

_____ Passed _____ Failed	ORIGINAL THIS AMENDMENT: _____ passed as amended by _____ _____ Not Offered	 0000017469
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HATCH-MILLER PROPOSED AMENDMENT #2

TIME/DATE PREPARED: 3:30 pm/March 23, 2005

COMPANY: Arizona Public Service Company AGENDA ITEM NO. U-1

DOCKET NO. E-01345A-03-0437 OPEN MEETING DATE: March 24 and 28, 2005

Page 16 , Line 16, after "ratepayers." INSERT:

"We agree that the use of an adjustor when fuel costs are volatile prevents a utility's financial condition from deteriorating. We are less inclined, however, to adopt an adjustor as a way to keep pace with load growth. Although APS' rebuttal testimony indicated that its fixed costs would increase in relation to its load growth, we are concerned about the potential for single-issue ratemaking and whether APS' fixed costs will increase in the same proportion as its fuel costs. According to the late-filed exhibits, the majority of the increased fuel costs are caused by increased load growth, rather than price volatility in fuel. In effect, the adjustor as designed provides annual step increases in rates. We believe APS must have an incentive to file a rate case so that we can determine the accuracy of its assertion about expenses. Therefore, we will adopt an adjustor that collects or refunds the annual fuel costs that differ from the base year level. However, we will limit the adjustor to 4 mil from the base level over the entire term of the PSA and will cap the balancing account to an aggregate amount of \$100 million."

Make conforming changes as necessary.

Arizona Corporation Commission

DOCKETED

MAR 28 2005

DOCKETED BY	<i>[Signature]</i>
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