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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
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**

Arizona Corporation Commission Staff ("Staff") hereby provides the revised Power Supply Adjustment Plan of Administration in compliance with Decision No. 69663.

RESPECTFULLY SUBMITTED this 30th day of July, 2007.

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Power Supply Adjustment
Plan of Administration

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1. General Description

This document describes the plan for administering the Power Supply Adjustment mechanism ("PSA") approved for Arizona Public Service Company ("APS") by the Commission on June 28, 2007 in Decision No. 69663. This PSA replaces the Power Supply Adjustment mechanism approved in Decision No. 67744 ("the old PSA"). The PSA provides for the recovery of fuel and purchased power costs, to the extent that actual fuel and purchased power costs deviate from the amount recovered through APS' Base Cost of Fuel and Purchased Power ($0.032491 per kWh) authorized in Decision No. 69663, from July 1, 2007 onward.

The old PSA used historical, experienced costs to set a PSA rate, and then reconciled subsequent collections thereunder to actual costs, subject to a number of guidelines and limitations. By contrast, the PSA described in this Plan of Administration ("POA") uses a forward-looking estimate of fuel and purchased power costs to set a rate that is then reconciled to actual costs experienced. This PSA retains the 90/10 sharing mechanism from the old PSA under which APS absorbs 10 percent of the deviations between actual fuel and purchased power costs and the amount recovered through base rates. The demand component of long-term purchased power agreements (duration of three years or longer) acquired via a competitive procurement process and renewable energy costs not recovered through other mechanisms are exempt from the 90/10 sharing. This PSA includes a limit of $0.004 per kilowatt-hour (kWh) on the amount the PSA rate may change in any one year. This PSA defines the method for the refund or collection of balances accrued under the old PSA, prior to its replacement by this PSA. This PSA also provides a mechanism for mid-year rate adjustment in the event that conditions change sufficiently to cause extraordinarily high balances to accrue under application of this PSA.

2. PSA Components

The PSA Rate will consist of three components designed to provide for the recovery of actual, prudently incurred fuel and purchased power costs. Those components are:

1. The Forward Component, which recovers or refunds differences between expected PSA Year (each February 1 through January 31 period shall constitute a PSA Year) fuel and purchased power costs and those embedded in base rates.
2. The Historical Component, which tracks the differences between the PSA Year's actual fuel and purchased power costs and those recovered through the combination of base rates and the Forward Component, and which provides for their recovery during the next PSA Year.
3. The Transition Component, which provides for:
    a. The opportunity to seek a mid-year change in the PSA rate in cases where variances between the anticipated recovery of fuel and purchased power costs for the PSA Year under the combination of base rates and the Forward Component become so large as to warrant recovery, should the Commission deem such an adjustment to be appropriate.
    b. The tracking of balances resulting from the application of the Transition Components, in order to provide a basis for the refund or recovery of any such balances.

Except for the initial year, a PSA Year begins on February 1 and ends on the ensuing January 31. The first PSA Year in which the new PSA rate shall apply begins on July 1, 2007, and ends on January 31, 2008. Succeeding PSA Years will begin on each February 1 thereafter.

On or before September 30 of each year, APS will submit a PSA Rate filing, which shall include a proposed calculation of the three components of the PSA Rate. This filing shall be accompanied by such supporting information as Staff determines to be required. APS will supplement this filing with Historical Component and Transition Component filings on or before December 31 in order to replace estimated balances with actual balances, as explained below.

a. Forward Component Description

The Forward Component is intended to refund or recover the difference between: (1) the fuel and purchased power costs embedded in base rates and (2) the forecasted fuel and purchased power costs over a PSA Year that begins on February 1 and ends on the ensuing January 31. APS will submit, on or before September 30 of each year, a forecast for the upcoming calendar year (January 1-December 31) of its fuel and purchased power costs. It will also submit a forecast of kWh sales for the same calendar year, and divide the forecasted costs by the forecasted sales to produce the ¢/kWh unit rate required to collect those costs over those sales. The result of subtracting the Base Cost of Fuel and Purchased Power from this unit rate shall be the Forward Component. The Forward Component for the first PSA Year is zero.

APS shall maintain and report monthly the balances in a Forward Component Tracking Account, which will record APS' over/under-recovery of its actual costs of fuel and purchased power as compared to the actual Base Cost of Fuel and Purchased Power revenue. The over/under-recovery of costs is divided into two separate calculations to allow the application of the 90/10 sharing mechanism on those costs to which it applies. The balance calculated as a result of these steps is then reduced by the current month's collection of Forward Component revenue. This account will operate on a PSA Year basis (*i.e.*; February to January), and its balances will be used to administer this PSA's Historical Component, which is described immediately below.

b. Historical Component Description

The Historical Component in any current PSA Year is intended to refund or recover the balances accumulated in the Forward Component Tracking Account (described above) and Historical Component Tracking Account (described below) during the immediately preceding PSA Year. The sum of the projected Forward Component Tracking Account balance on January 31 of the following calendar year and the projected Historical Component Tracking Account balance on January 31 of the following calendar year is divided by the forecasted kWh sales used to set the Forward Component for the coming PSA Year. That result comprises the proposed Historical Component for the coming PSA year. The Historical Component for the first PSA year is zero.

