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OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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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 *ne*

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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13 Docket Control
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APS Revenue Requirement Summary Spreadsheet Corrected as Believed Necessary by Staff, APS and RUCCO 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)	LLR, W/P 7
2 Sundance Operating Expense			977	2,718						(1,443)	(2,252)	1)
3 PWEC Units (3)	(1,762)	(665)	18,133	7,899			13,735			(15,961)	(24,913)	2) 3) 4)
4 Advertising and Business Meals			(6,352)				(312)			2,802	4,062	Proposed Order Page 20
5 Eliminate SERP Expenses			(3,931)							1,535	2,396	Proposed Order Page 27
6 Property Tax Expense Annualization										(5,870)	(9,161)	Proposed Order Page 28
7 Depre. & Amort. Annualization	452				20,799	(71)				(7,918)	(12,358)	Proposed Order Page 30, FN 25
8 Demand Side Management			2,989							(1,167)	(1,822)	Proposed Order Page 30
9 Fuel & PP Expense		302,227								(87,867)	(137,144)	See Second Sheet
10 Lobbying Costs										307	479	Proposed Order Page 35
11 Stock Compensation Expense							(786)			1,753	2,735	Proposed Order Page 36
12 Spent Nuclear Fuel		10,653								(4,160)	(6,493)	Proposed Order Pages 37/38
13 Nuclear Decommissioning					3,820					(1,492)	(2,328)	Proposed Order Pages 38
14 Four Corners Coal Reclamation		1,284								(501)	(783)	Proposed Order Pages 38
15 Annualize payroll costs			5,025							(3,404)	(6,313)	Proposed Order Pages 38
16 Reg Disallowance for West Pkx 4				3,692	(227)					89	138	Proposed Order Pages 38
17 Remove Franch Fees & Revenues	(15,723)									304	475	Proposed Order Pages 39
18 Base Rate Component for EPS	6,779									(937)	(1,463)	Proposed Order Pages 39
19 Interest on Customer Deposits										(149)	(232)	Proposed Order Pages 39
20 Amort. Of Reg Assets										1,286	2,006	Proposed Order Pages 39
21 PWEC Loan Amortization										1,072	1,674	Proposed Order Pages 39
22 Eliminate non-recurring tax research										(672)	(1,048)	Proposed Order Pages 40
23 Out-of-Period Income Tax Adj't										(827)	(1,292)	Proposed Order Pages 40
24 Uncompleted "Misc. Adjustments"	2,217		(841)	2,119			4,778			1,174	1,832	Proposed Order Pages 40
25 Pension Expense			(3,006)							5,133	5,133	Proposed Order Pages 40
26 PRMB Expense										5,825	9,092	Proposed Order Pages 40
27 Out-of-period depre/legal costs	(835,567)	(841,847)	(6,511)				(8,422)			1,764	1,832	Proposed Order Pages 40
28 Unregulated Marketing & Trading										(689)	(1,075)	Proposed Order Pages 41
28 PVNGS Unit SGR depreciation										(680)	(875)	Proposed Order Pages 41
30 Normalize Non-Nuclear Maint.				1,435						280	438	Proposed Order Pages 41
31 Normalize nuclear maint				(719)						11,058	17,260	Proposed Order Pages 41
32 Annualize YE Customers	44,663	13,890	2,455							2,330	3,637	Proposed Order Pages 41
33 Annualize weather	10,938	4,224	747							6,692	6,692	Proposed Order Pages 41
34 Annualize 4/1/05 rate increase	17,136									64	101	Proposed Order Pages 41
35 E-3/E-4 Promotional Expense			62							(24)	(38)	Proposed Order Pages 41
36 Schedule 1 Changes	127		(38)							(4,588)	4,588	Proposed Order Pages 42
37 Top Down Income Tax Adjustment										2,380	(2,380)	Proposed Order Pages 42
38 Income Tax Synchronization										(2,380)	(2,380)	Proposed Order Pages 42
39 Generation Production Tax Credit										(2,915)	2,915	Proposed Order Pages 42
	(693,525)	(510,224)	(1,181)	15,026	23,245	(2,197)	8,993	15,031		(99,953)	(142,265)	
	3,303,465									4,403,496		
	(693,525)									8,327%		
	2,609,930									366,371		
	2,909,287									(191,903)		
	(551,259)									174,468		
	2,418,028									1,640,689		
	191,903									286,248		
										3,2491		
										3,1202		
										0,1286		
										26,759,478		
										34,493		
										320,741		

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

ROO Adopted Orig Cost Rate Base
 ROO Adopted Weighted CCC
 ROO Adopted Required Operating Income
 Corrected Adjusted NOI
 NOI Deficiency
 Gross Revenue Conversion Factor
 Corrected Base Rate Increase Being Recommended by ROO

2007 Forward Component PPFAC cents/kWh
 PPFAC included in base roll-in cents/kWh
 Increase in PPFAC cents/kWh
 Annualized retail jurisdictional sales
 Incremental Increase to Reflect 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 Surrebutal Exhibit __ (JRH-R1)
4	Increase in PPFAC in Base	0.5173	PME_W/P6, Line 4
5			Line 1 minus Line 4
6			
7	Retail Annualized MWH sales	26,759,478	PME_W/P6, 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_W/P6, 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)