

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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E-01345A-16-0056

12 IN THE MATTER OF THE APPLICATION
 13 OF ARIZONA PUBLIC SERVICE
 14 COMPANY FOR APPROVAL OF
 15 REVISIONS TO PREFERENCE POWER
 16 RIDER, SCHEDULE PPR

DOCKET NO. E-01345A-16-_____

APPLICATION

I. INTRODUCTION

17 Arizona Public Service Company ("APS or Company") hereby requests approval
 18 from the Arizona Corporation Commission ("Commission") for revisions to its
 19 Preference Power Rate Rider, Schedule PPR. This rate rider provides a bill crediting
 20 program for certain retail customers that have received an allocation of hydro power
 21 from the Western Area Power Administration ("WAPA").

22 The proposed revisions are necessary to accommodate a new allocation of
 23 preference power that has recently been made available from the Hoover Dam. While
 24 deliveries of the new preference power will not begin until October 2017, the retail
 25 customers are required to complete their contractual and bill crediting arrangements in
 26 2016. Therefore, APS is requesting that the Commission approve the proposed revisions
 27
 28

1 at this time so that the potential participants can be informed of the changes as they are
2 completing their contractual commitments.

3 4 II. BACKGROUND

5 APS's current rate rider for preference power was approved by the Commission
6 in Decision No. 70521 (September 30, 2008); Docket E-01345A-08-0365 to allow retail
7 customers to take advantage of Arizona's allocation of hydro-electric power from
8 federal dams. The rider allows customers to credit the preference power capacity and
9 energy that are scheduled each month against the unbundled generation charges on their
10 bill. Currently there is only one retail customer taking service under the rider.

11 In 2014, WAPA awarded additional allocations of preference power from the
12 Hoover Dam directly to various wholesale and retail customers. They also awarded
13 some of the additional preference power to the Arizona Power Authority ("APA"), the
14 state agency accountable for coordinating the preference power for the state, to allocate
15 to customers in a subsequent process. These additional allocations were completed in
16 2015. As a result of these allocations, APS believes that 10 to 15 new retail customers,
17 primarily city governments, will be taking service under the revised preference power
18 rider.

19 20 III. PROPOSED REVISIONS

21 In this Application, APS proposes a number of revisions to the rider that will: (1)
22 accommodate the delivery of power from the Hoover Dam location, (2) clarify how the
23 preference power is scheduled and credited each month; (3) provide additional
24 flexibility to customers if the preference power provided by WAPA is less than their
25 expected allocation; and (4) simplify how the generation bill credits are calculated and
26 applied.

1 Concerning the point of delivery, APS proposes to take delivery of the Hoover
2 Dam power at the Mead substation, which is near the dam in Boulder City, Nevada.
3 Because APS's transmission grid is already interconnected at this point; and the total
4 potential level of preference power for retail customers is relatively low, e.g., less than
5 20 MW, APS can deliver the power from Mead to the customer's site at no additional
6 charge above the current retail rate for power transmission and delivery, which the
7 preference power customers are already paying on their bill. This is a benefit to the
8 participating customers because they do not have to arrange for, or pay an upcharge for,
9 this delivery.

10 The revised rate rider clarifies how APS will manage and schedule the preference
11 power for the customer each month on a turn-key basis. APS will prepare and
12 coordinate an hourly schedule of the preference power each month according to the
13 hours that APS most needs it – typically in our peak load hours. This helps APS receive
14 the most capacity value out of the preference power and justifies the customer receiving
15 both a capacity and energy credit off of their bill.

16 The revisions also clarify how the seasonal and annual allocation limits for each
17 customer, as specified by WAPA, are coordinated by APS. Under APS's proposal,
18 customers may shift some of their allocation from winter months to summer months, as
19 long as the total allotment for the year is not exceeded. To the extent this shifting can be
20 accommodated by WAPA, it provides additional flexibility to APS customers and also
21 benefits APS by shifting preference power to the months where system loads and power
22 costs are the highest.

23 The revised rate rider also allows preference power customers to participate in an
24 energy "firming" option supported by WAPA and APA. This option allows customers
25 to find additional sources of energy, such as non-hydro power or preference power
26 purchased from another customer, in a given month when the availability of preference
27 power is below their allotment. This option will make the preference power bill credit
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1 more stable and predictable over time, which is important to the recipients as they make
2 contractual commitments to WAPA for the next 50 years. The increased stability also
3 provides increased capacity value, which is beneficial to APS and its non-preference
4 power customers.

