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AZ CORP COMMISSION
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Regulatory Affairs Supervisor
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February 6, 2012

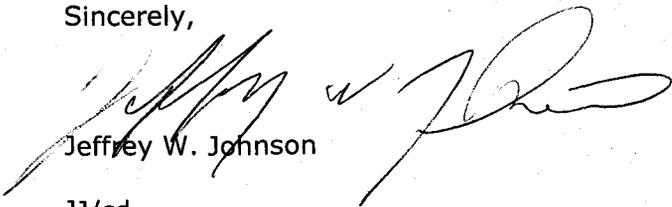
Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Arizona Public Service Company's 2012 RES Implementation Plan
Docket No. E-01345A-11-0264, Decision No. 72737

On February 2, 2012, Arizona Public Service Company filed tariffs in compliance with Decision No. 72737. The Renewable Energy Standard ("RES") Plan of Administration ("POA") included in that filing inadvertently contained illustrative information for 2012 and is therefore being re-filed. The attached RES POA should replace the version filed on February 2, 2012.

If you have any questions regarding this information, please contact Chuck Miessner at (602)250-3081.

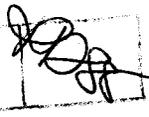
Sincerely,


Jeffrey W. Johnson

JJ/cd
Attachments

Arizona Corporation Commission
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FEB - 6 2012

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**RENEWABLE ENERGY STANDARD
ADJUSTMENT SCHEDULE
PLAN OF ADMINISTRATION**

Original

Effective Date: January 1, 2012

ACC Decision No: 72737

General Description

This document describes the plan for administering Arizona Public Service Company's ("APS" or the "Company") Adjustment Schedule RES, Renewable Energy Standard ("Schedule RES"). Schedule RES is the tariff required by the Arizona Corporation Commission's ("Commission") Renewable Energy Standard and Tariff rules (the "Rules") approved in Decision No. 69127 (November 14, 2006) and codified in A.A.C. R14-2-1801 *et seq.*, which provides for recovery of the costs incurred by the Company to meet its annual renewable energy requirement as set forth in the Rules.¹

Allowable Costs

Schedule RES shall recover the cost of renewable programs included in the Company's annual Renewable Energy Standard Implementation Plan ("RES Plan"), and approved by the Commission, that are not otherwise recovered in base rates or other recovery mechanism. Allowable Costs include, but are not limited to, program development, program implementation, purchased power costs not recovered through the Power Supply Adjustor, customer incentives, customer education and communication, technical assistance and training, administrative and general expense, monitoring and evaluation, revenue requirements associated with renewable ownership programs, and other relevant costs. Marketing and advertising costs are allowable only if the ACC determines they are justified.

Revenue requirements associated with renewable ownership programs include depreciation expense, operating and maintenance expense, property tax, and return on both debt and equity using the pre-tax weighted average cost of capital approved in the Company's most recent general rate case.

Balancing Account

Actual Allowable Costs shall be recorded in a separately maintained Balancing Account. Revenues received by APS through Schedule RES, as well as other relevant revenue (including, but not limited to, forfeited PBI Reservation Deposits and Service Schedule 6 payments), shall be credited to the Balancing Account.

Adjustor Components

Schedule RES shall consist of a monthly kilowatt-hour ("kWh") charge applied equally to all Standard Offer and Direct Access service, with the exception of those kWh served in accordance with Rate Schedules Solar-2 and Solar-3 and Adjustment Schedules GPS-1, GPS-2, and GPS-3. The kilowatt-hour charge is subject to a monthly surcharge limit determined specifically for each of three customer classes: residential customers, non-residential customers, and non-residential customers with demands of 3,000 kW or higher per month for three consecutive months.

¹ The Company's initial Schedule RES was approved by the Commission in Decision No. 70313 (April 28, 2008) and has been revised on an annual basis as described in this Plan of Administration.



**RENEWABLE ENERGY STANDARD
ADJUSTMENT SCHEDULE
PLAN OF ADMINISTRATION**

If the Balancing Account has accrued an over or under collected balance in a given period, any such over or under collection shall be included in Schedule RES in the subsequent calendar year.

Determination of the kWh Rate and Surcharge Limits for Schedule RES

Schedule RES shall be revised annually to recover projected Allowable Costs for the upcoming calendar year, and shall be based on programs and budgets contained in the Company's RES Plan and approved by the Commission. The Schedule RES kWh rate and surcharge limits shall be designed using projected billing determinants for the same period. The billing determinants shall include total retail kWh subject to Schedule RES and the number of customers and associated kWh that are billed under each surcharge limit. In addition, any annual change in surcharge limits shall maintain the proportionality between customer classes as established in the Company's initial Schedule RES and contained in Appendix A to the Rules (the Sample Tariff).

Review and Approval Process

Schedule RES shall be filed for the upcoming calendar year as part of the Company's RES Plan, which is filed on July 1st each year as set forth in the Rules. Supporting information for the calculation of the kWh rate and surcharge limits as shown in Exhibit 1 to this Plan of Administration shall be provided. Schedule RES shall be updated to reflect the final approved budget for the upcoming year and an updated projected over or under collection in the Balancing Account through the end of the current year.

Once approved by the Commission, the Schedule RES rate and surcharge limits will be effective each year beginning with billing cycle 1 of the January revenue month and will not be prorated. The following table provides an illustration of the review and approval process.

Illustrative Table of Events for 2013 REST Plan

| | |
|----------------------|--|
| July 1, 2012 | <ul style="list-style-type: none">- File 2013 RES Plan including Adjustment Schedule RES charges and surcharge limits- Adjustment Schedule RES Exhibit 1<ul style="list-style-type: none">• 2013 projected allowable costs• 2013 projected billing determinants• 2012 projected Balancing Account |
| By December 31, 2012 | <ul style="list-style-type: none">- Commission consideration of Plan- Refresh as needed:<ul style="list-style-type: none">• 2013 projected allowable costs• 2012 projected Balancing Account |
| Jan 1, 2013 | <ul style="list-style-type: none">- Implement new Adjustment Schedule RES charges beginning with 1st billing cycle in January, without proration |

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Arizona Public Service Company
Adjustment Schedule RES Plan of Administration
Derivation of Revenue Requirements

| | | | | | | |
|---|--|-------------|---------------|--|------------------|--------------------------|
| | Current Year | | | | | |
| | Effective Year | XXXX | | | | |
| | Revised Charge effective | XXXX | | | | |
| | | Jan 1, XXXX | | | | |
| | | | <u>Amount</u> | | <u>Reference</u> | |
| | <u>Account Balance for the Current Year¹</u> | \$ | | | | |
| 1 | Beginning Balance | | | | | |
| 2 | Revenue (projected to year end) | | XXXX | | | |
| 3 | Costs (projected to year end) | | XXXX | | | |
| 4 | Ending Balance (projected to year end) | | XXXX | | | line 1 + line 2 - line 3 |
| | <u>Revenue Requirements for Effective Year²</u> | | | | | |
| 5 | Costs | | XXXX | | | |
| 6 | True-up of Ending Balance from Current Year | | XXXX | | | - line 4 |
| 7 | Total Revenue Requirements | | XXXX | | | line 5 + line 6 |

Notes

1. All amounts are projected to the end of the Current Year
2. All amounts are projected for the Effective Year

