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BEFORE THE ARIZONA CORPORATION

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Arizona Corporation Commission
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DOCKET NO. E-01345A-05-0816

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 THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN, AND TO AMEND
DECISION NO. 67744.

IN THE MATTER OF THE INQUIRY INTO
THE FREQUENCY OF UNPLANNED
OUTAGES DURING 2005 AT PALO
VERDE NUCLEAR GENERATING
STATION, THE CAUSES OF THE
OUTAGES, THE PROCUREMENT OF
REPLACEMENT POWER AND THE
IMPACT OF THE OUTAGES ON
ARIZONA PUBLIC SERVICE
COMPANY'S CUSTOMERS.

DOCKET NO. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF THE
FUEL AND PURCHASED POWER
PRACTICES AND COSTS OF THE
ARIZONA PUBLIC SERVICE COMPANY.

DOCKET NO. E-01345A-05-0827

**COMMENTS OF ARIZONA PUBLIC SERVICE COMPANY
ON STAFF LATE-FILED EXHIBIT NO. S-50**

Pursuant to the Procedural Order in the above-captioned matters dated March 19, 2007, Arizona Public Service Company ("APS" or "Company") hereby submits its comments on Staff's Late-Filed Exhibit No. S-50 ("Staff Exhibit"). APS is also providing a redline of the Staff

1 Exhibit, as well as revised Schedules to that Plan of Administration (“POA”), that incorporate
2 the Company’s comments. Although APS has discussed its comments with Staff, the Company
3 cannot, for the most part, represent that Staff either agrees or disagrees with such comments. To
4 the extent the Company’s comments reflect some of the remaining substantive differences
5 between the two parties concerning the Staff’s power supply adjustor (“PSA”) proposal (e.g., the
6 treatment of broker fees), APS can represent that Staff remains in disagreement with the
7 Company. Finally, APS’s comments will be sequential rather than in order of importance.

8 Page 2:

9 The proposed changes to 3b would clarify that at the point the Commission would be
10 considering a mid-year change, we should be looking at anticipated recoveries versus costs for
11 the entire PSA year. The fact that to date actual recoveries may be more or less than actual costs
12 at mid-year would not warrant a mid-year adjustment if the over/under recovery was expected to
13 be self-correcting over the remaining months of the PSA year.

14 Although not another change to the text of page 2, APS would note that the term “PSA
15 Year” is clearly defined at the bottom of the page (and again on page 8) as being February
16 through January. Schedule 3 would need to be changed to reflect that definition.

17 Page 3:

18 This additional language in the first paragraph under “Historical Component Description”
19 is again intended to clarify that at the time the filings contemplated by the Staff POA are made to
20 establish the “Historical Component,” the costs and recoveries for the PSA year “Forward
21 Component Tracking Account” will be projected through January 31st of the PSA Year, rather
22 than reflecting actual recoveries and costs as of the date of filing. Any discrepancies between
23 actual and projected costs/recoveries for this tracking account will be reconciled with the actual
24 January filing for the PSA Year for both the “Transition Component Tracking Account” and the
25 “Historical Component Tracking Account.”

26 The proposed changes to the fourth paragraph of this section (and to footnote 3) reflect
27 that the “Historical Component,” like the “Forward Component,” for a particular PSA year is
28 subject to Staff review (as well as review by other parties) but would go into effect at the

1 beginning of February of the PSA Year without formal Commission action unless the
2 Commission affirmatively determined in an Open Meeting that it should not. This is consistent
3 with the language later in the Staff POA at page 6.

4 Although APS does not believe that any other language changes are required to page 3, it
5 would emphasize that there is a clear distinction between the monthly reporting filings required
6 under the PSA and the September 30/December 31 filings that are used to establish the Forward
7 and Historical Components of the Staff PSA. The former report actual costs and recoveries with
8 regard to the respective accounts used for the PSA, but they do not provide projections of future
9 costs and recoveries. These projections are, of course, essential elements of the September
10 30/December 31 filings referenced throughout the Staff POA.

11 Pages 4 and 5:

12 If the Commission adopts the Company's suggestion, to which Staff witness Antonuk
13 agreed, to allow any PSA charges authorized under the current PSA, including the Step 2
14 surcharge, to operate independently of the Staff's proposed creation of a prospective PSA
15 mechanism, there is little need for any "Transition Component." However, if the Commission
16 decides to instead roll these "old" PSA charges into a "Transition Component" effective at the
17 same time as the 2007 PSA year's "Forward Component," APS has proposed modifications to
18 eliminate out-of-date language referring to events that were only relevant if the Staff proposal had
19 been accepted by the Commission prior to February 1, 2007.

20 APS has also eliminated the suggestion that any negative balance in what would become
21 the 2007 "Transition Component Tracking Account" existing as of the date the Commission
22 would approve the Staff PSA proposal could be used to offset any "Transition Component" PSA
23 charge. The uncontradicted testimony in this case is that over the PSA Year ending January 31,
24 2008, APS will significantly under recover 2007 costs under both the Staff proposal and its own.
25 Any temporary negative balance existing at the end of the first four or five months of 2007 as a
26 result of continuation of the 7 mill Interim PSA Adjustor, will be more than offset during the
27 balance of 2007 for the reasons explained in the Company's Post-Hearing Brief and the testimony
28 of APS witness Ewen. If Staff's suggestion were to be implemented, significant recovery of 2006

1 and even 2005 fuel costs would be postponed into 2008 and perhaps has late as January of 2009.

2 The remaining changes on page 5 clarify the same issues as discussed in regard to pages 2
3 and 3 relative to the use of projected collections over the entire PSA Year. They would need to be
4 incorporated for the same reasons noted above.

5 Page 6 and 7:

6 The first proposed change on page 6 and the change on page 7 make the Staff POA
7 consistent with the present PSA in that changes become effective with the first February billing
8 cycle. This avoids the need for pro-ration or for mid-cycle changes in billing rates.¹

9 The second proposed change on page 6 would clarify the "current" data means the most
10 current then available. Inputs and assumptions are not instantaneously available. Neither are they
11 revised or updated continuously. The APS proposed language recognizes that fact.

12 Page 9:

13 APS would, of course, include broker fees for the reasons discussed in its brief and at
14 hearing. Unless included in the PSA or treated as a stand alone cost of service item, the effect is
15 to totally disallow these admittedly legitimate costs of acquiring fuel and purchased power.

16 Comments on Schedules Attached to the Staff POA

17 The schedules need to include a mechanism that will allow for the flow of balances into
18 the "Historical Component" and "Transition Component" tracking accounts. Schedule 5 should
19 include not only the reference to its January 31 ending balance – which it currently does – but
20 also the actual January 31 ending balance for the Forward Component Tracking Account.
21 Similarly, the Transition Component Tracking Accounts each need to have an entry for a
22 beginning balance. As designed, these accounts are highly unlikely to begin on February 1 as the
23 other tracking accounts are. They will most likely come into existence as a result of a
24 Commission decision in the middle of the PSA Year, and the balances will be related to existing
25 balances in some other tracking account. Each of the Schedule 7s should reflect that these
26 beginning balances are the result of a Commission decision, have a unique beginning date, and

27 ¹ This same change could also be made on page 2 of the POA; although this is not shown on the
28 Company's redline because the proposed language for page 6 would seem to make the effective
date of new PSA changes clear enough.

1 are beginning with a balance that has been transferred from the Forward Component Tracking
2 Account, the Historic Component Tracking Account, and/or an account from the Prior PSA.
3 Likewise, the accounts from which these balances are being transferred should also reflect the
4 removal of these balances.

5 The schedules should reflect the previously described differences between the monthly
6 reporting PSA filings and the September 30/December 31 filings used to establish the rates for the
7 following PSA Year. In particular, the references to "Actual Data" and "Estimated Data" in the
8 headings of Schedules 5 and 7 (on row 6 of the spreadsheets) are irrelevant in that all of the data
9 reported in these schedules will be actual data reported after the fact. That is, when the Company
10 files its January report in February, the Company will be reporting in Schedules 5 and 7 the actual
11 results from January, and there is no purpose for including estimated January data. In concert with
12 this, the beginning balances for the Historic Component and Transition Component Tracking
13 Accounts in February for any PSA year can not be based on projected balances as of December
14 31 of the prior year. The actual balance as of January 31 will automatically pick up true up
15 amounts. The attached POA schedules reflect the changes described above.

