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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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COMMISSIONERS

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

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 MOVANTS' COMMENTS ON STAFF REPORT AND PROPOSED ORDER

The undersigned Joint Movants hereby submit these Comments on the Staff Report and Proposed Order filed on September 25, 2015 in the above-captioned docket ("Exceptions"), and is intended to supplement the comments concurrently filed by Arizona Public Service Company ("APS"). For reasons described more fully below, Joint Movants assert that the recommendation by Staff that fifty percent of amounts deferred by APS after June 30, 2016, be recovered only from existing AG-1 customers, is inconsistent with precedent established in Commission Decision Nos. 74880 (December 23, 2014) and 75165 (July 15, 2015), as well as Arizona law requiring that a surcharge be established within the context of a rate proceeding.

DISCUSSION

In Decision No. 74880, the Commission approved special electric service contracts ("ESAs") between APS and IO Capital Princess, LLC and IO Phoenix One, LLC. In Decision No. 75165, the Commission approved an ESA between APS and eBay, Inc.

1 Both IO entities and eBay, Inc. are large commercial customers that were taking service
2 pursuant to APS' E-32 and E-35 rate tariffs. However, the Commission concluded in both
3 decisions that approval of the ESAs was important for purposes of customer retention and
4 economic development, *despite* any negative impact to APS' revenue and fair value rate
5 base.¹

6 More importantly, however, was the Commission's determination that approval of
7 the ESAs did not guarantee any future ratemaking treatment of the ESAs, nor indicate
8 whether the Commission would approve or not approve a High Load Factor tariff, in a
9 future APS rate case.² In both cases, the ratemaking impact of the ESAs to APS' revenue
10 and fair value rate base were reserved for resolution in APS' next rate case.

11 By contrast, Staff is recommending that the impact of deferral costs for extending
12 the AG-1 tariff, and cost recovery of same, be determined *prior to* APS' next rate case.
13 This recommendation ignores the precedent established in Decision Nos. 74880 and
14 75165 as to when the Commission will consider the ratemaking treatment of approval, as
15 well as Arizona law that requires such determinations to be made within the context of a
16 rate proceeding. See *Residential Util. Consumer Officer v. Ariz. Corp. Comm'n*, 719 Ariz.
17 Adv. Rep. 5, ¶ 20 (App. 2015).

18 CONCLUSION

19 Joint Movants respectfully request that the Commission grant the motion to extend
20 the AG-1 Tariff until the conclusion of APS' next rate case, and adopt the proposed
21 amendment attached hereto as Exhibit 1.

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25 ¹ Curiously, although Staff received information and data from APS indicating that the annual revenue shortfall from
the AG-1 program has been about \$4 million since the start of the program, Staff nevertheless chose to include in the
Staff Report that the net impact was in the range of \$10 million annually.

26 ² Decision No. 74880 at Ordering Paragraph No. 2; Decision No. 75165 at Ordering Paragraph No. 2.

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RESPECTFULLY SUBMITTED this 5th day of October, 2015.

RIDENOUR HIENTON, P.L.L.C.

By  For _____
Scott S. Wakefield
201 North Central Avenue, Suite 3300
Phoenix, Arizona 85004-1052
Attorneys for Wal-Mart Stores, Inc. and
Sam's West, Inc.
swakefield@rhlfirm.com

FENNEMORE CRAIG, P.C.

By  _____
C. Webb Crockett
Patrick J. Black
2394 E. Camelback Rd., Suite 600
Phoenix, Arizona 85016-3429
Attorneys for Freeport Minerals Corporation
and Arizonans for Electric Choice and
Competition
wcrocket@fclaw.com
pblack@fclaw.com

By  For _____
Lawrence V. Robertson, Jr.
Of Counsel to Munger Chadwick, PLC
P.O. Box 1448
Tubac, Arizona 85644
Attorney for Noble Americas Energy
Solutions LLC; Constellation NewEnergy,
Inc., Direct Energy Business,
tubaclawyer@aol.com

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26

BOEHM, KURTZ & LOWRY

By _____

Kurt Boehm
Jody M. Kyler
36 E. Seventh St., Suite 1510
Cincinnati, Ohio 45202
Attorneys for The Kroger Co.
kboehm@bklawfirm.com
jkyler@bklawfirm.com

ORIGINAL and 13 COPIES of the foregoing
FILED this 5th day of October, 2015 with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing **HAND-DELIVERED**
this 5th day of October, 2015 to:

Dwight Nodes
Acting Chief Administrative Law Judge
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

Thomas M. Broderick
Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, Arizona 85007

