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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR APPROVAL OF POWER
SUPPLY ADJUSTOR SURCHARGES

DOCKET NO. E-01345A-06-0063
DECISION NO. 68646
ORDER

Open Meeting
April 4 and 5, 2006
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On February 2, 2006, APS filed an application seeking approval of power supply adjustor surcharges ("Application").
3. Pursuant to Decision No. 67744 (April 7, 2005) and as permitted by Decision No. 68437 (February 2, 2006), Arizona Public Service Company ("APS") filed an application seeking approval of two Power Supply Adjustor ("PSA") surcharges totaling \$.002165 per kWh. Together, both PSA surcharges amount to approximately a 2.6 percent increase over the rates effective February 1, 2006, and would recover approximately \$59.9 million over their respective 12-month amortization periods.
4. The \$59.9 million represents the amount in the "Paragraph 19(d) Balancing Account" after taking into consideration the recovery of 2005 PSA deferrals via the 4 mill annual PSA adjustor rate that became effective February 1, 2006. The calculations of the amount in the ...

1 "Paragraph 19(d) Balancing Account" is attached as Exhibit A. Exhibit A is a copy of an exhibit
2 in the filing made by APS.

3 5. APS requests that the surcharges be implemented in two steps. The first step is a
4 surcharge of \$.000554 per kWh to recover \$15.3 million over a 12-month amortization period with
5 the surcharge to be effective concurrent with the decision in Docket No. E-01345A-06-0009
6 (application of APS for an emergency interim rate increase and for an interim amendment to
7 Decision No. 67744). The second step is a surcharge of \$.001611 per kWh to recover \$44.6
8 million over a 12-month amortization period, with the second surcharge to become effective upon
9 the completion of the Commission's inquiry regarding unplanned 2005 outages at the Palo Verde
10 Nuclear Generating Station ("PVNGS") in Docket No. E-01345A-05-0826.

11 6. Staff calculated the impact of the \$15.3 million surcharge on residential customers.
12 The E-12 rate (and rate structure) differ for summer and winter months. Also, the usage of E-12
13 customers differs substantially across the summer and winter. For these reasons, Staff examined
14 the effect of the surcharge on E-12 customers in a representative summer month and a
15 representative winter month. Chart 1 below is based on customer usage in July of 2005. Chart 2
16 below is based on customer usage from December 2004.

17 **Chart 1 Surcharge Impact on E-12 Summer Bills**

	kWh	Customer Bill (no surcharge)	Customer Bill (w/surcharge)	Increase Due to Surcharge (\$0.000554/kWh)	Surcharge % impact
18 Median Use	818	\$ 87.71	\$ 88.17	\$ 0.46	.52%
19 Average Use	1047	\$ 117.32	\$ 117.91	\$ 0.59	.50%

22 **Chart 2 Surcharge Impact on E-12 Winter Bills**

	kWh	Customer Bill (no surcharge)	Customer Bill (w/surcharge)	Increase Due to Surcharge (\$0.000554/kWh)	Surcharge % impact
24 Median Use	531	\$ 50.30	\$ 50.60	\$ 0.30	.59%
25 Average Use	677	\$ 61.84	\$ 62.22	\$ 0.38	.61%

7. Charts 1 and 2 show the APS proposed surcharge's impact on E-12 customers with different usage characteristics. The APS proposed surcharge will raise E-12 customers' summer bills by \$0.59 or 0.50 percent on average. APS' proposed surcharge will raise customers' winter bills by \$0.38 or 0.61 percent on average.

8. Staff calculated the impact of the \$15.3 million surcharge on commercial customers. The E-32 rate (and rate structure) differ for summer and winter months. Also, the usage of E-32 customers differs across the summer and winter. For these reasons, Staff examined the effect of the surcharge on E-32 customers in an average summer month and an average winter month. See Charts 3 and 4.