16 The Company also has a couple of "cleanup" comments as to the POA Schedules:
17 Schedule 4, Line 1 – column should be "L" not "i"
18 Schedule 5, Line 7 – should be "Line 3 x Interest Rate/12" – also Schedule 7a, b and c
19 Schedule 7c – originally labeled as Schedule 7b, should be Schedule 7c
20 Schedule 7c – "Set 2" should read "Step 2"

21 APS hopes these comments will allow the Commission to approve a POA for whichever
22 of the two PSA proposals is adopted by the Commission. This will permit the PSA mechanism to
23 operate smoothly and without the sort of questions concerning its application that accompanied its
24 introduction in 2005.

1 RESPECTFULLY SUBMITTED this 26th day of March, 2007.

2 ARIZONA PUBLIC SERVICE COMPANY

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Power Supply Adjustment Plan of Administration

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1. General Description

This document describes the plan for administering the Power Supply Adjustment mechanism ("PSA") approved for Arizona Public Service Company ("APS") by the Commission on xxxxx, xx, 200x in Decision No. xxxxxxxx. This PSA replaces the Power Supply Adjustment mechanism approved in Decision No. 67744 ("the old PSA"). The PSA provides for the recovery of fuel and purchased power costs from January 1, 2007 onward.

The old PSA used historical, experienced costs to set a PSA rate, and then reconciled subsequent collections thereunder to actual costs, subject to a number of guidelines and limitations. By contrast, the PSA described in this Plan of Administration ("POA") uses a forward-looking estimate of fuel and purchased power costs to set a rate that is then reconciled to actual costs experienced. This PSA also provides for a transition method for the refund or collection of balances accrued under the old PSA, prior to its replacement by this PSA. This PSA also provides a mechanism for mid-year rate adjustment in the event that conditions change sufficiently to cause extraordinarily high balances to accrue under application of this PSA.

This POA describes the application of the PSA. It assumes that the old PSA continues to apply until the Commission decision regarding the adoption of this PSA during the first quarter of 2007.

2. PSA Components

The PSA Rate will consist of three components designed to provide for the recovery of actual, prudently incurred fuel and purchased power costs. Those components are:

1. The Forward Component, which recovers or refunds differences between expected PSA Year (each February 1 through January 31 period shall constitute a PSA Year) fuel and purchased power costs and those embedded in base rates.

2. The Historical Component, which tracks the differences between the PSA Year's actual fuel and purchased power costs and those recovered through the combination of base rates and the Forward Component, and which provides for their recovery during the next PSA Year.
3. The Transition Component, which provides for:
 - a. The refund or recovery of balances arising under the provisions of the old PSA, prior to its replacement by this PSA.
 - b. The opportunity to seek a mid-year change in the PSA rate in cases where variances between the anticipated recovery of fuel and purchased power costs for the PSA Year under the combination of base rates and the Forward Component become so large as to warrant recovery, should the Commission first deem such an adjustment to be appropriate.
 - c. The tracking of balances resulting from the application of the Transition Components, in order to provide a basis for the refund or recovery of any such balances.

The PSA Year begins on February 1 and ends on the ensuing January 31.¹ The first PSA Year in which the new PSA rate shall apply will begin on February 1, 2007 or such other date on which the Commission approves the adoption of this PSA. In any event, the first PSA Year will end on January 31, 2008. Succeeding PSA Years will begin on each February 1 thereafter.

On or before September 30 of each year, APS will submit a PSA Rate filing, which shall include a proposed calculation of the three components of the PSA Rate. This filing shall be accompanied by such supporting information as Staff determines to be required. APS will supplement this filing with Historical Component and Transition Component filings on or before December 31 in order to replace estimated balances with actual balances, as explained below.

a. Forward Component Description

The Forward Component is intended to refund or recover the difference between: (1) the fuel and purchased power costs embedded in base rates and (2) the forecasted fuel and purchased power costs over a PSA Year that begins on February 1 and ends on the ensuing January 31. APS will submit, on or before September 30 of each year, a forecast for the upcoming calendar year (January 1-December 31) of its fuel and purchased power costs. It will also submit a forecast of kWh sales for the same calendar year, and divide the forecasted costs by the forecasted sales to produce the ¢/kWh unit rate required to collect those costs over those sales. The result of subtracting the Base Cost of Fuel and Purchased Power from this unit rate shall be the Forward Component.

APS shall maintain and report monthly the balances in a Forward Component Tracking Account, which will record APS' over/under-recovery of its actual costs of fuel and purchased power as compared to the actual Base Cost of Fuel and Purchased Power revenue and Forward Component revenue. This account will operate on a PSA Year basis (*i.e.*; February to January), and its

¹ The Commission decision approving this PSA may come after February 1, 2007, in which case the first PSA Year will be less than 12 months.

balances will be used to administer this PSA's Historical Component, which is described immediately below.

b. Historical Component Description

The Historical Component in any current PSA Year is intended to refund or recover the balances accumulated in the Forward Component Tracking Account (described above) and Historical Component Tracking Account (described below) during the immediately preceding PSA Year. The sum of the projected Forward Component Tracking Account balance on January 31 of the following calendar year and the projected Historical Component Tracking Account balance on January 31 of the following calendar year is divided by the forecasted kWh sales used to set the Forward Component for the coming PSA Year. That result comprises the proposed Historical Component for the coming PSA year.

APS shall maintain and report monthly the balances in a Historical Component Tracking Account, which will reflect monthly collections under the Historical Component and the amounts approved for use in calculating the Historical Component.

Each annual September 30 APS filing will include an accumulation of Forward Component Tracking Account balances and Historical Component Tracking Account balances for the preceding February through August and an estimate of the balances for September through January (the remaining five months of the current PSA Year). The APS filing shall use these balances to calculate a preliminary Historical Component for the coming PSA Year². On or before December 31, APS will submit a supplemental filing that recalculates the preliminary Historical Component. This recalculation shall replace estimated monthly balances with those actual monthly balances that have become available since the September 30 filing.

The September 30 filing's use of estimated balances for September through January (with supporting workpapers) is required to allow the PSA review process to begin in a way that will support its completion and Staff review ~~Commission decision~~ prior to February 1. The December 31 updating will allow for the use of the most current balance information available prior to the time when a Staff review is completed ~~a Commission decision is expected~~. In addition to the December 31 update filing, APS monthly filings (for the months of September through December) of Forward Component Tracking Account balance information and Historical Component Tracking Account balance information will include a recalculation (replacing estimated balances with actual balances as they become known) of the projected Historical Component unit rate required for the next PSA Year.³

The Historical Component Tracking Account will measure the changes each month in the Historical Component balance used to establish the current Historical Component as a result of collections under the Historical Component in effect. It will subtract each month's Historical Component collections from the Historical Component balance. The Historical Component

² For example, the September 30, 2007 filing would include actual balances for February through August of 2007 and estimated balances for September 2007 through January 2008.

³ This updating to replace estimated with actual information will allow for the Staff ~~Commission~~ to use the latest available balance information in determining what Historical Component is appropriate to establish for the coming PSA Year.

Account will also include Applicable Interest on any balances. APS shall file the amounts and supporting calculations and workpapers for this account each month.

c. Transition Component Description

As of February 1, 2007, there will remain balances under the operation of the old PSA. This PSA does not make any change in the recoverability of such balances, but does apply the Transition Component as a method for recovering such balances as are already permitted for recovery under the old PSA and whose recovery the Commission may otherwise allow. The Transition Component will provide for the capturing and collection of those balances. This plan contemplates that pre-2007 balances already approved for recovery (but not already recovered) under the old PSA will be rolled into the Transition Component upon this PSA's effective date. The Commission may, however, choose to continue recovery of any approved 2005 and 2006 balances through a continuation of the old PSA, to the extent that the new PSA may not be approved at or near February 1, 2007, or to the extent that rate elements designed to recover such balances have been set for recovery periods that do not match a PSA Year. APS will continue to make the filings required under the old PSA for so long as is necessary to recover and reconcile any balances arising thereunder, to the extent that such balances have not been transferred for recovery through the Transition Component of this PSA. In either event, all collections of approved pre-2007 balances will be subject to reconciliation.

