

ORIGINAL



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THIS AMENDMENT:
 _____ Passed _____ Passed as amended by _____
 _____ Failed _____ Not Offered _____ Withdrawn

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2007 JUN -1 P 4: 47

Arizona Corporation Commission

DOCKETED

AZ CORP COMMISSION
DOCKET CONTROL

GLEASON PROPOSED AMENDMENT #7

DATE PREPARED: June 1, 2007

JUN -1 2007

DOCKETED BY	<i>nr</i>
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COMPANY: Arizona Public Service Company

DOCKET NOs: E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827

OPEN MEETING DATES: June 13, 2007

AGENDA ITEM: U-1

Page 63, lines 12 and 13

STRIKE: "90/10 sharing provision was modified per APS' request to exclude certain types of costs"

INSERT: "90/10 sharing provision was eliminated"

Page 104, STRIKE lines 17 through 26 and INSERT:

Operating under the incentive provided by the 90/10 sharing mechanism, APS has been diligent in its fuel procurement.⁶⁰ Although the extent to which this diligence is the result of an "incentive" created by the existing 90/10 sharing mechanism is unknown, we do know that APS has demonstrated sound procurement practices. Accordingly, we will follow Staff's proposal by adopting a PSA that does not contain a 90/10 or any other sharing mechanism.

Although we will not implement a sharing mechanism that would potentially prevent APS from recovering the full amount of its necessary and prudently incurred fuel and purchased power costs, it is appropriate to put in place an incentive and controls to monitor and ensure that only prudently incurred costs are incurred on a timely basis. To exercise such control, we will require APS' fuel and purchased power acquisitions to be audited annually, as described herein, and until further order of the Commission. As an incentive, after notice and opportunity for hearing, the Commission may use the audit results to adjust the PSA rate.

Each annual audit shall be comparable in scope to the audit that we directed in Docket No. E-01345A-05-0827 and shall be performed by a Staff consultant and funded by APS. The period covered by each audit will coincide with the PSA year (February 1 through January 31), and the production and review of the audit results shall be scheduled in a manner that allows the audit results to be used in adjusting the PSA rate, if warranted. Accordingly, APS shall provide all data relevant to the audit to Staff's consultant by each February 28, and Staff shall docket its Staff Report (resulting from the consultant's audit) by

each August 15. The Company shall file its comments on the Staff Report by each September 30. The Commission will act on Staff's recommendations before each December 31.⁶¹

INSERT a new footnote No. 61 to read:

⁶¹ For example: The PSA year runs from February 1, 2008 to January 31, 2009. APS would provide all relevant data (for the PSA year running from February 1, 2008 to January 1, 2009) to Staff's consultant by February 28, 2009. The Staff Report (resulting from the consultant's audit) shall be filed by August 15, 2009. APS will file its comments on the Staff Report by September 30, 2009. The Commission will issue its decision on the matter by December 31, 2009. Any change to the PSA rate resulting from the Commission's decision will be incorporated into the PSA rate beginning February 1, 2010."

Renumber footnotes to conform

Page 109, line 6, after "cap;"

STRIKE: "a"

INSERT: "no"

Page 109, line 7, after the first "costs" STRIKE remainder of line

Page 109, STRIKE line 8

Page 109, line 9, STRIKE :

"purchased power agreement acquired via a competitive procurement process"

Page 109, line 15, STRIKE "sharing"

Page 109, line 16, STRIKE "The resolution concerning sharing above,"

Page 109, STRIKE lines 17 through 20, INSERT:

"To provide such an incentive, we will require APS' fuel and purchased power acquisitions to be audited annually, as described herein and until further order of the Commission, and after notice and opportunity for hearing, the Commission may use the audit results to adjust the PSA rate."

Page 109, line 23

STRIKE: "include the sharing mechanism above"

INSERT: "incorporate the results of a mandatory annual audit of the Company's fuel and purchased power acquisitions"

Page 142, STRIKE lines 5 through 9

Renumber to conform

Page 142, line 22

STRIKE: "a provision for 90/10 sharing"

INSERT: "no provision for 90/10 sharing"

Page 142, line 22, STRIKE ", except the"

Page 142, STRIKE lines 23 and 24

Page 142, line 25, STRIKE "competitive procurement process"

Page 143, line 4, STRIKE "sharing"

Page 143, STRIKE lines 6 through 9 and INSERT a new Finding of Fact to read:

"We have no basis for imposing a 'sharing' mechanism that prevents APS from recovering the full amount of its necessary and prudently incurred costs, but as an incentive to controlling fuel and purchased power costs, it is appropriate to require APS' fuel and purchased power acquisitions to be audited annually, as described herein, as a basis for adjusting the PSA rate if warranted."

Page 143, line 12

STRIKE: "include the 90/10 sharing mechanism above"

INSERT: "incorporate the results of a mandatory annual audit of the Company's fuel and purchased power acquisitions."

Amend PSA Plan of Administration to conform

Make all conforming changes