1 **COPIES** of the foregoing MAILED/
E-MAILED this 5th day of October, 2015 to:

2 Thomas L. Mumaw
3 Thomas A. Loquvam
PINNACLE WEST CAPITAL CORP.
4 400 North 5th Street
P.O. Box 53999, MS 8695
5 Phoenix, AZ 85072
thomas.mumaw@pinnaclewest.com
6 thomas.loquvam@pinnaclewest.com

7 Daniel Pozefsky, Chief Counsel
RESIDENTIAL UTILITY CONSUMER OFFICE
8 1110 West Washington, Suite 220
Phoenix, AZ 85007
9 dpozefsky@azruco.gov

10 Timothy Hogan
ARIZONA CENTER FOR LAW IN THE
11 PUBLIC INTEREST
202 E. McDowell Road, Suite 153
12 Phoenix, AZ 85004
Attorney for Western Resource Advocates
13 *of Southwest Energy Efficiency Project, ASBA/AASBO*
and Natural Resources Defense Council
14 thogan@aclpi.org

15 Michael A. Curtis
William P. Sullivan
16 CURTIS, GOODWIN, SULLIVAN
UDALL & SCHWAB, P.L.C.
17 501 E. Thomas Road
Phoenix, AZ 85012-3205
18 *Attorneys for the Town of Wickenburg*
and Town of Gilbert
19 mcurtis401@aol.com

20 Nicholas Enoch
LUBIN & ENOCH, P.C.
21 349 N. Fourth Ave
Phoenix, AZ 85003
22 *Attorney for IBEW Locals 387, 640 and 769*
nicholas.enoch@azbar.org

23 Greg Patterson
24 MUNGER CHADWICK PLC
2398 E. Camelback Road, Ste. 240
25 Phoenix, AZ 85016
Attorneys for ACPA
26 greg@azcpa.org

1 Karen S. White
2 Air Force Utility Law Field Support Center
3 AFLOA/JACL-ULT
4 139 Barnes Drive
5 Tyndall Air Force Base, Florida 32403
6 *Attorney for FEA*
7 Karen.White@azbar.org

8 Gary Yaquinto
9 ARIZONA UTILITY INVESTORS ASSOCIATION
10 2100 North Central Ave, Suite 210
11 Phoenix, AZ 85004
12 gyaquinto@arizonaic.org

13 Jennifer Cranston
14 GALLAGHER & KENNEDY
15 2575 E. Camelback Road, 11th Flr.
16 Phoenix, AZ 85016-9225
17 *Attorneys for AIC*
18 jennifer.cranston@gknet.com

19 Jeffery W. Crockett
20 CROCKETT LAW GROUP PLLC
21 1702 E. Highland Avenue, Suite 204
22 Phoenix, AZ 85016
23 *Attorneys for Arizona Association of Realtors*
24 jeff@jeffcrockettlaw.com

25 Michael W. Patten
26 ROSKA DEWULF & PATTEN, PLC
27 400 E. Van Buren Street, #800
28 Phoenix, AZ 85004
29 *Attorneys for Tucson Electric Power*
30 mpatten@rdp-law.com

31 Cynthia Zwick
32 1940 E. Luke Avenue
33 Phoenix, Arizona 85016
34 czwick@azcaa.org

35 Bradley Carroll
36 TUCSON ELECTRIC POWER COMPANY
37 P.O. Box 711
38 88 E. Broadway Blvd., MS HQE910
39 Tucson, Arizona 85702
40 bcarroll@tep.com

41
42
43
44
45
46

- 1 David Berry
Jody M. Kyler
- 2 WESTERN RESOURCE ADVOCATES
P.O. Box 1064
- 3 Scottsdale, Arizona 85252-1064
David.berry@westernresources.org
- 4
- 5 Barbara Wyllie-Pecora
14410 W. Gunsight Dr.
Sun City West, Arizona 85375
- 6 bwylliepecora@yahoo.com
- 7
- 8 Stephen J. Baron
J. KENNEDY & ASSOCIATES
570 Colonial Park Dr., Suite 305
Roswell, GA 30075
Consultant for The Kroger Co.
sbaron@jkenn.com
- 9
- 10
- 11 Laura Sanchez
NATIONAL RESOURCES DEFENSE
COUNSEL
- 12 P.O. Box 287
Albuquerque, NM 87013
- 13 lsanchez@nrdc.org
- 14
- 15 John William Moore, Jr.
MOORE BENHAM & BEAVER, PLC
7321 N. 16th Street
Phoenix, AZ 85020
Attorney for The Kroger Co.
wmoore@mbmblaw.com
- 16
- 17
- 18 Steve Chriss
WAL-MART STORES, INC.
2011 S.E. 10th Street
Bentonville, Arkansas 72716-0500
Stephen.Chriss@wal-mart.com
- 19
- 20
- 21 Craig Marks
CRAIG A. MARKS, PLC
10645 N. Tatum Blvd
Suite 200-676
Phoenix, AZ 85028
Attorney for AARP
Craig.Marks@azbar.org
- 22
- 23
- 24
- 25
- 26