The pre-2007 charges already approved for recovery under the old PSA consist of the following:⁴

1. February 1, 2006 adjustor rate of \$0.004 per kWh, which is expected to recover about \$110 million of 2005 costs through January 31, 2007, after which it is expected to be replaced by an adjustor rate that will recover expected 2006 balances
2. May 1, 2006, surcharge of \$0.000554 per kWh to recover \$15 million of 2005 costs outside of 4 mil bandwidth that are not related to nuclear plant outages; and expected to be collected across a duration of 12 months
3. May 1, 2006, interim adjustor rate of \$0.007 per kWh to recover certain 2006 costs as described in Decision No. 68685.

Any 2007 balances accruing under the old PSA before its replacement will be tracked during the first PSA Year, and their recovery shall be addressed in the calculation of the Transition Component applicable during the second PSA Year, which shall begin on February 1, 2008, except as follows. A Commission December 2006 decision extended the interim adjustor rate of \$0.007 per kWh until new rates become effective following the order in the pending rate case docket. That recent Commission decision provides for the recovery of expected 2007 costs in excess of current base rates. ~~It appears that this extension of the \$0.007 per kWh interim adjustor rate may produce a negative balance (i.e., an over collection of 2007 costs) by mid-year 2007. Therefore, if the Commission decides to use the new PSA's Transition Component in the first PSA year (ending January 31, 2008) to provide for the recovery of 2005 and 2006 balances, nothing in this plan shall preclude a determination by the Commission to include any 2007~~

⁴ Depending upon the Commission's resolution of APS' pending rate case, Docket No. E-01345A-05-0816, APS may also be allowed to recover certain prudently incurred fuel and purchased power costs incurred as a result of certain Palo Verde outages.

~~balances accruing under this extended \$0.007 per kWh interim adjustor rate in the calculation of the Transition Component to be effective in the PSA Year ending January 31, 2008.~~

~~In order to facilitate the orderly transition to a new PSA, APS should file by December 31, 2006⁵ a calculation of the ¢/kWh unit rate required to collect costs included in the preceding list over the same estimate of 2007 sales used to calculate the Forward Component. This calculation shall comprise the Transition Component for the first PSA Year's PSA rate, should the Commission determine to allow their recovery through the new PSA. APS should also file by December 31, 2006 a calculation of the ¢/kWh unit rate(s) and duration(s) required to collect costs included in the preceding list by continuing the old PSA for the purpose of their collection. Should the Commission adopt the approach of continuing the old PSA for the limited purpose of collecting any 2005 or 2006 balances, the Transition Component shall be used to reconcile all affected balances, beginning with the First PSA Year following the termination of the duration established for the collection of any remaining 2005 and 2006 balance through continuation of the old PSA.~~

The Transition Component will also be used if necessary to address the need for any other reconciliations that may be required or appropriate under the old PSA. Following review, the Commission will determine the amount to be collected and the period over which it will be collected. The amount permitted to be collected shall be included in the Transition Component Balance. The Transition Component will provide the PSA element for the collection of the approved Transition Component Balance over the time period established by the Commission.

The preceding uses of the Transition Component deal with the transition from the old PSA to this PSA. The Transition Component will also be used as the method for incorporating any future, approved mid-year changes to the PSA rate. APS, Staff, or the Commission on its own motion retain the ability to request at any time a change in the PSA rate through an adjustment to the Transition Component to address a significant imbalance between anticipated collections and costs for the PSA Year under the Forward Component element of this PSA. After the review of such request, the Commission may provide for the refund or collection of such balance (through a change to the Transition Component Balance) over such period as the Commission determines appropriate through a unit rate (¢/kWh) imposed as part of the Transition Component.

A Transition Component Tracking Account will measure the changes each month in the Transition Component balance. APS, Staff, or the Commission on its own motion may request that the balance in any Transition Component Tracking Account at the end of the period set for recovery be included in the establishment of the Transition Component for the coming PSA Year.

The Transition Component Account will also include Applicable Interest as determined by the Commission. APS shall file the amounts and supporting calculations and workpapers for this account each month.

⁵ Staff acknowledges that the 2006 information would have to be addressed in the context of the pending rate case, Docket No. E-01345A-05-0816.

As it must do for the Historical Component filing, APS shall file on or before September 30 of each year an accumulation of Transition Component Tracking Account balances for the preceding February through August and an estimate of the balances for September through January (the remaining five months of the prior PSA Year). Those balances will form the basis for setting the preliminary Transition Component for the coming PSA Year. On or before December 31, APS will submit a supplemental filing to update the Transition Component calculation in the same manner as required for the Historical Component.

3. Calculation of the PSA Rate

The PSA rate is the sum of the three components; *i.e.*, Forward Component, Historical Component, and Transition Component. The PSA rate shall be applied to customer bills. Unless the Commission has otherwise acted on a new PSA rate by February 1, the proposed PSA rate (as amended by the updated December 31 filing) shall go into effect. The PSA rate shall be applicable to APS' retail electric rate schedules (with the exception of Solar-1, Solar-2, SP-1, E-3, E-4, E-36, Direct Access service and any other rate that is exempt from the PSA) and is adjusted annually. The PSA Rate shall be applied to the customer's bill as a monthly kilowatt-hour ("kWh") charge that is the same for all customer classes.

The PSA rate shall be reset on February 1 of each year, and shall be effective with the first February billing cycle ~~in February~~ unless suspended by the Commission. It is not prorated.

4. Filing and Procedural Deadlines

a. September 30 Filing

APS shall file the PSA rate with all Component calculations for the PSA year beginning on the next February 1, including all supporting data, with the Commission on or before September 30 of each year. That calculation shall use a forecast of kWh sales and of fuel and purchased power costs for the coming calendar year, with all inputs and assumptions being the most current available ~~as of that date~~ for the Forward Component. The filing will also include the Historical Component calculation for the year beginning on the next February 1, with all supporting data. That calculation shall use the same forecast of sales used for the Forward Component calculation. The Transition Component filing shall also include a proposed method for addressing the over or under recovery of any Transition Component balances that result from changes in the sales forecasts or recovery periods set or any additions to or subtractions from Transition Component balances reviewed or approved by the Commission since the last February 1 resetting of the new PSA.⁶

b. December 31 Filing

APS shall by December 31 update the September 30 filing. This update shall replace estimated Forward Component Tracking Account balances, the Historical Component Tracking Account balances, and the Transition Component Tracking Account balances with actual balances and

⁶ This method assumes that the Commission defers the recovery of any approved Transition Component Balance changes until the next February 1 PSA resetting. The Commission may also, as part of the approval of any such Transition Component Balance change, make a PSA change effective on dates and across periods as it determines to be appropriate when it approves such a Transition Component Balance change.

with more current estimates for those months (December and January) for which actual data are not available. Unless the Commission has otherwise acted on the APS calculation by February 1, the PSA rate proposed by APS shall go into effect with the first February billing cycle on February 1.⁷

c. Additional Filings

APS shall also file with the Commission any additional information that the Staff determines it requires to verify the component calculations, account balances, and any other matter pertinent to the PSA.

d. Review Process

The Commission Staff and interested parties shall have an opportunity to review the September 30 and December 31 forecast, balances, and supporting data on which the calculations of the three PSA components have been based. Any objections to the September 30 calculations shall be filed within 45 days of the APS filing. Any objections to the December 31 calculations shall be filed within 15 days of the APS filing.

5. Verification and Audit

The amounts charged through the PSA shall be subject to periodic audit to assure their completeness and accuracy and to assure that all fuel and purchased power costs were incurred reasonably and prudently. The Commission may, after notice and opportunity for hearing, make such adjustments to existing balances or to already recovered amounts as it finds necessary to correct any accounting or calculation errors or to address any costs found to be unreasonable or imprudent. Such adjustments, with appropriate interest, shall be recovered or refunded through the Transition Component.

6. Definitions

Applicable Interest – Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release H-15.

Base Cost of Fuel and Purchased Power – An amount generally expressed as a rate per kWh, which reflects the fuel and purchased power cost embedded in the base rates as approved by the Commission in APS' most recent rate case. The Base Cost of Fuel and Purchased Power revenue is the approved rate per kWh times the applicable sales volumes. Decision No. XXXXX set the base cost at \$0.0XXXXXX per kWh effective on XXX, XXXX.

