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AZ CORP COMMISSION
DOCKET CONTROL

Attorneys for Arizona Public Service Company

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

Arizona Corporation Commission

DOCKETED

JUL 27 2012

DOCKETED BY *AM*

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN,

DOCKET NO. E-01345A-11-0224

REQUEST FOR MODIFICATION OF THE COMPANY'S POWER SUPPLY ADJUSTMENT MECHANISM PLAN OF ADMINISTRATION

Arizona Public Service Company ("APS" or "Company") hereby requests modification to the Company's Power Supply Adjustor ("PSA) Plan of Administration. Specifically, APS seeks to add Account 509 to the list of recoverable costs under the PSA Plan of Administration. Decision No. 73183 (May 24, 2012) expressly held the above docket open for the purpose of allowing APS to request an amendment of its PSA Plan of Administration "in order to reflect the inclusion of FERC Account 509 so as to permit [APS] to offset solely the cost of CO₂ allowances needed for off-system sales to California against revenues received from such sales as recorded in FERC Account 509." Decision No. 73183 at 47.

1 California has imposed a greenhouse gas cap and trade program. That program
2 requires entities who sell energy into California to purchase CO₂ “allowances” from the
3 California Resources Air Board, and remit those allowances to the California
4 Independent System Operator (“CAISO”) in proportion to the energy sold beginning on
5 January 1, 2013. For APS, the cost of the allowance would be incurred solely for the
6 purpose of and in conjunction with making an off-system sale into California, just like
7 the fuel and purchased power costs that are currently recovered through the PSA. Under
8 the Settlement Agreement and Decision No. 73183, the Company’s off-system sales
9 revenues are used to reduce the PSA balance, to the benefit of APS’s retail customers.

10 Until recently, APS believed that the cost of the CO₂ allowance would be
11 recovered through a FERC account already authorized for recovery through the PSA
12 (Account 411 – Sales of Emission Allowances). However, FERC’s Chief Accountant
13 provided APS with specific guidance that these allowances should instead be recorded in
14 a special account, Account 509 – a FERC account not specified under APS’s existing
15 PSA Plan of Administration. Thus, APS needs to amend its PSA Plan of Administration
16 to reflect the inclusion of FERC account 509 and allow it to offset the cost of the CO₂
17 allowances needed to make off-system sales in California.

18 If APS cannot offset the cost of CO₂ allowances against the gross revenues
19 received from off-system sales into California, the Company would credit customers
20 through the PSA based on a gross margin never actually realized. The Company would
21 effectively lose money on every MWH sold into the CAISO, irrespective of price. See
22 Attachment A for a simple example of this phenomenon. Although the intent of the
23 proposed PSA is for APS customers to receive all the benefit of off-system sales, it was
24 neither intended nor would it be reasonable to expect APS to absorb a loss on all such
25 sales into California. APS would be forced to attempt to sell someplace else even though
26 the net benefit to customers would be less.

1 The stakes for APS customers are great and rising. Through May of this year,
2 APS sales to the CAISO were just short of \$6 million. Assuming this application is
3 approved, the Company expects this upward trend of off-system sales into California to
4 continue. After all, the California energy market is larger than the rest of the West
5 combined, and the loss of APS's ability to profitably sell into that market would
6 adversely impact all APS customers.

7 So as to address this issue and enable APS to continue to make off-system sales
8 into California for the full benefit of APS customers before the Company's next rate
9 case, APS asks that the modifications to the PSA Plan of Administration approved in
10 this proceeding to include the addition of Account 509 to the list of those allowed for
11 recovery through the PSA for the sole purpose of recovering the cost of CO2
12 allowances. A redlined version of the PSA Plan of Administration is provided in
13 Attachment B.

14
15 RESPECTFULLY SUBMITTED this 27th day of July, 2012.

