

OPEN MEETING AGENDA ITEM



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Attorneys for Arizona Public Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

9 SUSAN BITTER SMITH, Chairman
10 BOB STUMP
11 BOB BURNS
12 DOUG LITTLE
13 TOM FORESE

Arizona Corporation Commission

DOCKETED

NOV 18 2015

DOCKETED BY *KC*

13 IN THE MATTER OF THE
14 APPLICATION OF ARIZONA PUBLIC
15 SERVICE COMPANY FOR APPROVAL
16 OF, WITH MINOR MODIFICATIONS,
17 CONTINUANCE OF THE COMPANY'S
18 2013 DSM IMPLEMENTATION PLAN
19 THROUGH 2015.

DOCKET NO. E-01345A-15-0095

**ARIZONA PUBLIC SERVICE
COMPANY'S COMMENTS
REGARDING STAFF'S
RECOMMENDED ORDER**

18 Arizona Public Service Company (APS) appreciates the Arizona Corporation
19 Commission (Commission) Utilities Division Staff's (Staff) work in preparing a
20 Recommended Order approving APS's proposed 2015 Demand Side Management
21 Implementation Plan. APS respectfully submits the following comments for Staff and
22 Commission consideration.

23 APS agrees with most of Staff's recommendations, including temporarily
24 continuing the Prepaid Program as a pilot, approval of new LED lighting measures,
25 revisions to the Multi-family Energy Efficiency construction and renovation rebates to
26 make them more stringent, and revisions to the non-residential retro-commissioning
27 incentive level to encourage businesses to undertake projects that will yield larger
28

1 energy savings. APS also concurs with Staff's recommendations to keep the 2015
2 budget flat at \$68.9 million and does not oppose the recommendation to apply the
3 balance of the collected, but unallocated funds to reduce the DSMAC charge. APS,
4 however, requests that the Commission amend the Staff Recommended Order as
5 follows:

- 6 ● Allow APS to count energy savings from all of its Systems Saving
7 Initiatives toward determining the performance incentive achievement tier
8 level;
- 9 ● Allow APS to count energy savings from the Conservation Voltage
10 Reduction Program toward determining lost sales for purposes of the
11 LFCR Adjustor;
- 12 ● Order that APS may suspend its Prepaid Pilot Program by the end of 2016
13 in order to facilitate the Company's move to a new customer information
14 system; and
- 15 ● Revise tables on pages 10 and 13 of the Order to reflect updated data.

16 Each of these issues is address below and proposed amendments are attached.

17 **1. Systems Saving Initiatives**

18 APS asks that the Commission reconsider two issues affecting its Systems
19 Savings Initiatives. Systems savings initiatives are critical to meeting the energy
20 efficiency goals. These types of projects can serve to leverage investments in
21 technology starting at the source of generation and continuing to the customer meter
22 without the need to fund direct customers incentives, thus reducing upward pressure of
23 DSMAC charges. At the same time, energy efficiency improvements at the system level
24 can exert downward pressure on APS rates because they can reduce system costs for all
25 customers. APS appreciates Staff's support of its initial System Savings projects.

26 As APS looks ahead and in order to make these types of projects more
27 sustainable, APS requests that it be allowed to count the savings from its system savings
28

1 initiatives for purposes of determining the applicable performance incentive tier level.
2 This change is needed to incentivize the Company to perform well and avoid penalizing
3 it for undertaking these types of initiatives. Exhibit A, which is attached, contains a
4 proposed amendment addressing APS's concerns.

5 APS also requests that the Commission allow it to include the energy savings
6 from its Conservation Voltage Reduction (CVR) program in the calculation of its LFCR
7 mechanism. Unlike system improvements that occur at the generating facility, CVR
8 results in direct customer savings and APS lost revenues. Thus, it would be appropriate
9 to include these lost revenues in the calculation of the LFCR mechanism, just as APS
10 currently does for similar energy savings to customers from our existing DSM programs.
11 Exhibit B, which is attached, contains a proposed amendment addressing APS's
12 concerns.

13 **2. Prepaid Energy Pilot Program**

14 Regarding the Prepaid Program, APS agrees with Staff's recommendations.
15 Continuation of this Program as a pilot makes sense in the short term. However, as Staff
16 points out, APS is currently unable to open the program to all customers due to
17 operational and scalability concerns. The Company's current mainframe-based
18 customer information system (CIS) was implemented by APS in the mid-1990s. It was
19 built during a time when less complicated rate structures and billing options were in
20 place. In comparison with today's browser-based computer technology, CIS is
21 cumbersome and obsolete.