Forward Component – An amount generally expressed as a rate per kWh charge that is updated annually on February 1 of each year and effective with the first billing cycle in February. The Forward Component for the PSA Year will adjust for the difference between the forecasted fuel and purchased power costs generally expressed as a rate per kWh less the Base Cost of Fuel and

⁷ No reference in this plan to effectiveness in the absence of Commission action shall be interpreted as precluding the normal application of the balance reconciliation provisions generally established for the new PSA.

Purchased Power generally expressed as a rate per kWh embedded in APS' base rates. The result of this calculation will equal the Forward Component, generally expressed as a rate per kWh.

Forward Component Tracking Account – An account that records on a monthly basis APS' over/under-recovery of its actual costs of fuel and purchased power as compared to the actual Base Cost of Fuel and Purchased Power revenue and Forward Component revenue; plus Applicable Interest. The balance of this account as of the end of each PSA Year is, subject to periodic audit, reflected in the next Historical Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

Historical Component – An amount generally expressed as a rate per kWh charge that is updated annually on February 1 of each year and effective with the first billing cycle in February unless suspended by the Commission. The purpose of this charge is to provide for a true-up mechanism to reconcile any over or under-recovered amounts from the preceding PSA Year tracking account balances to be refunded/collected from customers in the coming year's PSA rate.

Historical Component Tracking Account – An account that records on a monthly basis the account balance to be collected via the Historical Component rate as compared to the actual Historical Component revenues; plus Applicable Interest; the balance of which at the close of the preceding PSA Year is, subject to periodic audit, then reflected in the next Historical Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

ISFSI – Costs associated with the Independent Spent Fuel Storage Installation that stores spent nuclear fuel.

Mark-to-Market Accounting – Recording the value of qualifying commodity contracts to reflect their current market value relative to their actual cost.

Native Load – Native load includes customer load in the APS control area for which APS has a generation service obligation and PacifiCorp Supplemental Sales.

PacifiCorp Supplemental Sales – The PacifiCorp Supplemental Sales agreement is a long-term contract from 1990, which requires APS to offer a certain amount of energy to PacifiCorp each year. It is a component of the set of agreements that led to the sale of Cholla Unit 4 to PacifiCorp and the establishment of the seasonal diversity exchange with PacifiCorp.

Old PSA – The Power Supply Adjustment mechanism approved in Decision No. 67744 to track changes in the APS cost of obtaining fuel and purchased power.

This PSA – The Power Supply Adjustment mechanism approved by the Commission in Decision No. xxxxx, which is a combination of three rate components that track changes in the cost of obtaining power supplies based upon forward-looking estimates of fuel and purchased power costs that are eventually reconciled to actual costs experienced. This PSA also provides for the transition from the prior PSA to this PSA, allows for special Commission consideration of extreme volatility in costs or recovery by means of a mid-year rate correction, and provides for a

reconciliation between actual and estimated costs of the last two months of estimated costs used in Historical Component calculations.

PSA Year – A consecutive 12-month period generally beginning each February 1.

PSA Year One – A period beginning on the date determined by the Commission in Decision No. xxxxx and ending on January 31, 2008.

Preference Power – Power allocated to APS wholesale customers by federal power agencies such as the Western Area Power Administration.

System Book Fuel and Purchased Power Costs – The costs recorded for the fuel and purchased power used by APS to serve both Native Load and off-system sales, less the costs associated with applicable special contracts, E-36, RCDAC-1, ISFSI, and Mark-to-Market Accounting adjustments. Wheeling costs are included; broker fees are ~~included~~excluded.

System Book Off-System Sales Revenue – The revenue recorded from sales made to non-Native Load customers, for the purpose of optimizing the APS system, using APS-owned or contracted generation and purchased power, less Mark-to-Market Accounting adjustments.

Traditional Sales-for-Resale – The portion of load from Native Load wholesale customers that is served by APS, excluding the load served with Preference Power.

Transition Component – An amount generally expressed as a rate per kWh charge to be applied when necessary to provide for: (a) the transition between the prior PSA and current PSA, and (b) significant changes between estimated and actual costs under the Forward Component.

Transition Component Tracking Account – An account that records on a monthly basis the account balance to be collected via the Transition Component as compared to the actual Transition Component revenues, plus applicable interest; the balance of which upon Commission consideration may then be reflected in the next Transition Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

Wheeling Costs (FERC Account 565, Transmission of Electricity by Others) – Amounts payable to others for the transmission of APS' electricity over transmission facilities owned by others.

7. Calculations

a. Schedule 1. PSA Rate Calculation

Enter the appropriate effective periods for the Current and Proposed PSA columns and then complete the following in each respective column:

1. On Line 1, enter the Forward Component Rate from Schedule 2, Line 8.
2. On Line 2, enter the Historical Component Rate from Schedule 4, Line 5.
3. On Line 4, enter the Transition Component Rate for the Commission approved prior PSA transition refund/collection balance from Schedule 6, Line 3.

4. On Line 5, enter the Transition Component Rate for any Commission approved Mid-Period Transition refund/collection balance from Schedule 6, Line 6.
5. On Line 6, enter the Transition Component Rate for any other Commission approved Transition adjustment refund/collection balance from Schedule 6, line 9.
6. On Line 7, enter the Tracking Account Transition Component Rate for any Commission approved refund/collection Tracking Account balance from Schedule 6, Line 20.
7. On Line 8, enter the sum of Lines 4 through 7 to calculate total Transition Component Rate.
8. On Line 9, enter the sum of Lines 1, 2, and 8 to calculate the total PSA Rate.
9. Calculate the Increase/(Decrease) in rates and % Change by respective lines: Proposed Rates Less Current Rates equals Increase/(Decrease) with result divided by Current Rate to determine % of Increase/(Decrease).

Reflect notes as appropriate.

b. Schedule 2. PSA Forward Component Rate Calculation

Enter the appropriate effective periods for the Current and Proposed PSA columns and then complete the following in each respective column:

1. On line 1, enter the Projected Fuel and Purchased Power Costs for the coming year.
2. On Line 2, enter the Projected Off-System Sales Revenue (entered as a negative value) for the coming year.
3. On Line 3, enter the PSA Adjustments to Fuel and Purchased Power Costs for the coming year.
4. On Line 4, enter the sum of Lines 1 through 3 to arrive at the Net Fuel and Purchased Power Costs.
5. On Line 5, enter the Projected Native Load Sales (MWh), excluding the E-3, E-4, E-36 sales for the coming year.
6. On Line 6, enter the derivation of the Net Fuel and Purchased Power Costs divided by the Projected Native Load Sales to arrive at the Projected Average Net Fuel Cost per kWh.
7. On Line 7, enter the Authorized Base Cost of Fuel and Purchased Power Rate per kWh.
8. On Line 8, enter the sum of Line 6 less Line 7 to arrive at the Forward Component rate per kWh; and then carry forward resultant value to Schedule 1, Line 1.

Reflect notes as appropriate.

c. Schedule 3. Forward Component Tracking Account

Enter the appropriate: effective dates for the PSA *Prior* Forward Component being tracked; year for the column headed "Cycle Billing Month"; and Base Rate and Forward Component in columns *h* and *i*. On lines 1 through 12 under the Cycle Billing Month, January through December for each respective column complete the following:

1. On Lines 1 to 12, enter the monthly PSA Retail Energy Sales (MWh) and the monthly Wholesale Native Load Energy Sales in columns *a* and *b*, respectively; the sum which equals the Total Native Load Energy Sales; column *c*. Currently, Wholesale Native

Load Energy Sales include Traditional Sales-for-Resale and PacifiCorp Supplemental Sales.

