial 2 is 0/10 past 2 8 - Dial 3 is 2/10 past 8 8 - Dial 4 is 8/10 past 8 9 - Dial 5 is 8/10 past 9

## explaining the read

**Dial 1:** The hand points at 0. Read the first number as 0.

**Dial 2:** The next dial must be 0/10 past a number, because the dial to its right is 0. It's hard to tell if the second dial has reached 2. Consult the last dial to decide if you should read this dial as 1 or 2. Because the last dial was 0, read this dial as 2.

**Dial 3:** The 3rd dial is between 8 and 9. The dial to its right is 2 so it must be 2/10 past a number. Read the third dial as 8.

**Dial 4:** The 4th dial is between 8 and 9, but closer to 9. The dial to its right reads 8 so this dial is 8/10 past 8.

Dial 5: The last dial appears to point at 0, but the dial to its right hasn't passed 0 so read this dial as 9.

#### practice reading your meter

Practice is the only way to learn how to read your dial meter, but it also helps to think of it as a clock. When a clock reads 1.59, the hour hand appears to point at 2, but because the minute hand hasn't passed 12, we read the hour is 1:00.

