



BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

DEC - 4 2007

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IN THE MATTER OF ARIZONA PUBLIC
SERVICE - APPLICATION FOR
APPROVAL OF AN ELECTRIC SUPPLY
AGREEMENT WITH FRITO-LAY

DOCKET NO.E-01345A-07-0577

DECISION NO. 70034

ORDER

Open Meeting
November 27 and 28, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On October 5, 2007, APS filed an application for approval of an electric supply agreement with Frito-Lay. APS included a statement that waived the 30-day time clock.

3. Frito-Lay has installed a 168 kW photovoltaic ("PV") system under APS' Environmental Portfolio Standard Credit Purchase Program to generate a part of its electric load. The cost of the PV system was \$1.22 million. APS will be providing a performance-based rebate of \$0.25 per kWh generated.

4. Frito-Lay currently purchases all of its electric power from APS under APS' rate schedule E-32 (General Service). If Frito-Lay operates the PV systems, Frito-Lay would be purchasing partial requirements service from APS instead of full requirements service. Decision No. 69663 (APS' last rate case) either froze or eliminated all of APS' existing partial requirements

1 rate schedules. Therefore, APS has offered Frito-Lay an electric supply agreement with terms that
2 would allow operation of the PV system to be economical for Frito-Lay.

3 5. The agreement would become effective upon Commission approval and placement
4 of metering and remain in effect for five years. The agreement could be terminated by either party
5 with 30-days notice or by APS if Frito-Lay does not operate the PV units for 60 consecutive days
6 other than during planned scheduled maintenance periods. The minimum electric demand
7 contracted for under the agreement would be 162 kW. The maximum demand would be 324 kW.
8 Frito-Lay would have to give 30 days advance notice of any demand above the maximum.

9 6. Under the proposed agreement, Frito-Lay would pay the Basic Service and Revenue
10 Cycle Service charges (currently \$1.134 per day) from E-32. Supplemental service, defined as
11 demand and energy contracted by Frito-Lay to augment the power and energy generated by Frito-
12 Lay's PV system, would be provided under the rates contained on E-32. Those rates currently
13 consist of \$0.00185 per kWh for system benefits \$1.585 per kW for transmission; \$6.892 per kW
14 for delivery of the first 100 kW, \$2.924 per kW for delivery of all additional kW, \$0.0001 per kWh
15 for delivery, generation charges in the summer of \$0.0892 per kWh for the first 200 kWh per kW
16 plus \$0.05135 per kWh for all additional kWh, and generation charges in the winter of \$0.07418
17 per kWh for the first kWh per kW plus \$0.03633 per kWh for all additional kWh.

18 7. Frito-Lay would purchase standby service to have replacement power available
19 when the PV systems are not operating. The monthly delivery charge for standby service would
20 be calculated by multiplying the unbundled delivery charge (currently \$2.924 per kW) from E-32
21 by the 15-minute integrated kW measured on the generator meter during Frito-Lay's monthly peak
22 demand. In addition, Frito-Lay would pay all applicable adjustments and surcharges.

23 8. APS would pay Frito-Lay for any excess energy from the PV system at the per kWh
24 monthly non-firm purchase rates as shown on APS' rate schedule EPR-2 (Purchase Rates for
25 Qualified Facilities 100 kW or Less for Partial Requirements).

26 9. Using 12 months of Frito-Lay's consumption history, an estimated 24.2 percent
27 capacity factor for the PV generation, and current rates, APS has estimated that Frito-Lay would
28 have paid APS about \$119,000 for the year (\$0.0731/kWh) under the proposed agreement while

1 operating the PV system, compared to about \$151,000 (\$0.0757/kWh) under E-32 without
2 operating the PV system.

3 10. Staff has recommended approval of the proposed agreement with Frito-Lay.

4 11. Staff has also analyzed this application in terms of whether there were fair value
5 implications. In Decision No. 69663, issued on June 28, 2007, the Commission determined the
6 fair value of APS' property to be \$6,057,554,000. That determination is appropriate for purposes
7 of this analysis. Compared to APS' total revenues, any impact from this agreement would be de
8 minimus, and any impact on APS' fair value rate base and rate of return would also be de minimus.

9 12. Staff has also recommended that the Commission specify in its Order that approval
10 of the agreement at this time does not guarantee any future ratemaking treatment of the agreement
11 with Frito-Lay.

12 CONCLUSIONS OF LAW

13 1. APS is an Arizona public service corporation within the meaning of Article XV,
14 Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over APS and over the subject matter of the
16 application.

17 3. The Commission, having reviewed the application and Staff's Memorandum dated
18 November 9, 2007, concludes that it is in the public interest to approve the agreement.

19 ORDER

20 IT IS THEREFORE ORDERED that the agreement between Arizona Public Service
21 Company and Frito-Lay be and hereby is approved as discussed herein.

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1 IT IS FURTHER ORDERED that approval of the agreement at this time does not
2 guarantee any future ratemaking treatment of the agreement with Frito-Lay.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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7 CHAIRMAN

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9 *William J. Miller*
10 COMMISSIONER

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12 *Jeffrey W. Hatch-Miller*
13 COMMISSIONER

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15 *R. M. [Signature]*
16 COMMISSIONER

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18 *Gary J. [Signature]*
19 COMMISSIONER

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21 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim
22 Executive Director of the Arizona Corporation Commission,
23 have hereunto, set my hand and caused the official seal of
24 this Commission to be affixed at the Capitol, in the City of
25 Phoenix, this 4th day of December, 2007.

26
27 *Dean S. Miller*
28 DEAN S. MILLER
Interim Executive Director

DISSENT: *James S. [Signature]*

DISSENT: _____

EGJ:BEK:lhm\JFW

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