

ORIGINAL



0000097020

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2 COMMISSIONERS

- 3 KRISTIN K. MAYES, Chairman
- 4 GARY PIERCE
- 5 PAUL NEWMAN
- 6 SANDRA D. KENNEDY
- 7 BOB STUMP

2009 MAY 15 P 4: 13

AZ CORP COMMISSION
DOCKET CONTROL

7 IN THE MATTER OF THE APPLICATION OF
 8 ARIZONA PUBLIC SERVICE FOR A
 9 HEARING TO DETERMINE THE FAIR
 10 VALUE OF THE UTILITY PROPERTY OF
 11 THE COMPANY FOR RULEMAKING
 PURPOSES, TO FIX A JUST AND
 REASONABLE RATE OF RETURN
 THEREON, TO APPROVE RATE
 SCHEDULES DESIGNED TO DEVELOP
 SUCH RETURN.

DOCKET NO. E-01345A-08-0172

**STAFF'S NOTICE OF FILING CUSTOMER
BILL IMPACT STATEMENT**

12 Staff of the Arizona Corporation Commission ("Staff"), on behalf of the Settling Parties in
 13 this case, hereby files the Customer Bill Impact Analysis referred to in Item O of the Term Sheet filed
 14 by the Settling Parties on May 4, 2009. The Analysis was prepared with the input of all Settling
 15 Parties using the agreements in principle reached between the Settling Parties as set forth in the Term
 16 Sheet. The narrative explanation that precedes the actual bill comparison is intended to provide
 17 clarity and additional detail on the development of the rates and percentage increases for each
 18 customer class.

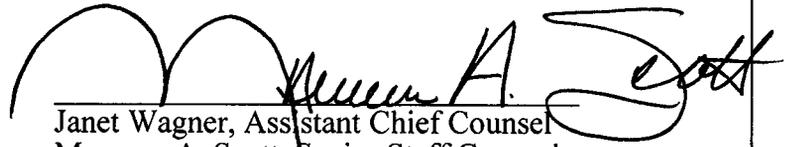
19 RESPECTFULLY SUBMITTED this 15th day of May, 2009.

22 Arizona Corporation Commission

23 **DOCKETED**

24 MAY 15 2009

25 DOCKETED BY 

21 

22 Janet Wagner, Assistant Chief Counsel
 23 Maureen A. Scott, Senior Staff Counsel
 24 Charles Hains, Attorney
 25 Amanda Ho, Attorney
 26 Legal Division
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, Arizona 85007
 (602) 542-3402

27 ...
28 ...

1 Original and thirteen (13) copies
of the foregoing filed this
2 15th day of May, 2009 with:

3 Docket Control
Arizona Corporation Commission
4 1200 West Washington Street
Phoenix, Arizona 85008

5
6 Copies of the foregoing mailed this
18th day of May, 2009 to:

7 Thomas L. Mumaw
Meghan H. Grabel
8 PINNACLE WEST CAPITAL CORPORATION
LAW DEPARTMENT
9 P.O. Box 53999
Phoenix, Arizona 85072-3999

10
11 William J. Maledon
OSBORN MALEDON P.A.
2929 North Central Avenue
12 Phoenix, Arizona 85067-6379

13 Robert Metli
SNELL & WILMER L.L.P.
14 400 East Van Buren Street
Phoenix, Arizona 85004-2202

15
16 Barbara Klemstine
Zachary Fryer
Susan Casady
17 ARIZONA PUBLIC SERVICE COMPANY
P.O. Box 53999
18 Mail Station 9708
Phoenix, Arizona 85072-3999

19
20 Michael L. Kurtz
Kurt J. Boehm
BOEHM, KURTZ & LOWRY
21 36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

22
23 C. Webb Crockett
Patrick J. Black
FENNEMORE CRAIG P.C.
24 3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913

25
26 Lawrence V. Robertson, Jr.
Attorney at Law
P.O. Box 1448
27 Tubac, Arizona 85646

Michael A. Curtis
William P. Sullivan
Larry K. Udall
CURTIS, GOODWIN, SULLIVAN,
UDALL & SCHWAB, P.L.C.
501 East Thomas Road
Phoenix, Arizona 85012-3205

Timothy M. Hogan
ARIZONA CENTER FOR LAW IN
THE PUBLIC INTEREST
202 East McDowell Road, Suite 153
Phoenix, Arizona 85004

Daniel W. Pozefsky
RUCO
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007

Michael M. Grant
GALLAGHER & KENNEDY
2575 East Camelback Road
Phoenix, Arizona 85016-9225

