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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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MAY 15 2007

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AZ CORP COMMISSION
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2007 MAY 15 P 12:4

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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.

DOCKET NO. E-01345A-05-0816

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 CUSTOMERS.

Docket No. E-1345A-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-1345A-05-0827

EXCEPTIONS OF PHELPS DODGE MINING COMPANY AND ARIZONANS FOR ELECTRIC CHOICE AND COMPETITION

Pursuant to A.A.C. Rule R14-3-110, Phelps Dodge Mining Company and Arizonans for Electric Choice & Competition (collectively "AECC") hereby submits the following Exceptions to the Recommended Opinion and Order ("the

1 ROO”) of Administrative Law Judge Lyn Farmer issued on April 27, 2007, in this
2 Proceeding.

3
4 **I. Appropriately, The ROO Adopts the Transmission Rate Design
5 Agreed Upon by AECC and APS, but This Provision Has Been
6 Omitted From the ROO Rate Spread Table Attached to the
7 Procedural Order Issued May 2, 2007.**

8 In its filed case, Arizona Public Service Company (“APS”) proposed to
9 collect its transmission (and ancillary services) revenue requirement based on a
10 flat energy charge of \$.00476 per kWh. During the hearing, APS and AECC
11 agreed that transmission rate design should, instead, be identical to the rates in
12 Schedule 11 of APS’s Open Access Transmission Tariff (“OATT”), with some
13 exception for the smallest E-32 customers. Indeed, the rates in Schedule 11 of
14 APS’s OATT are the transmission charges that APS, in its role as a retail service
15 provider, is billed from its transmission services division. Consequently, there is
16 no reasonable basis to charge APS’s retail customers any rate for transmission
17 (and ancillary services) other than the rates in Schedule 11 of the OATT.

18 Appropriately, the ROO adopts this principle of transmission rate design, stating:

19 “...[G]iven the level of revenues that we authorize herein, we will
20 generally adopt the Company’s rate design as modified by Staff and with
21 the AECC proposal for rate design as agreed to by APS, and the voltage
22 discounts as proposed by the FEA.” [ROO at 76, lines 6-9.]

23 However, an examination of the ROO Rate Spread Table attached to the
24 Procedural Order dated May 2, 2007, indicates that this provision has not been
25 incorporated in the rate spread table.

26 It is clear that the rate spread shown in the ROO Rate Spread Table
attached to the Procedural Order is identical to the rate spread proposed by Staff

1 in the CD's it provided to the Administrative Law Judge and the Commission
2 Advisory Team as referenced in Staff's Notice of Filing dated January 24, 2007,
3 proportionately adjusted for the revenue requirement proposed in the ROO.
4 [See Staff CD attached to Notice of Filing, Spreadsheet labeled
5 EAA3BROSCHCOSSModel_FINALStaffRevRqmt.xls.] The percentage
6 increases for each rate schedule associated with the ROO Rate Spread Table
7 attached to the Procedural Order are equal to the percentage increases that appear
8 in Staff's CD multiplied by 1.403 to account for the greater revenue requirement
9 adopted by the ROO relative to Staff's recommendation (i.e., the ROO's overall
10 rate increase of 13.42 percent [relative to current base revenues] is 1.403 times
11 greater than Staff's recommended overall increase of 9.567 percent). The
12 relationship between Staff's proposed rate spread and the ROO rate spread, with
13 corresponding ratios, is shown in AECC Exceptions Attachment 1.

14 The Staff rate spread does not include the OATT transmission rate design;
15 consequently, the ROO Rate Spread Table attached to the Procedural Order does
16 not include it either, contrary to the directive in the ROO. Adoption of the OATT
17 transmission rate design will necessarily (and appropriately) affect rate spread
18 because the rates charged each class for transmission service under the OATT and
19 under APS's filed proposal are different, even though they produce the same total
20 transmission revenues. For example, the flat rate for transmission and ancillary
21 services initially proposed by APS is \$.00476 per kWh for all customers,
22 including Residential. However, under Schedule 11 of the OATT, the rate
23 actually charged to APS for transmission and ancillary services to Residential
24 customers is \$.00520 per kWh. At the same time, the OATT rates actually
25 charged to APS for service to non-Residential customers is, on average, less than
26 the flat rate of \$.00476 per kWh initially proposed by APS. This means that

1 adoption of the OATT transmission rate design will (appropriately) increase the
2 transmission charge to Residential customers from what appears in Staff's (and
3 the ROO's) rate spread and will decrease (appropriately) the transmission charge
4 to all other customers from what appears in Staff's (and the ROO's) rate spread.
5 Proper implementation of the ROO rate spread recommendation means that the
6 ROO Rate Spread Table attached to the Procedural Order must be modified to
7 account for the effect of incorporating the OATT transmission rate design. The
8 appropriate adjustments are shown in AECC Exceptions Attachment 2.