2. On Lines 1 to 12, enter the monthly System Book Fuel and Purchased Power Costs and the monthly System Book Off-System Sales Revenue in columns *d* and *e*, respectively; the sum of column *d* minus *e* equals the monthly Net Native Load Power Supply Costs in column *f*. The off-system sales margin is embedded in the Net Native Load Power Supply Cost. The costs associated with the off-system sales are included in the System Book Fuel and Purchased Power Costs. When the System Book Off-System Sales Revenue is subtracted from the System Book Fuel and Purchased Power Costs, the difference between the off-system sales costs and revenue ends up in the Net Native Load Power Supply Cost. That difference is the off-system sales margin. A list of the items included in the PSA sales and costs described above will be included in the PSA reporting schedules filed with the Commission each month.
3. On Lines 1 to 12, calculate the PSA Retail Power Supply Costs, column *g* by dividing the PSA Retail Energy Sales in column *a* by the Total Native Load Energy Sales in column *c*, then multiply the product by the Net Native Load Power Supply Costs in column *f*. Directly-assigned power supply costs and related energy sales from applicable special contract customers, Schedule E-36 customers, and customers returning to Standard Offer service from competitive generation subject to Returning Customer Direct Access Charge ("RCDAC") treatment will be deducted prior to the above calculations.
4. On Lines 1 to 12, calculate the amount recovered via the Commission approved embedded base fuel and purchased power rate by multiplying the Retail Energy Sales in column *a* by the Commission approved Base Cost of Fuel and Purchased Power rate entered in the above column heading the result which is entered in column *h*.
5. On Lines 1 to 12, calculate the amount recovered via the Forward Component rate by multiplying said rate by the Retail Energy Sales in column *a*, the result which is entered in column *i*.
6. On lines 1 to 12, calculate the respective level of (Over)/Under Collection in column *j* by subtracting the Base Rate Power Supply Recovery and the Forward Component Recovery from the PSA Retail Power Supply Costs, columns *g* and *h*, respectively.

An interest rate, based on the one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15, is applied each month to the previous month's Tracking Account Balance. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

The (Over)/Under Collection, the Interest and the prior month's Tracking Account Balance produce the current month's balance.

d. Schedule 4. PSA Historical Component Rate Calculation

Enter the appropriate effective periods for the Current and Proposed PSA-2 columns and then complete the following in each respective column:

1. On Line 1, enter the Forward Component Tracking Account Balance from Schedule 3, L13, column *i*.
2. On Line 2, enter the Historical Component Tracking Account Balance from Schedule 5, Line 8.
3. On Line 3, enter the sum of Lines 1, and 2 to arrive at the Total (Refundable)/Collection Amount Balance.
4. On Line 4, enter the respective Projected Energy Sales without E-3, E-4 and E-36 MWh.
5. On Line 5, enter the Applicable Historical Component rate by dividing Line 3 by Line 4.

Reflect notes as appropriate.

e. Schedule 5. Historical Component Tracking Account

Enter the appropriate: effective dates for the PSA Prior Historical Component being tracked.

On Line 8, for January and Line 1 for February, enter the Historical Component balance as of February 1, 20XX. On Line 2, (Prior period PSA Historical Component Calculation From Schedule 4, L4) for February enter any true-up for the use of prior period estimates, i.e., prior estimated December and January Historical Component rate application revenues to subsequent actual data, the sum of Lines 1 and 2, to reflect the Adjusted Historical Component Beginning Balance as of February 1, 20XX.

Each month, the Applicable Historical Component rate is multiplied by the Retail Energy Sales to calculate the revenue received from the Applicable Historical Component rate. The revenue is subtracted from the Adjusted Beginning Balance.

Interest is applied monthly based on the effective one-year Nominal Treasury Constant Maturities rate that is contained in the Federal Reserve Statistical Release, H-15, or its successor publication. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

Reflect notes as appropriate.

f. Schedule 6. PSA Transition Component Rate Calculation

Enter the appropriate effective periods for the Current and Proposed PSA columns and then complete the following in each respective column:

1. On Line 1, enter the Prior PSA Transition Commission Approved (Refundable)/Collection Amount.
2. On Line 2, enter the Projected Energy Sales without E-3, E-4, and E-36 MWh.
3. On Line 3, calculate the Prior PSA Transition Component (Refundable)/Collection Rate by dividing Line 1 by Line 2.
4. On Line 4, enter the PSA Mid-Period Transition Commission Approved (Refundable)/Collection Amount, if any.
5. On Line 5, enter the Projected Energy Sales without E-3, E-4, and E-36 MWh.

6. On Line 6, calculate the Mid-Period Transition Component (Refundable)/Collection Rate by dividing Line 4 by Line 5.
7. On Line 7, enter Any Other Transition Commission Approved (Refundable)/Collection Amount, if any.
8. On Line 8, enter the Projected Energy Sales without E-3, E-4, and E-36 MWh.
9. On Line 9, calculate the Any Other Transition Component (Refundable)/Collection Rate by dividing Line 7 by Line 8.
10. On Line 10, enter the sum of Lines 3, 6, and 9 to arrive at the total Transition Component Rate (Non-Tracking Account Items).
11. On Line 11, enter the Prior PSA Transition Tracking Account Balance from Schedule 7a, Line 8.
12. On Line 12, enter the Projected Energy Sales without E-3, E-4, and E-36 MWh.
13. On Line 13, calculate the Prior PSA Tracking Account Transition Component (Refundable)/Collection Rate by dividing Line 11 by Line 12.
14. On Line 14, enter the Mid-Period PSA Transition Tracking Account Balance from Schedule 7b, Line 8, if any.
15. On Line 15, enter the Projected Energy Sales without E-3, E-4, and E-36 MWh.
16. On Line 16, calculate the Mid-Period Tracking Account Transition Component (Refundable)/Collection Rate by dividing Line 14 by Line 15.
17. On Line 17, enter Any Other PSA Transition Tracking Account Balance from Schedule 7X, Line 8, if any.
18. On Line 18, enter the Projected Energy Sales without E-3, E-4, and E-36 MWh.
19. On Line 19, calculate the Any Other Tracking Account Transition Component (Refundable)/Collection Rate by dividing Line 17 by Line 18.
20. On Line 20, calculate the total Tracking Account Transition Component by adding Lines 13, 16, and 19.
21. On Line 21, calculate the total Transition Component Rate by adding Lines 10 and 20.

Reflect notes as appropriate.

g. Schedule 7a. Transition Component Tracking Account "Old PSA"

Enter the appropriate: effective dates for the PSA **Prior** Transition Component to be tracked.

On Line 8, for January and Line 1 for February, enter the Transition Component, Old PSA balance as of February 1, 20XX. On Line 2, (Prior period PSA Transition Component Calculation From Schedule 6, L1) for February enter any true-up for the use of prior period estimates, i.e., prior estimated December and January Transition Component, Old PSA application revenues to subsequent actual data, the sum of Lines 1 and 2, to reflect the Transition Component Adjusted Beginning Balance as of February 1, 20XX.

Each month, the Applicable Transition Component rate is multiplied by the Retail Energy Sales to calculate the revenue received from the Applicable Transition Component rate. The revenue is subtracted from the Adjusted Beginning Balance.

Interest is applied monthly based on the effective one-year Nominal Treasury Constant Maturities rate that is contained in the Federal Reserve Statistical Release, H-15, or its successor publication. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

Any subsequent balance produced must be approved by the Commission for later inclusion in the next Transition Component Calculation, if any, at Schedule 6, Line 11.

Reflect notes as appropriate.

h. Schedule 7b. Mid-Period Transition Tracking Account

Enter the appropriate: effective dates for the PSA Mid-Period Transition Component to be tracked.

On Line 8, for January and Line 1 for February, enter the Transition Component, PSA Mid-Period balance as of February 1, 20XX. On Line 2, (Prior period PSA Transition Component Calculation From Schedule 6, L4) for February enter any true-up for the use of prior period estimates, i.e., prior estimated December and January Transition Component rate application revenues to subsequent actual data, the sum of Lines 1 and 2, to reflect the Adjusted Transition Component Beginning Balance as of February 1, 20XX.

Each month, the Applicable Transition Component rate is multiplied by the Retail Energy Sales to calculate the revenue received from the Applicable Transition Component rate. The revenue is subtracted from the Adjusted Beginning Balance.

Interest is applied monthly based on the effective one-year Nominal Treasury Constant Maturities rate that is contained in the Federal Reserve Statistical Release, H-15, or its successor publication. The interest rate is adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

Any subsequent balance produced must be approved by the Commission for later inclusion in the next Transition Component Calculation, if any, at Schedule 6, Line 14.

Reflect notes as appropriate.

i. Schedule 7X. (Enter Description) Transition Tracking Account

Follow similar procedures discussed in g and h above, for any other Transition Tracking Accounts.