16
17 By: 
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19 Melissa M. Krueger

20 Attorneys for Arizona Public Service Company

21 ORIGINAL and thirteen (13) copies
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23 July 2012 with:

24 Docket Control
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Illustrative Example of Two Off-System Sale Scenarios

Example A: Without CO₂ Recovery Through PSA

	Buyer	
	Non-CA Buyer	Cal-ISO
1. APS Generation Cost/MWh	\$ (30)	\$ (30)
2. Carbon Emission Allowance	N/A	(10)
3. Buyer Purchase Price Offer	35	50
4. Potential Credit to APS Customers	\$ 5	\$ 20
5. Impact on APS	\$ -	\$ (10)

Example B: With CO₂ Recovery Through PSA

	Buyer	
	Non-CA Buyer	Cal-ISO
1. APS Generation Cost/MWh	\$ (30)	\$ (30)
2. Carbon Emission Allowance	N/A	(10)
3. Buyer Purchase Price Offer	35	50
4. Potential Credit to APS Customers	\$ 5	\$ 10
5. Impact on APS	\$ -	\$ -

As you can see by the above examples, APS would lose money on every sale to California irrespective of the level of the carbon tax or the price paid by the California buyer unless it can recover the tax through the PSA as part of the cost of making the sale.

Power Supply Adjustment Plan of Administration

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1. General Description

This document describes the plan for administering the Power Supply Adjustment mechanism (“PSA”) approved for Arizona Public Service Company (“APS”) by the Commission on June 28, 2007 in Decision No. 69663, amended by the Commission on December 30, 2009 in Decision No. 71448, and as further amended by the Commission on May 24, 2012 in Decision No. 73183. The PSA provides for the recovery of fuel and purchased power costs, to the extent that actual fuel and purchased power costs deviate from the amount recovered through APS’ Base Cost of Fuel and Purchased Power (\$0.032071 per kWh) authorized in Decision No. 73183, from May 24, 2012. It also provides for refund or recovery of the net margins from sales of emission allowances, to the extent the actual sales margins deviate from the base rate amount of (\$0.000001) per kWh¹ and for recovery of mandated carbon emission allowance costs when it is economical to incur those costs in making short-term off-system sales.

The PSA described in this Plan of Administration (“POA”) uses a forward-looking estimate of fuel and purchased power costs and margins on the sales of emission allowances (“PSA Costs”) to set a rate that is then reconciled to actual costs experienced.

This PSA includes a limit of \$0.004 per kilowatt-hour (kWh) on the amount the PSA rate may change in any one year absent express approval of the Commission. This PSA also provides a mechanism for mid-year rate adjustment in the event that conditions change sufficiently to cause extraordinarily high balances to accrue under application of this PSA.

¹ (\$0.000001) per kWh is the result of the following: (2010 net gains from sales of SO₂ allowances of \$21,178)/(2010 test year native load sales of 28,075,248 MWh)/1000.

2. PSA Components

The PSA Rate will consist of three components designed to provide for the recovery of actual, prudently incurred PSA Costs. Those components are:

1. The Forward Component, which recovers or refunds differences between expected PSA Year (each February 1 through January 31 period shall constitute a PSA Year) PSA Costs and those embedded in base rates.
2. The Historical Component, which tracks the differences between the PSA Year's actual fuel and purchased power costs and those recovered through the combination of base rates and the Forward Component, and which provides for their recovery during the next PSA Year.
3. The Transition Component, which provides for:
 - a. The opportunity to seek mid-year changes in the PSA rate in cases where variances between the anticipated recovery of fuel and purchased power costs for the PSA Year under the combination of base rates and the Forward Component become so large as to warrant recovery/refund, should the Commission deem such an adjustment to be appropriate.
 - b. The tracking of balances resulting from the application of the Transition Components, in order to provide a basis for the refund or recovery of any such balances.

Except for circumstances when the Commission approves new base rates, a PSA Year begins on February 1 and ends on the ensuing January 31. In the event that new base rates become effective on a date other than February 1, the Commission may, at its discretion, adjust any or all of the PSA components to reflect the new base rates.

