



BEFORE THE ARIZONA CORPORATION COMMISSION

8056

COMMISSIONERS

2007 MAY 15 P 1:52

- MIKE GLEASON, Chairman
- WILLIAM A. MUNDELL
- JEFF HATCH-MILLER
- KRISTIN K. MAYES
- GARY PIERCE

AZ CORP COMMISSION  
DOCUMENT CONTROL

**ORIGINAL**

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

Arizona Corporation Commission

**DOCKETED**

MAY 15 2007

DOCKETED BY

*SM*

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

**STAFF'S EXCEPTIONS**

Arizona Corporation Commission Staff ("Staff") hereby files its exceptions in this matter. In general, Staff supports the recommended opinion and order, and Staff offers the following comments merely as suggested clarifications. Specifically, Staff suggests clarifications regarding the breakdown of the authorized increase, the definition of a "long-term" purchase power agreement, and the details of the contemplated environmental improvement charge.

**I. Breakdown of Authorized Increase**

Staff believes that it may be helpful to clarify the proposed order regarding the amount of the authorized increase. The proposed order at page 68 states that "[t]he required increase in gross annual revenues is \$286,147,000 or an 11.06 percent increase over TY revenues." Staff, however,

1 believes that this number (\$286,147,000) includes both the base rate increase and the "2007 PSA"  
2 component. In an effort to understand the implications of the proposed order, Staff attempted to  
3 reconcile its various resolutions and adjustments with the recommendations contained in Staff's case.  
4 As a result of that process, it appears to Staff that the authorized increase (\$286,147,000) reflects both  
5 the base rate increase and the "2007 PSA" component. Staff therefore asks that the recommended  
6 order be clarified to specifically identify the dollar amount of the base rate increase and the dollar  
7 amount of the "2007 PSA" component. Staff believes that this clarification will be helpful to all  
8 parties.

9 **II. Definition of a "long-term" purchase power agreement**

10 The proposed order removes from the 90/10 sharing mechanism of the PSA the fixed or  
11 demand element of long-term purchase power agreements acquired through competitive procurement.  
12 Staff, however, is uncertain as to whether the proposed order specifically defines "long-term" in this  
13 context. Staff believes that specific clarification of this term may be helpful. Staff therefore  
14 recommends that the proposed order be clarified to specifically identify "long-term purchase power  
15 agreements" as those with a term greater than or equal to three years.

16 **III. Details of the contemplated environmental improvement charge**

17 The proposed order rejects APS' specific proposal regarding an environmental improvement  
18 charge ("EIC"), but nonetheless approves an alternative EIC that will allow APS to recover its actual  
19 costs. The proposed order, however, does not adopt a plan of administration to govern the EIC. Staff  
20 suggests that a specific, Commission-approved plan of administration is necessary in order to  
21 implement the EIC as contemplated by the proposed order.

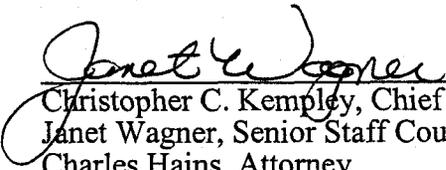
22 The proposed order states that APS is authorized to make "its first EIC adjustor request within  
23 30 days" of the Commission's decision and that the EIC will "include only costs for actual capital  
24 investment already made." Although Staff believes that the EIC described by the proposed order  
25 may be an improvement over that requested by APS, Staff notes that the record does not contain a  
26 plan of administration that is specifically tailored to the EIC as contemplated by the proposed order.  
27 The plan of administration that APS developed for its original proposal is likely to be inappropriate  
28 for the EIC proposed in the recommended order. Staff therefore suggests that APS be required to

1 file, for Commission approval, a plan of administration that appropriately reflects the EIC as set forth  
2 in the recommended order. APS should be required to file this proposed plan within thirty days of  
3 the Commission's order in this matter.

4 **IV. Conclusion**

5 Staff generally supports the proposed order and offers these comments as suggested  
6 clarifications.

7 RESPECTFULLY SUBMITTED this 15<sup>th</sup> day of May, 2007.

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