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ARIZONA CORPORATION COMMISSION

Gary Pierce
Commissioner

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January 30, 2009

Re: APS's Time-of-Use Rates; Docket No. E-01345A-08-0172

Dear Parties to the Docket:

The Arizona Corporation Commission has been a leader in requiring Arizona utilities to offer time-based rates. Due in part to this leadership, Arizona Public Service (APS) has one of the most utilized time-of-use (TOU) plans in the nation. I support TOU rates for many reasons, including the fact that they (1) enhance ratepayers' ability to control their electric bills, (2) reduce the need for utilities to purchase expensive peaking power, and (3) more fairly allocate to each ratepayer the costs of his or her electric consumption decisions. I believe the Commission should continue to push our utilities for rates that more accurately reflect the cost of electricity at the moment it is produced and consumed. I look forward to reviewing the parties' views about the effectiveness of APS's existing TOU plans and the desirability of its proposals to offer residential and commercial customers additional TOU plans.

Over the course of my tenure on the Commission, I have come to question whether APS's TOU rates have unintentionally been allowed to develop in such a way that systemically disadvantages TOU ratepayers relative to non-TOU ratepayers. I have not reached any specific conclusions on this issue, but it would be helpful to me in my consideration of these matters and for purposes of a check on APS's cost of service study for APS to file additional information in this docket.

I request APS create an array of ten hypothetical residential ratepayers and ten hypothetical commercial ratepayers who each have the exact load profile—i.e. proportional—as the utility's during the day in which APS experienced its peak demand during the test year.[1] The total amount of energy consumed by the first hypothetical residential ratepayer should place that ratepayer in the fifth percentile of the total amount of energy consumed in a month by residential ratepayers in the company's service territory. The total amount of energy consumed by the second residential ratepayer should place him or her in the fifteenth percentile of the amount of energy consumed in a month by a residential ratepayer. The third residential ratepayer should be at the twenty-fifth percentile, and so on, until the tenth residential ratepayer consumes energy at the ninety-fifth percentile of residential ratepayers. APS should similarly create an array of hypothetical commercial ratepayers. Then I would like APS to calculate the total monthly bill

[1] For seasonal TOU rates, APS should use its peak day during each season during the test year. To the extent that APS's existing or proposed TOU rates are premised on a load profile that differs from its actual load profile during its peak day during the test year, I want APS to provide all of the information requested in this letter for both APS's actual load profile on peak day and the load profile APS used to develop its TOU rates.

for each ratepayer under each TOU plan for which that ratepayer is eligible, or will be eligible if APS's proposed TOU plans are approved as filed, and compare those amounts to the total monthly bill for each ratepayer under the most popular existing and proposed non-TOU plans.[2] For those rates with seasonal components, bills should be developed for each season. In listing the total monthly bill under each rate plan, APS should present the total monthly customer charge, energy charge, demand charge, and surcharges, as applicable. Finally, for each set of ten hypothetical customers and for each season, present a graph with energy represented on the horizontal axis and price represented on the vertical axis showing the points for the TOU and non-TOU bills.

I expect to have follow-up questions for the parties once APS has filed the foregoing information in the docket. Accordingly, APS should provide supporting calculations in Microsoft Excel format with formulae intact so that all parties can duplicate and comment on the information APS submits. The information should include the load data APS used in its calculations.

I look forward to reviewing APS's response to this letter. If a party has any questions concerning this request, please file those questions in the docket requesting clarification.

Thank you in advance for your efforts in helping me obtain answers to my questions.

Sincerely,

Commissioner Gary Pierce

cc. Chairman Kristin Mayes
Commissioner Sandra Kennedy
Commissioner Bob Stump
Commissioner Paul Newman
Earnest Johnson
Janice Alward
Lyn Farmer
Mike Kearns
Rebecca Wilder

[2] In the event that the most popular non-TOU plan is not the most advantageous non-TOU for any of the hypothetical ratepayers, I would like APS to also compare the TOU plan(s) against the most advantageous non-TOU plan.