APS shall maintain and report monthly the balances in a Historical Component Tracking Account, which will reflect monthly collections under the Historical Component and the amounts approved for use in calculating the Historical Component.

Each annual September 30 APS filing will include an accumulation of Forward Component Tracking Account balances and Historical Component Tracking Account balances for the preceding February through August and an estimate of the balances for September through January (the remaining five months of the current PSA Year). The APS filing shall use these balances to calculate a preliminary Historical Component for the coming PSA Year[1]. On or before December 31, APS will submit a supplemental filing that recalculates the preliminary Historical Component. This recalculation shall replace estimated monthly balances with those actual monthly balances that have become available since the September 30 filing.

The September 30 filing's use of estimated balances for September through January (with supporting workpapers) is required to allow the PSA review process to begin in a way that will support its completion and a Commission decision, if necessary, prior to February 1. The December 31 updating will allow for the use of the most current balance information available prior to the time when a Commission decision, if necessary, is expected. In addition to the December 31 update filing, APS monthly filings (for the months of September through December) of Forward Component Tracking Account balance information and Historical Component Tracking Account balance information will include a recalculation (replacing estimated balances with actual balances as they become known) of the projected Historical Component unit rate required for the next PSA Year.[2]

The Historical Component Tracking Account will measure the changes each month in the Historical Component balance used to establish the current Historical Component as a result of collections under the Historical Component in effect. It will subtract each month's Historical Component collections from the Historical Component balance. The Historical Component Account will also include Applicable Interest on any balances. APS shall file the amounts and supporting calculations and workpapers for this account each month.

[1] For example, the September 30, 2008 filing would include actual balances for February through August of 2008 and estimated balances for September 2008 through January 2009.

[2] This updating to replace estimated with actual information will allow for the Commission to use the latest available balance information in determining what Historical Component is appropriate to establish for the coming PSA Year.

c. Transition Component Description

The Transition Component will be used as the method for incorporating any future, approved mid-year changes to the PSA rate. APS, Staff, or the Commission on its own motion retain the ability to request at any time a change in the PSA rate through an adjustment to the Transition Component to address a significant imbalance between anticipated collections and costs for the PSA Year under the Forward Component element of this PSA. After the review of such request, the Commission may provide for the refund or collection of such balance (through a change to the Transition Component Balance) over such period as the Commission determines appropriate through a unit rate (¢/kWh) imposed as part of the Transition Component.

A Transition Component Tracking Account will measure the changes each month in the Transition Component balance. APS, Staff, or the Commission on its own motion may request that the balance in any Transition Component Tracking Account at the end of the period set for recovery be included in the establishment of the Transition Component for the coming PSA Year.

The Transition Component Account will also include Applicable Interest as determined by the Commission. APS shall file the amounts and supporting calculations and workpapers for this account each month.

As it must do for the Historical Component filing, APS shall file on or before September 30 of each year an accumulation of Transition Component Tracking Account balances for the preceding February through August and an estimate of the balances for September through January (the remaining five months of the prior PSA Year). Those balances will form the basis for setting the preliminary Transition Component for the coming PSA Year. On or before December 31, APS will submit a supplemental filing to update the Transition Component calculation in the same manner as required for the Historical Component.

d. Old PSA Rates

In Decision No. 69663, the Commission found that certain costs should be recovered under the old PSA method. Those costs are the following:

1. $110 million of calendar year 2006 unrecovered costs currently being collected through a $0.003987 per kWh Annual Adjustor rate which took effect February 1, 2007;
2. $46 million of calendar year 2007 unrecovered costs, related to the implementation of APS' new Base Fuel and Purchased Power at mid-year 2007, which are to be added to the June 30, 2007 balance in item 1 above and are to be recovered through the extension of the adjustor rate in item 1 above until such costs are collected; and
3. $34 million of calendar year 2005 unrecovered costs related to outages at the Palo Verde Nuclear Generating Station to be recovered through a surcharge of $0.001176 per kWh from July 1, 2007 through June 30, 2008 or until the $34 million is collected, whichever is sooner.

These rates are not included in the application of the $0.004 per kWh limit on annual changes in the PSA rate.

3. Calculation of the PSA Rate

The PSA rate is the sum of the three components; *i.e.*, Forward Component, Historical Component, and Transition Component. The PSA rate shall be applied to customer bills. Unless the Commission has otherwise acted on a new PSA rate by February 1, the proposed PSA rate (as amended by the updated December 31 filing) shall go into effect. However, the PSA rate may not change from the prior year's PSA rate by more than plus or minus $0.004 per kWh. The PSA rate shall be applicable to APS' retail electric rate schedules (with the exception of Solar-1, Solar-2, SP-1, E-3, E-4, E-36, Direct Access service and any other rate that is exempt from the PSA) and is adjusted annually. The PSA Rate shall be applied to the customer's bill as a monthly kWh charge that is the same for all customer classes.