5 Lastly, the revised rate rider simplifies how the credits are applied to the
6 customer's bill. Under the current program, the customer's credit depends on their
7 specific retail rate and kWh and kW consumption levels for the billing account they
8 have designated for the program. In contrast, the credit rates for the proposed rider are
9 based on the size of the customer's preference power allotment, not the specific bill that
10 it's applied to, which makes it much easier for the customer to calculate and track.

11 For example, credit rates are provided for medium, large and extra-large
12 preference power allotments, which correspond to the unbundled generation charges for
13 medium, large and extra-large customers in retail rates. A customer's credit amount on
14 their bill will be the applicable credit rate (\$ per kWh) multiplied times the monthly
15 preference power kWh. The customer will also receive credit for the kWh charges from
16 Adjustment Schedule PSA-1, which is revised annually.

17 18 IV. CONCLUSION

19 The Preference Power Rider Schedule PPR with the proposed revisions is
20 attached along with the existing schedule for comparison. A redline version is not
21 provided because of the extent of the language changes in the schedule.

22 Although APS will waive any requirement that the Commission act on this
23 proposed tariff within thirty (30) days under A.R.S. Section 40-367 and 40-250(B), APS
24 does request that the rider become effective prior to the end of the third quarter of 2016
25 so that the new participants can be informed of the program changes as they are
26 completing their contractual commitments for the preference power.

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RESPECTFULLY SUBMITTED this 18th day of February, 2016.

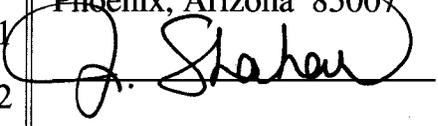
By: 

Thomas L. Mumaw

Attorney for Arizona Public Service
Company

ORIGINAL and thirteen (13) copies
of the foregoing filed this 18th day of
February, 2016, with:

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



PROPOSED REVISIONS



RATE RIDER SCHEDULE PPR PREFERENCE POWER RIDER

This rate rider is for retail customers that were awarded hydro power from a federal dam. It explains how APS will deliver the power to the customer and net it off of their retail bill. This program supports Arizona's effort to take full advantage of the State's allocation of hydro-electric power from Hoover Dam, Parker Davis Dam and Glen Canyon Dam.

APPLICATION

This Rate Schedule PPR Preference Power Rider ("Schedule PPR") is applicable to APS's ("Company") retail Standard Offer customers who receive a firm electric service allocation of preference power from the Western Area Power Administration ("WAPA"), an agency of the U.S. Department of Energy or the Arizona Power Authority ("APA"). Schedule PPR is applicable to all Preference Power allocations awarded from WAPA or APA after January 1, 2007.

Schedule PPR may be used with the following retail rate schedules: E-34, E-35, E32-L, E32-M, E32TOU-L, E32TOU-M and E-221 or successor rate schedules.

All provisions of the customer's retail rate schedule will apply in addition to Schedule PPR.

Definitions

1. Preference Power Allotment ("Allotment", "Preference Power"): Hydro power, energy and capacity, awarded to the customer from WAPA as recorded in the Federal Register or from the Arizona Power Authority ("APA"), as specified in Electrical Supply Agreement.
2. Hydro Power: Electricity produced from generators that are run by moving water.
3. Firming Power: In any given month or year the actual amount of Preference Power that the customer receives may be less than their Allotment. In this case the customer is allowed to arrange for other power, up to the energy and capacity specified in the Allotment, to make up the difference.
4. Layoff Power: Preference Power purchased from, or sold to, another allottee. Layoff Power purchased from another allottee may be used as Firming Power. Any Layoff Power purchases made above the customer's Allotment are not eligible for bill crediting under this program.

Preference Power Program

1. APS will schedule all of the Preference Power, including any Firming Power and Layoff Power, according to APS's system requirements and manage any delivery and coordination details. Any Preference Power not scheduled by APS, or not available during the Company's desired time periods, will not be eligible for bill crediting under this program.
2. APS will take delivery of the Preference Power, up to the customer's Allotment, at a delivery point specified by APS in an Electrical Supply Agreement and transport it to the customer's business location at no additional charge above the current retail rate for power transmission and delivery. The standard delivery point for Preference Power from the Hoover Dam will be the Mead substation near Boulder City Nevada.
3. The customer will designate one retail account, as the primary account to receive the Preference Power. The customer may also designate a back-up account in the event the load from the designated primary account falls below the Preference Power Allotment in an occasional month. If the customer's Preference Power Allotment is greater than any single account then up to three accounts may be used.