9 **II. The ROO Recognizes That Other Parties Supported – and No Party**
10 **Objected to – AECC's Proposal To Allocate Fuel and Purchase Power**
11 **Costs on the Basis of Each Class's Hourly Energy Cost Responsibility,**
12 **Yet, the ROO Ignores This Evidence in Determining the**
13 **Recommended Rate Spread.**

14 There is a preponderance of evidence in this case demonstrating that it is
15 just and reasonable to allocate fuel and purchased power costs on the basis of
16 each class's hourly energy usage. In contrast, under both Staff's and APS's cost-
17 of-service studies filed in this case, fuel and purchased power costs ("energy
18 costs") are allocated based on the number of kilowatt hours each customer class
19 consumes. It makes no difference whether those kilowatt hours are concentrated
20 in high-cost summer on-peak periods or lower-cost off-peak periods. Each
21 kilowatt hour is assigned exactly the same weight. AECC's analysis of hourly
22 class loads and hourly class energy usage demonstrates such cost-of-service
23 studies which fail to recognize seasonal and hourly cost differences, over-assign
24 total cost responsibility to Rate E-34 by 3.01 percent, and over-assign total cost
25 responsibility to Rate E-35 by 6.13 percent. [Higgins Rate Design Direct at 14.]
26 This evidence is un-refuted. It has been accepted by APS and was strongly
endorsed by the Federal Executive Agencies ("FEA") and the Kroger Company
("Kroger").

1 The ROO notes the acceptance and lack of opposition to AECC's analysis
2 on this point. [ROO at 71, lines 6-9]. Yet, in adopting its rate spread
3 recommendation, the ROO ignores this evidence entirely. The sole justification
4 for this inaction is the ROO's reference to APS Witness Rumolo's Testimony
5 showing that the incorporation of AECC's adjustment into Staff's cost-of-service
6 analysis yields results that are similar to APS's initial analysis (without the AECC
7 adjustment). Yet, this information does not justify ignoring AECC's adjustment.
8 The ROO also finds that the specific cost-of-service method employed by Staff
9 may not be appropriate as it is subject to the (well-founded) criticism that it
10 double-counts average demand during the system peak. Thus, to the extent the
11 ROO ignores AECC's cost-of-service adjustment on the grounds that applying it
12 to Staff's method produces results similar to APS's initial analysis, the ROO is
13 basing its conclusion on the outcome produced by Staff's choice of a flawed
14 production cost-of-service methodology. Such justification does not overcome
15 the preponderance of evidence in favor of AECC's adjustment.

16 In issuing its Decision in the Interim Proceeding, the Commission
17 specifically encouraged industrial and commercial customers to address the issue
18 of rate design in this case. [Decision No. 68685 at 27, lines 20-21.] AECC has
19 done so. AECC has presented detailed and theoretically sound analysis that
20 assigns fuel and purchased power cost responsibility to classes based on the
21 hourly energy usage. This analysis was strongly endorsed by the experts
22 presented by some of the parties, it was accepted by APS, and it was opposed by
23 no one. Given the strength of this evidence, it is just and reasonable for these
24 results to be incorporated in the final rate spread adopted by the Commission.

25 AECC recommends that the rate spread proposed by the ROO be modified
26 on a revenue-neutral basis consistent with the results of AECC's analysis.

1 Although AECC's analysis justifies a reduction of 3 percentage points to Rate E-
2 34 and a reduction of 6 percentage points to Rate E-35, AECC recommends at
3 this juncture in the proceeding that the overall rate increase for Rate E-34 be
4 reduced by 2 percentage points and the overall rate increase for Rate E-35 be
5 reduced by 4 percentage points from the increases recommended in the ROO, to
6 be offset by a corresponding Residential increase of 0.37 percentage points. The
7 appropriate adjustments are shown in AECC Exceptions Attachment 3. These
8 adjustments are **independent** and **additive** to the adjustments necessary to
9 incorporate the transmission rate design discussed in Section I, above. The
10 combined effect of AECC's Section I and Section II Exceptions is shown in
11 AECC Exceptions Attachment 4.