The PSA rate shall be reset on February 1 of each year, and shall be effective with the first February billing cycle unless suspended by the Commission. It is not prorated.

4. Filing and Procedural Deadlines

a. September 30 Filing

APS shall file the PSA rate with all Component calculations for the PSA year beginning on the next February 1, including all supporting data, with the Commission on or before September 30 of each year. That calculation shall use a forecast of kWh sales and of fuel and purchased power costs for the coming calendar year, with all inputs and assumptions being the most current available for the Forward Component. The filing will also include the Historical Component calculation for the year beginning on the next February 1, with all supporting data. That calculation shall use the same forecast of sales used for the Forward Component calculation. The Transition Component filing shall also include a proposed method for addressing the over or under recovery of any Transition Component balances that result from changes in the sales forecasts or recovery periods set or any additions to or subtractions from Transition Component balances reviewed or approved by the Commission since the last February 1 resetting of the new PSA.[3]

b. December 31 Filing

APS shall by December 31 update the September 30 filing. This update shall replace estimated Forward Component Tracking Account balances, the Historical Component Tracking Account balances, and the Transition Component Tracking Account balances with actual balances and with more current estimates for those months (December and January) for which actual data are

[3] This method assumes that the Commission defers the recovery of any approved Transition Component Balance changes until the next February 1 PSA resetting. The Commission may also, as part of the approval of any such Transition Component Balance change, make a PSA change effective on dates and across periods as it determines to be appropriate when it approves such a Transition Component Balance change.

not available. Unless the Commission has otherwise acted on the APS calculation by February 1, the PSA rate proposed by APS shall go into effect with the first February billing cycle.[4]

c. Additional Filings

APS shall also file with the Commission any additional information that the Staff determines it requires to verify the component calculations, account balances, and any other matter pertinent to the PSA.

d. Review Process

The Commission Staff and interested parties shall have an opportunity to review the September 30 and December 31 forecast, balances, and supporting data on which the calculations of the three PSA components have been based. Any objections to the September 30 calculations shall be filed within 45 days of the APS filing. Any objections to the December 31 calculations shall be filed within 15 days of the APS filing.

5. Verification and Audit

The amounts charged through the PSA shall be subject to periodic audit to assure their completeness and accuracy and to assure that all fuel and purchased power costs were incurred reasonably and prudently. The Commission may, after notice and opportunity for hearing, make such adjustments to existing balances or to already recovered amounts as it finds necessary to correct any accounting or calculation errors or to address any costs found to be unreasonable or imprudent. Such adjustments, with appropriate interest, shall be recovered or refunded through the Transition Component.

6. Definitions

Applicable Interest – Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release H-15. The interest rate is adjusted annually on the first business day of the calendar year.

Base Cost of Fuel and Purchased Power – An amount generally expressed as a rate per kWh, which reflects the fuel and purchased power cost embedded in the base rates as approved by the Commission in APS' most recent rate case. The Base Cost of Fuel and Purchased Power revenue is the approved rate per kWh times the applicable sales volumes. Decision No. 69633 set the base cost at $0.032491 per kWh effective on July 1, 2007.

Forward Component – An amount generally expressed as a rate per kWh charge that is updated annually on February 1 of each year and effective with the first billing cycle in February. The Forward Component for the PSA Year will adjust for the difference between the forecasted fuel and purchased power costs generally expressed as a rate per kWh less the Base Cost of Fuel and Purchased Power generally expressed as a rate per kWh embedded in APS' base rates. The

[4] No reference in this plan to effectiveness in the absence of Commission action shall be interpreted as precluding the normal application of the balance reconciliation provisions generally established for the new PSA.

result of this calculation will equal the Forward Component, generally expressed as a rate per kWh.

Forward Component Tracking Account – An account that records on a monthly basis APS' over/under-recovery of its actual costs of fuel and purchased power as compared to the actual Base Cost of Fuel and Purchased Power revenue and Forward Component revenue; plus Applicable Interest. The balance of this account as of the end of each PSA Year is, subject to periodic audit, reflected in the next Historical Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

Historical Component – An amount generally expressed as a rate per kWh charge that is updated annually on February 1 of each year and effective with the first billing cycle in February unless suspended by the Commission. The purpose of this charge is to provide for a true-up mechanism to reconcile any over or under-recovered amounts from the preceding PSA Year tracking account balances to be refunded/collected from customers in the coming year's PSA rate.

Historical Component Tracking Account – An account that records on a monthly basis the account balance to be collected via the Historical Component rate as compared to the actual Historical Component revenues; plus Applicable Interest; the balance of which at the close of the preceding PSA Year is, subject to periodic audit, then reflected in the next Historical Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

ISFSI –Costs associated with the Independent Spent Fuel Storage Installation that stores spent nuclear fuel.

Mark-to-Market Accounting – Recording the value of qualifying commodity contracts to reflect their current market value relative to their actual cost.

Native Load – Native load includes customer load in the APS control area for which APS has a generation service obligation and PacifiCorp Supplemental Sales.