Gary Yaquinto
ARIZONA INVESTMENT COUNCIL
2100 North Central Avenue, Suite 210
Phoenix, Arizona 85004

Jay I. Moyes
Karen E. Nally
MOYES SELLERS & SIMS
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004-0001

David Berry
WESTERN RESOURCE ADVOCATES
P.O. Box 1064
Scottsdale, Arizona 85252

Jeff Schlegel
SWEEP Arizona Representative
1167 West Samalayuca Drive
Tucson, Arizona 85704

1 Jeffrey J. Warner
K.R. SALINE & ASSOC., PLC
2 160 North Pasadena, Suite 101
Mesa, Arizona 85201

3
4 Scott Canty, General Counsel
THE HOPI TRIBE
P.O. Box 123
5 Kykotsmovi, Arizona 86039

6 Cynthia Zwick
1940 East Luke Avenue
7 Phoenix, Arizona 85016

8 Nicholas J. Enoch
Lubin & Enoch, P.C.
9 349 North 4th Avenue
Phoenix, Arizona 85003

10 Carlo Dal Monte
11 65 Front Street, Suite 201
Nanaimo, British Columbia V9R 5H9

12
13 Barbara Wyllie-Pecora
27458 N. 128th Dr.
Peoria, Arizona 85383

14
15 Armanda Ormond
7650 S. McClintock
Suite 103-282
16 Tempe, Arizona 85284

17 Douglas Fant
3655 W. Anthem Way
18 -A-109 PMB 411
Anthem, Arizona 85086

19
20 Lieutenant Colonel Karen White
AFLSA/JACL-ULT
139 Barnes Dr., Suite 1
21 Tyndall AFB, Florida 32403-5319

22
23 Kayla Christensen

24
25
26
27
28

APS Rate Case Settlement Proposal Bill Impact Analysis

May 15, 2009

PURPOSE AND SCOPE: An important consideration in any proposal to change rates is how the change impacts customer bills. Key factors to be considered in allocating revenue responsibility and designing rates include: the cost of providing service, rate stability, encouraging conservation, and other public policy objectives. The Settling Parties considered such factors in their pre-filed testimony and in reaching a comprehensive settlement.

A bill impact analysis is intended to provide policymakers and customers with a general sense of how rate changes will affect typical bills for different classes of customers. When only one bill element is changed, such as the basic service charge, a bill impact analysis is relatively straightforward. However, when multiple billing elements are involved in a change to rates, the bill impact analysis is necessarily more complex. This is because the multiple billing elements comprising an overall base rate change affect customer classes differently, depending on things such as load factor (average energy used by a customer expressed as a percentage of their maximum usage) and overall electric consumption levels. This is true even when the overall base rate percentage increase is the same for all customer classes. A typical bill analysis for residential customers is set forth on page 3 of this document.

THE PROPOSED SETTLEMENT: The Settling Parties propose that all customer classes bear roughly the same increase to the 2007 Test Year base rates—which on a percentage basis is 13.07%.¹ In addition, the parties propose to spread the impact of holding low income E-3 and E-4 customers harmless from the base rate increase across all other customers. As a result, there are four elements that affect the base rate increase and the bill impact analysis in this case:

- Designing rates such that E-3 and E-4 low income customers are held harmless, by spreading those costs across customer classes on a per kWh basis;
- Moving a portion of fuel and purchased power costs from the PSA to base rates;
- Eliminating the separate interim base rate surcharge and incorporating that charge into base rates; and

¹ In APS's 2005 Settlement Agreement, Commercial and Industrial customer classes were allocated proportionally less of the base rate increase and the Residential class was allocated proportionally more of the base rate increase to move rate design closer to the results of the cost of service study. Although the cost of service study in the current rate case continues to show that Commercial and Industrial classes are paying proportionally more than their cost of service relative to Residential customers, the parties agreed that no further rate design changes towards cost of service would be performed in this case. Such a change would have required Residential customers to pay more than the average base rate increase.

- Including the non-fuel increase necessary to bring base rates to the agreed upon 13.07% customer class average increase.

THE IMPACT BY CLASS: Some of these bill elements, such as fuel and purchased power, affect classes of customers differently. Commercial and industrial customers, for example, will pay a higher proportion of fuel and purchased power costs in their 13.07% base rate increase because as a class they consume more energy as a proportion of their overall bill. Although the Settling Parties did not strictly follow the cost of service in designing rates, this result is consistent with the cost of service study, which shows that the cost of service for commercial and industrial customers includes a higher percentage of fuel-related costs than the cost of service study for residential customers. Similarly, the interim base surcharge was established earlier this year as a kWh-based surcharge, which means that it currently represents a higher proportion of a typical commercial and industrial customer's bill, than that of a residential customer. Thus, the effect of an equal percentage increase in base rates will result in each class of customers paying a different proportion of each element in order to reach the overall 13.07% increase on a class basis.

