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REVISED MUNDELL PROPOSED AMENDMENT #1

AZ CORP COMMISSION
DOCKET CONTROL

TIME/DATE PREPARED: Monday, June 18, 2007

COMPANY: Arizona Public Service Co. AGENDA ITEM NO. U-1

DOCKET NO. E-01345A-05-0816 et al. OPEN MEETING DATE: June 13-18, 2007
~~E-01345A-05-0826~~
~~E-01345A-05-0827~~

Page 76, Line 10 INSERT new paragraph:

“We will, however, reject Staff’s recommendation that the rate designs for ET-2 and ECT-2 remain revenue neutral compared to ET-1 and ECT-1’s respective adopted rates. In light of the rate increases granted to APS in the 2005 Settlement Agreement, the emergency rate case, this general rate case, and the potential of further increases due to the operation of the PSA, it is only fair to APS’ residential customers that they be given every opportunity to take advantage of a TOU rate that will motivate them to reduce their consumption of electricity, resulting in lower bills for them and a decreased peak for the Company. During the outages at Westwing in the summer of 2004, APS’ customers sufficiently demonstrated their ability and willingness to reduce their usage of electricity during the hours designated as “peak” by the Company. During that timeframe, APS made it known to consumers through the press that the “peak” hours where it was necessary for customers to reduce their consumption of electricity were from 3:00 p.m. to 6:00 p.m. At that time customers were motivated to alter their usage patterns in response to the danger of outage, not to reduce the amount of their bills. Now that consumers are again faced with drastically increased rates, it is only fair that they be allowed a real opportunity to mitigate the effects of these rate increases. Accordingly, we will adopt Staff’s recommended rates for ET-1 and ECT-1 and apply those rates to ET-2 and ECT-2 as well. These new rates shall be referred to as ET-3 and ECT-3. In addition, we will require APS to freeze the ET-1, ECT-1, ET-2 and ECT-2 rates. All customers on the ET-1, ECT-1, ET-2 and ECT-2 rates shall be notified of this rate freeze and be given one year after being notified to choose another rate schedule applicable to them. All those customers that do not choose another rate schedule shall be moved to rate schedule E-12.

The freezing of the ET-1, ECT-1, ET-2 and ECT-2 rate schedules and moving of customers to the ET-3 and ECT-3 rates may cause APS to recover less revenue than it would have by not doing away with the ET-1, ECT-1, ET-2 and ECT-2 rates. Therefore, we will authorize APS to defer these lost revenues. APS shall present evidence of these lost revenues at its next rate case for consideration of recovery.”

Page 138, Line 12 INSERT new Finding of Fact No. 34:

Arizona Corporation Commission

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“In light of the rate increases granted to APS in Decision No. 67744 (the 2005 Settlement), Decision No. 68685 (the emergency rate case), this general rate case, and the potential of further increases due to the operation of the PSA, it is only fair to APS’ residential customers that they be given every opportunity to take advantage of a TOU rate that will motivate them to reduce their consumption of electricity, resulting in lower bills for them and a decreased peak for the Company. Accordingly, we find it just and reasonable to set the rates for ET-2 and ECT-2 equal to ET-1 and ECT-1’s respective adopted rates. We also find it just and reasonable to require APS to freeze the ET-1, ECT-1, ET-2 and ECT-2 rates and have all customers on the ET-1, ECT-1, ET-2 and ECT-2 rates be notified of this rate freeze and be given one year after being notified to choose another rate schedule applicable to them. All those customers that do not choose another rate schedule shall be moved to rate schedule E-12. In addition, we will authorize APS to defer lost revenues from this rate change and rate freeze. APS shall present evidence of these lost revenues at its next rate case for consideration of recovery.”

Page 149, Line 3 INSERT NEW ORDERING PARAGRAPHS:

“IT IS FURTHER ORDERED that Arizona Public Service Company shall create new rate schedules ET-3 and ECT-3 as described herein.

IT IS FURTHER ORDERED that Arizona Public Service Company shall freeze rate schedules ET-1, ECT-1, ET-2 and ECT-2 and notify (in a manner acceptable to Staff) all customers on these rates that they have one year to switch to another rate schedule otherwise they shall be switched to rate schedule E-12.

IT IS FURTHER ORDERED that Arizona Public Service Company shall be authorized to defer lost revenues, if any, from the creation of rate schedules ET-3 and ECT-3 and the freezing of rate schedules ET-1, ECT-1, ET-2 and ECT-2.”

Re-number accordingly. Make all other conforming changes.