12 **III. The Generation-Related Rate Increase for General Service Customers**
13 **Should Be Implemented by Applying an Equal Percentage Increase to**
14 **the Energy and Demand Charges for Those Customers Who Are**
15 **Demand Billed.**

16 With respect to the relationship between demand charges and energy
17 charges, the ROO appears to adopt the rate design recommended by APS, which
18 was supported by Staff. That is, the generation rate increase will fall
19 overwhelmingly on the energy charge, with very little change in the demand
20 charge. This will result in wildly divergent rate impacts for customers of
21 differing load factors, with higher load-factor customers receiving significantly
22 higher percentage rate increases than lower load-factor customers on the same
23 rate schedule. [AECC Initial Brief at 27. APS Schedule H-4. Kroger Initial Brief
24 at 9-10.] Forcing such divergent rate impacts among customers on the same rate
25 schedule is not cost-based, and, therefore, is without any useful public purpose.
26 [Higgins Rate Design Direct at 20, line 23 – page 21, line 7. See also Attachment
KCH-8.]

1 The unfortunate rate impact result embedded in the ROO can be avoided
2 by simply applying the same percentage increase to the demand charge and the
3 energy charge for generation service. Such an approach is cost justified and will
4 limit the rate impacts for each class to a relatively small band around each class's
5 average.

6 The justification in the ROO for weighting almost the entire rate increase
7 for demand-billed customers on the energy charge is ascribed to Staff's concern
8 that Rate E-32 was re-designed in the previous rate case, resulting in a significant
9 increase in the demand charge. As a result, Staff did not want to increase the
10 demand charge for Rate E-32 significantly above the levels proposed by APS.
11 The ROO concurred. [ROO at 75, lines 1-8.]

12 There are several problems with this reasoning. First, it does not provide
13 any justification for failing to accept AECC's straightforward and principled
14 recommendation to apply an equal percentage increase to the generation-related
15 demand and energy charges for E-34 and E-35 customers. Second, while the
16 previous rate proceeding did provide a greater increase in the demand charge for
17 E-32 customers, that result was proven to be cost justified. More importantly, in
18 the context of this case, failing to maintain the same proportions between the
19 energy and demand charges (via an equal percentage increase) will simply
20 introduce a new round of disparate rate increases. In essence, Staff's
21 recommendation – accepted by the ROO – is to “undo” the results of the previous
22 rate proceeding with respect to Rate E-32, even though those results were cost
23 justified and found to be in the public interest. “Undoing” the results of the
24 previous rate proceeding will create greater inequities between high-load-factor
25 and low-load-factor customers on Rate E-32 going forward. In contrast, the equal
26 percentage approach recommended by AECC retains the energy charge/demand

1 charge proportions in current rates.

2 AECC urges that the Commission adopt its recommendation to implement
3 the generation rate increase via an equal percentage increase on the energy and
4 demand charges for Rate E-34, Rate E-35, and for demand-billed customers on E-
5 32. And for the same reasons just articulated, AECC urges the Commission to
6 adopt Kroger's proposal to apply an equal percentage rate increase to the "First
7 100 kW" demand block and the "All Additional kW" demand block in the Rate
8 E-32 delivery charge. [Kroger Initial Brief at 14. See especially Table 6]

9
10 **IV. The ROO's Recommendation To Adopt a Forward-Looking Power**
11 **Supply Adjustor Should Be Rejected.**

12 The existing Power Supply Adjustor mechanism ("PSA") was the product
13 of careful negotiation in the previous rate proceeding. Its basic approach –
14 looking back twelve months and sharing deviations from the baseline between
15 customers and APS on a 90/10 basis – strikes a reasonable balance between the
16 need to ensure the financial viability of the utility with the need to maintain
17 economic incentives for the utility to manage its fuel costs wisely.

18 The ROO adopts Staff's radical departure from the existing PSA and
19 recommends adoption of a forward-looking PSA. This change is not needed.
20 APS has requested no such change. The forward-looking PSA will add additional
21 complexity to the determination of the PSA Adjustor and will create a period in
22 which customers are charged two PSA Adjustors at the same time -- one charge
23 for the historical calculation and another for the future calculation. It is not
24 difficult to recognize that Staff's PSA proposal was an attempt to compensate for
25 its relatively low base fuel and purchased power recommendation of 2.8104 cents
26 per kWh and to defend against the predictable charge from APS that Staff's base

1 energy rate would place the Company in financial jeopardy. The ROO, however,
2 rejects Staff's base energy rate proposal and instead adopts RUCO's much higher
3 base energy rate proposal of 3.1202 cents per kWh. The setting of the base
4 energy rate at this much higher level eliminates any justification for implementing
5 a radical change to the basis of the PSA.

