



**ORIGINAL**  
OPEN MEETING AGENDA ITEM



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Barbara Klemstine  
Director  
Regulation & Pricing

Tel. 602-250-4563  
Fax 602-250-3003  
e-mail Barbara.Klemstine@aps.com

Mail Station 9708  
PO Box 53999  
Phoenix, Arizona 85072-3999

June 15, 2007

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

RE: APS General Rate Case, Power Supply Adjustor; Docket Nos. E-01345A-05-0816, E-01345A-05-0826  
and E-01345A-05-0827

Dear Sir or Madame:

Attached please find Arizona Public Service Company's document demonstrating the operation of Commissioner Mayes' amendment #8 as approved in Open Meeting June 14, 2007.

Sincerely,

Barbara Klemstine

BK/dst

Attachments

CC: Parties of Record

Arizona Corporation Commission  
**DOCKETED**

JUN 15 2007

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AZ CORP COMMISSION  
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## Operation of Mayes Amendment #8

- The annual change in the sum of all effective PSA rates can not be greater than +/- 4 mils.
- The PSA rates included in the application of the cap are:
  - The Forward Component
  - The Historical Component
  - Any and all Transition Components
  - The "Old PSA" Annual Adjustor
- The cap applies to each PSA year, which is defined as February 1 of each year through January 31 of the following calendar year.
- The bandwidth established by the cap is measured by summing all PSA rates that are effective at the end of each PSA year and adding/subtracting 4 mils from that sum.
- The first application of the 4 mil cap will be in February 2008 with the adoption of a new Forward Component and a new Historical Component.
- In extraordinary circumstances, the company may seek Commission authorization to exceed the 4 mil cap.

6/15/2007

## Operation of Mayes Amendment #8

- PSA rates in effect at 7/1/07 per prior Decisions and the Recommended Opinion and Order as modified by Mayes Amendment #8 are:
  - 4.0<sup>1</sup> mils – “Old PSA” Annual Adjustor continues collecting 2006 costs
  - 1.1<sup>2</sup> mils – Transition Component set to collect allowable 2005 Palo Verde outage costs over the July 2007 – June 2008 period
  - 0.0 mil – Forward Component
  - 0.0 mil – Historical Component
  - 5.1 mils – Total of PSA Rates in effect at 7/1/07 and in place at end of 2007 PSA year
  
- 2/1/08 – Next PSA Rate Change
  - 4.0<sup>1</sup> mil Old PSA Annual Adjustor expires
  - New forward Component based on projected 2008 costs becomes effective
  - New Historical Component to collect 2007 undercollections becomes effective
  - Maximum possible of all PSA Rates for 2008 per the 4 mil annual cap is 4 mils + the sum of all PSA Rates in effect at January 2008
  
- 6/30/08 – Transition Component Expires, no other known changes
  
- 2/1/09 – Next PSA Rate Change
  - New forward Component based on projected 2009 costs becomes effective
  - New Historical Component to collect 2008 undercollections becomes effective
  - Maximum possible of all PSA Rates for 2009 per the 4 mil annual cap is 4 mils + the sum of all PSA Rates in effect at January 2008

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<sup>1</sup> Actual Adjustor is 3.987 mils.

<sup>2</sup> Approximate value assuming Recommended Opinion and Order is adopted.

6/15/2007