8. Compliance Reports

APS shall provide monthly reports to Staff's Compliance Section and to the Residential Utility Consumer Office detailing all calculations related to the PSA. An APS Officer shall certify under

oath that all information provided in the reports itemized below is true and accurate to the best of his or her information and belief. These monthly reports shall be due within 30 days of the end of the reporting period.

The publicly available reports will include at a minimum:

1. The PSA Rate Calculation (Schedule 1); Forward Component, Historical Component, and Transition Component Calculations (Schedules 2, 4, and 6); Annual Forward Component, Historical Component, and Transition Component Tracking Account Balances (Schedules 3, 5, and 7). Additional information will provide other relative inputs and outputs such as:
 - a. Total power and fuel costs.
 - b. Customer sales in both MWh and thousands of dollars by customer class.
 - c. Number of customers by customer class.
 - d. A detailed listing of all items excluded from the PSA calculations.
 - e. A detailed listing of any adjustments to the adjustor reports.
 - f. Total off-system sales revenues.
 - g. System losses in MW and MWh.
 - h. Monthly maximum retail demand in MW.
2. Identification of a contact person and phone number from APS for questions.

APS shall provide to Commission Staff monthly reports containing the information listed below. These reports shall be due within 30 days of the end of the reporting period. All of these additional reports will be provided confidentially.

- A. Information for each generating unit shall include the following items:
 1. Net generation, in MWh per month, and 12 months cumulatively.
 2. Average heat rate, both monthly and 12-month average.
 3. Equivalent forced-outage rate, both monthly and 12-month average.
 4. Outage information for each month including, but not limited to, event type, start date and time, end date and time, and a description.
 5. Total fuel costs per month.
 6. The fuel cost per kWh per month.
- B. Information on power purchases shall include the following items per seller (information on economy interchange purchases may be aggregated):
 1. The quantity purchased in MWh.
 2. The demand purchased in MW to the extent specified in the contract.
 3. The total cost for demand to the extent specified in the contract.
 4. The total cost of energy.
- C. Information on off-system sales shall include the following items:
 1. An itemization of off-system sales margins per buyer.
 2. Details on negative off-system sales margins.

D. Fuel purchase information shall include the following items:

1. Natural gas interstate pipeline costs, itemized by pipeline and by individual cost components, such as reservation charge, usage, surcharges and fuel.
2. Natural gas commodity costs, categorized by short-term purchases (one month or less) and longer term purchases, including price per therm, total cost, supply basin, and volume by contract.

E. APS will also provide:

1. Monthly projections for the next 12-month period showing estimated (Over)/under-collected amounts.
2. A summary of unplanned outage costs by resource type.
3. The data necessary to arrive at the System and Off-System Book Fuel and Purchased Power cost reflected in the non-confidential filing.
4. The data necessary to arrive at the Native Load Energy Sales MWh reflected in the non-confidential filing.

Work papers and other documents that contain proprietary or confidential information will be provided to the Commission Staff under an appropriate confidentiality agreement. APS will keep fuel and purchased power invoices and contracts available for Commission review. The Commission has the right to review the prudence of fuel and power purchases and any calculations associated with the PSA at any time. Any costs flowed through the PSA are subject to refund, if those costs are found to be imprudently incurred.

9. Allowable Costs

a. Accounts

The allowable PSA costs include fuel and purchased power costs incurred to provide service to retail customers. Additionally, the prudent direct costs of contracts used for hedging system fuel and purchased power will be recovered under the PSA. The allowable cost components include the following Federal Energy Regulatory Commission ("FERC") accounts:

- 501 Fuel (Steam)
- 518 Fuel (Nuclear) less ISFSI regulatory amortization
- 547 Fuel (Other Production)
- 555 Purchased Power
- 565 Wheeling (Transmission of Electricity by Others)

These accounts are subject to change if the Federal Energy Regulatory Commission alters its accounting requirements or definitions.

b. Directly Assignable Power Supply Costs Excluded

Decision No. 66567 provides APS the ability to recover reasonable and prudent costs associated with customers who have left APS standard offer service, including special contract rates, for a competitive generation supplier and then return to standard offer service. For administrative purposes, customers who were direct access customers since origination of service and request standard offer service would be considered to be returning customers. A direct assignment or special adjustment may be applied that recognizes the cost differential between the power

purchases needed to accommodate the returning customer and the power supply cost component of the otherwise applicable standard offer service rate. This process is described in the Returning Customer Direct Access Charge rate schedule and associated Plan for Administration filed with the Commission.

In addition, if APS purchases power under specific terms on behalf of a standard offer special contract customer, the costs of that power may be directly assigned. In both cases, where specific power supply costs are identified and directly assigned to a large returning customer or standard offer special contract customer or group of customers, these costs will be excluded from the Adjustor Rate calculations. Schedule E-36 customers are directly assigned power supply costs based on the APS system incremental cost at the time the customer is consuming power from the APS system so their power supply costs are excluded from the PSA.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 1

Power Supply Adjustment (PSA) Rate Calculation Effective February 1, 20XX

(\$/kWh)

Line No.	PSA Rate Calculation	Current		Proposed		Increase/(Decrease)	
		February 1, 20XX ¹	February 1, 20XX ¹	February 1, 20XX	February 1, 20XX	\$,000,000/kWh	%
1	Forward Component Rate - FC (Sch. 2, L8)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
2	Historical Component Rate - HC (Sch. 4, L5) ²	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
3	<u>Transition Component Rate (Refund)/Collection</u>						
4	Prior PSA Transition Component Rate (Sch.6,L3) ³	\$ -	\$ -	\$ -	\$ -	\$ -	
5	Mid-Period Transition Component Rate (Sch.6,L6) ⁴	\$ -	\$ -	\$ -	\$ -	\$ -	
6	Other PV Step 2 Surcharge Component Rate (Sch.6,L9) ⁵	\$ -	\$ -	\$ -	\$ -	\$ -	
7	Tracking Account(s) Transition Component Rate (Sch.6,L20) ⁶	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
8	Transition Component Rate (L4 + L5 + L6 + L7) (Sch.6,L21)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
9	PSA Rate February 1, 20XX and 20XX (L1 + L2 + L8)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%

Notes:

- ¹ See February 1, 20XX PSA Filing
- ² An Historical Component is a true up related to respective prior period PSA activity.
- ³ Outstanding balances related to application under prior PSA methodology are accounted for here: Commission approved Docket No. XXXXXXXXXXXXX
- ⁴ Provides for Mid-Period Corrections when necessary; Commission approved Docket No. XXXXXXXXXXXXX
- ⁵ Provides for Other changes when necessary; Commission approved Docket No. XXXXXXXXXXXXX
- ⁶ Tracks (Refund)/Collection Balances applicable to each sub-category Transition Component; See Schedule 6 for Commission approved Docket Nos. and detail.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 2

PSA Forward Component Rate Calculation Effective February 1, 20XX

(\$ in thousands; Forward Component Rate in \$/kWh)

Line No.	PSA Forward Component Rate - Calculation	Current		Proposed		Increase/(Decrease)	
		February 1, 20XX ¹	February 1, 20XX	February 1, 20XX	February 1, 20XX	\$ Values	%
1	Projected Fuel and Purchased Power Costs	\$ 0	\$ 0	\$ 0	\$ 0	\$ -	0.00%
2	Projected Off-System Sales Revenue	0	0	0	0	-	0.00%
3	PSA Adjustments to Fuel and Purchased Power Costs ²	0	0	0	0	-	0.00%
4	Net Fuel and Purchased Power Cost (L1 through L3)	\$ 0	\$ 0	\$ 0	\$ 0	\$ -	0.00%
5	Projected Native Load Sales, excluding E-3, E-4, E-36 (MWhs)	0	0	0	0	-	0.00%
6	Projected Average Net Fuel Cost \$/kWh (L4 / L5)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
7	Authorized Base Cost of Fuel and Purchased Power Rate \$/kWh	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
8	Forward Component Rate February 1, 20XX and 20XX \$/kWh (L6 - L7)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%

Notes:

¹ See February 20XX PSA Filing.

² Includes costs associated with E-36, ISFSI and mark-to-market accounting adjustments.