PacifiCorp Supplemental Sales – The PacifiCorp Supplemental Sales agreement is a long-term contract from 1990, which requires APS to offer a certain amount of energy to PacifiCorp each year. It is a component of the set of agreements that led to the sale of Cholla Unit 4 to PacifiCorp and the establishment of the seasonal diversity exchange with PacifiCorp.

Old PSA – The Power Supply Adjustment mechanism approved in Decision No. 67744 to track changes in the APS cost of obtaining fuel and purchased power.

This PSA – The Power Supply Adjustment mechanism approved by the Commission in Decision No. 69633, which is a combination of three rate components that track changes in the cost of obtaining power supplies based upon forward-looking estimates of fuel and purchased power costs that are eventually reconciled to actual costs experienced. This PSA also provides for the transition from the prior PSA to this PSA, allows for special Commission consideration of extreme volatility in costs or recovery by means of a mid-year rate correction, and provides for a

reconciliation between actual and estimated costs of the last two months of estimated costs used in Historical Component calculations.

PSA Year – A consecutive 12-month period generally beginning each February 1.

PSA Year One – A period determined by the Commission in Decision No. 69633 to begin on July 1, 2007 and end on January 31, 2008.

Preference Power – Power allocated to APS wholesale customers by federal power agencies such as the Western Area Power Administration.

System Book Fuel and Purchased Power Costs – The costs recorded for the fuel and purchased power used by APS to serve both Native Load and off-system sales, less the costs associated with applicable special contracts, E-36, RCDAC-1, ISFSI, and Mark-to-Market Accounting adjustments. Wheeling costs are included; broker fees are included up to the level in the Base Cost of Fuel and Purchased Power authorized in Decision No. 69633.

System Book Off-System Sales Revenue – The revenue recorded from sales made to non-Native Load customers, for the purpose of optimizing the APS system, using APS-owned or contracted generation and purchased power, less Mark-to-Market Accounting adjustments.

Traditional Sales-for-Resale – The portion of load from Native Load wholesale customers that is served by APS, excluding the load served with Preference Power.

Transition Component – An amount generally expressed as a rate per kWh charge to be applied when necessary to provide for significant changes between estimated and actual costs under the Forward Component.

Transition Component Tracking Account – An account that records on a monthly basis the account balance to be collected via the Transition Component as compared to the actual Transition Component revenues, plus applicable interest; the balance of which upon Commission consideration may then be reflected in the next Transition Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

Wheeling Costs (FERC Account 565, Transmission of Electricity by Others) – Amounts payable to others for the transmission of APS' electricity over transmission facilities owned by others.

7. Schedules

Samples of the following schedules are attached to this Plan of Administration:

Schedule 1	Power Supply Adjustment (PSA) Rate Calculation Effective February 1, 2008
Schedule 2	PSA Forward Component Rate Calculation Effective February 1, 2008
Schedule 3	2007 PSA Year Forward Component Tracking Account (in effect July 1, 2007-January 31, 2008)
Schedule 4	PSA Historical Component Rate Calculation Effective July 1, 2007

Schedule 5	Historical Component Tracking Account (in effect February 1, 2008-January 31, 2009)
Schedule 6	PSA Transition Component Rate Calculation
Schedule 7	PSA Transition Tracking Account (in effect XX 1, 20XX-XX 31, 20XX)
Schedule 8	Old PSA Annual Adjustor Account
Schedule 9	Old PSA Step 2 Surcharge Tracking Account
Schedule 10	2007 Old PSA Tracking Account

8. Compliance Reports

APS shall provide monthly reports to Staff's Compliance Section and to the Residential Utility Consumer Office detailing all calculations related to the PSA. An APS Principal Officer, as listed in the Company's annual report filed with the Commission's Corporations Division, shall certify under oath that all information provided in the reports itemized below is true and accurate to the best of his or her information and belief. These monthly reports shall be due within 30 days of the end of the reporting period.

The publicly available reports will include at a minimum:

1. The PSA Rate Calculation (Schedule 1); Forward Component, Historical Component, and Transition Component Calculations (Schedules 2, 4, and 6); Annual Forward Component, Historical Component, and Transition Component Tracking Account Balances (Schedules 3, 5, and 7). Additional information will provide other relative inputs and outputs such as:
    a. Total power and fuel costs.
    b. Customer sales in both MWh and thousands of dollars by customer class.
    c. Number of customers by customer class.
    d. A detailed listing of all items excluded from the PSA calculations.
    e. A detailed listing of any adjustments to the adjustor reports.
    f. Total off-system sales revenues.
    g. System losses in MW and MWh.
    h. Monthly maximum retail demand in MW.

2. Identification of a contact person and phone number from APS for questions.

APS shall provide to Commission Staff monthly reports containing the information listed below. These reports shall be due within 30 days of the end of the reporting period. All of these additional reports will be provided confidentially.

A. Information for each generating unit shall include the following items:
    1. Net generation, in MWh per month, and 12 months cumulatively.
    2. Average heat rate, both monthly and 12-month average.
    3. Equivalent forced-outage rate, both monthly and 12-month average.
    4. Outage information for each month including, but not limited to, event type, start date and time, end date and time, and a description.
    5. Total fuel costs per month.