Chart 3 Surcharge Impact on E-32 Summer Bills

	kWh	Customer Bill (no surcharge)	Customer Bill (w/surcharge)	Increase Due to Surcharge (\$0.000554/kWh)	Surcharge % impact
Median Use	1393	\$ 165.23	\$ 166.01	\$ 0.78	.47%
Average Use	9702	\$ 699.41	\$ 704.86	\$ 5.45	.78%

Chart 4 Surcharge Impact on E-32 Winter Bills

	kWh	Customer Bill (no surcharge)	Customer Bill (w/surcharge)	Increase Due to Surcharge amount (\$0.000554/kWh)	Surcharge % impact
Median Use	1067	\$ 119.38	\$ 119.98	\$ 0.60	.50%
Average Use	7691	\$ 494.22	\$ 498.54	\$ 4.32	.87%

9. Charts 3 and 4 show the APS proposed surcharge's impact on E-32 customers with different usage patterns. The APS proposed surcharge will raise E-32 customers' summer bills by \$5.45 or 0.78 percent on average. APS' proposed surcharge will raise E-32 customers' winter bills by \$4.32 or 0.87 percent on average.

...

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ORDER

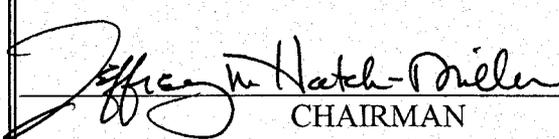
IT IS THEREFORE ORDERED that the first surcharge of \$0.000554/kWh as discussed herein be in effect concurrent with the Commission's decision in Docket No. E-01345A-06-0009, until APS collects \$15.3 million, or one year has elapsed from the date of the Commission's decision in Docket No. E-01345A-06-0009, whichever occurs first.

IT IS FURTHER ORDERED that this surcharge shall not apply to customers served under the Solar-1, Solar-2, SP-1, E-3, E-36 and Direct Access Service electric schedules.

IT IS FURTHER ORDERED that the second surcharge (Docket No. E-01345A-05-0826) is premature at this time in light of the Palo Verde inquiry.

IT IS FURTHER ORDERED that this decision should become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN

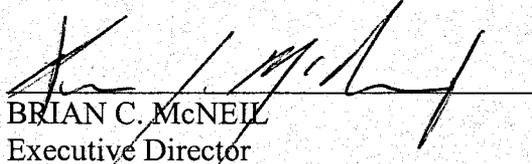

COMMISSIONER

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COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 12th day of April, 2006.


BRIAN C. McNEIL
Executive Director

DISSENT: Lawell S. Gibson

DISSENT: _____

EGJ:WPG:lhv\JG

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-06-0063

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Exhibit A

ARIZONA PUBLIC SERVICE COMPANY
2003 Year End PSA Adjustor Rate Calculation

Line No.			
	<u>PSA Adjustor Rate Calculation</u>		
1	Annual Tracking Account Amount (From Sch. 1)		\$ 167,929,726
2	Annual Tracking Account Interest (From Sch. 2)		\$ 1,652,349
3	Less: Approved Amortization Surcharge Balance		\$ -
4	Bandwidth Carry Forward from Prior Period		<u>\$ -</u>
5	Total (Credit)/Charge Amount (Line 1 + Line 2 + Line 3 + Line 4)		<u>\$ 169,582,075</u>
6	Annual Tracking Account Amount Plus Interest	\$ 169,582,075	
7	Projected Energy Sales without E-3, E-4 and E-36 (kWh)	<u>27,430,972,000</u>	
8	Computed Adjustor Rate per kWh (Line 6 / Line 7)		<u>\$ 0.006182</u>
	<u>Adjustor Rate Bandwidth</u>		
9	Adjustor Rate Bandwidth Upper Limit		<u>\$ 0.004000</u>
10	Adjustor Rate Bandwidth Lower Limit		<u>\$ (0.004000)</u>
11	Applicable Adjustor Rate per kWh		<u>\$ 0.004000</u>
12	Annual Adjustor Account (Line 7 * Line 11)		<u>109,723,888</u>
13	Surcharge Account		0
14	Amount Carried Forward to Paragraph 19d Balancing Account (Line 5 - Line 12 - Line 13)		<u><u>59,858,187</u></u>

Note: This calculation is done once a year for the change to the PSA Adjustor Rate in February.