6 **V. The ROO's Recommendation To Eliminate the 90/10 Sharing**
7 **Arrangement in the PSA for the Demand Component of Power**
8 **Purchase Agreements and for Renewable Resources Should Be**
9 **Rejected.**

10 The application of the 90/10 sharing mechanism to renewable resources and the
11 fixed costs of purchase power agreements ("PPA's") was part of the overall package
12 negotiated and approved when the PSA mechanism was put forward to the Commission
13 as part of the Settlement Agreement in the previous general rate case. [AECC Closing
14 Brief at 12.] The ROO accepts APS's proposal to change these provisions with little
15 discussion save for identifying parties' positions [ROO at 104, lines 10-26.] AECC
16 takes exception to the APS proposal. The balance of the equities in the PSA should not
17 be changed absent a compelling public interest – and no such compelling public interest
18 exists here. These two components of the 90/10 sharing requirement should not be
19 viewed in isolation and removed piecemeal in this case.

20 The requirement to issue a Renewable RFP, and to seek at least 100 MW and
21 250,000 MWh's of energy from renewable resources, is an obligation to which APS
22 *voluntarily* consented in the Settlement Agreement it signed; the Commission did not
23 impose these requirements – APS and the other parties to the Settlement Agreement
24 presented these provisions to the Commission and sought the Commission's approval,
25 which the Commission granted. [Decision No. 67744 at p. 23, lines 15-18.]

26 At the same time APS was agreeing to increased procurement of renewable

1 resources, APS was agreeing that the 90/10 sharing would apply to renewable resources
2 and the fixed costs of PPA's, all as part of having the PSA mechanism adopted.

3 Moreover, APS's argument with respect to the fixed costs of PPA's should be
4 rejected on its merits. APS claims that it is appropriate to exempt the fixed cost
5 component associated with market-acquired PPA's from the sharing provision because:
6 (1) APS may be acquiring the gas used by the merchant generator and, thus, would have
7 the same incentive to do so prudently as it would for the Company's own units; and (2)
8 an exemption would place PPA's on the same footing with regard to cost-recovery as
9 APS owned generation. [Robinson Direct at p. 25, lines 12-16.]

10 APS's argument fails to acknowledge that the inclusion of the fixed-cost
11 components of a PPA in an *energy* adjustor is, in the first instance, a significant benefit
12 to APS. The Company's argument that PSA's should be placed on an equal footing with
13 APS-owned generation is justification for the removal of the fixed-cost components of a
14 PPA from the PSA *entirely* – not just from the sharing mechanism. [Higgins Direct,
15 Revenue Requirement, at p. 16, line 19 – p. 17, line 3.] The most compelling aspect of
16 this comparison is the fact that the fixed costs of APS units are not part of the PSA
17 calculation – changes in the recovery of these costs can only be implemented in a rate
18 proceeding. It follows, then, that placing the fixed-cost recovery of APS generation and
19 PPA generation on an equal footing would more appropriately involve excluding the
20 fixed-cost components of PPA's from the PSA all together.

21 To be clear, AECC has not proposed that the fixed-cost components of PPA's be
22 excluded from the PSA. However, AECC does oppose the exclusion of these
23 components from the 90/10 sharing arrangement, as adopted by the ROO. AECC
24 recommends that this change to the PSA adopted by the ROO be rejected.

25 **VI.** Lastly, as a matter of form, in the listing of appearances on page 2, at line
26 13-1/2, there is a typographical error. The name of C. Webb Crockett should

1 have two "t's."

2

3 RESPECTFULLY SUBMITTED this 15th day of May 2007.

4

FENNEMORE CRAIG, P.C.

