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OPEN MEETING AGENDA ITEM

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BEFORE THE ARIZONA CORPORATION COMMISSION

CONF

RECEIVED

COMMISSIONERS

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

2007 JUN 11 P 4: 01

AZ CORP COMMISSION
DOCKET CONTROL

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

JUN 11 2007

DOCKETED BY *nr*

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

NOTICE OF FILING SCHEDULES

Arizona Corporation Commission Staff ("Staff") hereby provides the attached schedules, which in some instances provide corrections to adjustments contained within the spreadsheet and schedules filed by the ALJ on May 2, 2007, that summarize numerically the findings set forth in the Recommended Opinion and Order issued in Docket Nos. E-01345A-05-0816 et al. Representatives from Staff, RUCO, and APS have reviewed and discussed the attached schedules, and all agree that they represent a mathematically correct application of the resolutions presented by the proposed order.

Staff notes that, within its Exceptions to the Recommended Opinion and Order filed with the Commission on May 14, 2007, it recommended that the amount of "base" versus "2007 PSA"

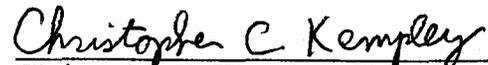
1 increases be clarified. Further, Staff asserted that it believed the increase of \$286,147,000 cited at
2 page 68 of the ROO included the "base" as well as "2007 PSA" increase. However, the subsequent
3 exercise of analyzing as well as rechecking all inputs in the ALJ's spreadsheet have demonstrated
4 that the noted \$286,147,000 does not include the "2007 PSA" increase of approximately \$34 million.
5 In other words, Staff has now determined that the authorized increase set forth in the proposed Order
6 does not contain the "forward component" of the 2007 PSA.

7 However, representatives from Staff, RUCO, and APS have identified the following as probable
8 minor errors included within the ALJ's spreadsheet that supports numbers cited within the proposed
9 Order:

- 10 1. The bark beetle amortization adjustment reflected on line 1 did not include a \$110,000
11 suggested increase that was offered in APS rebuttal testimony that no party appears to have
12 contested. This uncontested amount has been added to the original amount reflected on the
13 ALJ's schedule, line 1.
- 14 2. The impact of the adoption of RUCO's proposed base PSA roll-in amount appears to have
15 been slightly miscalculated on line 9 of the ALJ's schedule. The attached schedule reflects
16 the corrected adjustments to off-system sales revenues, fuel, and purchased power expense
17 that representatives of APS, Staff, and RUCO agree correctly reflect RUCO's PSA roll-in
18 position that appears to have been adopted within the ROO.
- 19 3. The ALJ's spreadsheet attempted interest synchronization for cost-of-service income tax
20 development on an adjustment-by-adjustment basis that appears to have resulted in a small
21 cumulative error. Interest synchronization for cost-of-service income tax expense has been
22 corrected on line 38 of the attached schedule.
- 23 4. It does not appear that the "Administrative and General" portion of the PWEC Units'
24 adjustment found on line 3 of the ALJ's schedule has been jurisdictionalized. Accordingly,
25 the attached schedule has applied the appropriate jurisdictional factor to the A&G portion of
26 the PWEC adjustment adopted within the ROO.
- 27 5. The SERP adjustment at page 27 of the ROO has a transposed number. The correct amount of
28 the adjustment is \$3,931,000.

1 On June 1, 2007, the Hearing Division filed a proposed amendment to the ROO. Such
2 amendment addresses items 1, 3, and 5 above. It does not reflect corrections 2 and 4.
3 The corrections discussed above are set forth in the attached schedules.

4 RESPECTFULLY SUBMITTED this 11th day of June, 2007.

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APS Revenue Requirement Summary Spreadsheet Corrected as Believed Necessary by Staff, APS and RUCO to Reflect Findings within ROO