**RATE RIDER SCHEDULE PPR
PREFERENCE POWER RIDER**

4. The customer may change their Preference Power account designations once per calendar year.
5. The amount of Preference Power including any Firming or Layoff Power will be limited to the customer's annual and seasonal Allotment. However, the customer may schedule additional Preference Power during the summer season (March – September) and less during the winter (October – February), as long as the annual total does not exceed the Allotment.
6. The amount of the Preference Power credit will also be limited to the kWh on the customer's monthly retail bill for the designated account(s).

Bill Credit

The customer's monthly bill will first be calculated without the Preference Power according to the customer's standard retail rate schedule.

The Preference Power capacity and energy scheduled for the month will then be credited off of the retail capacity and energy charges for generation service based on the credit rates in this rate rider. The Preference Power energy will also be credited off of the kWh charges in Adjustment Schedule PSA-1, which are revised annually.

The credit rates include the unbundled generation capacity demand charges and energy charges consistent with APS's retail rates for medium, large and extra-large business customers and adjusted for average system kWh line losses. The capacity demand charges in the retail rates are converted to equivalent energy (kWh) amounts based upon class billing determinants in the most recent rate case.

The credit rates will be revised from time to time to reflect changes in the retail rates as approved by the Arizona Corporation Commission.

The credit rates are based on the size of the capacity Allotment, not the specific retail rate for the designated account(s).

Preference Power Credit Rates (\$/kWh)
(excluding credit for schedule PSA-1)

Preference Power Allotment	Summer (May - October)	Winter (November - April)
1MW and above	0.05137	0.05137
401 kW to 1 MW	0.05831	0.04192
0 - 400 kW	0.06655	0.05215

Contract

Customer must enter into an "Electrical Supply Agreement for Customers with Preference Power" with the Company prior to receiving service under Schedule PPR. This agreement will specify, among other things, the customer accounts receiving Preference Power and the amount of the Preference Power Allotment.

EXISTING SCHEDULE



RATE RIDER SCHEDULE PPR PREFERENCE POWER RIDER

APPLICATION

This Rate Schedule PPR Preference Power Rider ("Schedule PPR") is applicable to all Standard Offer customers ("Customer") who receive a Firm Electric Service allocation of preference power ("Preference Power") from the Western Area Power Administration ("WAPA"), an agency of the U.S. Department of Energy. All provisions of Customer's current applicable rate schedule will apply in addition to this Schedule PPR. Schedule PPR may be used in conjunction with all non-residential rate schedules that have unbundled charges.

Schedule PPR is applicable to new Preference Power allocations received from WAPA after January 1, 2007. Customer must enter into an "Electrical Supply Agreement" for "Customers with Preference Power" ("Agreement") with the Company prior to receiving service under Schedule PPR.

DETERMINATION OF GENERATION NET POWER

The Company will provide delivery and transmission services for Customer's Total Power, and will provide generation services for the Customer's Net Power, according to the following definitions:

1. Total Power equals Customer's demand ("Total Demand") and energy ("Total Energy") for the billing period, as metered by the Company.
2. Preference Power equals the demand ("Preference Demand") and energy ("Preference Energy") from Customer's Firm Electric Service allocation for the billing period, as scheduled by the Company. Preference Power will be reduced for electrical losses as specified in the Agreement.
3. Net Power equals Total Power less Preference Power. Net Demand equals Total Demand less Preference Demand. Net Energy equals Total Energy less Preference Energy for the billing period. If Total Power is less than Preference Power for a billing period, then Net Power shall equal zero for the billing period.

RATES

Service under this rate schedule shall be billed according to Customer's current applicable rate schedule, except as follows:

1. The eligibility for placement on a rate schedule will be determined by Total Demand.
2. The unbundled generation kWh charges in Customer's current applicable rate schedule will be applied to the Net Energy used.
3. The determination of billing kW for generation services shall be based on Net Demand computed in accordance with the provisions of Customer's current applicable rate schedule. The determination of billing kW for transmission and delivery services shall be based on Total Demand computed in accordance with the provisions of Customer's current applicable rate schedule.
4. The kWh charges under Adjustment Schedule PSA-1 and Adjustment Schedule EIS will be applied to the Net Energy determination.
5. All other kWh and kW charges in Customer's current applicable rate schedule and any other applicable adjustment schedules will be applied to the Total Energy or Total Demand, as applicable.