On or before September 30 of each year, APS will submit a PSA Rate filing, which shall include a calculation of the three components of the proposed PSA Rate. This filing shall be accompanied by such supporting information as Staff determines to be required. APS will supplement this filing with Historical Component and Transition Component filings on or before December 31 in order to replace estimated balances with actual balances, as explained below.

a. Forward Component Description

The Forward Component is intended to refund or recover the difference between: (1) PSA Costs embedded in base rates and (2) the forecast PSA Costs over a PSA Year that begins on February 1 and ends on the ensuing January 31. APS will submit, on or before September 30 of each year, a forecast for the upcoming calendar year (January 1-December 31) of its PSA Costs. It will also submit a forecast of kWh sales for the same calendar year, and divide the forecast costs by the forecast sales to produce the cents/kWh unit rate required to collect those costs over those sales. The result of subtracting the Base PSA Costs from this unit rate shall be the Forward Component.

APS shall maintain and report monthly the balances in a Forward Component Tracking Account, which will record APS' over/under-recovery of its actual PSA Costs as compared to the Base

PSA Costs recovered in revenue. The balance calculated as a result of these steps is then reduced by the current month's collection of Forward Component revenue. This account will operate on a PSA Year basis (i.e.; February to January), and its balances will be used to administer this PSA's Historical Component, which is described immediately below.

b. Historical Component Description

The Historical Component in any current PSA Year is intended to refund or recover the balances accumulated in the Forward Component Tracking Account (described above) and Historical Component Tracking Account (described below) during the immediately preceding PSA Year. The sum of the projected Forward Component Tracking Account balance on January 31 of the following calendar year and the projected Historical Component Tracking Account balance on January 31 of the following calendar year is divided by the forecast kWh sales used to set the Forward Component for the coming PSA Year. That result comprises the proposed Historical Component for the coming PSA year.

APS shall maintain and report monthly the balances in a Historical Component Tracking Account, which will reflect monthly collections under the Historical Component and the amounts approved for use in calculating the Historical Component.

Each annual September 30 APS filing will include an accumulation of Forward Component Tracking Account balances and Historical Component Tracking Account balances for the preceding February through August and an estimate of the balances for September through January (the remaining five months of the current PSA Year). The APS filing shall use these balances to calculate a preliminary Historical Component for the coming PSA Year². On or before December 31, APS will submit a supplemental filing that recalculates the preliminary Historical Component. This recalculation shall replace estimated monthly balances with those actual monthly balances that have become available since the September 30 filing.

The September 30 filing's use of estimated balances for September through January (with supporting workpapers) is required to allow the PSA review process to begin in a way that will support its completion and a Commission decision, if necessary, prior to February 1. The December 31 updating will allow for the use of the most current balance information available prior to the time when a Commission decision, if necessary, is expected. In addition to the December 31 update filing, APS monthly filings (for the months of September through December) of Forward Component Tracking Account balance information and Historical Component Tracking Account balance information will include a recalculation (replacing estimated balances with actual balances as they become known) of the projected Historical Component unit rate required for the next PSA Year.³

The Historical Component Tracking Account will measure the changes each month in the Historical Component balance used to establish the current Historical Component as a result of

² For example, the September 30, 2008 filing would include actual balances for February through August of 2008 and estimated balances for September 2008 through January 2009.

³ This updating to replace estimated with actual information will allow for the Commission to use the latest available balance information in determining what Historical Component is appropriate to establish for the coming PSA Year.

collections under the Historical Component in effect. It will subtract each month's Historical Component collections from the Historical Component balance. The Historical Component Account will also include Applicable Interest on any balances. APS shall file the amounts and supporting calculations and workpapers for this account each month.

c. Transition Component Description

The Transition Component will be used as the method for incorporating any future, approved mid-year changes to the PSA rate. APS or Staff may request at any time a change in the PSA rate through an adjustment to the Transition Component to address a significant imbalance between anticipated collections and costs for the PSA Year under the Forward Component element of this PSA. After the review of such request, the Commission may provide for the refund or collection of such balance (through a change to the Transition Component Balance) over such period as the Commission determines appropriate through a unit rate (\$/kWh) imposed as part of the Transition Component. The Commission on its own motion may also change the PSA rate as described above.

Notwithstanding the preceding paragraph, APS may at any time during the PSA Year request to reduce the PSA through the Transition Component, which request shall become effective beginning with the first billing cycle of the month following the filing of such a request, provided APS files the request within the first 15 days of a month and Staff does not file opposition to the request.

