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ARIZONA CORPORATION COMMISSION

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September 16, 1999

Chairman Carl J. Kunasek
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
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Dear Chairman Kunasek:

Earlier this week, I received a request from Staff's legal counsel on your behalf for information regarding the financial savings consumers will receive as a result of approval by the Commission of the APS proposed settlement.

Because the rate reductions incorporated in the APS proposed settlement are different for customers remaining on the Standard Offer versus customers electing to receive generation from a competitor, I will concentrate on the Standard Offer rate reductions.

If you assume that no customers leave the Standard Offer service and project growth in the APS service territory at 2% per year, the yearly 1.5% reductions translate into annual residential savings of approximately \$11,496,000 in 1999, \$11,550,000 in 2000, \$11,604,000 in 2001, \$11,659,000 in 2002, and \$11,713,000 in 2003. The total reductions with the aforementioned assumptions approximate \$58 million.

For General Service customers, the estimates require additional assumptions since the class consists of both customers with loads less than and greater than 3 MWs. For purposes of my calculations, I assumed all customers loads are greater than 3 MWs and applied the rate reductions of 1.5% in 1999, 1.5% in 2000, 1.25% in 2001 and .75% in 2002. The reductions are approximately \$12,097,000 for 1999, \$12,153,000 for 2000, \$10,175,000 for 2001, and \$6,150,000 for 2002.

The irrigation class and street and highway lighting classes were treated the same as the residential class resulting in reductions of \$157,000 for 1999, \$158,000 for 2000, \$158,000 for 2001, \$159,000 for 2002 and \$160,000 for 2003.

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The estimated rate reductions for all classes of customer by year are as follows (assuming that all customers remain on Standard Offer tariffs):

July, 1999 -	\$23,859,000
July, 2000 -	\$23,971,000
July, 2001 -	\$22,048,000
July, 2002 -	\$18,078,000
July, 2003 -	<u>\$11,984,000</u>
Estimated Total	\$99,940,000

These 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. To the extent that customers exercise choice, these reductions will be reduced. I am enclosing a spreadsheet that details my very rough calculations. If you have questions, I would be happy to try to answer them.

Sincerely yours,



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

SLH:mi

Enclosure

cc: Commissioner Jim Irvin
Commissioner William A. Mundell
Jerry Porter
Patrick Black
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 Litg	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.