6. The fuel cost per kWh per month.

B. Information on power purchases shall include the following items per seller (information on economy interchange purchases may be aggregated):
1. The quantity purchased in MWh.
2. The demand purchased in MW to the extent specified in the contract.
3. The total cost for demand to the extent specified in the contract.
4. The total cost of energy.

C. Information on off-system sales shall include the following items:
1. An itemization of off-system sales margins per buyer.
2. Details on negative off-system sales margins.

D. Fuel purchase information shall include the following items:
1. Natural gas interstate pipeline costs, itemized by pipeline and by individual cost components, such as reservation charge, usage, surcharges and fuel.
2. Natural gas commodity costs, categorized by short-term purchases (one month or less) and longer term purchases, including price per therm, total cost, supply basin, and volume by contract.

E. APS will also provide:
1. Monthly projections for the next 12-month period showing estimated (Over)/under-collected amounts.
2. A summary of unplanned outage costs by resource type.
3. The data necessary to arrive at the System and Off-System Book Fuel and Purchased Power cost reflected in the non-confidential filing.
4. The data necessary to arrive at the Native Load Energy Sales MWh reflected in the non-confidential filing.

Work papers and other documents that contain proprietary or confidential information will be provided to the Commission Staff under an appropriate confidentiality agreement. APS will keep fuel and purchased power invoices and contracts available for Commission review. The Commission has the right to review the prudence of fuel and power purchases and any calculations associated with the PSA at any time. Any costs flowed through the PSA are subject to refund, if those costs are found to be imprudently incurred.

9. Allowable Costs

a. Accounts

The allowable PSA costs include fuel and purchased power costs incurred to provide service to retail customers. Additionally, the prudent direct costs of contracts used for hedging system fuel and purchased power will be recovered under the PSA. The allowable cost components include the following Federal Energy Regulatory Commission ("FERC") accounts:

- 501 Fuel (Steam)
- 518 Fuel (Nuclear) less ISFSI regulatory amortization

- 547 Fuel (Other Production)
- 555 Purchased Power
- 565 Wheeling (Transmission of Electricity by Others)

Additionally, broker fees recorded in FERC account 557 are allowable up to the limit set in Decision No. 69633.

These accounts are subject to change if the Federal Energy Regulatory Commission alters its accounting requirements or definitions.

b. Directly Assignable Power Supply Costs Excluded

Decision No. 66567 provides APS the ability to recover reasonable and prudent costs associated with customers who have left APS standard offer service, including special contract rates, for a competitive generation supplier and then return to standard offer service. For administrative purposes, customers who were direct access customers since origination of service and request standard offer service would be considered to be returning customers. A direct assignment or special adjustment may be applied that recognizes the cost differential between the power purchases needed to accommodate the returning customer and the power supply cost component of the otherwise applicable standard offer service rate. This process is described in the Returning Customer Direct Access Charge rate schedule and associated Plan for Administration filed with the Commission.

In addition, if APS purchases power under specific terms on behalf of a standard offer special contract customer, the costs of that power may be directly assigned. In both cases, where specific power supply costs are identified and directly assigned to a large returning customer or standard offer special contract customer or group of customers, these costs will be excluded from the Adjustor Rate calculations. Schedule E-36 customers are directly assigned power supply costs based on the APS system incremental cost at the time the customer is consuming power from the APS system so their power supply costs are excluded from the PSA.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 1
Power Supply Adjustment (PSA) Rate Calculation Effective February 1, 2008
($/kWh)

Line No.	PSA Rate Calculation	Current July 1, 2007 [1]	Proposed February 1, 2008 [2]	Increase/(Decrease) $/kWh	Increase/(Decrease) %
1	Forward Component Rate - FC (Schedule 2, L8)	$ -	N/A	N/A	0.00%
2	Historical Component Rate - HC (Schedule 4, L5) [3]	$ -	N/A	N/A	0.00%
3	PSA Transition Component Rate (Schedule 6, L3) [4]	$ -	N/A	N/A	0.00%
4	**PSA Rate (L1+ L2 + L3)**	$ -	N/A	N/A	0.00%
	Old PSA Rates				
5	2007 Annual Adjustor Rate [5]	$ 0.003987	$ 0.003987	$ -	0.00%
6	PV Step 2 Surcharge Component Rate [5]	$ 0.001176	$ 0.001176	-	0.00%
7	**Total (L5 + L6)**	$ 0.005163	$ 0.005163	$ -	0.00%

Notes:

[1] See Decision No. 69633.

[2] Proposed levels of the PSA rate components are provided in the September 30 filing and updated in the December 30 filing of each year.

[3] A Historical Component is a true up related to respective prior period PSA activity.

[4] Provides for Mid-Period Corrections when necessary.