A Transition Component Tracking Account will measure the changes each month in the Transition Component balance. APS, Staff, or the Commission on its own motion may request that the balance in any Transition Component Tracking Account at the end of the period set for recovery be included in the establishment of the Transition Component for the coming PSA Year.

The Transition Component Account will also include Applicable Interest as determined by the Commission. APS shall file the amounts and supporting calculations and workpapers for this account each month.

As it must do for the Historical Component filing, APS shall file on or before September 30 of each year an accumulation of Transition Component Tracking Account balances for the preceding February through August and an estimate of the balances for September through January (the remaining five months of the prior PSA Year). Those balances will form the basis for setting the preliminary Transition Component for the coming PSA Year. On or before December 31, APS will submit a supplemental filing to update the Transition Component calculation in the same manner as required for the Historical Component.

3. Calculation of the PSA Rate

The PSA rate is the sum of the three components; *i.e.*, Forward Component, Historical Component, and Transition Component. The PSA rate shall be applied to customer bills. Unless the Commission has otherwise acted on a new PSA rate by February 1, the proposed PSA rate

(as amended by the updated December 31 filing) shall go into effect. However, the PSA rate may not change from the prior year's PSA rate by more than plus or minus \$0.004 per kWh without an offsetting change in the Base Cost of Fuel and Purchased Power. The PSA rate shall be applicable to APS' retail electric rate schedules (with the exception of E-36 XL, AG-1, Direct Access service and any other rate that is exempt from the PSA) and is adjusted annually. The PSA Rate shall be applied to the customer's bill as a monthly kWh charge that is the same for all customer classes.

The PSA rate shall be reset on February 1 of each year, and shall be effective with the first February billing cycle unless suspended by the Commission. It is not prorated.

4. Filing and Procedural Deadlines

a. September 30 Filing

APS shall file the PSA rate with all Component calculations for the PSA year beginning on the next February 1, including all supporting data, with the Commission on or before September 30 of each year. That calculation shall use a forecast of kWh sales and of PSA Costs for the coming calendar year, with all inputs and assumptions being the most current available for the Forward Component. The filing will also include the Historical Component calculation for the year beginning on the next February 1, with all supporting data. That calculation shall use the same forecast of sales used for the Forward Component calculation. The Transition Component filing shall also include a proposed method for addressing the over or under recovery of any Transition Component balances that result from changes in the sales forecasts or recovery periods set or any additions to or subtractions from Transition Component balances reviewed or approved by the Commission since the last February 1 resetting of the new PSA.⁴

b. December 31 Filing

APS shall by December 31 update the September 30 filing. This update shall replace estimated Forward Component Tracking Account balances, the Historical Component Tracking Account balances, and the Transition Component Tracking Account balances with actual balances and with more current estimates for those months (December and January) for which actual data are not available. Unless the Commission has otherwise acted on the APS calculation by February 1, the PSA rate proposed by APS shall go into effect with the first February billing cycle.⁵

c. Additional Filings

APS shall also file with the Commission any additional information that the Staff determines it requires to verify the component calculations, account balances, and any other matter pertinent to the PSA.

⁴ This method assumes that the Commission defers the recovery of any approved Transition Component Balance changes until the next February 1 PSA resetting. The Commission may also, as part of the approval of any such Transition Component Balance change, make a PSA change effective on dates and across periods as it determines to be appropriate when it approves such a Transition Component Balance change.

⁵ No reference in this plan to effectiveness in the absence of Commission action shall be interpreted as precluding the normal application of the balance reconciliation provisions generally established for the PSA.

d. Review Process

The Commission Staff and interested parties shall have an opportunity to review the September 30 and December 31 forecast, balances, and supporting data on which the calculations of the three PSA components have been based. Any objections to the September 30 calculations shall be filed within 45 days of the APS filing. Any objections to the December 31 calculations shall be filed within 15 days of the APS filing.

5. Verification and Audit

The amounts charged through the PSA shall be subject to periodic audit to assure their completeness and accuracy and to assure that all fuel and purchased power costs were incurred reasonably and prudently. The Commission may, after notice and opportunity for hearing, make such adjustments to existing balances or to already recovered amounts as it finds necessary to correct any accounting or calculation errors or to address any costs found to be unreasonable or imprudent. Such adjustments, with appropriate interest, shall be recovered or refunded through the Transition Component.