5

By 

6

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1915152.1

**Staff Proposed Rate Spread @ Staff's Recommended Revenue Increase of \$204M
 Provided to ALJ and Commission Advisory Team w/ Staff's Notice of Filing dated January 24, 2007**

Average
 Increase
9.57%

(a)	(b)	(c)	(d)	(e)	(f)
		Staff Adjusted Sales Revenues @ Present Rates	Staff Percentage Increase	Staff Proposed Rev. Increase	Staff Proposed Sales Revenues
Residential					
E-10		\$68,275,664	16.42%	\$11,212,614	\$79,488,278
E-12		\$373,351,609	7.21%	\$26,903,235	\$400,254,844
EC-1		\$35,507,895	17.24%	\$6,122,092	\$41,629,987
ET-1		\$511,936,102	9.99%	\$51,156,554	\$563,092,656
ECT-1		\$102,974,838	10.15%	\$10,447,254	\$113,422,092
Total Res		\$1,092,046,108	9.69%	\$105,841,748	\$1,197,887,856
General Service					
E-20		\$3,595,720	1.25%	\$44,947	\$3,640,667
E-21,22,23,24		\$0	0.00%	\$0	\$0
E-30, E-32		\$152,195,766	8.48%	\$12,906,201	\$165,101,967
E-32	(21 - 100 kW)	\$222,136,329	9.50%	\$21,102,951	\$243,239,280
E-32	(101 - 400 kW)	\$244,720,230	9.56%	\$23,395,254	\$268,115,484
E-32	(401 - 999 kW)	\$147,183,078	9.60%	\$14,129,575	\$161,312,653
E-32	(1,000+ kW)	\$95,171,812	10.26%	\$9,764,628	\$104,936,440
Total E-32+E-30		\$861,407,215	9.44%	\$81,298,610	\$942,705,825
E-34		\$66,831,586	10.26%	\$6,856,921	\$73,688,507
E-35		\$67,717,221	10.26%	\$6,947,787	\$74,665,008
Total GS		\$999,551,742	9.52%	\$95,148,264	\$1,094,700,006
Water Pumping		\$20,864,101	6.29%	\$1,312,352	\$22,176,453
Street Lighting		\$13,344,265	8.92%	\$1,190,308	\$14,534,573
Dusk to Dawn		\$6,422,696	7.79%	\$500,328	\$6,923,024
Total Retail Sales Revenue		\$2,132,228,912	9.57%	\$203,993,000	\$2,336,221,912

ROO Rate Spread Table

Average Increase 13.4201%
 1.403 = ROO Rev. Increase Ratio Relative to Staff's Recommended Increase

(a)	(b)	(c)	(d)	(e)	(f)
		Staff Adjusted Sales Revenues @ Present Rates	ROO Percentage Increase	ROO Proposed Rev. Increase	ROO Proposed Sales Revenues
Residential					
E-10		\$68,275,664	23.04%	\$15,728,264	\$84,003,928
E-12		\$373,351,609	10.11%	\$37,737,961	\$411,089,570
EC-1		\$35,507,895	24.19%	\$8,587,638	\$44,095,533
ET-1		\$511,936,102	14.02%	\$71,758,807	\$583,694,909
ECT-1		\$102,974,838	14.23%	\$14,654,671	\$117,629,509
Total Res		\$1,092,046,108	13.60%	\$148,467,342	\$1,240,513,450
General Service					
E-20		\$3,595,720	1.75%	\$63,048	\$3,658,768
E-21,22,23,24		\$0	0.00%	\$0	\$0
E-30, E-32		\$152,195,766	11.90%	\$18,103,909	\$170,299,675
E-32	(21 - 100 kW)	\$222,136,329	13.33%	\$29,601,732	\$251,738,061
E-32	(101 - 400 kW)	\$244,720,230	13.41%	\$32,817,213	\$277,537,443
E-32	(401 - 999 kW)	\$147,183,078	13.47%	\$19,819,972	\$167,003,050
E-32	(1,000+ kW)	\$95,171,812	14.39%	\$13,697,132	\$108,868,944
Total E-32+E-30		\$861,407,215	13.24%	\$114,039,958	\$975,447,173
E-34		\$66,831,586	14.39%	\$9,618,405	\$76,449,991
E-35		\$67,717,221	14.39%	\$9,745,866	\$77,463,087
Total GS		\$999,551,742	13.35%	\$133,467,276	\$1,133,019,018
Water Pumping		\$20,864,101	8.82%	\$1,840,875	\$22,704,976
Street Lighting		\$13,344,265	12.51%	\$1,669,681	\$15,013,946
Dusk to Dawn		\$6,422,696	10.93%	\$701,825	\$7,124,521
Total Retail Sales Revenue		\$2,132,228,912	13.42%	\$286,147,000	\$2,418,375,912

**ROO Rate Spread Table
Adjusted for Recommended Transmission Rate Design**

	ROO Proposed Increase %	ROO Proposed Increase Amt.
Average Increase	13.4201%	\$286,147,000