1 Jay Moyes
Steve Wene
2 MOYES SELLERS & HENDRICKS, LTD
1850 N. Central Ave. #1100
3 Phoenix, AZ 85004
Attorney for AZAG
4 jimoyes@law-msh.com
swene@law-msh.com

5 Jeffrey Woner
6 K.R. SALINE & ASSOCIATES, P.L.C.
160 N. Pasadena, Suite 101
7 Mesa, AZ 85201
jjw@krsaline.com

8 Jeff Schlegel
9 SWEEP Arizona Representative
1167 W. Samalayuca Drive
10 Tucson, AZ 85704-3224
11 schlegelj@aol.com

12 Samuel T. Miller
USAF Utility Law Field Support Center
13 139 Barnes Ave., Suite 1
Tyndall AFB, FL 32403
14 Samuel.miller@tyndal.af.mil

15 Douglas V. Fant
LAW OFFICES OF DOULAS V. FANT
16 3655 W. Anthem Way, Suite A-109,
PMB 411
17 Anthem, AZ 85085
Attorney for Interwest Energy Alliance
18 dfantlaw@earthlink.net

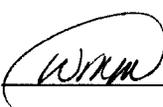
19 Nellis Kennedy-Howard
Travis Ritchie
20 SIERRA CLUB ENVIRONMENTAL
LAW PROGRAM
21 85 Second Street, 2nd Floor
San Francisco, CA 94105
22 *Attorneys for Sierra Club Environmental
Law Program*
23 Nellis.khoward@sierraclub.org
Travis.ritchie@sierraclub.org

24
25
26

1 Meghan H. Grabel
2 Osborn Maledon, P.A.
3 2929 North Central Avenue, Suite 2100
4 Phoenix, Arizona 85012
5 mgrabel@omlaw.com

6 Amanda Ormond
7 INTERWEST ENERGY ALLIANCE
8 7650 South McClintock Drive
9 Suite 103-282
10 Tempe, Arizona 85284

11 Safeway, Inc.
12 Attn: Ms. Lisa Maldonado-Kiser
13 5918 Stoneridge Mall Road
14 Pleasanton, CA 94588

15 By:  _____

16 10894181.1

17
18
19
20
21
22
23
24
25
26

EXHIBIT 1

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, TO APPROVE A RATE SCHEDULED DESIGNED TO
DEVELOP SUCH RETURN

DOCKET NO. E-01345A-11-0224

JOINT MOVANTS' PROPOSED AMENDMENT NO. 1

At Page 2, line 15, REPLACE:

“APS has indicated that the net impact to it is in the range of \$10 million annually and it does not wish to continue absorbing that negative impact beyond the expiration date.”

with:

“Based on information provided to Staff by APS, the net impact to the Company’s revenues as a result of the AG-1 program has been approximately \$4 million annually.”

At Page 5, line 23, INSERT:

25. Although Staff has articulated its reasons for recommending that any costs that are deferred should be collected solely from existing AG-1 customers, the proper time and venue to consider such arguments is during APS’ next rate case. Therefore, we will decline to adopt Staff’s recommendation concerning the collection of any surcharge solely from existing AG-1 customers for the deferral granted herein, and leave that decision for APS’ next rate case proceeding.

At Page 7, line 17, REPLACE:

“IT IS FURTHER ORDERED that amounts deferred shall be recovered only from the eight existing AG-1 customers in accordance with a methodology developed in the Company’s next rate case. Recovery shall not be avoided by termination of AG-1 in the next rate case or avoided by dropping of AG-1 or its follow-on equivalent after new rates are effective.”

with:

“IT IS FURTHER ORDERED that recovery of amounts deferred by APS shall be determined by the Commission in APS’ next rate case, except that no amount shall be recovered from residential ratepayers, consistent with the 2011 Settlement Agreement approved in Decision No. 73183.

At Page 8, line 2, DELETE:

“the deferral (including proposed calculation of amounts deferred at allocable to each existing AG-1 customer)”