6. Definitions

Applicable Interest – Interest is applied on the PSA balance annually at the following rates: any over-collection existing at the end of the PSA year will be credited an amount equal to interest at a rate equal to the Company's authorized Return on Equity ("ROE") or APS's then-existing short term borrowing rate, whichever is greater, and will be refunded to customers over the following 12 months; any under-collection existing at the end of the PSA Year will be debited an amount equal to interest at a rate equal to the Company's authorized ROE or APS's then-existing short term borrowing rate, whichever is less, and will be recovered from customers over the following 12 months.

Base Cost of Fuel and Purchased Power - An amount generally expressed as a rate per kWh, which reflects the fuel and purchased power cost embedded in the base rates as approved by the Commission in APS's most recent rate case. The Base Cost of Fuel and Purchased Power recovered in base revenue is the approved rate per kWh times the applicable sales volumes. Decision No. 73183 set the base cost at \$0.032071 per kWh effective on July 1, 2012.

Base Net Margins on the Sale of Emission Allowances - An amount generally expressed as a rate per kWh, which reflects the net margins on sales of SO₂ emission allowances embedded in the base rates as approved by the Commission in APS's most recent rate case. The Base Net Margins on the Sale of Emission Allowances is set at (\$0.000001) per kWh effective on July 1, 2012.

Base PSA Costs - A rate equal to the sum of Base Cost of Fuel and Purchased Power and the Base Net Margins on the Sale of Emission Allowances.

Forward Component - An amount generally expressed as a rate per kWh charge that is updated annually on February 1 of each year and effective with the first billing cycle in February. The

Forward Component for the PSA Year will adjust for the difference between the forecast PSA Costs generally expressed as a rate per kWh less the Base PSA Costs generally expressed as a rate per kWh embedded in APS's base rates. The result of this calculation will equal the Forward Component, generally expressed as a rate per kWh.

Forward Component Tracking Account - An account that records on a monthly basis APS's over/under-recovery of its actual PSA Costs as compared to the actual Base PSA Costs recovered in revenue and Forward Component revenue, plus Applicable Interest. The balance of this account as of the end of each PSA Year is, subject to periodic audit, reflected in the next Historical Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

Historical Component - An amount generally expressed as a rate per kWh charge that is updated annually on February 1 of each year and effective with the first billing cycle in February unless suspended by the Commission. The purpose of this charge is to provide for a true-up mechanism to reconcile any over or under-recovered amounts from the preceding PSA Year tracking account balances to be refunded/collected from customers in the coming year's PSA rate.

Historical Component Tracking Account - An account that records on a monthly basis the account balance to be collected via the Historical Component rate as compared to the actual Historical Component revenues; plus Applicable Interest; The balance of which at the close of the preceding PSA Year is, subject to periodic audit, then reflected in the next Historical Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

ISFSI - Costs associated with the Independent Spent Fuel Storage Installation that stores spent nuclear fuel.

Mandated Carbon Emission Allowance Costs – The costs incurred in purchasing allowances to meet legal requirements, beginning in 2013, that electricity from resources which emit carbon must be accompanied by carbon emission allowances equal to the amount of carbon emitted in generating the electricity (recorded in FERC Account 509 – Allowances).

Mark-to-Market Accounting - Recording the value of qualifying commodity contracts to reflect their current market value relative to their actual cost.

Native Load - Native load includes customer load in the APS control area for which APS has a generation service obligation and PacifiCorp Supplemental Sales.

Net Margins on the Sale of Emission Allowances - Revenues incurred from the sale of emission allowances net of the costs incurred to produce the excess allowances.

PacifiCorp Supplemental Sales - The PacifiCorp Supplemental Sales agreement is a long-term contract from 1990 which requires APS to offer a certain amount of energy to PacifiCorp each year. It is a component of the set of agreements that led to the sale of Cholla Unit 4 to PacifiCorp and the establishment of the seasonal diversity exchange with PacifiCorp.