[5] Rates for the Old PSA will remain in effect on Feb. 1, 2008.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2
PSA Forward Component Rate Calculation Effective February 1, 2008
($ in thousands; Forward Component Rate in $/kWh)

Line No.	PSA Forward Component Rate - Calculation	Current July 1, 2007	Proposed February 1, 2008[1]	Increase/(Decrease) $ Values	Increase/(Decrease) %
1	Projected Fuel and Purchased Power Costs	N/A	N/A	N/A	N/A
2	Projected Off-System Sales Revenue	N/A	N/A	N/A	N/A
3	PSA Adjustments to Fuel and Purchased Power Costs[2]	N/A	N/A	N/A	N/A
4	Net Fuel and Purchased Power Cost (L1 - L2 - L3)	N/A	N/A	N/A	N/A
5	Projected Native Load Sales, excluding E-3, E-4, E-36 (MWh)	N/A	N/A	N/A	N/A
6	Projected Average Net Fuel Cost $/kWh (L4 / L5)	N/A	N/A	N/A	N/A
7	Authorized Base Cost of Fuel and Purchased Power Rate $/kWh[3]	$ 0.032491	$ 0.032491	$ -	0.00%
8	Forward Component Rate $/kWh (L6 - L7)[4]	$ -	N/A	N/A	N/A

Notes:

[1] Proposed levels are provided in the September 30 filing and updated in the December 30 filing of each year.

[2] Includes costs associated with E-36, ISFSI and mark-to-market accounting adjustments.

[3] Base Cost of Fuel and Purchased Power established in Decision No. 69633.

[4] Initial Forward Component set to zero per Decision 69633.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 3
2007 PSA Year Forward Component Tracking Account - (in effect from July 1, 2007 to January 31, 2008)

($ in thousands; Forward Component Rate and Base Rate in $/kWh)

	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total
1 Prior Month's Balance (L28)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2 Transfer from Old PSA [1]					XXXXXX	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3 Adjusted Beginning Balance (L1 + L2)												
Energy Sales												
4 PSA Retail Energy Sales [2]	-	-	-	-	-	-	-	-	-	-	-	-
5 Wholesale Native Load Energy Sales [3]	-	-	-	-	-	-	-	-	-	-	-	-
6 Total Native Load Energy Sales (L4 + L5)	-	-	-	-	-	-	-	-	-	-	-	-
7 Retail Energy Sales as a % of Total (L4 / L6)												
7.5 Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWh)												
System Book Fuel and Purchased Power Costs												
8 Renewables Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9 PPA Fixed Costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10 Other Fuel and Purchased Power Costs [4]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11 Off System Sales Revenue [5]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12 Net Native Load Power Supply Costs (L8+L9+L10-L11)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PSA Retail Fuel and Purchased Power Costs												
13 Renewables Costs (L7 * L8)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
14 PPA Fixed Costs (L7 * L9)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
15 Other Fuel and Purchased Power Costs (L7 * L10)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16 Off System Sales Revenue (L7 * L11)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
17 Net PSA Retail Power Supply Costs (L13+L14+L15-L16)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Base Fuel Rate Power Supply Recovery												
18 Renewables Recovery (L29 * L4)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19 PPA Fixed Recovery (L30 * L4)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
20 Other Fuel and Purchased Power Recovery (L31 * L4)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
(Over) Under Recovery From Base Fuel Rate												
21 Renewables (Over) Under Recovery (L13 - L18)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
22 PPA Fixed (Over) Under Recovery L14 - L19)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23 Other Fuel and Purchased Power (Over) Under Recovery (L15-L16-L20)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
24 10% Sharing On Other (Over) Under Recovery (10% * L23)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
25 Total (Over) Under Recovery (L21+L22+L23-L24)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26 Interest Accrued on Prior Month's Balance (L34 * L1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
27 Forward Component Collections (L33 * L7.5)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
28 Tracking Account Balance (L3+L25+L26-L27)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	

29 Renewable Costs In Base Fuel Rate - ¢ per kWh	0.0672
30 PPA Fixed Costs In Base Fuel Rate - ¢ per kWh	0.1212
31 Other Costs In Base Fuel Rate - ¢ per kWh	3.0607
32 Total Base Fuel Rate - ¢ per kWh	3.2491
33 Forward Component Rate - ¢ per kWh	0.0000
34 Interest Rate	5.00%

Notes:

[1] Reflects transfer from 2007 Old PSA Tracking Account on June 30, 2007 of ____ and Old PSA Step 1 Surcharge Account of ____, per Decision No. 69633.

[2] PSA Retail Energy Sales are the calendar month's MWh sales. Cumulative Retail Energy Sales of XXXXXX MWhs under rate schedule E-36 were excluded from the PSA Calculations.

[3] Includes traditional sales-for-resale and PacifiCorp supplemental sales.

[4] Includes native load and off-system fuel and purchased power costs less those costs associated with E-36, ISFSI and mark-to-market accounting adjustments.

