

ORIGINAL	THIS AMENDMENT:
Passed _____	Passed as amended by _____
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MUNDELL PROPOSED AMENDMENT #1
 AZ CORP COMMISSION
 DOCUMENT CONTROL

TIME/DATE PREPARED: Thursday, April 27, 2006

COMPANY: Arizona Public Service

AGENDA ITEM NO. 1

DOCKET NO. E-01345A-06-00009

OPEN MEETING DATE: Tue 5-2-06

Page 25, Line 23 INSERT new paragraphs

“When the Commission approved the PSA in Decision No. 67744, the 90/10 sharing mechanism was viewed as an important benefit for customers, particularly the use of off-system sales margins to offset the PSA balance. Because the adoption of the PSA entailed a shifting of risk from shareholders to ratepayers that fuel and purchased power costs would increase over the level established in base rates, the credit of off-system sales margins, or net off-system sales revenues, to the PSA balance is a particularly significant feature of the PSA. This feature has not, as yet, produced the level of mitigation envisioned by the Commission when we approved the Settlement.

According to monthly reports filed by APS, the Company’s gross revenues from off-system sales for 2005 were approximately \$58.5 million with margins of approximately \$18-20 million before the 90/10 sharing. Contrast these figures with SRP’s approximately \$473 million in gross revenues for fiscal year 2005 from off-system sales. SRP does not prepare “net” off-system sales revenue figures but it was able to establish a \$55 million “rate-stabilization fund” derived primarily from these revenues. This fund will allow SRP to avoid passing on to its customers approximately \$40 million in fuel and purchased power costs associated with outages at the Palo Verde Nuclear Generating Station (“PVNGS”), while APS has a pending surcharge application seeking recovery of \$44.6 million associated with these same unplanned outages at PVNGS.

In Decision No. 67744 Staff was directed to commence a review of APS' off-system sales practices within three years of the effective date of the Order. Because of APS' disappointing off-system sales revenues, it is imperative that said review take place as part of the pending permanent rate proceeding. The review should compare APS' off-system sales revenues and practices with other electricity providers in the West. The review should also include an analysis of Pinnacle West Capital Corporation's wholesale energy sales, including, but not limited to, how the parent company's wholesale transactions impacted, if at all, APS' off-system sales revenues. We expect the parties to fully explore ways of increasing APS' off-system sales revenues that will benefit both the Utility and its customers.”

Page 34, Line 2 INSERT New Finding of Fact #49,

“In Decision No. 67744 Staff was directed to commence a review of APS' off-system sales practices within three years of the effective date of the Order. Because of APS' disappointing off-system sales revenues, it is imperative that said review take place as part of the pending permanent rate proceeding. The review should compare APS' off-system sales revenues and practices with other electricity providers in the West. The review should also include an analysis of Pinnacle West Capital Corporation's wholesale energy sales, including, but not limited to, how the parent company's wholesale transactions impacted, if at all, APS' off-system sales revenues. We expect the parties to fully explore ways of increasing APS' off-system sales revenues that will benefit both the Utility and its customers.”

Page 36, Line 11 INSERT New Ordering Paragraph

“IT IS FURTHER ORDERED that Staff shall commence a review of APS' off-system sales practices place as part of the pending permanent rate proceeding, including a comparison of APS' off-system sales revenues and practices with other electricity providers in the West. The review shall also include an analysis of Pinnacle West Capital Corporation's wholesale energy sales, including, but not limited to, how the parent company's wholesale transactions impacted, if at all, APS' off-system sales revenues. The parties will fully explore ways of increasing APS' off-system sales revenues that will benefit both the Utility and its customers.”

Make all conforming changes.