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AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission  
DOCKETED

JUL 27 2007

July 27, 2007

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

DOCKETED BY *Jon*

RE: Arizona Public Service Company General Rate Case  
Docket Nos. E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Sir or Madame:

Pursuant to Decision 69663 (June 28, 2007), Arizona Public Service Company ("APS" or "Company") is providing the Environmental Improvement Surcharge ("EIS") Plan of Administration ("POA") for Commission approval.

The attached POA follows the literal language of Decision 69663; however, the Company had requested in its filing that this charge not apply to Rate Schedules Solar-3 and GPS-1 in addition to those specifically excluded in Decision No. 69663 (SP-1, GPS-2 and Solar-2). Because Schedules Solar-3 and GPS-1 are comparable in nature to the rate schedules specifically excluded and there was no apparent opposition to the exclusion of Solar-3 and GPS-1, APS believes the language in Decision No. 69663 likely reflected a simple oversight. Should this be the case, such oversight could and should be corrected as part of the POA approval process.

If you have any questions or concerns please contact Zac Fryer at (602) 250-2767.

Sincerely,

*Barbara Klemstine/SC*

Barbara Klemstine

BK/dk

Attachments

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**Environmental Improvement Surcharge Plan of Administration**

### **General Description**

Sections XC and XVI of Arizona Corporation Commission ("Commission") Decision No. 69663 provide for the establishment of an Environmental Improvement Surcharge ("EIS"). The Arizona Public Service Company ("Company") is authorized under the Decision to collect the EIS at \$0.00016 per kWh from all Standard Offer customers except those on Schedules SP-1, Solar-2, and GPS-2. The Surcharge will be charged to customers beginning July 1, 2007 and will remain in effect unless changed by further Order of the ACC.

### **Accounting**

Funds collected from the EIS surcharge will be separately identified by the Company and recorded as a regulatory liability. Use of these funds on qualified EIS improvement costs will reduce the regulatory liability and be recorded as Contributions in Aid of Construction ("CIAC") and applied against the capital costs of qualified EIS improvement projects during construction or upon acquisition, as appropriate. Interest will be calculated on the EIS regulatory liability balance monthly based on the prior month's ending balance. The interest rate will be adjusted annually on the first business day of the calendar year in the same manner as the APS customer deposit rate.

### **EIS Billing**

Beginning July 1, 2007 the EIS Surcharge will appear on customer bills as the "Federal Environmental Improvement Surcharge." The informative description on the bill will state, "A charge to recover a portion of the cost of investments for environmental improvements at APS' generation facilities designed to comply with environmental standards mandated by federal laws or regulations." The Surcharge will be applied to all Standard Offer customers except those on Schedules SP-1, Solar-2, and GPS-2. The EIS will be initially set at \$0.00016 per kWh.

### **Qualifying EIS Improvements**

APS may draw from this account only for the purpose of funding environmental improvements (either mandatory or voluntary, but not for payment of fines or penalties). Funds spent on environmental projects that have not been closed to plant-in-service would qualify as expenditures to which draws could be applied.

**EIS Reporting/Compliance**

Beginning in August 2008, APS shall file a report of EIS transactions with the ACC for the most recent July 1 through June 30 period. This report will be filed by August 30<sup>th</sup> of each year until further ordered by the Commission. The report will include the following information:

- Beginning balance for the period (Schedule 1)
- Total amount of money collected by the EIS for the period (Schedule 1)
- Amount of interest earned by the EIS regulatory liability account for the period (Schedule 1)
- Total withdrawals for the period (Schedule 1)
- Ending EIS regulatory liability account balance (Schedule 1)
- Detailed list of the dates and amounts of withdrawals (Schedule 3)
- Narrative description of each EIS project to which funds were applied for the period (Schedule 2)
- Accounts and amounts of CIAC recognized for each EIS project for the period (Schedule 2)
- Cumulative interest earned by the EIS regulatory liability account from July 1, 2007 through June 30<sup>th</sup> of the current period (Schedule 1)
- Cumulative amounts withdrawn from the EIS regulatory liability account from July 1, 2007 through June 30<sup>th</sup> of the current period (Schedule 1)

See Attached  
Schedule 1  
Schedule 2  
Schedule 3

ARIZONA PUBLIC SERVICE COMPANY  
 Environmental Improvement Surcharge Account Balance  
 July 2007 - June 2008  
 (\$ in thousands)

Line No.	July	August	September	October	November	December	January	February	March	April	May	June	Annual Total	Life-to-Date at 6/30/2008
1	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	\$ 0.00016	
**2	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	28,800,000	28,800,000
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	384	384	384	384	384	384	384	384	384	384	384	384	4,608	4,608
5	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(384)	(4,608)	(4,608)
6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
**7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* Data used is for illustrative purposes only and would exclude schedules SP-1, Solar-2, and GPS-2.

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

ARIZONA PUBLIC SERVICE COMPANY  
 Environmental Improvement Surcharge - Application of Funds  
 July 2007 - June 2008  
 (\$ in thousands)

Line No.	July	August	September	October	November	December	January	February	March	April	May	June	Annual Total	Life-to-Date at 6/30/2008
1 CWIP Account 107.0	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 4,608	\$ 4,608
2 Project 1	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 4,608	\$ 4,608
3 Total	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 384	\$ 4,608	\$ 4,608

**Project 1 - Description**

Description will be added once the project(s) is identified.

**ARIZONA PUBLIC SERVICE COMPANY**  
Environmental Improvement Surcharge - Schedule of Withdrawals  
July 2007 - June 2008  
(\$ in thousands)

Schedule 3

**PROJECTS**

Withdrawals (Date):	Project 1	Total
7/30/2007	\$ 384	\$ 384
8/31/2007	384	384
9/30/2007	384	384
10/31/2007	384	384
11/30/2007	384	384
12/31/2007	384	384
1/31/2007	384	384
2/28/2007	384	384
3/31/2007	384	384
4/30/2007	384	384
5/31/2007	384	384
6/30/2007	384	384
<b>Total</b>	<b>\$ 4,608</b>	<b>\$ 4,608</b>