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BEFORE THE ARIZONA CORPORATION COMMISSION

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2 COMMISSIONERS

- 3 KRISTIN K. MAYES, Chairman
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2009 AUG 18 P 4: 43

AZ CORP COMMISSION
DOCKET CONTROL

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

DOCKET NO. E-01345A-08-0172

STAFF'S NOTICE OF ERRATA

18 Staff of the Arizona Corporation Commission ("Staff") hereby files this Notice of
 19 Errata to the Summary of Ralph C. Smith's Reply Testimony in Support of the Settlement Agreement
 20 filed on August 17, 2009. An earlier version of the Summary was inadvertently attached to the
 21 August 17, 2009 Notice of Filing. Attached is the correct Summary of his Reply Testimony. Please
 22 use the attached Summary in place of the previously docketed Summary.

RESPECTFULLY SUBMITTED this 18th day of August, 2009.

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24 Original and thirteen (13) copies
 25 of the foregoing filed this
 18th day of August, 2009 with:

26 Docket Control
 27 Arizona Corporation Commission
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 28 Phoenix, Arizona 85008

Arizona Corporation Commission
DOCKETED

AUG 18 2009

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**EXECUTIVE SUMMARY
ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-01345A-08-0172**

My Reply Testimony in support of the Settlement addresses accounting and ratemaking issues related to Schedule 3 as provided for in the Settlement Agreement. The Settlement Agreement changes the treatment for Schedule 3 receipts to account for them as revenue rather than Contributions in Aid of Construction ("CIAC").

Several individuals, many with real estate interests, and a group, Arizonans for Fair Power Policy, have filed testimony in opposition to the Settlement Agreement because they believe the Settlement should include a free footage allowance for line extensions under APS' Schedule 3.

In the last APS base rate case, as well as the last base rate cases for other Arizona electric utilities, including Tucson Electric Power ("TEP") and UNS Electric, the Commission eliminated the free footage allowances for new line extensions that had previously been in place for these electric utilities. The Settlement Agreement at paragraph 10.3 continues to maintain the Commission's current policy regarding payments for line extensions.

The testimony filed by the parties in opposition to the Settlement does not contest or object to the treatment of accounting for Schedule 3 receipts as revenue. Their recommendation to reinstate a free footage allowance for APS would, however, directly impact the amounts that APS has projected it would receive under Schedule 3 as revenue.

The revenue that APS projects it would collect under Schedule 3 is a critical component of the Settlement Agreement, which must be viewed as an integrated document. Specifically, Section X of the Settlement Agreement at paragraph 10.1 provides for APS to record Schedule 3 receipts as revenue during the period January 1, 2010 through the earlier of December 31, 2012 or the conclusion of APS' next general rate case. As stated in paragraph 10.2, APS estimated that its Schedule 3 revenues would be \$23 million in 2010, \$25 million in 2011 and \$49 million in 2012.

The Signatories to the Settlement Agreement have recognized that a change to the Commission's current policy regarding receipts for line extensions, such as a modification to Schedule 3 to provide for a free footage allowance, would affect the amount of revenue that APS has projected for revenue from Schedule 3. Paragraph 10.3 provides that, if such a change were to be instituted by the Commission, an offsetting revenue change should also be ordered so that such modifications would be "revenue neutral." Consequently, under this provision of the Settlement Agreement, reinstating a free footage allowance would mean a higher rate increase for APS' existing customers.