Preference Power - Power allocated to APS wholesale customers by federal power agencies such as the Western Area Power Administration.

PSA - The Power Supply Adjustment mechanism approved by the Commission in Decision No. 69663, amended by the Commission in Decision No. 71448, and further amended by the Commission in Decision No. 73183, which is a combination of three rate components that track changes in the cost of obtaining power supplies based upon forward-looking estimates of PSA Costs that are eventually reconciled to actual costs experienced. This PSA allows for special Commission consideration of extreme volatility in costs or recovery by means of a mid-year rate correction, and provides for a reconciliation between actual and estimated costs of the last two months of estimated costs used in Historical Component calculations.

PSA Costs - The combination of System Book Fuel and Purchased Power Costs net of the System Book Off-System Sales Revenues as adjusted herein for Rate Schedule AG-1 plus the Net Margins on the Sales of Emission Allowances.

PSA Year - A consecutive 12-month period generally beginning each February 1.

Rate Schedule AG-1 - Experimental Alternative Generation Rate Schedule approved by the Commission in Decision No. 73183. Resale of capacity and energy displaced by Rate Schedule AG-1 shall be excluded from the PSA on a pro-rata basis, by dividing the amount of monthly metered sales to AG-1 customers by the net monthly total of off-system sales and multiplying that result by total off-system sales margins. The portion of capacity and energy sales margins that is not the result of displacement from Rate Schedule AG-1 will continue to be a credit to the PSA.

System Book Fuel and Purchased Power Costs - The costs recorded for the fuel and purchased power used by APS to serve both Native Load and off-system sales, less the costs associated with applicable special contracts, E-36 XL, AG-1, RCDAC-1, ISFSI, and Mark-to-Market Accounting adjustments. Wheeling costs are included; broker fees are included up to the level in the Base Cost of Fuel and Purchased Power authorized in Decision No. 73183.

System Book Off-System Sales Revenue - The revenue recorded from sales made to non-Native Load customers, for the purpose of optimizing the APS system, using APS-owned or contracted generation and purchased power, less Mark-to-Market Accounting adjustments.

Traditional Sales-for-Resale - The portion of load from Native Load wholesale customers that is served by APS, excluding the load served with Preference Power.

Transition Component - An amount generally expressed as a rate per kWh charge to be applied when necessary to provide for significant changes between estimated and actual costs under the Forward Component.

Transition Component Tracking Account - An account that records on a monthly basis the account balance to be collected via the Transition Component as compared to the actual

Transition Component revenues, plus applicable interest; the balance of which upon Commission consideration may then be reflected in the next Transition Component calculation. APS files the balances and supporting details underlying this Account with the Commission on a monthly basis.

Wheeling Costs (FERC Account 565, Transmission of Electricity by Others) - Amounts payable to others for the transmission of APS's electricity over transmission facilities owned by others.

7. Schedules

Samples of the following schedules are attached to this Plan of Administration

- Schedule 1 Power Supply Adjustment (PSA) Rate Calculation
- Schedule 2 PSA Forward Component Rate Calculation
- Schedule 3 PSA Year Forward Component Tracking Account
- Schedule 4 PSA Historical Component Rate Calculation
- Schedule 5 Historical Component Tracking Account
- Schedule 6 PSA Transition Component Rate Calculation
- Schedule 7 PSA Transition Tracking Account

8. Compliance Reports

APS shall provide monthly reports to Staff's Compliance Section and to the Residential Utility Consumer Office detailing all calculations related to the PSA. An APS Principal Officer, as listed in the Company's annual report filed with the Commission's Corporations Division, shall certify under oath that all information provided in the reports itemized below is true and accurate to the best of his or her information and belief. These monthly reports shall be due within 30 days of the end of the reporting period.

