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Arizona Corporation Commission
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OCT 11 2011

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October 11, 2011

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

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

On June 1, 2011, Arizona Public Service Company ("APS") filed its General Rate Case with the Arizona Corporation Commission. Upon review of the filing the following updated replacements pages to Leland Snook's Direct Testimony are attached: (1) a revised Plan of Administration for the Efficiency and Infrastructure Account and its Schedule 1 and 4 compliance report which corrects a typographical error in the header and schedule references, respectively and (2) an updated Schedule 2 of the Environmental and Reliability Account that corrects a schedule reference.

If you have any questions regarding this information, please contact Zachary Fryer at (602)250-4167.

Sincerely,


Jeffrey W. Johnson

JJ/cd
Attachment

cc: Parties of Record

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this 11th day of October, 2011 to:

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**Efficiency and Infrastructure Account (“EIA”)
Plan of Administration**

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1. General Description

This document describes the plan of administration for the EIA mechanism approved for Arizona Public Service Company (“APS” or “the Company”) by the Arizona Corporation Commission (“ACC”) on [insert date] in Decision No. XXXXX. The EIA mechanism provides for the recovery of all base rate costs except for fuel and transmission costs associated with residential and commercial and industrial customers to the extent that the actual costs recovered are greater or less than the amount initially authorized through base rates in Decision No. XXXXX.

2. Definitions

Customers – The number of annual customers will be equivalent to the average number of active meters for the calendar year.

Sales – Annual sales used for the EIA mechanism will be the calendar year billed kWh per FERC Form 1 (*i.e.* not weather normalized).

Fixed Costs – Base rate costs, except for fuel and transmission costs and costs recorded to FERC accounts 510, 512, 513, 521, 522, 528, 530, and 531, as established in the most recent rate case cost of service.

Actual Fixed Cost Recovery – The amount of fixed costs actually collected by the utility during the year. This amount is calculated by multiplying the Allowed Fixed Cost Revenue per Customer Rate (per kWh) established in the most recent rate case by the given year’s sales.

Allowed Fixed Cost Recovery – The amount of fixed costs that the utility should have received during the year. This amount is determined by multiplying the average number of customers served during the calendar year by the Allowed Fixed Cost Revenue per Customer established in the most recent rate case.



Allowed Fixed Cost Revenue Requirement – This amount is determined within a rate case by subtracting fuel, transmission and other excluded costs from the overall total revenue requirement on a customer class basis.

Allowed Fixed Cost Revenue per Customer – The Allowed Fixed Cost Revenue Requirement is divided by the average number of customers within each class in the Test Year to determine the appropriate annual Allowed Fixed Cost Revenue per Customer amount, by class.

Allowed Fixed Cost Revenue per Customer Rate – The Allowed Fixed Cost Revenue per Customer is stated on a dollar basis (*see above*) and is also stated in terms of a class average Allowed Fixed Cost per Customer Rate on a per kWh basis. This is derived by dividing the total Allowed Fixed Cost Revenue Requirement by the adjusted Test Year sales on a class basis.

Annual EIA Adjustment – The difference between the Allowed Fixed Cost Recovery and the Actual Fixed Cost Recovery represents the adjustment to be either recovered or refunded in the mechanism in the subsequent twelve month period.

Total Company Revenues – The net amount annually recorded in FERC Form 1, in accounts titled “Sales to Ultimate Customers” and “Provision for Rate Refunds.”

3. Calculation of the EIA Adjustment

The EIA Adjustment Percentage will be calculated annually as follows:

To determine Allowed Fixed Cost Revenue per Customer Rate per Class:

$$\text{Allowed Fixed Cost Revenue Requirement (\$000)} \div \text{Adjusted Test Years Sales (MWh)} = \text{Allowed Fixed Cost Revenue per Customer Rate (\$/kWh)}$$

To determine Allowed Fixed Cost Recovery per Class:

$$\# \text{ of Customers} * \text{Allowed Fixed Cost Revenue per Customer (\$/kWh)} / 1000 = \text{Allowed Fixed Cost Recovery (\$000)}$$

To determine Actual Recovery of Fixed Costs per Class:

$$\text{Actual Annual Sales (MWh)} * \text{Allowed Fixed Cost Revenue per Customer Rate (\$/kWh)} = \text{Actual Fixed Cost Recovery (\$000)}$$



To determine Annual EIA Adjustment, Sum All Classes:

$$\begin{aligned} & \Sigma(\text{Allowed Fixed Cost Recovery (\$000)} - \text{Actual Fixed Cost Recovery (\$000)}) \\ & = \text{Annual EIA Adjustment (\$000)} \end{aligned}$$

To determine the EIA Annual Adjustment Percentage:

$$\begin{aligned} & \text{Annual EIA Adjustment (\$000)} / \text{Total Company Revenues (\$000)} \\ & = \text{EIA Adjustment Percentage (\%)} \end{aligned}$$

The EIA Adjustment Percentage (%) is the factor applied to applicable customers' total bill excluding sales tax, transaction privilege tax, regulatory assessments, and franchise fees.

