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COMMISSIONER STUMP'S REVISED PROPOSED AMENDMENT NO. 2

DATE PREPARED: July 12, 2016

COMPANY: Arizona Public Service Company AGENDA ITEM NO. 18

DOCKET NO. E-01345A-15-0182 OPEN MEETING DATE: July 12 and 13, 2016

Arizona Corporation Commission

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Page 11, Line 10

INSERT NEW FINDINGS OF FACT:

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“34. As part of its 2016 DSM Plan, APS is to develop and propose to the Commission, for approval, within 120 days of the effective date of this Order a residential DR or load management program that facilitates residential energy storage technology. This technology should primarily aid residential customers to reduce their electricity demand during periods of system peak demand. APS should anticipate spending up to \$4 million on this program, which may be funded using the DSMAC overcollection.

35. Residential customers who participate in the program will be placed on advanced, time-differentiated rate plans. Traditional inclining kWh-based rates may be appropriate for non-technology adopters. However, distributed generation technology may require sending more complex price signals not otherwise appropriate for traditional customers. An advanced rate designed for technology adopters may be needed to ensure a successful program implementation that maximizes benefits to participating customers as well as non-participants. This advanced rate would include proper price signals based on the principles of: 1) an On Peak/Off Peak rate with sufficient rate spread between the two time periods, 2) a manageable On Peak window to allow for adequate “peak shaving,” and 3) proper price signals based on seasonality. As such, APS will use rate plans and tariffs deemed appropriate by the Company for participants in this program.

36. Given the developing nature of this energy storage technology program, the Commission will waive its normal benefit-cost threshold and revisit the program and measures in the Company’s 2018 DSM Plan. However, APS will report the benefit-cost results of the program and of each energy storage measure as part of its regular reporting process for DSM.

37. Given the Commission’s intent to support the deployment of DSM technologies and services, including energy storage, to help ratepayers better manage energy usage and also to ensure adequate emphasis on reducing peak demand, the Commission’s cost effectiveness analysis methodology should be updated. Consistent with previous Orders (Decision Nos. 72747, 73089, and 73229), Staff shall convene a workshop that includes the Company and interested stakeholders and report back to the Commission with appropriate recommendations within 120 days of the effective date of this Order. Staff may retain an independent third-party consultant to assist this Staff-led workshop. The workshop should address, but is not limited to:

- The Commission’s current cost-effectiveness test methodologies,
- The appropriate treatment of peak demand reductions and demand response/load management programs, as well as their capacity benefits in cost-effectiveness tests,
- Consideration of the recommendations supported by the DSM collaborative and RUCO as described in the memo entitled, “Arizona Benefit Cost Analysis of DSM Programs Memo No. 1,” filed on January 31, 2011, in Docket No. E-04204A-11-0056, and
- Modifications to the calculation and contributions of Demand Response and Load Management Peak Reductions on the Energy Efficiency Standard.”

Page 11, Line 12

After “Weatherization” INSERT: “, Energy Storage Technology,”

Page 13, Line 17

INSERT:

“IT IS FURTHER ORDERED that APS propose to the Commission, for approval, a residential DR or load management program with a budget of up to \$4 million, which may be funded using the DSMAC overcollection, that facilitates energy storage technology, as discussed herein, within 120 days of the effective date of this Order.”

IT IS FURTHER ORDERED that APS modify its 2017 DSM Plan within 120 days of the effective date of this order to include the energy storage technology program, as discussed herein, with a budget of up to \$4 million, which may be funded using the DSMAC overcollection.

IT IS FURTHER ORDERED that APS report the benefit-cost results of the energy storage technology program and of each energy storage measure as part of its regular reporting process for DSM. Given the developing nature of this energy storage technology program, the Commission will waive its normal benefit-cost threshold and revisit the program and measures in the Company’s 2018 DSM Plan.

IT IS FURTHER ORDERED that the Commission’s cost-effectiveness analysis methodology should be updated as mentioned in Finding of Fact 37. Consistent with previous Orders (Decision Nos. 72747, 73089, and 73229), Staff shall convene a workshop that includes the Company and interested stakeholders and report back to the Commission with appropriate recommendations within 120 days of the effective date of this Order. Staff may retain an independent third-party consultant to assist this Staff-led workshop. The workshop should address, but is not limited to:

- The Commission’s current cost-effectiveness test methodologies,
- The appropriate treatment of peak demand reductions and demand response/load management programs, as well as their capacity benefits in cost-effectiveness tests,