(a) (b) (c) (d) (e) (f)
= (c) + (e)

ROO Rate Spread Table Adjusted for Recommended Transmission Rate Design
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	Staff Adjusted Sales Revenues @ Present Rates	Percentage Increase	Rev. Increase By Class	Proposed Sales Revenues
Residential				
E-10	\$68,275,664	23.52%	\$16,059,847	\$84,335,511
E-12	\$373,351,609	10.56%	\$39,409,591	\$412,761,200
EC-1	\$35,507,895	24.75%	\$8,789,580	\$44,297,475
ET-1	\$511,936,102	14.54%	\$74,428,003	\$586,364,105
ECT-1	\$102,974,838	14.82%	\$15,263,710	\$118,238,548
Total Res	\$1,092,046,108	14.10%	\$153,950,731	\$1,245,996,839
General Service				
E-20	\$3,595,720	1.18%	\$42,355	\$3,638,075
E-21,22,23,24	\$0	0.00%	\$0	\$0
E-30, E-32	\$152,195,766	11.44%	\$17,415,263	\$169,611,029
E-32 (21 - 100 kW)	\$222,136,329	13.04%	\$28,958,308	\$251,094,637
E-32 (101 - 400 kW)	\$244,720,230	13.41%	\$32,817,213	\$277,537,443
E-32 (401 - 999 kW)	\$147,183,078	13.47%	\$19,819,972	\$167,003,050
E-32 (1,000+ kW)	\$95,171,812	14.39%	\$13,697,132	\$108,868,944
Total E-32+E-30	\$861,407,215	13.08%	\$112,707,889	\$974,115,104
E-34	\$66,831,586	12.08%	\$8,071,144	\$74,902,730
E-35	\$67,717,221	10.91%	\$7,389,705	\$75,106,926
Total GS	\$999,551,742	12.83%	\$128,211,093	\$1,127,762,835
Water Pumping	\$20,864,101	8.09%	\$1,688,410	\$22,552,511
Street Lighting	\$13,344,265	12.06%	\$1,609,026	\$14,953,291
Dusk to Dawn	\$6,422,696	10.71%	\$687,739	\$7,110,435
Total Retail Sales Revenue	\$2,132,228,912	13.42%	\$286,147,000	\$2,418,375,912

ROO Rate Spread Table Adjusted for Recommended Transmission Rate Design

Transmission Rate
(\$/kWh)
\$0.00476

(a) (b) (c) (d) (e) (f) (g) (h) (i) (j) (k) (l)
 = (g) x kWh or kW = (h) x kWh or kW = (i) - (j) = (k) ÷ Present Rev

	Energy Billing Determinants with Weather & Customer Adj. Only	Demand Billing Determinants	APS OATT Rate	OATT Transmission Revenues	Transmission Revenues at Initially-Proposed kWh Charge	Change in Transmission Revenues by Class	Total Adjustment to Rates in ROO Rate Spread Table
Residential							
E-10	750,188,685 kWh		\$0.00520 /kWh	\$3,902,482	\$3,570,898	\$331,583	0.49%
E-12	3,781,966,568 kWh		\$0.00520 /kWh	\$19,673,790	\$18,002,161	\$1,671,629	0.45%
EC-1	456,881,952 kWh		\$0.00520 /kWh	\$2,376,700	\$2,174,758	\$201,942	0.57%
ET-1	6,038,904,655 kWh		\$0.00520 /kWh	\$31,414,382	\$28,745,186	\$2,669,196	0.52%
ECT-1	1,377,916,302 kWh		\$0.00520 /kWh	\$7,167,921	\$6,538,882	\$609,039	0.59%
Total Res	12,405,858,162 kWh			\$64,535,274	\$59,051,885	\$5,483,389	0.50%
General Service							
E-20	39,716,880 kWh		\$0.00424 /kWh	\$168,360	\$189,052	(\$20,692)	-0.58%
E-21, 22, 23, 24							
E-30, E-32	1,321,776,287 kWh		\$0.00424 /kWh	\$5,603,010	\$6,291,655	(\$688,645)	-0.45%
E-32	(21 - 100 kW)						
E-32	(101 - 400 kW)						
E-32	(401 - 999 kW)						
E-32	(1,000+ kW)						
Total E-32+E-30	11,142,134,013 kWh			\$51,704,489	\$53,036,558	(\$1,332,069)	-0.15%
E-34	1,188,008,411 kWh	2,327,022 kW	\$1.7652 \$/kW	\$4,107,659	\$5,654,920	(\$1,547,261)	-2.32%
E-35	1,384,976,590 kWh	2,399,914 kW	\$1.7652 \$/kW	\$4,236,328	\$6,592,489	(\$2,356,161)	-3.48%
Total GS	13,754,835,894 kWh			\$60,216,835	\$65,473,019	(\$5,256,183)	
Water Pumping Street Lighting Dusk to Dawn							
	292,638,809 kWh		\$0.00424 /kWh	\$1,240,496	\$1,392,961	(\$152,465)	-0.73%
	116,419,921 kWh		\$0.00424 /kWh	\$493,504	\$554,159	(\$60,655)	-0.45%
	27,037,078 kWh		\$0.00424 /kWh	\$114,610	\$128,696	(\$14,086)	-0.22%
Total Retail Sales Revenue	26,596,789,864 kWh			\$126,600,720	\$126,600,720	(\$0)	0.00%