Adjustment Description	Operating Revenue	Fuel & Purchased Power	Operations Excluding Fuel	Maintenance	Depre. & Amortization	Amortization of Gain	Admin & General	Other Taxes	Interest Expense (4)	Income Taxes	Operating Income Adjustment
1 Bark beetle amortization			1,548							(604)	(944)
2 Sundance Operating Expense			977	2,718						(1,443)	(2,252)
3 PVEC Units (3)	(1,762)	(655)	18,133	7,899			13,735			(15,961)	(24,913)
4 Advertising and Business Meals			(6,352)				(312)			2,602	4,062
5 Eliminate SERP Expenses			(3,931)							1,535	2,386
6 Property Tax Expense Annualization					20,799					(5,870)	(9,161)
7 Depre. & Amort. Annualization	452					(71)				(7,918)	(12,358)
8 Demand Side Management			2,989							(1,167)	(1,822)
9 Fuel & PP Expense	77,215	302,227								(87,867)	(137,144)
10 Lobbying Costs										307	479
11 Stock Compensation Expense			(4,488)					(786)		1,753	2,735
12 Spent Nuclear Fuel		10,653								(4,160)	(6,493)
13 Nuclear Decommissioning					3,820					(1,492)	(2,328)
14 Four Corners Coal Reclamation		1,294								(501)	(783)
15 Annualize payroll costs			5,025	3,692	(227)					(3,404)	(5,313)
16 Reg Disallowance for West Ptx 4										89	138
17 Remove Franch Fees & Revenues	(15,723)		(15,723)								
18 Base Rate Component for EPS	6,779		6,000								
19 Interest on Customer Deposits			2,400								
20 Amort. Of Reg Assets										304	475
21 PVEC Loan Amortization										(937)	(1,463)
22 Eliminate non-recurring tax research			(2,746)							(149)	(232)
23 Out-of-Period Income Tax Adjt			(841)							1,286	2,006
24 Unallocated "Misc. Adjustments"	2,217		2,119							1,072	1,674
25 Pension Expense			(3,006)							(672)	(243)
26 PRMB Expense										(827)	(1,292)
27 Out-of-period depre/legal costs										1,174	1,832
28 Unregulated Marketing & Trading	(835,567)	(841,847)	(6,511)	1,435 (719)	1,764	(2,126)	(8,422)			3,289	5,133
29 PVNGS Unit SGR depreciation										5,825	9,092
30 Normalize Non-Nuclear Maint.										(899)	(1,075)
31 Normalize nuclear maint										(560)	(875)
32 Normalize YE Customers										280	438
33 Normalize weather	44,663	13,890	2,456							11,058	17,260
34 Annualize 4/1/05 rate increase	10,938	4,224	747							2,330	3,637
35 E-3/E-4 Promotional Expense	17,136									6,692	10,444
36 Schedule 1 Changes			62							(24)	(38)
37 Top Down Income Tax Adjustment	127		(38)							64	101
38 Income Tax Synchronization										(4,588)	(4,588)
39 Generation Production Tax Credit										2,380	(2,380)
	(693,525)	(510,224)	(1,181)	15,026	23,245	(2,197)	8,983	15,031		(99,953)	(142,265)
	3,303,455										
	(693,525)										
	2,609,930										
	2,969,287										
	(551,259)										
	2,418,028										
	191,903										

Actual Test Year ACC, Jurisdictional Operating Revenues, Schedule C-1 of APS' January 31, 2006 filing
 Corrected Revenue Adjustments, Column 1, line 40
 Corrected Adopted Test Year Operating Revenues
 Actual Test Year ACC, Jurisdictional Operating Expenses, Schedule C-1 of APS' January 31, 2006 filing
 Corrected Expense adjustments Columns 2 through 8 and 10, line 40
 Corrected Adopted Test Year Operating Expenses
 Corrected Adjusted NOI

\$ 4,403,496
 8.32%
 366,371
 (191,903)
 174,468
 1,640,689
 \$ 286,248

2007 Forward Component PPFAC cents/KWh
 PPFAC included in base roll-in cents/KWh
 Increase in PPFAC cents/KWh
 Annualized retail jurisdictional sales
 \$ 34,493
 3,1202
 0.1285
 26,759,478
 \$ 320,741

Incremental Increase to Refiled 2007 PPFAC factor Adopted
 Total Increase - Authorized Base plus 2007 PPFAC Factor
 Being Proposed by ROO

**Corrected Fuel & PP Adjustments Believed to be Appropriately Posted to ALJ's Income Statement
Spreadsheet Based upon Ordered PPFAC Base of 3.1202 c/kWh**

1	ROO Targeted Roll-in	3.2156	Per ROO P.33 targeted roll-in amount is 3.1202 c/kWh;
2			comparable roll-in amount before OSS impact is 3.2156
3	PPFAC in current base	2.6983	per RUCO Surrebuttal Exhibit __ (JRH-R1)
4	Increase in PPFAC in Base	0.5173	PME_WP6, Line 4
5			Line 1 minus Line 4
6			
7	Retail Annualized MWH sales	26,759,478	PME_WP6, Line 10
8			
9	Proforma Juris Increase in Fuel & PP to		
10	Serve AZ retail load	138,427	Line 5 times Line 7
11			
12	Add Test Year Total PSA Fuel Deferrals	112,844	PME_WP6, Line 15
13			
14	Plus Increase in Juris Fuel & PP to serve		
15	increased OSS	50,956	Total Co. amount of \$51,790 times Juris Factor of 98.39
16			
17	Corrected Increase in AZ Juris Fuel & PP Costs	302,227	Lines 10 + 12 + 15
18			
19	Corrected Increase in Retail Revenues (Juris portion of increased		
20	OSS Revenues included within Co's Original Adjustment)	77,215	Company's original request
21			(APS Sch. C-2, page 4, Col VV)
22	Before-tax impact of Fuel, Purchased Power and OSS roll-in	(225,011)	Line 20 minus Line 17
23			
24	Corrected After-tax impact of Fuel, PP and OSS roll-in	(137,144)	Line 22 times 60.95% (after tax rate)