

ORIGINAL



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PIERCE PROPOSED AMENDMENT #1

DATE PREPARED: May 14, 2012

COMPANY: Arizona Public Service

Arizona Corporation Commission

DOCKET NOS: E-01345A-11-0224

DOCKET #

OPEN MEETING DATES: May 15, 2012

MAY 14 2012
AGENDA ITEM: U-1

DOCKETED BY

LM

Page 38, Line 4

“One aspect of the Settlement Agreement that we remain concerned about is the potential escalation in the RES surcharge between 2012 and 2016, when APS files its next rate case. Upon approval of the Settlement Agreement, the RES surcharge will drop from \$0.009588 per kWh to approximately \$0.006962 per kWh and the associated average residential bill impact will drop from \$3.84 per month to \$2.78 per month. However, by 2016—even without considering the cost of new distributed generation incentives—the RES surcharge is expected to increase significantly.”

“The increase in the RES surcharge will largely be caused by the Solana Generating Station coming on line in 2013 and the acquisition of additional assets via the AZ Sun Program. The cost of APS acquiring these new generation sources is worrisome in light of APS’ March 30, 2012 Integrated Resource Plan filing, which indicates that APS expects to have 607 MW of excess capacity in 2012, 891 MW of excess capacity in 2013, 1095 MW of excess capacity in 2014, 1026 MW of excess capacity in 2015, and 439 MW of excess capacity in 2016.¹ Recognizing that APS does not forecast a need for additional generation resources to meet customer energy demand until sometime between 2016 and 2017, we will not allow APS to recover the capital carrying costs identified in Paragraph 8.2 of the Settlement Agreement for new generating projects.”

“As of May 1, 2012, APS had already contractually committed to take the output of the Solana Generating Station and certain other power generation projects. APS may recover the revenue requirements associated with these projects through the RES surcharge adjustor, as appropriate, but we instruct APS to mitigate further increases in the RES surcharge by bringing on future generation assets when it no longer has excess generating capacity.”

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|---------------------------------|---|
| THIS AMENDMENT: | |
| <input type="checkbox"/> Passed | <input type="checkbox"/> Passed as amended by <u>2012 MAY 14 P 4:40</u> |
| <input type="checkbox"/> Failed | <input type="checkbox"/> Not Offered |

RECEIVED Withdrawn
AZ CORP COMMISSION
DOCKET CONTROL

¹ APS Integrated Resource Plan, Attachment F.9(b).

Page 46, Line 6

After “approved” INSERT “except that APS shall not recover the capital carrying costs identified in Paragraph 8.2 of the Settlement Agreement via the RES surcharge if APS was not contractually obligated to the project prior to May 1, 2012”

“IT IS FURTHER ORDERED that, except for generation assets that APS had contractually committed to prior to May 1, 2012, APS shall mitigate further increases to the RES surcharge by bringing on future generation assets when it no longer has excess generating capacity.”

Make All Conforming Changes