[5] Includes off-system revenue less mark-to-market accounting adjustments.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 4
PSA Historical Component Rate Calculation Effective July 1, 2007
($ in thousands; Historical Component Rate in $/kWh)

Line No.	PSA Historical Component Rate Calculation	Current July 1, 2007	Proposed February 1, 2008 [1]	Increase/(Decrease) $ Values	Increase/(Decrease) %
1	Forward Component Tracking Account Balance (Schedule 3, L28)	N/A	N/A	$ -	0.00%
2	Historical Component Tracking Account Balance (Schedule 5, L10)	N/A	N/A	-	0.00%
				-	
3	Total Historical Amount to be (Refunded)/Collected Balance (L1 + L2)	N/A	N/A	$ -	0.00%
4	Projected Energy Sales without E-3, E-4 and E-36 (MWh)	N/A	N/A	-	0.00%
5	Applicable Historical Component Rate (L3 / L4) [2]	$ -	N/A	$ -	0.00%

Notes:
[1] Proposed levels are provided in the September 30 filing and updated in the December 30 filing of each year.
[2] Initial Historical Component set to zero per Decision 69633.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 5
Historical Component Tracking Account (in Effect February 1, 2008-January 31, 2009)
($ in thousands; Historical Component Rate in $/kWh)

Line No.		2008 Data January	February	March	April	May	June	July	August	September	October	November	December	2009 January
1	Projected HC Tracking Account Balance at Dec. 31, 2007		$ -											
2	Projected FC Tracking Account Balance at Dec. 31, 2007		$ -											
3	Revenue True-up from December - January Estimate[1]		$ -											
4	Prior Month's Ending Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	HC Adjusted Beginning Balance (L1+ L2 + L3 + L4)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Applicable Historical Component Rate ($/kWh)[2]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWh)[3]		-	-	-	-	-	-	-	-	-	-	-	-
8	Less Revenue from Applicable HC (L6 * L7)[4]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	Monthly Interest (L5 * L11 / 12)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	HC Ending Balance (L5 - L8 + L9)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11	Interest Rate [5]	5.00%												

Notes:

[1] True-up is the result of using estimated revenue for December and January since the actual amount was not available at the time of prior period PSA filing.

[2] Historical Component, Schedule 4, L5

[3] Sales amounts are for energy billed each period.

[4] Generally, Line 6 * Line 7 = L8; however, differences may occur due to billing adjustments.

[5] Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 6
PSA Transition Component Rate Calculation
($ in thousands; Transition Component Rate(s) in $/kWh)

Line No.		Current July 1, 2007	Proposed February 1, 2008 [1]	Increase/(Decrease) $ Values	%
1	PSA Transition - Approved (Refundable)/Collection Amount 1	N/A	N/A	N/A	0.00%
2	Projected Energy Sales without E-3, E-4 and E-36 (MWh) XXX. X, XX to XXX. X,XX	N/A	N/A	N/A	0.00%
3	PSA Transition Component (Refundable)/Collection Rate (L1 / L2)	N/A	N/A	N/A	0.00%

Notes:

[1] Commission Decision No. XXXXXXXXXX

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 7
PSA Transition Tracking Account (in Effect XXX 1, 20XX-XXX 31, 20XX)
($ in thousands; Transition Component Rate in $/kWh)

Line No.		January	February	March	April	May	June	20XX Data July	August	September	October	November	December	20XX January
1	Transferred balance from FC Tracking Acct Per Decision No. XXXXX		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2	Prior Month's Ending Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Transition Component TA Adjusted Beginning Balance (L1+ L2)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	Applicable Transition TA Component Rate ($/kWh)[1]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5	Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWh)[2]		-	-	-	-	-	-	-	-	-	-	-	-
6	Less Revenue from Applicable Transition Component (L4 * L5)[3]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	Monthly Interest (L2 * L9 / 12)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	Ending Balance; (L3 - L6 + L7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	Interest Rate[4]	5.00%												

Notes:

[1] Transition Component, Schedule 6, L3

[2] Sales amounts are for energy billed each period.

[3] Generally, Line 4 * Line 5 = L6; however, differences may occur due to billing adjustments.

[4] Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 8
Old PSA Annual Adjustor Account
($ in thousands; Annual Adjustor Rate in $/kWh)

Line No.		January	February	March	April	May	June	July	August	September	October	November	December	2008 January
							2007 Data							
1	Transferred balance from Old PSA 2007 Accounts[1,2]						xxxxxx							
2	Prior Month's Ending Balance						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Adjusted Beginning Balance (L1+ L2)						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
4	Annual Adjustor Rate ($/kWh)		$ -	$ -	$ -	$ -	$ -	$0.003987	$0.003987	$0.003987	$0.003987	$0.003987	$0.003987	$0.003987
5	Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWh)[3]		-	-	-	-	-	-	-	-	-	-	-	-
6	Less Revenue from Applicable Adjustor Rate (L4 * L5)[4]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	Monthly Interest (L2 * L9 / 12)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	Ending Balance; (L3 - L6 + L7)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
9	Interest Rate [5]	5.00%												

Notes:

[1] See Decision No. 69633.

[2] Balance of 2007 Step 1 Surcharge Account as of June 30, 2007 + $46 million of 2007 Deferrals from old PSA 2007 Tracking Account resulting from the delayed implementation of current base fuel rates.

