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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR APPROVAL OF A POWER SUPPLY
ADJUSTOR SURCHARGE.

DOCKET NO. E-01345A-05-0526

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
TEHREON, TO APROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH RETURN,
AND FOR APPROVAL OF PURCHASED
POWER CONTRACT.

DOCKET NO. E-01345A-03-0437

**PROPOSED PROCEDURAL
SCHEDULE FOR
CONSOLIDATED MATTERS**

On Monday, September 12, 2005, a Procedural Conference was held in the two above referenced dockets. In the course of the Procedural Conference, the Chief Administrative Law Judge advised the Parties as follows: (1) an evidentiary hearing will be necessary to the resolution of each of these two dockets; and, (2) the two dockets will be consolidated for purposes of hearing, although not necessarily for purposes of decision.

The Parties were requested to submit this pleading addressing the following issues: (1) a proposed procedural schedule for the joint proceeding, including a proposed date for the evidentiary hearing; and, (2) a proposed form of notice to customers of the proceeding. Staff has considered the matters and consulted with APS and RUCO, and submits this pleading to address the proposed

1 procedural schedule, as well as providing a description of certain agreements among the Parties
2 regarding issues raised during the Procedural Conference.

3 First, Staff and APS, along with RUCO have discussed a means of limiting issues in order to
4 permit this proceeding to occur in a timely manner, consistent with its status as an implementation of
5 an adjustment mechanism rather than a rate proceeding. In that regard, APS has agreed to withdraw
6 from consideration in this surcharge application all increased costs associated with Palo Verde
7 outages. Those costs amount to slightly less than \$20 million, but APS has agreed to withdraw a full
8 \$20 million from consideration in this surcharge application. This withdrawal is without prejudice,
9 and those costs will remain as deferred costs in the PSA balancing account, and will be subject to
10 consideration by the Commission in a later proceeding. Similarly, because this proceeding is the
11 implementation of an adjustment mechanism, APS agrees with Staff that approval for recovery in this
12 proceeding shall not impair the Commission's ability to consider whether such costs are imprudent or
13 otherwise subject to disallowance in a later rate case or proceeding specifically intended to consider
14 the reasonableness of such costs. In other words, should the Commission determine that costs
15 allowed for recovery in this proceeding were imprudent or otherwise not recoverable; their allowance
16 in this proceeding shall not prevent their subsequent disallowance and implementation of a true-up
17 proceeding related to those costs. Such findings could occur either in APS' next rate case, or in a
18 separate proceeding commenced specifically for that purpose.

19 Secondly, based on the above understanding of the nature of the issues, Staff proposes the
20 following procedural schedule, which has been agreed to by APS and RUCO:

- 21 1. APS direct testimony in support of its surcharge application to be filed on September
22 30, 2005.
- 23 2. Staff and Intervenor testimony in response to APS to be filed on October 17, 2005.
- 24 3. APS Rebuttal testimony (if any) to be filed on October 24, 2005.
- 25 4. Hearing to commence on October 27, 2005.

26
27 Recognizing that the Commission's consideration of the Plan for Administration of the APS
28 Power Supply Adjustment Mechanism has been consolidated with the surcharge application for

1 hearing purposes, Staff proposes the following schedule relating to consideration of the Plan for
2 Administration:

- 3 1. Simultaneous testimony filing by any Parties interested in the Plan for Administration,
4 to be filed on October 17, 2005.
- 5 2. Hearing to be contemporaneous with the hearing on the surcharge application, to
6 commence on October 27, 2005.

7 Staff has consulted with APS regarding the proposed form of notice of this proceeding. APS
8 has previously provided notice of the surcharge application to its customers by providing a notice in
9 their bills, including specific reference to the APS website as a source of additional information.
10 APS proposes to provide notice of the hearing in these matters by publishing notice of such hearing
11 in a newspaper of general circulation in each of its service areas. APS will publish such notice twice
12 and will specifically reference the APS website and the Commission's website as sources of
13 additional information. Staff finds notice of the hearing by publication acceptable, given that
14 customers have previously received notice of the surcharge application, which is the notice
15 customarily done in the case of surcharge requests. The publication should also explicitly reference
16 the Plan for Administration, as well as the surcharge application. However, the exact language of the
17 required published notice should be specified by the Administrative Law Judge in her Procedural
18 Order.

19 Staff and the Parties do not believe these proceedings are being conducted pursuant to A.R.S.
20 § 40-252. Therefore, the requirements of that statute are moot.

21 RESPECTFULLY SUBMITTED this 14TH day of September, 2005.

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1 Original and 13 copies of the foregoing
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5 Copy of the foregoing mailed this
6th day of May, 2005, to:

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