ROO Rate Spread Table
Adjusted for AECC Proposal to Reduce E-34 by 2.00% and E-35 by 4.00%
(Without Recommended Transmission Rate Design Adjustment)

	ROO Proposed Increase %	ROO Proposed Increase Amt.
Average Increase	13.4201%	\$286,147,000

(a) (b) (c) (d) (e) (f)
 = (c) + (e)

ROO Rate Spread Table Adjusted for AECC's Proposed E-34 & E-35 Reductions
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	Staff Adjusted Sales Revenues @ Present Rates	Percentage Increase	Rev. Increase By Class	Proposed Sales Revenues
Residential				
E-10	\$68,275,664	23.41%	\$15,981,181	\$84,256,845
E-12	\$373,351,609	10.48%	\$39,120,986	\$412,472,595
EC-1	\$35,507,895	24.56%	\$8,719,172	\$44,227,067
ET-1	\$511,936,102	14.39%	\$73,655,197	\$585,591,299
ECT-1	\$102,974,838	14.60%	\$15,036,126	\$118,010,964
Total Res	\$1,092,046,108	13.97%	\$152,512,663	\$1,244,558,771
General Service				
E-20	\$3,595,720	1.75%	\$63,048	\$3,658,768
E-21,22,23,24	\$0	0.00%	\$0	\$0
E-30, E-32	\$152,195,766	11.90%	\$18,103,909	\$170,299,675
E-32 (21 - 100 kW)	\$222,136,329	13.33%	\$29,601,732	\$251,738,061
E-32 (101 - 400 kW)	\$244,720,230	13.41%	\$32,817,213	\$277,537,443
E-32 (401 - 999 kW)	\$147,183,078	13.47%	\$19,819,972	\$167,003,050
E-32 (1,000+ kW)	\$95,171,812	14.39%	\$13,697,132	\$108,868,944
Total E-32+E-30	\$861,407,215	13.24%	\$114,039,958	\$975,447,173
E-34	\$66,831,586	12.39%	\$8,281,773	\$75,113,359
E-35	\$67,717,221	10.39%	\$7,037,177	\$74,754,398
Total GS	\$999,551,742	12.95%	\$129,421,956	\$1,128,973,698
Water Pumping	\$20,864,101	8.82%	\$1,840,875	\$22,704,976
Street Lighting	\$13,344,265	12.51%	\$1,669,681	\$15,013,946
Dusk to Dawn	\$6,422,696	10.93%	\$701,825	\$7,124,521
Total Retail Sales Revenue	\$2,132,228,912	13.42%	\$286,147,000	\$2,418,375,912

ROO Rate Spread Table
Adjusted for AECC Proposal to Reduce E-34 by 2.00% and E-35 by 4.00%
(Without Recommended Transmission Rate Design Adjustment)

	ROO Proposed Increase %	ROO Proposed Increase Amt.
Average Increase	13.4201%	\$286,147,000