22 APS is in the process of planning to deploy a new customer information and
23 billing system (New CIS) to replace its old mainframe CIS. The Company intends to
24 implement Oracle's Customer Care & Billing software package—a state-of-the-art,
25 industry-leading browser-based customer system—that will provide APS with the
26 flexibility and scalability to meet customer and technology demands well into the future.
27 APS plans to begin using its New CIS in March of 2017.

28

1 One of the many advantages to the New CIS is that the software package includes
2 many built-in features that under the current CIS system would require time consuming
3 and costly customizations. Avoiding customizations also allows APS to more readily
4 take advantage of future upgrades and software improvements issued by Oracle. This is
5 because customizations often interfere with standard upgrades and thus upgrades cannot
6 be implemented without further customizations that can prove costly and time
7 consuming and sometimes impracticable in ways that foreclose implementation.

8 The New CIS system is unable to accommodate APS's Prepaid Pilot Program
9 without customizations that would negatively affect the initial deployment and long term
10 benefits of the new system. Thus, APS requests permission to conclude its Prepaid Pilot
11 by the end of 2016. APS will suspend the program effective no later than December 31,
12 2016 and will work with customers to help them smoothly transition off of the pilot
13 program. APS anticipates proposing a revised PrePaid Program for Commission
14 consideration at a later date. The future proposed program is anticipated to address the
15 current operational and scalability problems of the current pilot. Attached as Exhibit C
16 is an amendment providing for the suspension of APS's PrePaid Pilot Program by the
17 end of 2016.

18 **3. Updates to Tables**

19 APS offers the following updates to the Projected Energy Savings table located
20 on page 10 of Staff's Recommended Order. First, APS has updated the table to reflect
21 the removal of sales to Freeport-McMoRan's consistent with Commission Decision No.
22 74813. Second, APS has updated the EE/DR Program Savings numbers to reflect the
23 MER (Measurement Evaluation and Research) adjusted numbers. An updated table is
24 attached as Exhibit D.

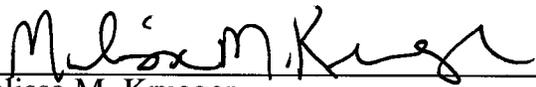
25 APS also offers updates to the DSMAC Revenue Requirements table located on
26 the top of page 13 of Staff's Recommended Order. Specifically, APS has updated the
27 collected, but unallocated funds to reflect the anticipated balance of \$32.7million in
28

1 unallocated funds through the end of 2015. If this entire balance is applied to reduce the
2 DSMAC adjustor, the amount of funds that would need to be collected through the
3 DSMAC to support a budget of \$68.9 million would be \$26,243,140. An updated table,
4 including new DSMAC numbers, is attached as Exhibit E.

5 **CONCLUSION**

6 APS appreciates Commission and Staff's work on these important matters and
7 looks forward to a discussion of these issues at the upcoming Open Meeting.

8 RESPECTFULLY SUBMITTED this 13th day of November, 2015.

9
10 By: 
11 Melissa M. Krueger
12 Thomas L. Mumaw

13 Attorneys for Arizona Public Service Company

14 ORIGINAL and thirteen (13) copies
15 of the foregoing filed this 13 day of
November, 2015, with:

16 Docket Control
17 ARIZONA CORPORATION COMMISSION
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 COPY of the foregoing mailed/delivered this
21 13 day of November, 2015 to:

22 Janice Alward
23 Legal Division
24 Arizona Corporation Commission
25 1200 West Washington
26 Phoenix, Arizona 85007

27 Thomas Broderick
28 Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

29 Dwight Nodes
30 Chief Administrative Law Judge
31 Arizona Corporation Commission
32 1200 West Washington
33 Phoenix, Arizona 85007

34 

EXHIBIT A

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #1

The purpose of this Amendment is to allow APS to include the impacts of its systems saving initiative toward determining the achievement tier level for its Performance Incentive.

Page 15, Line 13

DELETE the “not” which is between “shall” and “include”

Make all conforming changes.

EXHIBIT B

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #2

The purpose of this Amendment is to allow APS to include the energy savings from Conservation Voltage Reduction project in its calculation of the Lost Fixed Cost Recovery Mechanism.

