

Arizona Corporation Commission

THIS AMENDMENT:
DOCKETED

Passed _____ Passed as amended by _____

Failed _____ DEC - 8 2008 Not Offered

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ORIGINAL

HATCH-MILLER PROPOSED AMENDMENT #1

2008 DEC -8 P 3:44

DATE PREPARED: December 5, 2008

AZ CORP COMMISSION
DOCKET CONTROL

COMPANY: Arizona Public Service Company (Interim Rates)

DOCKET NO.: E-01345A-08-0172

OPEN MEETING DATES: December 16, 17, 18, & 19, 2008 AGENDA ITEM: 20

Page 31:

DELETE line 9 following "doubt" through line 27

INSERT:

"Based upon the testimony and evidence presented at the hearing combined with the current economic climate and the Commission's broad authority to determine what constitutes an emergency, we find an emergency exists.

This Nation and this State are facing extraordinary and uncertain economic times. 'There is no playbook for responding to turmoil we have never faced.' [U.S. Treasury Secretary Henry Paulson, New York Times, November 18, 2008.] This deepening financial and economic crisis defies quick solution. Seemingly overnight, we have seen the failure and struggle of financial giants like Bear Stearns, Indy Mac, and Lehman Brothers, and of retail companies like Mervyns and Circuit City. Accounting firm Grant Thornton recently forecast that as many as 3,800 auto dealerships -- or nearly one in five -- could close this fall and into next year.

Further, we note that: the Dow Jones industrial average lost 777 points in late-September, its biggest single-day fall ever; the NASDAQ has lost over a third of its value in just three months; in real estate, nation-wide more than a million bank-owned properties have piled up on the market, representing around a third of all properties for sale in the U.S. and the National Association of Home Builders/Wells Fargo index of builder confidence decreased to 9, its lowest ever.

The Merriam-Webster Dictionary defines an emergency as "an unforeseen combination of circumstances or the resulting state that calls for immediate action." Its synonym "crisis" is defined as an unstable or crucial time or state of affairs in which a decisive change is impending," especially "one with the distinct possibility of a highly undesirable outcome." More loosely, these terms represent 'a testing time'. This clearly is a testing time.

The risk exists that APS' bonds could be downgraded from investment to non-investment grade which would make it difficult, expensive, or even impossible for the Company to access the credit markets. Given the nation's financial emergency, the cost of borrowing has increased and availability of credit decreased even without a downgrade. This sudden change has brought hardship to the Company. In addition, as APS' financial condition worsens, uncertainty surrounds whether the Company will be able to continue to provide consistent, reliable service or will be able to promote a sustainable energy future for this State. APS has already indicated that it intends to cut \$500 million from its capital expenditure budget over the next four years and has already cut its operations and maintenance budget by \$50 million. If APS is no longer able to make planned investments in distribution and infrastructure, customers will ultimately pay the price.

Page 35:

DELETE lines 1 to 5

Lines 12-13

DELETE: "Although we do not believe that APS has demonstrated that an emergency exists currently, we"

INSERT: "We"

After line 21

INSERT: "Based on the above we find that Staff's alternative determination of an increase of \$65.2 million is reasonable and appropriate. This will result in a surcharge of \$0.00226 per kWh. This will increase the average APS residential customer's bill by \$1.99 per month in the summer and \$1.46 per month in the winter. The emergency interim surcharge will be subject to refund pending a decision in APS' permanent rate case.

In addition, we will require that APS not issue or distribute any dividends of any kind until at least after a final order becomes effective from its pending permanent rate case. We will also require APS to post a \$10 million bond or sight draft letter of credit that will remain in effect until at least after a final order becomes effective from its pending permanent rate case.

Line 23

INSERT: "additional" after "believe"

Page 39:

DELETE line 1 & 2

Line 8, After "recession"

INSERT: "we find that an emergency exists, therefore,"

Line 8, After the first "reasonable"

INSERT: "to adopt the level of Staff's alternative emergency interim rate increase and"

Page 40:

Line 26

DELETE: "No emergency exists to warrant the implementation of interim"

INSERT: "An emergency exists which warrants the implementation of emergency"

Line 28

DELETE: "denied without prejudice"

INSERT: "approved as discussed herein"

Page 41:

Lines 2 & 3

DELETE: "Company's Motion for an Interim Base Rate Surcharge is hereby denied without prejudice."

INSERT: "Company is hereby granted an emergency interim base rate surcharge of \$0.00226 per kWh that shall become effective with all bills issued after December 31, 2008."

Line 4

INSERT the following new ordering paragraphs:

"IT IS FURTHER ORDERED that this surcharge shall not apply to E-3 and E-4 low income customers, E-36 customers, and the solar rate schedules Solar-2 and SP-1.

IT IS FURTHER ORDERED that Arizona Public Service Company shall notice all its customers, in a form acceptable to Staff, of this surcharge by December 31, 2008.

IT IS FURTHER ORDERED that Arizona Public Service Company shall not issue or distribute any dividends of any kind for any reason until at least a final order is issued by the Commission in Arizona Public Service Company's pending permanent rate case.

IT IS FURTHER ORDERED that Arizona Public Service Company shall post a \$10 million bond or sight draft letter of credit and provide the original to the Commission's Business Office and file copies in Docket Control as a compliance item in this Docket, prior to December 31, 2008, and such bond or sight draft letter of credit shall remain in effect until a final order is issued by the Commission in Arizona Public Service Company's pending permanent rate case."

Make all conforming changes.