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AZ CORP COMMISSION
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Manager
Revenue Requirements

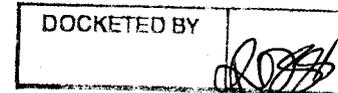
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September 19, 2011

Arizona Corporation Commission
DOCKETED

SEP 19 2011

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007



RE: Arizona Public Service Company's 2010 Test Year Rate Case Rate Case Technical Conference Information, Docket No. E-01345A-11-0224

To all interested parties:

As previously indicated, Arizona Public Service Company ("APS"), is holding the third Rate Case Technical Conference on Thursday September 22, 2011 from 2:00pm to 3:30pm Arizona Time in APS's corporate offices located at 400 N. 5th Street, Phoenix, AZ 85004 in conference room 2 South. APS will be using WebEx for this meeting, in the event you are unable to attend in person. Attachment A provides instructions on how to use WebEx.

An agenda and handouts for the meeting are also attached, as Attachment B. If you have not already done so, please respond to me at (602) 250-4167 or zachary.fryer@aps.com to RSVP for the meeting. Also, if you have any questions regarding this information or topics/issues that you would like to discuss, please contact me.

Thanks again for your participation and I look forward to the meeting.

Sincerely,

Zachary Fryer
ZF/sl

Attachment A

WebEx Instructions for APS Rate Case Technical Conference

Topic: APS Rate Case Technical Conference
Date: Thursday, September 22, 2011
Time: 2:00 pm, Mountain Time (Arizona, GMT-07:00)
Meeting Number: 827 575 108
Meeting Password: (This meeting does not require a password.)

Please click the link below to see more information about the meeting, including its agenda, or to join the meeting.

To join the online meeting

-
1. Go to <https://pnw-meeting.webex.com/pnw-meeting/j.php?ED=154962242&UID=0&RT=MIM1>
 2. Enter your name and email address.
 3. Enter the meeting password: (This meeting does not require a password.)
 4. Click "Join Now".
 5. Follow the instructions that appear on your screen.

To join the audio conference only

To receive a call back, provide your phone number when you join the meeting, or call the number below and enter the access code.

Call-in toll-free number (US/Canada): 1-866-699-3239

Call-in toll number (US/Canada): 1-408-792-6300

Global call-in numbers: <https://pnw-meeting.webex.com/pnw-meeting/globalcallin.php?serviceType=MC&ED=154962242&tollFree=1>

Toll-free dialing restrictions: http://www.webex.com/pdf/tollfree_restrictions.pdf

Access code:827 575 108

For assistance

-
1. Go to <https://pnw-meeting.webex.com/pnw-meeting/mc>
 2. On the left navigation bar, click "Support".

IMPORTANT NOTICE: This WebEx service includes a feature that allows audio and any documents and other materials exchanged or viewed during the session to be recorded. By joining this session, you automatically consent to such recordings. If you do not consent to the recording, discuss your concerns with the meeting host prior to the start of the recording or do not join the session. Please note that any such recordings may be subject to discovery in the event of litigation.

Attachment B

**APS Rate Case Technical
Conference**

September 22, 2011



Agenda

1. Introduction
 - Facilitator: Jeff Guldner
2. Environmental and Reliability Account Discussion
 - Facilitator: Leland Snook
3. Bill Format
 - Facilitator: Zac Fryer
4. Dates for Next Technical Conference and Settlement Discussions
 - Facilitator: Zac Fryer

2. Environmental and Reliability Account Discussion

- ERA takes the existing EIS and modifies it by:
 - Removing the cap
 - Recording amounts as revenues, not CIAC
 - Expanding includable projects
 - Generation plant capacity additions or the construction of new generating plant
- Annual revenue requirement of projects will be included in the ERA
- Example of how the ERA would work is attached

Schedule 2: Revenue Requirement and Adjustor Calculation
 Plant in Service for Calendar Year 20XX
 Sample Calculation

Line No.	ERA Calculation	YR1
Qualified Plant		
1.	Environmental Improvement Projects (Schedule 1, Line 4, Column F)	\$ 5,000,000
2.	New Generation Capacity - Plant Construction (Schedule 1, Line 8, Column F)	\$ -
3.	New Generation Capacity - Plant Acquisition (Schedule 1, Line 12, Column F)	\$ -
4.	Existing Generation Plant - New Efficiency Projects (Schedule 1, Line 16, Column F)	\$ -
5.	Plant Balance - ERA Qualified Investments (Line 1 + Line 2 + Line 3 + Line 4)	\$ 5,000,000
Adjustment to Plant		
6.	Accumulated Depreciation	\$ 142,000
7.	Cumulative Deferred Tax/Tax Credits	\$ 17,977
8.	ERA Net Plant (Line 5 - Line 6 - Line 7)	\$ 4,840,023
9.	Pre-tax Weighted Average Cost of Capital	12.7480% *
Revenue Requirement		
10.	Composite Return on ERA Net Plant (Line 8 * Line 9)	\$ 617,006
11.	Annual Depreciation of Plant In Service	\$ 142,000
12.	Applicable Property Tax	\$ 40,783
13.	Associated O&M Expense	\$ 285,500
14.	Total ERA Revenue Requirement (Line 10 + Line 11 + Line 12 + Line 13)	\$ 1,085,289
15.	Total Company Revenues	\$ 2,945,170,227
16.	ERA Adjustment Percentage (Line 14 / Line 15)	0.0368%

Note: This information is confidential until APS's FERC Form 1 has been filed.

* This number is derived by the taking the Common Equity Weighted Average Cost of Capital multiplied by the gross revenue conversation factor and adding that to the Long-Term Debt Weighted Average Cost of Capital. eg. (5.93% * 1.6532) + 2.94% = 12.74%. This value will be updated to coincide with the final outcome of the rate case.

3. Bill Format

- Summarize discussion from August technical conference
 - Various opinions related to the actual bill content
 - General interest in updating the bill format
- Propose stakeholder workshop
 - Finalize the bill format
 - Recommendation to Commission outside of the rate case
 - APS requires six to nine months to fully implement
- Additional comments

4. Topics and Dates for Next Technical Conferences

- Rate case technical conference date:
 - Thursday, October 27, 2011 from 2:00PM to 3:30PM
 - Topics: TBD
- Settlement discussion dates:
 - Wednesday, November 30, 2011 from 9:00PM to 4:00PM
 - Friday, December 2, 2011 from 9:00PM to 4:00PM
 - Tuesday, December 6, 2011 from 9:00PM to 4:00PM
 - Thursday, December 8, 2011 from 9:00PM to 4:00PM
 - Monday, December 12, 2011 from 9:00PM to 4:00PM
 - Friday, December 16, 2011 from 9:00PM to 4:00PM