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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

Arizona Corporation Commission

DOCKETED

APR 30 2015

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

DOCKET NO. E-01345A-13-0069

DECISION NO. 75047

**ORDER ON REHEARING GRANTING
INTERLOCUTORY RELIEF AND
RESCINDING DECISION NO. 74871**

Open Meeting
April 13, 2015

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.

2. On March 22, 2013, APS filed an application requesting approval of a proposed Automated Meter Opt-Out Service Schedule. APS reports that it has now almost completely deployed Advanced Metering Infrastructure ("AMI")—often referred to as "smart meters"—in its service territory.

3. Several groups of APS customers have raised concerns about the health effects of smart meters. These customers have requested the ability to retain non-transmitting analog meters, and APS's proposed opt-out schedule is intended to recover the costs of retaining analog meters for those customers.

4. In its proposed opt-out tariff, APS proposed two charges for customers who choose to opt-out of AMI metering. Those charges included a one-time \$75.00 initial "set-up" charge and a recurring monthly meter-reading charge of \$30.00. The Company subsequently provided updated cost estimates for a lower monthly fee of \$21.00.

1 5. After the Company filed its application, the Commission received numerous filings in
2 opposition to the tariff from members of the public.

3 6. Among the comments were allegations that smart meters adversely affect human
4 health, that smart meters intrude upon individual privacy interests, that the costs of smart meter
5 deployment do not outweigh the benefits, and that APS's proposed opt-out tariff rate is unreasonable.

6 7. In a related proceeding (Docket No. E-00000C-11-0328), we considered the issues
7 related to smart meters in a generic setting. In conjunction with those efforts, we asked the Arizona
8 Department of Health Services ("ADHS") to conduct a study regarding the potential health effects of
9 smart meters.

10 8. ADHS's study was filed in Docket No. E-00000C-11-0328 on November 4, 2014.

11 9. The study involved a sampling of smart meters to determine if the meters were
12 operating within the parameters set by the Federal Communications Commission ("FCC"). ADHS's
13 study confirmed that the meters tested were operating within the FCC standard.

14 10. On December 12, 2014, we considered APS's opt-out tariff proposal at an open
15 meeting. At that time, we heard public comment as well as argument from the parties. Interveners
16 Warren Woodward and Patricia Ferre opposed APS's opt-out proposal.

17 11. On December 18, 2014, we issued Decision No. 74871. In that decision, we took
18 judicial notice of the ADHS study. We also approved a modified opt-out tariff for APS. Finally, we
19 decided to submit the records of both this proceeding and of Docket No. E-00000C-11-0328 to the
20 FCC in order to provide that agency with the information that has been presented to us.

21 12. In Decision No. 74871, we reduced the proposed initial set-up fee to \$50.00; however,
22 we limited this fee to those customers who already have a smart meter in place. Customers who
23 currently have analog meters would not be subject to a set-up fee. In addition, we reduced the
24 monthly fee from \$21.00 (as proposed by APS) to \$5.00.

25 13. Interveners Woodward and Ferre timely filed separate Applications for Rehearing
26 pursuant to A.R.S. § 40-253.

27 14. On January 22, 2015, we granted both applications for rehearing for the limited
28 purpose of further consideration.

 15. We subsequently considered this matter at open meetings in March and April.

1 16. The issues presented by APS's proposed opt-out tariff have attracted significant public
2 attention. The comments that we have received from the public show that some individuals continue
3 to be concerned about the various issues that may surround smart meters.

4 17. Although APS has presented its application as a tariff filing, we think that these issues
5 would benefit from the type of comprehensive review that is conducted in a general rate case. A
6 tariff filing proceeding, which is typically processed in a more abbreviated fashion, is ill-suited to
7 address the issues presented herein.

8 18. It is our understanding that APS intends to file a general rate case within the next 18-
9 24 months. We note that, pursuant to our decision in APS's last rate case, the Company may file its
10 next general rate case as soon as June of 2015.