Page 15, Line 16

DELETE the "not" which is between "shall" and "include"

Make all conforming changes.

EXHIBIT C

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #3

The purpose of the Amendment is to allow APS to suspend its Residential Prepaid Energy Conservation Pilot Program.

Page 15, Line 12

INSERT New Ordering Paragraph:

IT IS FURTHER ORDERED that Arizona Public Service Company shall suspend its Residential Prepaid Energy Conservation Pilot Program by December 31, 2015.

Make all conforming changes.

EXHIBIT D

Arizona Public Service Company
 2015 Demand Side Management Implementation Plan
 Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #4

The purpose of this amendment is to revise the Actual/Projected Sales (kWh) for 2014 to exclude Freeport-McMoran, Inc. sales and to update actual kWh savings consistent with Measurement, Evaluation and Research (MER) reports.

Page 10, lines 1-12

DELETE the energy savings table

REPLACE with:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actual/Projected Sales (kWh)*	28,154,136,000	28,087,605,000	27,021,293,000	27,661,698,000
Required Savings (%)	3.00%	5.00%	7.25%	9.50%
Required Savings from Prior year Sales (kWh)	846,309,780	1,407,706,800	2,036,351,363	2,567,022,835
EE/DR Program Savings (kWh)**	551,027,000	537,786,000	496,606,000	539,000,000
Total Cumulative Savings (kWh)	992,361,000	1,530,147,000	2,026,753,000	2,565,753,000
Savings (%)	3.52%	5.43%	7.22%	9.50%
Difference Between Required Savings and Projected / Actual Total Cumulative Savings (kWh)	146,051,220	122,440,200	(9,598,362)	(1,269,835)

*2012, 2013, and 2014 kWh sales represent actual sales from MER reports. 2015 kWh sales are estimated as provided in the 2015 DSM Plan.

**Actual kWh savings based on MER reports except for 2015 which are estimated

Make all conforming changes.

EXHIBIT E

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #5

The purpose of this amendment is to update the proposed DSMAC to reflect a December 31, 2015 balance for collected but unallocated funds and an updated revenue requirement.

Page 13, lines 1-3

DELETE: Revised Proposed Budget Table

REPLACE with:

	APS Proposed	Staff Proposed
Total 2015 Budget	\$ 68,900,000	\$ 68,900,000
Amount Recovered in Base Rates	\$ (10,000,000)	\$ (10,000,000)
Amount of Collected but Unallocated Funds	\$ (5,100,000)	\$ (32,656,860)
Total Revenue Requirement	\$ 53,800,000	\$ 26,243,140

Page 13, lines 6-7

DELETE: \$0.000822/kWh and \$0.310/kW

REPLACE with: \$0.000939/kWh and \$0.352/kW

Page 16, line 2

DELETE: \$36.5 million

REPLACE with: \$32.7 million

Page 16, lines 6-7

DELETE: \$0.000822/kWh and \$0.310/kW

REPLACE with: \$0.000939/kWh and \$0.352/kW

Make all conforming changes.

AGENDA ITEM

EXHIBIT A

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #1

The purpose of this Amendment is to allow APS to include the impacts of its systems saving initiative toward determining the achievement tier level for its Performance Incentive.

Page 15, Line 13

DELETE the "not" which is between "shall" and "include"

Make all conforming changes.

EXHIBIT B

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #2

The purpose of this Amendment is to allow APS to include the energy savings from Conservation Voltage Reduction project in its calculation of the Lost Fixed Cost Recovery Mechanism.

Page 15, Line 16

DELETE the "not" which is between "shall" and "include"

Make all conforming changes.

EXHIBIT C

Arizona Public Service Company
2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

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**Actual kWh savings based on MER reports except for 2015 which are estimated

Make all conforming changes.

EXHIBIT E

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2015 Demand Side Management Implementation Plan
Docket No. E-01345A-15-0095

APS PROPOSED AMENDMENT #5

The purpose of this amendment is to update the proposed DSMAC to reflect a December 31, 2015 balance for collected but unallocated funds and an updated revenue requirement.

Page 13, lines 1-3

DELETE: Revised Proposed Budget Table

REPLACE with:

	APS Proposed	Staff Proposed
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Amount of Collected but Unallocated Funds	\$ (5,100,000)	\$ (32,656,860)
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Make all conforming changes.