Schedule presentation will appear to roundup \$'s and MWh's; however calculations are performed on an actual \$ and Mwh basis with resultant Rates/kWh roundup to \$0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 3

Forward Component Tracking Account - (PSA Prior Forward Component Rate in effect from Jan 1 to Dec 31, 20XX)

(\$ in thousands; Forward Component Rate and Base Rate in \$/kWh)

Line No.	20XX Cycle Billing Month	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		PSA Retail ¹ Energy Sales (MWh)	Wholesale Native Load ² Energy Sales (MWh)	Total Native Load Energy Sales (MWh) (a + b)	System ³ Book Fuel and Purchased Power Costs	System Book ⁴ Off-System Sales Revenue	Native Load Power Supply Costs (d - e)	PSA Retail Power Supply Costs (a/c * f)	Base Rate Power Supply Recovery (a * 0.00XXXXX)	Forward Component ⁵ Recovery (a * 0.00XXXXX)	(Over)/Under Collections (g - h - i)	Interest ⁵ (i * rate/12)	Tracking ⁷ Account Balance (j + k + l)
1	February	-	-	-	-	\$	-	\$	-	\$	-	\$	-
2	March	-	-	-	-	\$	-	\$	-	\$	-	\$	-
3	April	-	-	-	-	\$	-	\$	-	\$	-	\$	-
4	May	-	-	-	-	\$	-	\$	-	\$	-	\$	-
5	June	-	-	-	-	\$	-	\$	-	\$	-	\$	-
6	July	-	-	-	-	\$	-	\$	-	\$	-	\$	-
7	August	-	-	-	-	\$	-	\$	-	\$	-	\$	-
8	September	-	-	-	-	\$	-	\$	-	\$	-	\$	-
9	October	-	-	-	-	\$	-	\$	-	\$	-	\$	-
10	November	-	-	-	-	\$	-	\$	-	\$	-	\$	-
11	December	-	-	-	-	\$	-	\$	-	\$	-	\$	-
12	January	-	-	-	-	\$	-	\$	-	\$	-	\$	-
13	Total	-	-	-	-	\$	-	\$	-	\$	-	\$	-
14	Interest Rate ⁶								0.00%				

¹ PSA Retail Energy Sales are the calendar month's MWh sales. Cumulative Retail Energy Sales of XXXXXX MWhs under rate schedule E-36 were excluded from the PSA Calculations.

² Includes traditional sales-for-resale and PacifiCorp supplemental sales.

³ Includes native load and off-system fuel and purchased power costs less those costs associated with E-36 XXXXXX, ISFSI and mark-to-market accounting adjustments.

⁴ Includes off-system revenue less mark-to-market accounting adjustments.

⁵ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

⁶ Forward Component Rates \$/kWh Effective Feb 1, 20XX to Jan 31, 20XX \$ _____ Feb 1, 20XX to Jan 31, 20XX \$ _____

⁷ Tracking Account Balance Line 13 carried to Schedule 4, Line 1.

Schedule presentation will appear to round up \$'s and MWh's; however calculations are performed on an actual \$ and MWh basis with resultant Rates/kWh rounded up to \$0.0000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 4

PSA Historical Component Rate Calculation Effective February 1, 20XX

(\$ in thousands; Historical Component Rate in \$/kWh)

Line No.	PSA Historical Component Rate Calculation	Current		Proposed		Increase/(Decrease)	
		February 1, 20XX ¹	February 1, 20XX	February 1, 20XX	February 1, 20XX	\$ Values	%
1	Forward Component Tracking Account Balance (From Schedule 3, L13, CI L) ^{2,3}	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
2	Historical Component Tracking Account Balance (From Schedule 5, L8) ^{4,5}	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
3	Total Historical Amount to be (Refunded)/Collected Balance (L1+L2) ⁶	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
4	Projected Energy Sales without E-3, E-4 and E-36 (MWh)	0	0	0	0	-	0.00%
5	Applicable Historical Component Rate for February 1, 20XX & 20XX (\$/kWh) (L3 / L4)	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%

Notes:

¹ See February 20XX PSA Filing.

² Current Forward Component Tracking Account Balance as of December 31, 20XX.

³ Includes interest for January.

⁴ Current Historical Component Tracking Account Balance as of January 31, 20XX.

⁵ Because the actual amount of revenue to be received in December and January from application of the prior Applicable Historical Component is not available at the time of filing, Schedule 5 will reflect as necessary estimates for those periods as well as true-up calculations for the prior period estimates. See Schedule 5 for more detail.

⁶ Beginning Balance as of February 1, 2009. - to be carried forward to subsequent period PSA, Historical Component Tracking Account Balance, Schedule 5, L1.

Schedule presentation will appear to roundup \$'s and MWh's, however calculations are performed on an actual \$ and MWh basis with resultant Rates/KWh rounded up to \$0.000000/KWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 5

Historical Component Tracking Account - Prior PSA Historical Component Rate in Effect Feb 1, 20XX through Jan. 31, 20XX
(\$ in thousands Historical Component Rate in \$/kWh)

Line No.	20XX Data													
	January	February	March	April	May	June	July	August	September	October	November	December	20XX January	
1a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1b	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- Beginning Balance as of February 1, 20XX - carried forward from February, 20XX PSA Filing, Historical Component Calculation Schedule 4, L2.
- True-up is the result of using estimated revenue for December and January since the actual amount was not available at the time of prior period PSA filing-NoTrue Up since no rate applied in Prior Feb 20XX Filing.
- Historical Component, Prior Period PSA, Sch. 4, L5.
- Sales amounts are for energy billed beginning with the first billing cycle of February 20XX.
- Generally, Line 4 x Line 5 = L6; however, differences may occur due to billing adjustments.
- Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15 0.00%

Schedule presentation will appear to roundup \$'s and MWh's; however calculations are performed on an actual \$ and MWh basis with resultant Rates/kWh rounded up to \$0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 6

PSA Transition Component Rate Calculation Effective February 1, 20XX

(\$ in thousands; Transition Component Rate(s) in \$/kWh)

Line No.		Current Effective Dates	Proposed Effective Dates	Increase/(Decrease) \$ Values	%
PSA Transition Component Rate Calculation (Non-Tracking Account Items)					
1	Prior PSA Transition - Approved (Refundable)/Collection Amount ¹	\$ -	\$ -	\$ -	0.00%
2	Projected Energy Sales without E-3, E-4 and E-36 (MWh)	-	-	-	0.00%
3	Prior PSA Transition Component (Refundable)/Collection Rate (L1 / L2)	\$ -	\$ -	\$ -	0.00%
4	Mid-Period Transition - Approved (Refundable)/Collection Amount ²	\$ -	\$ -	\$ -	0.00%
5	Projected Energy Sales without E-3, E-4 and E-36 (MWh) XXX, X, XX to XXX, X,XX	-	-	-	0.00%
6	Mid-Period Transition Component (Refundable)/Collection Rate (L4 / L5)	\$ -	\$ -	\$ -	0.00%
7	Other PV Step 2 Surcharge - Approved (Refundable)/Collection Amount ³	\$ -	\$ -	\$ -	0.00%
8	Projected Energy Sales without E-3, E-4 and E-36 (MWh)	-	-	-	0.00%
9	Other PV Step 2 Surcharge Component (Refundable)/Collection Rate (L7/L8)	\$ -	\$ -	\$ -	0.00%
10	Total Transition Component Rate (Non-Tracking Account Items (L3 + L6 + L9)	\$ -	\$ -	\$ -	0.00%

ARIZONA PUBLIC SERVICE COMPANY

Schedule 6

PSA Transition Component Rate Calculation Effective February 1, 20XX

(\$ in thousands; Transition Component Rate(s) in \$/kWh)