[3] Sales amounts are for energy billed each period.

[4] Generally, Line 4 * Line 5 = L6; however, differences may occur due to billing adjustments.

[5] Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 9
Old PSA Step 2 Surcharge Tracking Account
($ in thousands; Step 2 Surcharge Rate in $/kWh)

Line No.		January	February	March	April	May	June	July	August	September	October	November	December	2008 January
							2007 Data							
1	Transferred balance from Old PSA Paragraph 19D Account[1]						$ 33,635							
2	Prior Month's Ending Balance						$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3	Adjusted Beginning Balance (L1+ L2)						$ -	$ -	0	0	0	0	0	0
4	Applicable PV Step 2 Surcharge Rate ($/kWh)		$ -	$ -	$ -	$ -	$ -	$0.001176	$0.001176	$0.001176	$0.001176	$0.001176	$0.001176	$0.001176
5	Retail Billed Sales Excluding E-3, E-4, E-36 Sales (MWh)[2]		-	-	-	-	-	-	-	-	-	-	-	-
6	Less Revenue from Collections (L4 * L5)[3]		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
7	Monthly Interest (L2 * L9 / 12)		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
8	Ending Balance (L3 - L6 + L7)	$ -	$ -	$ -	$ -	$ -	$ 33,635	$ 33,635	$ 33,635	$ 33,635	$ 33,635	$ 33,635	$ 33,635	$ 33,635
9	Interest Rate[4]	5.00%												

Notes:

[1] See Decision No. 69633.

[2] Sales amounts are for energy billed each period.

[3] Generally, L3 x L4 = L5; however, differences may occur due to billing adjustments.

[4] Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 10
2007 Old PSA Tracking Account
June 2007
($ in thousands)

Line No.	Month	(a) PSA Retail[1] Energy Sales (MWh)	(b) Native Load[2] Wholesale Energy Sales (MWh)	(c) Native Load Energy Sales (MWh) (a + b)	(d) System Book[3] Fuel and Purchased Power Costs	(e) System Book Off-System Sales Revenue	(f) Net Native Load Power Supply Cost (d - e)	(g) PSA Retail Power Supply Cost (a/c * f)	(h) Base Rate Power Supply Cost (a * 0.020743)	(i) Pre 90/10 Sharing (Over)/Under Collections (g - h)	(j) Post 90/10 Sharing (Over)/Under Collections (i * 0.9)	(k) Transfer to Interim Adjustor Account	(l) Interest (m * rate/12)	(m) Cumulative Amount (j + k + l)	(n) Transfer to 2007 Old PSA Annual Adjustor Account (Decision 69633)	(o) Transfer to 2007 PSA Year Fwd. Component Tracking Account[5] (m + n)	(o) Final Balance (m - n - o)
1	January	2,188,015	55,507	2,243,522	$ 58,793	$ 2,959	$ 55,834	$ 54,453	$ 45,386	$ 9,067	$ 8,160	$ (15,272)	$ -	$ (7,112)			
2	February	1,818,219	72,693	1,890,911	$ 54,039	$ 3,017	$ 51,021	$ 49,060	$ 37,715	$ 11,345	$ 10,210	$ (14,176)	$ (30)	$ (11,107)			
3	March	1,999,420	54,140	2,053,560	$ 51,310	$ 2,132	$ 49,177	$ 47,881	$ 41,474	$ 6,407	$ 5,766	$ (13,480)	$ (46)	$ (18,867)			
4	April	1,971,185	74,850	2,046,036	$ 53,614	$ 2,794	$ 50,821	$ 48,962	$ 40,888	$ 8,073	$ 7,266	$ (13,418)	$ (79)	$ (25,098)			
5	May	2,516,513	112,993	2,629,506	$ 93,210	$ 1,615	$ 91,595	$ 87,659	$ 52,200	$ 35,459	$ 31,913	$ (14,827)	$ (105)	$ (8,117)			
6	June	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	$ 46,000	xxxxx	$ -
7	July	-	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
8	August	-	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
9	September	-	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
10	October	-	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
11	November	-	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
12	December	-	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
12.5	January interest												$ -				
13	Total	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	xxxxx	$ 46,000	xxxxx	$ -
14	Interest Rate[4]		5.00%														

[1] PSA Retail Energy Sales are the calendar month's kWh sales. Cumulative Retail Energy Sales of 14,835 MWhs under rate schedule E-36 were excluded from the PSA Calculations.

[2] Includes traditional sales for resale, Pacificorp supplemental sales, and other non-ACC jurisdictional sales.

[3] Includes native load and off-system fuel and purchased power costs less those costs associated with E-36 ($136,539), ISFSI and mark-to-market accounting adjustments. Excludes net savings of $784,000 associated with the Sundance units pursuant to Decision No. 67504. The Broker Fees excluded this month are $18,236.

[4] Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15.

[5] A positive value in this column will result in a negative beginning balance in the applicable 2007 PSA Account.

Schedule presentation will appear to round up $s and MWh; however, calculations are performed on an actual $ and MWh basis with resultant Rates/kWh round up to $0.000000/kWh.