The publicly available reports will include at a minimum:

1. The PSA Rate Calculation (Schedule 1); Forward Component, Historical Component, and Transition Component Calculations (Schedules 2, 4, and 6); Annual Forward Component, Historical Component, and Transition Component Tracking Account Balances (Schedules 3, 5, and 7). Additional information will provide other relative inputs and outputs such as:
 - a. Total power and fuel costs.
 - b. Margins on the sale of excess emission allowances.
 - c. Off-system sales margins attributable to capacity freed up due to Rate Schedule AG-1.
 - d. Customer sales in both MWh and thousands of dollars by customer class.
 - e. Number of customers by customer class.
 - f. A detailed listing of all items excluded from the PSA calculations.
 - g. A detailed listing of any adjustments to the adjustor reports.
 - h. Total off-system sales revenues.
 - i. System losses in MW and MWh.

j. Monthly maximum retail demand in MW.

2. Identification of a contact person and phone number from APS for questions.

APS shall provide to Commission Staff monthly reports containing the information listed below. These reports shall be due within 30 days of the end of the reporting period. All of these additional reports will be provided confidentially.

A. Information for each generating unit shall include the following items:

1. Net generation, in MWh per month, and 12 months cumulatively.
2. Average heat rate, both monthly and 12-month average.
3. Equivalent forced-outage rate, both monthly and 12-month average.
4. Outage information for each month including, but not limited to, event type, start date and time, end date and time, and a description.
5. Total fuel costs per month.
6. The fuel cost per kWh per month.

B. Information on power purchases shall include the following items per seller (information on economy interchange purchases may be aggregated):

1. The quantity purchased in MWh.
2. The demand purchased in MW to the extent specified in the contract.
3. The total cost for demand to the extent specified in the contract.
4. The total cost of energy.

C. Information on off-system sales shall include the following items:

1. An itemization of off-system sales margins per buyer.
2. Details on negative off-system sales margins.

D. Fuel purchase information shall include the following items:

1. Natural gas interstate pipeline costs, itemized by pipeline and by individual cost components, such as reservation charge, usage, surcharges and fuel.
2. Natural gas commodity costs, categorized by short-term purchases (one month or less) and longer term purchases, including price per therm, total cost, supply basin, and volume by contract.

E. APS will also provide:

1. Monthly projections for the next 12-month period showing estimated (Over)/under-collected amounts.
2. A summary of unplanned outage costs by resource type.
3. A summary of the net margins on the sale of emission allowances.
4. The data necessary to arrive at the System and Off-System Book Fuel and Purchased Power cost reflected in the non-confidential filing.
5. The data necessary to arrive at the Native Load Energy Sales MWh reflected in the non-confidential filing.

Work papers and other documents that contain proprietary or confidential information will be provided to the Commission Staff under an appropriate confidentiality agreement. APS will keep fuel and purchased power invoices and contracts available for Commission review. The Commission has the right to review the prudence of fuel and power purchases and any calculations associated with the PSA at any time. Any costs flowed through the PSA are subject to refund if those costs are found to be imprudently incurred.

9. Allowable Costs

a. Accounts

The allowable PSA costs include fuel and purchased power costs incurred to provide service to retail customers. And, the prudent direct costs of contracts used for hedging system fuel and purchased power will be recovered under the PSA. Additionally, the net margins on the sale of emission allowances will also be refunded or recovered through the PSA. The allowable cost components include the following Federal Energy Regulatory Commission ("FERC") accounts:

- 501 Fuel (Steam)
- 518 Fuel (Nuclear) less ISFSI regulatory amortization
- 547 Fuel (Other Production)
- 555 Purchased Power
- 565 Wheeling (Transmission of Electricity by Others)
- 411 O&M (Margins on the Sale of Emission Allowances)
- 509 Allowances

Additionally, broker fees recorded in FERC account 557 are allowable up to the limit set in Decision No. 73183.

These accounts are subject to change if the Federal Energy Regulatory Commission alters its accounting requirements or definitions.

b. Directly Assignable Power Supply Costs Excluded

Decision No. 66567 provides APS the ability to recover reasonable and prudent costs associated with customers who have left APS standard offer service, including special contract rates, for a competitive generation supplier and then return to standard offer service. For administrative purposes, customers who were direct access customers since origination of service and request standard offer service would be considered to be returning customers. A direct assignment or special adjustment may be applied that recognizes the cost differential between the power purchases needed to accommodate the returning customer and the power supply cost component of the otherwise applicable standard offer service rate. This process is described in the Returning Customer Direct Access Charge rate schedule and associated Plan for Administration filed with the Commission.

