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State regulators approve modest APS rate hike

By Ed Taylor
Tribune

The Arizona Corporation Commission approved a modest rate increase for Arizona Public Service late Wednesday while requiring the utility to expand its renewable energy and energy-efficiency efforts.

The vote was 4-1 with commissioner Gary Pierce dissenting.

The settlement, which was supported by a wide range of consumer, environmental and other groups, will raise APS electric rates by about one-half of 1 percent beginning on Jan. 1. The average monthly residential electric bill will rise about 64 cents — from \$132.87 to \$133.51, according to APS and commission calculations.

The rate increase was so modest because the commission factored in the declining price of natural gas in the agreement. APS uses natural gas extensively for generating electricity, and the market price for the fuel has declined sharply during the economic recession.

If the lower fuel price were not included, the increase in the average monthly residential bill would have been \$6.32, the commission figured.

The agreement exempts some low-income customers from any rate increase and expands the company's low-income bill assistance program by \$8 million.

Also, the Phoenix-based utility agreed to expand its renewable-energy programs by building a photovoltaic solar power plant, installing more solar rooftop panels on schools and seeking an Arizona wind generation project.

The utility, which is a unit of Phoenix-based Pinnacle West Capital Corp., also agreed not to seek another increase in its base rates for 2 1/2 years. However, the commission could allow rate increases during that time to cover any future increases in the cost of fuel.

APS President Don Robinson said company officials are happy with the commission's action.

“This agreement should provide APS a level of financial stability that allows the company to make smart investments in renewable resources and electric infrastructure while also helping customers manage their bills with strong energy-efficiency programs,” he said in a written statement.

Consumer and environmental groups also released statements approving of the agreement — especially the energy-conservation programs.

“The commission worked hard to get APS ratepayers a good deal,” said Jeff Schlegel of the Southwest Energy Efficiency Project. “The energy-efficiency measures to be installed in 2010-12 will save 13.5 million megawatt hours of energy over their lifetime, equivalent to the electricity used by about 1 million homes in a year.”

One of the energy-efficiency programs approved by the commission was a refrigerator recycling program in which APS will pick up old energy-guzzling refrigerators from the homes of customers who no longer need them and transport them to a recycling center. As a result, the inefficient refrigerators will be permanently removed from the market.

Pierce opposed the agreement because he said it was too much — giving APS a \$346 million annual increase in its basic rates. He said the base-rate increase was masked by the decline in natural gas prices, but the price of the fuel could rise again in the future and open the door to another hike. He also disagreed with the way the commission was accounting for the cost of extending power lines to new developments.

“We’re making fundamental changes to accounting policy that will not be good for ratepayers in the long run,” he said.

In a separate but related action Wednesday the commission unanimously approved a measure that would require all regulated utilities in Arizona to expand their energy-efficiency programs to achieve annual savings of 22 percent by 2020.

Utilities will be required to file energy-efficiency plans on June 1 every other year describing how they will meet their efficiency goals for the next two years.

Examples of such programs are house-weatherization measures that reduce energy consumption, home energy audits and incentives for consumers to use compact fluorescent light bulbs and replace old home appliances with more efficient models.

“The negawatt — energy we don’t have to produce and use — is the cheapest form of electricity of all, and we should do everything we possibly can to maximize it,” said commission Chairwoman Kris Mayes.

The efficiency rules still must be approved by Arizona Attorney General Terry Goddard, to ensure they comply with state law, before they can be implemented.