

ORIGINAL



0000061924

COMMISSIONERS

JEFF HATCH-MILLER- Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG



ARIZONA CORPORATION COMMISSION

Direct Line: 602-542-3682
Fax: 602-542-3708
E-mail: MGLEASON@AZCC.GOV

oama

October 4, 2006

RE: **Arizona Public Service Company**
Permanent Rates (Docket No. E-01345A-05-0816)
PVNGS Outages (Docket No. E-01345A-05-0826)
Fuel and Purchased Power Practices (Docket No. E-01345A-05-0827)

Dear Parties to the Docket:

I have been considering the potential advantages and disadvantages of the various power supply adjustor (PSA) mechanisms that have been proposed in pre-filed testimony in these proceedings. Although I have not reached any conclusions about the relative merits of these proposals, I would like to broaden the range of PSA mechanisms for consideration in this case to include one that:

- Uses a monthly PSA rate based on the rolling average of the Company's fuel and purchased power costs during the previous 24 months.
- Applies the PSA rate to the base cost of fuel and purchased power each month.
- Tracks the monthly amount the Company's collection is above or below its fuel and purchased power expense.
- Does not impose any limit on the amount by which the PSA rate may vary.
- Does not impose any cap on the PSA.

I am asking APS, Commission Staff, and RUCO, to each file a proposed PSA that meets these characteristics. In addition, I encourage Arizonans for Electric Choice and Competition, and any other party who is qualified and willing to contribute, to do likewise.

Sincerely,

Mike Gleason
Mike Gleason
Commissioner

Arizona Corporation Commission
DOCKETED

OCT - 4 2006

DOCKETED BY *NR*

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 OCT - 4 P 3: 55

RECEIVED

c: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Kristin K. Mayes
Commissioner Barry Wong