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AZ CORP COMMISSION
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6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7 IN THE MATTER OF THE APPLICATION
8 OF CHAPARRAL CITY WATER
9 COMPANY, INC., AN ARIZONA
10 CORPORATION, FOR A
11 DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT
AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO. W-02113A-04-0616

**REQUEST FOR OFFICIAL
NOTICE OF RATE INCREASES
REQUESTED BY ARIZONA
PUBLIC SERVICE COMPANY
AND SALT RIVER PROJECT**

12
13 Chaparral City Water Company, Inc. ("Chaparral City") hereby requests that
14 administrative notice be taken of Arizona Public Service Company's ("APS")
15 application¹ ("Application"), filed on July 22, 2005, in Docket No. E-01345A-05-0526,
16 to recover \$100 million in unrecovered fuel and purchased power costs through the
17 automatic adjustment mechanism ("PSA") approved by the Arizona Corporation
18 Commission ("Commission") in Decision No. 67744 (April 7, 2005). This rate
19 adjustment represents an increase in APS' revenues of approximately 2.2%. Application
20 at 1. While there is no guarantee that the Commission will approve all of APS' fuel and
21 purchased power costs, it is likely that some level of recovery will be approved. APS
22 also states that because it will reach the \$100 million cap in PSA cost deferrals during
23 the summer of 2006, another surcharge filing will be necessary. *Id.* at 4.

24
25 ¹ In the Matter of the Application of Arizona Public Service Company for Approval of a Power Supply
26 Adjustor Surcharge.

1 Chaparral City also requests that administrative notice be taken of Salt River
2 Project's ("SRP") announcement that it intends to increase its residential and business
3 rates on or about November, 2005. The SRP revenue increase is reported to be 2.9%,
4 and is also the result of increases in fuel costs. See "APS seeking another hike in
5 customer electric bills," *The Arizona Republic*, Section B, page 1 (July 23, 2005) (copy
6 attached). The foregoing facts are relevant to Chaparral City's request for authorization
7 of a purchased power adjustment mechanism, and support the discussion found in
8 Chaparral City's Closing Brief (filed July 6, 2005) at pages 22-28, and its Reply Brief
9 (filed July 20, 2005) at pages 15-17.

10 RESPECTFULLY SUBMITTED this 28th day of July, 2005.

11 FENNEMORE CRAIG

12
13 By  _____

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20 ORIGINAL and 13 copies of the foregoing
21 delivered for filing this 28th day of July, 2005, to:

22 Docket Control
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24 1200 W. Washington St.
25 Phoenix, AZ 85007

26 COPY hand-delivered this 28th day of July, 2005, to:

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EXHIBIT

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APS seeking another hike in customer electric bills

Ken Alltucker
The Arizona Republic
Jul. 23, 2005 12:00 AM

Four months after winning approval to increase rates, Arizona Public Service Co. late Friday asked state regulators for another increase in electricity bills to help offset the rising cost of fuel.

APS wants state regulators to approve an "adjuster" that would raise the typical residential customer's bill 2.1 percent to \$110.66 from \$107.92. The utility said the increase is warranted under terms of a state-approved rate plan that allows the utility to pass along its fuel costs.

"Our costs are much higher than what we're actually collecting in rates," said Steve Wheeler, the utility's executive vice president of customer service and regulation. "The costs are stubbornly high."

The APS request comes on the heels of a rate increase approved by state regulators in March that increased the typical residential bill by 4.3 percent.

It took APS nearly two years to win approval for that increase, and it was significantly lower than the 10 percent increase that APS sought when it filed for the case in June 2003.

Yet Wheeler signaled that even more bill increases could be on the horizon if energy costs, particularly natural gas, continue to soar. Natural gas and other fuel costs jumped 24 percent over the past two years.

Salt River Project has also passed on fuel costs to customers.

Previously, APS customers had been protected from the volatile shifts in energy prices, but that rate cap expired in 2004. And a rate plan approved by the Arizona Corporation Commission in March allows the utility to recover 90 percent of fuel costs under a "power-supply adjuster."

Corporation commissioners still must review and approve the request, which would show up in November bills if the utility gets its way.

"I'm very surprised they filed so soon," Commissioner Bill Mundell said.

"I'll closely scrutinize the request to make sure they made prudent purchase of fuel and they have not brought on by their own actions."

Mundell and Commissioner Kris Mayes said they want to examine all fuel purchases made over the past few months to see if the price increase is justified.

They also plan to review the utility's power plants to investigate whether this year's outages at Palo Verde Nuclear Generating Station or the Westwing substation contributed to higher costs.

"There is no doubt natural gas prices are skyrocketing," Mayes said.

"That doesn't mean all purchases should be assessed against ratepayers."

Arizona Public Service's filing comes a week after the Valley's other major electric utility, Salt River Project, announced a plan to increase rates 2.9 percent for residential and business customers. Salt River Project's proposed rate change would take effect in November and increase the typical residential customer's bill \$3.96 per month to \$104.17.

SRP's estimate is based on average use of 1,155 kilowatt-hours while APS' estimate of \$110.66 per month is for 1,100 kilowatt-hours.

Unlike APS, SRP doesn't need the state's approval to change rates, just its own board of directors.

If SRP's board approves the rate raise at its Oct. 3 meeting, it would be the second increase since 2000.

Its last rate increase of 1.5 percent took effect in November.

Another way Salt River Project has increased bills is by passing along fuel costs. SRP implemented a 1.6 percent increase to recover fuel costs, the fifth time that SRP passed along higher fuel costs to customers since 2002.

Corporation Commissioner Marc Spitzer said the higher costs show that Arizona needs to diversify energy sources through renewable sources such as solar and wind. APS and other utilities have increasingly relied on natural gas to fire power plants because of environmental and safety concerns over coal and nuclear plants.

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