Line No.	Description	Current Effective Dates	Proposed Effective Dates	Increase/(Decrease) \$ Values	%
PSA Transition Component Rate Calculation (Tracking Account Items)					
11	Prior PSA Transition Tracking Account Balance - (Refundable)/Collection ⁴	\$ -	\$ -	\$ -	0.00%
12	Projected Energy Sales without E-3, E-4 and E-36 (MWh) XXX. X, XX to XXX. X,XX	0	0	-	0.00%
13	Prior PSA TA Transition Component (Refundable)/Collection Rate (L11 / L12)	\$ -	\$ -	\$ -	0.00%
14	Mid-Period Transition Tracking Account Balance - (Refundable)/Collection ⁵	\$ -	\$ -	\$ -	0.00%
15	Projected Energy Sales without E-3, E-4 and E-36 (MWh) XXX. X, XX to XXX. X,XX	-	-	-	0.00%
16	Mid-Period TA Transition Component (Refundable)/Collection Rate (L14 / L15)	\$ -	\$ -	\$ -	0.00%
17	Other PV Step 2 Surcharge Transition Tracking Account Balance - (Refundable)/Collection Amount ⁶	\$ -	\$ -	\$ -	0.00%
18	Projected Energy Sales without E-3, E-4 and E-36 (MWh) XXX. X, XX to XXX. X,XX	0	0	-	0.00%
19	Other PV Step 2 Surcharge Transition Component (Refundable)/Collection (L17/L18)	\$ -	\$ -	\$ -	0.00%
20	Total Tracking Account (s) Transition Component Rate (L13 + L16 + L19)	\$ -	\$ -	\$ -	0.00%
21	Total Transition Component Rate (L10 + L20)	\$ -	\$ -	\$ -	0.00%

Notes:

- ¹ Commission Docket No. XXXXXXXXXXXXX
- ² Commission Docket No. XXXXXXXXXXXXX
- ³ Commission Docket No. XXXXXXXXXXXXX
- ⁴ Source, Schedule 7a, Line 8
- ⁵ Source, Schedule 7X, Line 8
- ⁶ Source, Schedule 7X, Line 8

Schedule presentation will appear to roundup \$'s and MWh's, however calculations are performed on an actual \$ and Mwh basis with resultant Rates/KWh rounded up to \$0.000000/KWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 7a

Prior PSA Transition Tracking Account - Prior PSA Transition Component Rate in Effect Feb 1, 20XX through Jan. 31, 20XX
(\$ in thousands; Transition Component Rate in \$/kWh)

Line No.	Description	20XX Data												20XX December	20XX January		
		January	February	March	April	May	June	July	August	September	October	November					
1a	Transferred balance from Prior PSA Accts Per Decision No. XXXXX																
1b	Prior PSA Transition TA Beginning Balance ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Revenue True-up from December - January Estimate ²	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Adjusted PSA Transition TA Beginning Balance (L1+ L2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Applicable Prior PSA Transition TA Transition Component Rate (\$/kWh) 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWhs) ⁴	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Less Revenue from Applicable TA Transition Component (L4 x L5) ⁵	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Monthly Interest ((Line 3 * InRate / 12)) ⁶	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Prior PSA Transition TA Ending Balance; (L3 -L6 +L7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

¹ Beginning Balance as of February 1, 20XX. - carried forward from Prior PSA Transition Tracking Prior PSA Schedule 6, L11.
² True-up is the result of using estimated revenue for December-January since actual amount was not available at the time of prior period PSA.

	Dec 0X	Jan 0X	Total
Estimated Sales	-	-	-
Actual Sales	-	-	-
Difference	\$ -	\$ -	\$ -
Feb 1, 20XX to Jan 31, 20XX PSA, Sch. 6, L3	\$ -	\$ -	\$ -
Adjustment	\$ -	\$ -	\$ -
Dec. XX Data was based on Actual Sales	\$ -	\$ -	\$ -

³ Prior PSA Transition Component, Prior PSA Sch. 6, L13

⁴ Sales amounts are for energy billed beginning with the first billing cycle of February 20XX.

⁵ Generally, Line 4 x Line 5 = L6; however, differences may occur due to billing adjustments.

⁶ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15. 0.00%

Schedule presentation will appear to round up \$'s and MWhs, however calculations are performed on an actual \$ and MWh basis with resultant Rates/kWh rounded up to \$0.00000001/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 7b

Mid-Period Transition Tracking Account - Prior Mid-Period Transition Component Rate in Effect Feb. 1, 20XX through Jan. 31, 20XX
(\$ in thousands; Transition Component Rate in \$/kWh)

Line No.	Description	20XX Data														
		January	February	March	April	May	June	July	August	September	October	November	December	20XX January		
1a	Transferred balance from FC Tracking Acct (Per Decision No. XXXXX)		\$ -													
1b	Mid-Period Transition TA Beginning Balance ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Revenue True-up from December - January Estimate ²	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Adjusted Mid-Period Transition TA Beginning Balance (L1+L2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Applicable Mid-Period Transition TA Transition Component Rate (\$/kWh) ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWhs) ⁴															
6	Less Revenue from Applicable Mid-Period TA Transition Component (L4 x L5) ⁵	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Monthly Interest ((Line 3 * IntRate / 12)) ⁶	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Mid-Period Transition TA Ending Balance; (L3-L6+L7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- ¹ Beginning Balance as of February 1, 20XX. - carried forward from Prior PSA Transition Tracking Prior PSA Schedule 6, L11.
 - ² True-up is the result of using estimated revenue for December January, since actual amount was not available at the time of prior period PSA.
- | | | | |
|---|--------|--------|-------|
| Estimated Sales | Dec 0X | Jan 0X | Total |
| Actual Sales | - | - | - |
| Difference | - | - | - |
| Feb 1, 20XX to Jan 31, 20XX PSA, Sch. 6, L3 | \$ - | \$ - | \$ - |
| Adjustment | \$ - | \$ - | \$ - |
| Dec. XX Data was based on Actual Sales | | | |
- ³ Prior PSA Transition Component, Prior PSA Sch. 6, L13
 - ⁴ Sales amounts are for energy billed beginning with the first billing cycle of February 20XX.
 - ⁵ Generally, Line 4 x Line 5 = L6; however, differences may occur due to billing adjustments.
 - ⁶ Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

Schedule presentation will appear to round up. \$s and MWhs. however calculations are performed on an actual \$ and MWh basis with resultant Rates/kWh rounded up to \$0.000000000kWh.

0.00%

ARIZONA PUBLIC SERVICE COMPANY
Schedule 7c

PV Step 2 Surcharge Transition Tracking Account - Prior PV Step 2 Surcharge Transition Component Rate in Effect Feb. 1, 20XX through Jan. 31, 20XX
(\$ in thousands; Transition Component Rate in \$/kWh)

Line No.	2007 Data												
	January	February	March	April	May	June	July	August	September	October	November	December	2008 January
1a	Transferred balance from Prior PSA Paragraph 19D Acct. Per Decision No. XXXXX												
1b	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Revenue True-up from December - January Estimate ²												
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Applicable PV Step 2 Transition TA Transition Component Rate (\$/kWh) ³												
5	Retail Billed Sales Excluding E-3, E-4, E-56 Sales (MWh) ⁴												
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Monthly Interest ((Line 3 * InRate / 12)) ⁶												
8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- Beginning Balance as of February 1, 20XX, - carried forward from Other PV Step 2 Transition Amount as Approved and entered on Prior PSA Schedule 6, L17.
- True-up is the result of using estimated revenue for December January since actual amount was not available at the time of prior period PSA filing.

Estimated Sales	-
Actual Sales	-
Difference	\$ -
Feb 1, 20XX to Jan 31, 20XX PSA, Sch. 6, L9 Adjustment	\$ -
Dec. XX Data was based on Actual Sales	\$ -
Dec. XX Data was based on Actual Sales	\$ -
Other PV Step 2 Transition Component, Prior Period PSA, Sch. 6, L19	\$ -
Sales amounts are for energy billed beginning with the first billing cycle of February 20XX.	\$ -
Generally, Line 4 x Line 5 = L6; however, differences may occur due to billing adjustments.	\$ -
Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.	\$ -
Schedule presentation will appear to roundup \$; and MWhs; however, calculations are performed on an actual \$ and MWh basis with resultant rates rounded to \$0.000000000kWh.	\$ -

Dec. 07 Jan 08 Total

- Other PV Step 2 Transition Component, Prior Period PSA, Sch. 6, L19
- Sales amounts are for energy billed beginning with the first billing cycle of February 20XX.
- Generally, Line 4 x Line 5 = L6; however, differences may occur due to billing adjustments.
- Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

Schedule presentation will appear to roundup \$; and MWhs; however, calculations are performed on an actual \$ and MWh basis with resultant rates rounded to \$0.000000000kWh.