A summary of the average cost (expressed on a percentage basis) for customers of each class associated with each element of the base rate increase, after accounting for the rate design effect of holding E-3 and E-4 customers harmless,² is shown in the following table:

	Beginning Base Rate Revenue Increase	Class Impact of E-3/E-4 Hold Harmless Rate Design	Increase in Base Rates After E-3/E-4 Rate Design (A)+(B)+(C)	Fuel-Related Increase (A)	Non-Fuel Related Increase (B)	Increase Related to Interim (C)
Residential (All Rates)	13.07%	-0.25%	12.82%	5.11%	5.44%	2.27%
Commercial (E-32)	13.07%	0.24%	13.31%	5.69%	5.09%	2.53%
Industrial	13.07%	0.24%	13.31%	5.67%	5.12%	2.52%

As the table shows, commercial and industrial customers will typically pay a higher proportion of the base rate increase for fuel-related costs, as these customers consume proportionally more fuel than residential customers. In turn, residential customers will pay less of the base rate increase in fuel-related costs and more in non-fuel related costs, reflecting the class average cost of service.

THE IMPACT ON TYPICAL BILLS: Finally, the bill impact analysis involves comparing a change in base rate (and associated billing elements) to a total monthly bill. The total monthly bill includes not just base rates, but also different charges such as the RES Adjustor and the DSM Adjustment Clause, which also represent a larger or smaller

² From a customer class standpoint, E-3 and E-4 customers are part of the Residential class. Thus, the column entitled "Increase in Base Rates After E-3/E-4 Rate Design" reflects the fact that customers in the Commercial and Industrial classes are contributing rate design revenues associated with the hold harmless provision for these low income rates to the Residential class.

overall component of the bill for a given customer class. For example, residential and industrial customers pay proportionately less than commercial customers for the RES, while industrial and commercial customers pay proportionately more for the DSM Adjustment Clause. Thus, the percentage of total bill impact depends not only on the level of the overall base rate increase, but also the relative levels of other line items on the bill.

Attached are bill impact analyses for each major customer class. To provide for better comparability of percentage bill impacts, the commercial and industrial analysis presented reflect an E-32 and E-34/35 customer with a similar load factor to that of the residential class. Also, a bill impact analysis for a typical E-12 residential customer, which is the non time-of-use rate, with 763 kWh of average monthly consumption is included.

For example, for a typical residential customer, with average monthly consumption of 1,408 kWh during summer months and 930 kWh for winter months, the increase would be \$8.98 per month in the summer and \$3.67 per month in the winter or an annual average of \$6.32 per month. In the case of a residential customer on rate E-12 with average monthly consumption of 880 kWh during summer months and 645 kWh for winter months, the increase would be \$6.67 per month in the summer and \$3.11 per month in the winter, or an annual average of \$4.88 per month. For an E-12 customer with median monthly usage of 664 kWh during summer months and 499 kWh for winter months, the increase would be \$3.19 per month during the summer and \$3.26 per month during the winter for an annual average of \$3.22 per month.

The settlement also proposes approval of new demand response programs and increased energy efficiency programs. These new programs, as well as existing programs (such as TOU rates) provide customers with the opportunity to mitigate all or a portion of the proposed rate increase by managing their energy usage.

Additionally, some provisions of the settlement involve costs recovered through adjustment mechanisms. Thus, estimates of 2010 DSM Adjustment Clause and the 2010 RES are provided for illustrative purposes, but would not be implemented at the same time as base rates increase.