4. EIA Adjustment Annual Cap

APS will compare the Annual EIA Adjustment to the amount of Total Company Revenues collected. If the Annual EIA Adjustment results in a surcharge and the annual increase exceeds 3% of Total Company Revenues, any amount above the cap will be deferred for collection until the next adjustment period (but not to exceed the cap in the future). If, however, an over-collection occurs, the full amount shall be credited to customers and shall not be subject to the cap. If a balance occurs, it will be tracked and included in the annual compliance report. The one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release H-15 will be applied annually to any deferred balance.

5. Filing and Procedural Deadlines

APS will file the calculated Annual EIA Adjustment, including all supporting data, with the Commission for the previous year on February 1st (please see "Compliance Report" section for a description of the filed reports).

The Commission Staff and any interested parties shall have an opportunity to review the February 1st filing and supporting data in the adjustor calculation. Unless the Commission has otherwise acted by March 1st, the new EIA Adjustment Percentage proposed by APS will go into effect with the first billing cycle in March and will remain in effect for the following 12-month period.



6. Compliance Reports

APS will provide an annual report to Staff's Compliance Section and the Residential Utility Consumer Office detailing all calculations related to the EIA Adjustment Percentage. The reports will include at minimum the following:

1. The average number of APS customers;
2. The actual MWh sales by applicable customer classes;
3. The Allowed Fixed Cost Revenue per Customer (\$) and the Allowed Fixed Cost Revenue per Customer kWh rate (¢/kWh);
4. The Test Year Fixed Costs (\$000);
5. The Actual Fixed Cost Recovery in the previous year (\$000);
6. The Allowed Fixed Cost Recovery in the previous year (\$000);
7. The Annual EIA Adjustment (\$000); and
8. The EIA Adjustment Percentage (%) to be in effect for the following 12-month period.

Attached is the compliance report that will be submitted annually.

Schedule 1: Efficiency and Infrastructure Account Adjustment
Effective XX/XX/20XX

Line No.	EIA Rate Calculation	\$
1.	Total EIA Adjustment for Current Period (Schedule 4, line 11)	-
2.	Total Company Revenues (Schedule 4, line 1)	-
3.	% Increase Applied to Customer's Bills (line 1 / line 2)	0.0%

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

Schedule 4: Calculation of Annual Cap

\$ In Thousands

Line No.	Annual Cap Calculation	\$
1.	Total Company Revenues	\$ -
2.	Allowed Cap %	3.0%
3.	Maximum Allowed Recovery (line 1 * line 2)	\$ -
4.	Total Annual EIA Adjustment (Schedule 3, line 19)	\$ -
5.	Total Deferred Balance from Previous Period (Schedule 5, line 4)	\$ -
6.	Total EIA Adjustment for Current Period (line 4 + line 5)	\$ -
7.	EIA Adjustment from Prior Period	\$ -
8.	Total Incremental EIA Adjustment for Current Year (line 6 - line 7)	\$ -
9.	Current Period Adjustment as % (line 8 / line 1)	0.0%
10.	Amount in Excess of Cap to Defer (line 8 - line 3)	\$ -
11.	Total EIA Adjustment for Current Period (line 6 - line 10)	\$ -

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

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

Line No.	ERA Calculation		
Qualified Plant			
1.	Environmental Improvement Projects (Schedule 1, Line 4, Column F)	\$	-
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)	\$	-
Adjustment to Plant			
6.	Accumulated Depreciation	\$	-
7.	Cumulative Deferred Tax/Tax Credits	\$	-
8.	ERA Net Plant (Line 5 - Line 6 - Line 7)	\$	-
9.	Pre-tax Weighted Average Cost of Capital		0.00%
Revenue Requirement			
10.	Composite Return on ERA Net Plant (Line 8 * Line 9)	\$	-
11.	Annual Depreciation of Plant In Service	\$	-
12.	Applicable Property Tax	\$	-
13.	Associated O&M Expense	\$	-
14.	Total ERA Revenue Requirement (Line 10 + Line 11 + Line 12 + Line 13)	\$	-
15.	Total Company Revenues	\$	-
16.	ERA Adjustment Percentage (Line 14 / Line 15)		0.00%

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