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Phoenix, Arizona 85072-3999

May 7, 2008

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

RE: Arizona Public Service Company Environmental Improvement Surcharge Plan of Administration  
Docket Nos. E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Sir or Madam:

Pursuant to Decision No.70213, Arizona Public Service Company filed the revised Environmental Improvement Surcharge Plan of Administration (EIS POA) on March 31, 2008. Subsequent to that filing, the Arizona Corporation Commission Staff, as part of their review, discovered an inadvertent exclusion of language and therefore APS is submitting the EIS POA that includes the above mentioned language. Enclosed please find both redline and non-redline versions of the revised EIS POA.

If you have any questions or concerns please contact Greg DeLizio at (602) 250-2704.

Sincerely,

Barbara Klemstine

BK/tem

Attachments

CC: Brian Bozzo  
Ernest Johnson  
Janet Wagner  
Terri Ford  
Barbara Keene  
Bill Musgrove

Arizona Corporation Commission  
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AZ CORP COMMISSION  
DOCKET CONTROL

**NON-REDLINED  
VERSION**

**Environmental Improvement Surcharge Plan of Administration**

### **General Description**

Sections XV 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 retail Standard Offer customers except those on Schedules SP-1, Solar-2, Solar-3, GPS-1 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. APS will use the 5-year Treasury Constant Maturities rate when calculating the monthly earned interest applicable to the EIS fund. APS will separately account for costs charged to the EIS fund that are incurred by filing a climate change management plan, carbon emission reduction study and commitment-action plan.

### **EIS Billing**

Beginning July 1, 2007 the EIS Surcharge will appear on customer bills as the "Federal Environmental Improvement Surcharge." In the event that other than federally mandated environmental projects are included in the EIS, then the EIS Surcharge will appear on customer bills as the "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 or expected to be mandated by federal, state or local laws or regulations." The Surcharge will be applied to all retail Standard Offer customers except those on Schedules SP-1, Solar-2, Solar-3, GPS-1 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. In the event that non-mandated environmental projects are included in the EIS fund, and the projects are not

expected to be mandated in the foreseeable future, APS shall obtain the Commission's approval to use EIS funds for those projects before construction begins on the projects.

**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:

- 1) Beginning balance for the period (Schedule 1)
- 2) Total amount of money collected by the EIS for the period (Schedule 1)
- 3) Amount of interest earned by the EIS regulatory liability account for the period (Schedule 1)
- 4) Total withdrawals for the period (Schedule 1)
- 5) Ending EIS regulatory liability account balance (Schedule 1)
- 6) Detailed list of the dates and amounts of withdrawals (Schedule 3)
- 7) Narrative description of each EIS project to which funds were applied for the period (Schedule 2)
- 8) Accounts and amounts of CIAC recognized for each EIS project for the period (Schedule 2)
- 9) Cumulative EIS funds collected July 1, 2007 through June 30<sup>th</sup> of the current period (Schedule 1)
- 10) 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)
- 11) 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

**REDLINED  
VERSION**

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See Attached  
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