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 5/4/09

	Current Rates	Proposed Rates	Current Rates	Proposed Rates	Current Rates	Proposed Rates
	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Residential (Average - All Rates)						
Average kWh per Month	1,169	1,169	1,408	1,408	930	930
Base Rates	\$ 116.20	\$ 131.10	\$ 150.41	\$ 169.72	\$ 81.99	\$ 92.48
PSA- Forward Component	5.94	-	7.15	-	4.72	-
PSA - Historical Component	0.30	0.30	0.36	0.36	0.24	0.24
Interim Rate Adjustor (January 2009)	2.64	-	3.18	-	2.10	-
TCA (July 1, 2008)	1.42	1.42	1.70	1.70	1.13	1.13
CRCC (April 2005)	0.40	0.40	0.48	0.48	0.31	0.31
EIS (July 2007)	0.19	0.19	0.23	0.23	0.15	0.15
RES (Jan 1, 2009)	3.17	3.17	3.17	3.17	3.17	3.17
DSMAC (April 2009)	0.71	0.71	0.85	0.85	0.56	0.56
Total	\$ 130.97	\$ 137.29	\$ 167.53	\$ 176.51	\$ 94.37	\$ 98.04
Bill Impact (3)		\$ 6.32		\$ 8.98		\$ 3.67
Percent Bill Impact		4.83%				
Reduction from accelerated reset of PSA Historical Component		TBD	TBD	TBD		TBD
Increase from Projected 2010 DSMAC		\$ 0.51	0.39%	\$ 0.61	\$ 0.40	\$ 0.40
Increase from Projected 2010 RES (4)		\$ 0.86	0.66%	\$ 0.86	\$ 0.86	\$ 0.86

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)	Summer Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	Winter Monthly Bill
Residential (Rate E-12)						
Average kWh per Month	763	763	880	880	645	645
Base Rates	\$ 81.71	\$ 92.20	\$ 102.11	\$ 115.24	\$ 61.30	\$ 69.15
PSA- Forward Component	3.88	-	4.47	-	3.28	-
PSA - Historical Component	0.20	0.20	0.23	0.23	0.17	0.17
Interim Rate Adjustor (January 2009)	1.73	-	1.99	-	1.46	-
TCA (July 1, 2008)	0.92	0.92	1.06	1.06	0.78	0.78
CRCC (April 2005)	0.26	0.26	0.30	0.30	0.22	0.22
EIS (July 2007)	0.12	0.12	0.14	0.14	0.10	0.10
RES (Jan 1, 2009)	3.17	3.17	3.17	3.17	3.17	3.17
DSMAC (April 2009)	0.46	0.46	0.53	0.53	0.39	0.39
Total	\$ 92.45	\$ 97.33	\$ 114.00	\$ 120.67	\$ 70.87	\$ 73.98
Bill Impact (3)		\$ 4.88		\$ 6.67		\$ 3.11
Percent Bill Impact		5.28%				
Reduction from accelerated reset of PSA Historical Component		TBD	TBD	TBD		TBD
Increase from Projected 2010 DSMAC		\$ 0.33	0.36%	\$ 0.38	\$ 0.28	\$ 0.28
Increase from Projected 2010 RES (4)		\$ 0.86	0.93%	\$ 0.86	\$ 0.86	\$ 0.86

ARIZONA PUBLIC SERVICE COMPANY
Preliminary Estimated Monthly Bill Impacts of Proposed Settlement Rates 5/4/09

	Current Rates	Proposed Rates		Current Rates	Proposed Rates		Current Rates	Proposed Rates
	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)		Summer Monthly Bill	Summer Monthly Bill		Winter Monthly Bill	Winter Monthly Bill
Commercial (Rate E-32)								
Average kWh per Month	8,663	8,663		9,628	9,628		7,698	7,698
Base Rates	\$ 773.63	\$ 876.58		\$ 912.51	\$ 1,033.82		\$ 634.75	\$ 719.34
PSA- Forward Component	44.01	-		48.91	-		39.11	-
PSA - Historical Component	2.24	2.24		2.48	2.48		1.99	1.99
Interim Rate Adjustor (January 2009)	19.58	-		21.76	-		17.40	-
TCA (July 1, 2008)	15.03	15.03		16.72	16.72		13.33	13.33
CRCC (April 2005)	2.93	2.93		3.25	3.25		2.60	2.60
EIS (July 2007)	1.39	1.39		1.54	1.54		1.23	1.23
RES (Jan 1, 2009)	68.76	68.76		76.42	76.42		61.10	61.10
DSMAC (April 2009)	6.44	6.44		7.16	7.16		5.71	5.71
Total	\$ 934.01	\$ 973.37		\$ 1,090.75	\$ 1,141.39		\$ 777.22	\$ 805.30
Bill Impact (3)		\$ 39.36			\$ 50.64			\$ 28.08
Percent Bill Impact		4.21%						

Reduction from accelerated reset of PSA Historical Component		TBD	TBD		TBD		TBD
Impact from Projected 2010 DSMAC	\$	3.75	0.40%		\$ 4.17		\$ 3.33
Impact from Projected 2010 RES	\$	18.63	1.99%		20.70		16.55