11 19. We believe that our consideration of this matter will be aided by the full spectrum of
12 information that is included in a general rate case. We will therefore stay this proceeding until APS
13 files its next general rate case, at which time the two cases may be consolidated or processed in
14 tandem.

15 20. Pursuant to A.R.S. § 40-253(E), we specifically rescind and abrogate Decision No.
16 74871 at this time.

17 21. In the interim, APS should continue to provide analog meters to those customers who
18 ask for them.

19 22. We will also require APS to track the unrecovered costs of its continued provision of
20 analog meters, including the costs of such meters, the costs of meter reading, and any other costs
21 attributable to providing customers with analog meters. APS may defer those unrecovered costs, and
22 may request recovery of any reasonable and prudent unrecovered costs in its next rate case.

23 23. Also in its next general rate case, APS shall provide the following information in order
24 to assist us with our evaluation of these issues:

25 a. The total number of APS customers who have elected to be served with analog
26 meters in the test year;

27 b. A breakdown by county of the number of APS customers who have elected to be
28 served with analog meters in the test year;

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- c. The average per-customer, test-year costs of providing service with an analog meter as compared to the average per-customer, test-year costs of providing service with a smart meter;
- d. The test-year costs and expenses attributable to allowing customers to receive service through an analog meter;
- e. The estimated bill impacts of spreading the cost recovery of an opt-out program across all APS customer classes;
- f. The estimated bill impacts of confining the cost recovery of an opt-out program to those customers who elect to forego an AMI meter;
- g. The estimated bill impacts of spreading the cost recovery of an opt-out program across all residential customers; and
- h. A comparative analysis of the costs and benefits of smart meters as opposed to the costs and benefits of analog meters.

23. Our action in this matter is taken without prejudice to APS and to the parties to pursue these matters in APS's next rate case, and without prejudice to Mr. Woodward to pursue his complaint in Docket No. E-01345A-14-0113.

24. This decision is not intended to foreclose any party from continuing to file pleadings or other information in this docket in the interim.

CONCLUSIONS OF LAW

1. APS is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of this case pursuant to Article XV of the Arizona Constitution and Title 40 of the Arizona Revised Statutes.

3. The Applications for Rehearing filed by Warren Woodward and Patricia Ferre are hereby granted, as discussed herein.

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4. Decision No. 74871 is specifically rescinded and abrogated pursuant to A.R.S. § 40-253(E), and we hereby grant relief on an interlocutory basis, as discussed herein.

5. It is reasonable to allow APS to defer the reasonable and prudent unrecovered costs discussed in Finding of Fact No. 22 for possible recovery in its next rate case.

6. APS's Application in this docket is hereby stayed until the filing of APS's next general rate case.

ORDER

IT IS THEREFORE ORDERED that the Applications for Rehearing filed by Warren Woodward and Patricia Ferre are hereby granted, as discussed herein.

IT IS FURTHER ORDERED that Decision No. 74871 is specifically rescinded and abrogated pursuant to A.R.S. § 40-253(E), and relief is granted on an interlocutory basis, as discussed herein.

IT IS FURTHER ORDERED that APS may defer the reasonable and prudent unrecovered costs discussed in Finding of Fact No. 22 for possible recovery in its next rate case.

IT IS FURTHER ORDERED that APS's Application in this docket is hereby stayed until the filing of APS's next general rate case.

IT IS FURTHER ORDERED that this order shall take effect immediately.

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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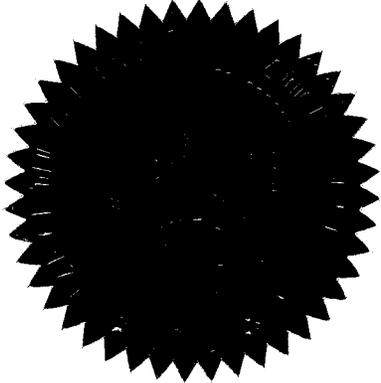

CHAIRMAN


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 30th day of April, 2015.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

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

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