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September 16, 1999

Arizona Corporation Commission  
DOCKETED

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Mr. Patrick Black  
Executive Assistant  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

Dear Mr. Black:

On September 13, 1999 you requested information from the Staff regarding the financial savings consumers will receive if the Commission approves such settlement. The specific requests were as follows:

1). The proposed combined 7.5% rate reduction for Standard Offer residential consumers, which is scheduled to be completed by July 1, 2003; in terms of estimated dollar savings, a) how much does each yearly 1.5% reduction represent in annual residential savings, and b) what is the estimated total savings for the entire 7.5%?

Answer: If you assume that no customers leave the Standard Offer service and project growth in the APS service territory at 2% per year, a) the yearly 1.5% reduction represents annual residential savings of approximately \$11,496,000 in 1999, or about a \$16.83 annual reduction for the average residential customer using 1000 kilowatt hours (kWh) of energy. The estimated annual savings in subsequent periods are approximately \$11,550,000 in 2000, \$11,604,000 in 2001, \$11,659,000 in 2002 and \$11,713,000 in 2003. B) The total for the 7.5% reductions with the aforementioned assumptions approximates \$58 million for the residential class.

2). The proposed settlement indicates that the 1.5% rate reduction scheduled for July 1, 1999 includes a rate reduction already required by Decision No. 59601. What portion of the July 1, 1999, rate reduction is actually already required by Decision No. 59601 (in percentage terms), and has APS complied with the ordered reduction to date?

Answer: APS' rate reduction filing made on May 21, 1999 indicates a rate reduction of .68%, or approximately \$5,196,000 for the residential class. The equates to an approximate annual savings of \$7.60 for the average residential customer using 1000 kWh of energy. In its

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filing, APS requested that the rate reduction be considered for approval by the Commission in conjunction with the 1999 Settlement Agreement dated May 17, 1999.

The above-calculations are merely estimates and should not be construed to be actual revenue reductions since they are based upon projections as well as many other assumptions. I am attaching a spreadsheet that details my very rough calculations. If residential customers elect to receive generation services from an alternate supplier, these estimates will be reduced. If you have questions, I would be happy to try to answer them.

Sincerely yours,

  
Sheryl L. Hubbard *mi*  
Chief, Accounting and Rates

SLH:mi

Enclosure

cc: Chairman Carl J. Kunasek  
Commissioner Jim Irvin  
Commissioner William A. Mundell  
Jerry Porter  
Teena Wolfe  
Deborah R. Scott  
Docket Control  
All parties of record

Arizona Corporation Commission  
 Calculation of Estimated Rate Reductions for Standard Offer Customers  
 Per APS' Settlement Agreement

	Residential	Net General Service	Irrigation	St. & Hwy Ltg	All Classes
1998 Actual	766,378	806,440	7,288	10,454	
7/99 reduction *	5,196	5,468	49	71	10,784
7/99 reduction**	6,300	6,629	60	86	13,075
1999 base	754,882	794,343	7,179	10,297	
1999 base + 2%	769,980	810,230	7,322	10,503	
7/00 reduction	11,550	12,153	110	158	23,971
2000 base	758,430	798,077	7,212	10,346	
2000 base + 2%	773,599	814,038	7,357	10,552	
7/01 reduction	11,604	10,175	110	158	22,048
2001 base	761,995	803,863	7,246	10,394	
2001 base + 2%	777,234	819,940	7,391	10,602	
7/02 reduction	11,659	6,150	111	159	18,078
2002 base	765,576	813,791	7,280	10,443	
2002 base + 2%	780,887	830,066	7,426	10,652	
7/03 reduction	11,713	0	111	160	11,984
Yrs 99 -03 Total		58,022 Yr 99 -03 Total	40,575 Yr 99 -03 Total	552 Yr 99 -03 Total	791 99,940

Notes:

\* - 7/99 reduction - .68% (Taken from APS 5/21/99 rate reduction filing)

\*\* - 7/99 reduction = 1.5% less 5/21/99 filing amount

7/00 1.5% reduction for all classes

7/01 1.5% reduction for all classes except General Service of 1.25%

7/02 1.5% reduction for all classes except General Service of .75%

7/03 1.5% reduction for all classes except General Service of 0%

MAJOR ASSUMPTIONS:

For purposes of estimating general service rate reductions, my calculations assume conservatively that all general service revenues are from customers having loads greater than 3 MW. Also, all calculations assume that all customers remain on the Standard Offer and do not elect a competitive alternative provider of generation service. 2% growth projections were applied after removing the prior periods reductions.