	Annual Average Monthly Bill (1)	Annual Average Monthly Bill (2)		Summer Monthly Bill	Summer Monthly Bill		Winter Monthly Bill	Winter Monthly Bill
Industrial (Rate E34/35 Medium Load Factor)								
Average kWh per Month	2,250,284	2,250,284		2,344,877	2,344,877		2,155,690	2,155,690
Base Rates	\$ 201,730.06	\$ 228,573.49		\$ 210,208.60	\$ 238,180.24		\$ 193,251.52	\$ 218,966.74
PSA- Forward Component	11,431.45	-		11,911.98	-		10,950.91	-
PSA - Historical Component	580.58	580.58		604.98	604.98		556.17	556.17
Interim Rate Adjustor (January 2009)	5,085.64	-		5,299.42	-		4,871.86	-
TCA (July 1, 2008)	2,666.44	2,666.44		2,778.52	2,778.52		2,554.35	2,554.35
CRCC (April 2005)	760.60	760.60		792.57	792.57		728.62	728.62
EIS (July 2007)	360.05	360.05		375.18	375.18		344.91	344.91
RES (Jan 1, 2009)	353.78	353.78		353.78	353.78		353.78	353.78
DSMAC (April 2009)	2,106.39	2,106.39		2,194.93	2,194.93		2,017.84	2,017.84
Total	\$ 225,074.99	\$ 235,401.33		\$ 234,519.96	\$ 245,280.20		\$ 215,629.96	\$ 225,522.41
Bill Impact (3)		\$ 10,326.34			\$ 10,760.25			\$ 9,892.45
Percent Bill Impact		4.59%						

Reduction from accelerated reset of PSA Historical Component		TBD	TBD		TBD		TBD
Impact from Projected 2010 DSMAC	\$	1,507.55	0.67%		\$ 1,570.92		\$ 1,444.18
Impact from Projected 2010 RES	\$	95.83	0.04%		95.83		95.83

Notes:

- (1) Bill excludes regulatory assessment charge, taxes and fees. Adjustor levels and interim base rate surcharge in effect as of May 1, 2009.
- (2) Bill impacts reflect the proposed increase in base rates, reset of interim adjustor to zero, and reset of PSA Forward Component charge to zero.
- (3) Bill impacts for commercial and industrial customers are less than residential on a percentage basis because these customer classes were assessed proportionally more for the interim adjustor and the PSA. The base rates reflect approximately the same percentage increase as residential.
- (4) RES impacts are based on a preliminary estimate. Actual bill impacts will be filed with the 2010 implementation plan to be filed in July 2009. Of the projected increase in the RES budget for 2010, only about \$1 to \$2 million is attributable to the settlement.

Increase Over Base Rates for Representative Customers

	Beginning Base Rate Revenue Increase	Impact of E-3, E-4 Hold Harmless Rate Design	Increase in Base Rates After E-3, E-4 Rate Design (A) + (B) + (C)	Fuel Related Increase (A)	Non-Fuel Related Increase (B)	Increase Related To Interim (C)
Residential (All Rates)	13.07%	-0.25%	12.82%	5.11%	5.44%	2.27%
Residential (Rate E-12)	13.07%	-0.23%	12.84%	4.75%	5.97%	2.12%
Commercial (Rate E-32)	13.07%	0.24%	13.31%	5.69%	5.09%	2.53%
Industrial (Medium Load Factor)	13.07%	0.24%	13.31%	5.67%	5.12%	2.52%

Monthly Bill
 Rate Case Settlement Proposal
 May 14, 2009

INPUT TO BILL COMPS

Proposed Increase - GRC Settlement Proposal

	Increase (\$000)	%
Base Rate	196,300	7.44%
Fuel - base rates	11,203	0.42%
Total base rate increase	207,503	7.87%
Adjusted base cost of fuel increase	137,235	5.20%
Total base rate increase	344,738	13.07%
 Adjusted Present Revenue - base rates (\$000)	 2,637,447	
 Adjusted TY MWh	 28,855,123	
TY E-3, E-4 MWh	460,909	
net	28,394,214	
 Revenue Requirement E-3, E-4 hold harmless \$	 6,000,000	
rev requirement \$/kwh \$	0.0002113	
Residential TY adjusted kWh	13,556,815,396	
TY E-3, E-4 MWh	460,909,000	
net	13,095,906,396	
residential benefit \$/kWh \$	0.0004582	
	(0.0002468) net residential impact \$/kwh	
	(0.0002468) check from class average assessment	