(a)	(b)	(c)	(d) See Attachment 1 p. 2, Col (e)	(e)	(f)	(g) = (d) + (e)
		Staff Adjusted Sales Revenues @ Present Rates	ROO Proposed Sales Rev. Change Without Transmission Rate Design Adjustment	Proposed Adjustment to E-34, E-35 & Residential	Proposed Percentage Change to E-34, E-35 & Residential	ROO Adjusted Sales Revenues
Residential						
E-10		\$68,275,664	\$15,728,264	\$252,917		\$15,981,181
E-12		\$373,351,609	\$37,737,961	\$1,383,025	0.37%	\$39,120,986
EC-1		\$35,507,895	\$8,587,638	\$131,534	0.37%	\$8,719,172
ET-1		\$511,936,102	\$71,758,807	\$1,896,390	0.37%	\$73,655,197
ECT-1		\$102,974,838	\$14,654,671	\$381,455	0.37%	\$15,036,126
Total Res		\$1,092,046,108	\$148,467,342	\$4,045,321	0.37%	\$152,512,663
General Service						
E-20		\$3,595,720	\$63,048			\$63,048
E-21,22,23,24		\$0	\$0			\$0
E-30, E-32		\$152,195,766	\$18,103,909			\$18,103,909
E-32	(21 - 100 kW)	\$222,136,329	\$29,601,732			\$29,601,732
E-32	(101 - 400 kW)	\$244,720,230	\$32,817,213			\$32,817,213
E-32	(401 - 999 kW)	\$147,183,078	\$19,819,972			\$19,819,972
E-32	(1,000+ kW)	\$95,171,812	\$13,697,132			\$13,697,132
Total E-32+E-30		\$861,407,215	\$114,039,958			\$114,039,958
E-34		\$66,831,586	\$9,618,405	(\$1,336,632)	-2.00%	\$8,281,773
E-35		\$67,717,221	\$9,745,866	(\$2,708,689)	-4.00%	\$7,037,177
Total GS		\$999,551,742	\$133,467,276	(\$4,045,321)		\$129,421,956
Water Pumping		\$20,864,101	\$1,840,875			\$1,840,875
Street Lighting		\$13,344,265	\$1,669,681			\$1,669,681
Dusk to Dawn		\$6,422,696	\$701,825			\$701,825
Total Retail Sales Revenue		\$2,132,228,912	\$286,147,000	\$0		\$286,147,000

Combined Effect of AECC Exceptions

ROO Rate Spread Table
Adjusted for Recommended Transmission Rate Design
& AECC Proposal to Reduce E-34 by 2.00% and E-35 by 4.00%

Average Increase	ROO Proposed Increase % 13.4201%	ROO Proposed Increase Amt. \$286,147,000
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(a) (b) (c) (d) (e) (f)
= (c) + (e)

ROO Rate Spread Table Adjusted for Recommended Transmission Rate Design & AECC's Proposed E-34 & E-35 Reductions

	Staff Adjusted Sales Revenues @ Present Rates	Percentage Increase	Rev. Increase By Class	Proposed Sales Revenues
Residential				
E-10	\$68,275,664	23.89%	\$16,312,764	\$84,588,428
E-12	\$373,351,609	10.93%	\$40,792,616	\$414,144,225
EC-1	\$35,507,895	25.12%	\$8,921,114	\$44,429,009
ET-1	\$511,936,102	14.91%	\$76,324,393	\$588,260,495
ECT-1	\$102,974,838	15.19%	\$15,645,165	\$118,620,003
Total Res	\$1,092,046,108	14.47%	\$157,996,052	\$1,250,042,160
General Service				
E-20	\$3,595,720	1.18%	\$42,355	\$3,638,075
E-21,22,23,24	\$0	0.00%	\$0	\$0
E-30, E-32	\$152,195,766	11.44%	\$17,415,263	\$169,611,029
E-32 (21 - 100 kW)	\$222,136,329	13.04%	\$28,958,308	\$251,094,637
E-32 (101 - 400 kW)	\$244,720,230	13.41%	\$32,817,213	\$277,537,443
E-32 (401 - 999 kW)	\$147,183,078	13.47%	\$19,819,972	\$167,003,050
E-32 (1,000+ kW)	\$95,171,812	14.39%	\$13,697,132	\$108,868,944
Total E-32+E-30	\$861,407,215	13.08%	\$112,707,889	\$974,115,104
E-34	\$66,831,586	10.08%	\$6,734,512	\$73,566,098
E-35	\$67,717,221	6.91%	\$4,681,016	\$72,398,237
Total GS	\$999,551,742	12.42%	\$124,165,772	\$1,123,717,514
Water Pumping	\$20,864,101	8.09%	\$1,688,410	\$22,552,511
Street Lighting	\$13,344,265	12.06%	\$1,609,026	\$14,953,291
Dusk to Dawn	\$6,422,696	10.71%	\$687,739	\$7,110,435
Total Retail Sales Revenue	\$2,132,228,912	13.42%	\$286,147,000	\$2,418,375,912