In addition, if APS purchases power under specific terms on behalf of a standard offer special contract customer, the costs of that power may be directly assigned. In both cases, where specific

power supply costs are identified and directly assigned to a large returning customer or standard offer special contract customer or group of customers, these costs will be excluded from the Adjustor Rate calculations. Schedule E-36 XL, and AG-1 customers are directly assigned power supply costs based on the APS system incremental cost at the time the customer is consuming power from the APS system so their power supply costs and kWh usage are excluded from the PSA.

ARIZONA PUBLIC SERVICE COMPANY

Schedule 1

Power Supply Adjustment (PSA) Rate Calculation

(\$/kWh)

Line No.	PSA Rate Calculation	Current		Proposed		Increase/(Decrease)	
		February 1, XXXX	February 1, XXXX	February 1, XXXX	February 1, XXXX	\$/kWh	%
1	Forward Component Rate - FC (Schedule 2, L13)	\$ -	\$ -	\$ -	\$ -	N/A	N/A
2	Historical Component Rate - HC (Schedule 4, L5) ²	#.#####	#.#####	\$ -	\$ -	N/A	N/A
3	PSA Transition Component Rate (Schedule 6, L3) ³	\$ -	\$ -	\$ -	\$ -	N/A	N/A
4	PSA Rate (L1+ L2 + L3)	#.#####	#.#####	\$ -	\$ -	N/A	N/A

Notes:

- ¹ Proposed levels of the PSA rate components are provided in the September 30 filing and updated in the December 31 filing of each year.
- ² A Historical Component is a true up related to respective prior period PSA activity.
- ³ Provides for Mid-Period Corrections when necessary.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 2

PSA Forward Component Rate Calculation

(\$ in thousands; Forward Component Rate in \$/kWh)

Line No.	PSA Forward Component Rate - Calculation	Current February 1, XXXX	Proposed February 1, XXXX ¹	Increase/(Decrease) \$ Values	%
1	Projected Fuel and Purchased Power Costs ²	\$ #,###,###	\$ -	N/A	N/A
2	Projected Off-System Sales Revenue	\$ #,###,###	\$ -	N/A	N/A
3	PSA Adjustments to Fuel and Purchased Power Costs ³	\$ (#,###,###)	\$ -	N/A	N/A
4	Net Fuel and Purchased Power Cost (L1 through L3)	\$ #,###,###	\$ -	N/A	N/A
5	Projected Net Margins on the Sale of Emission Allowances	-	-	N/A	N/A
6	Projected Billed Native Load Sales, excluding E-36XL, AG-1 (MWhs) ⁴	##,###,###	-	N/A	N/A
7	Projected Average Net Fuel Cost \$/kWh (L4 / L6)	#,#####	\$ -	N/A	N/A
8	Projected Average Margin on Emission Allowances \$/kWh (L5 / L6)	\$ -	\$ -	N/A	N/A
9	Total Projected Average PSA Cost \$/kWh (L7+L8)	\$ #,#####	\$ -	N/A	N/A
10	Authorized Base Cost of Fuel and Purchased Power Rate \$/kWh ⁵	\$ 0.032071	\$ -	N/A	N/A
11	Authorized Base Net Margins on the Sale of Emission Allowances Rate \$/kWh ⁵	\$ (0.000001)	\$ -	N/A	N/A
12	Total Authorized Base Cost \$/kWh	\$ 0.032070	\$ -	N/A	N/A
13	Forward Component Rate \$/kWh (L9 - L12)	\$ #####	\$ -	N/A	N/A

Notes:

¹ Proposed levels are provided in the September 30 filing and updated in the December 31 filing of each year.

² Includes costs associated with the purchase of mandated carbon emission allowances.

³ Includes costs associated with E-36XL, AG-1 and other direct assignment customers, ISFSI, and mark-to-market accounting adjustments.

⁴ The Projected Billed Native Load Sales of XXX,XXX MWhs for the Current Rate represent forecast sales for XXXX as of December 30th, XXXX. They exclude ED 3 and City of Williams wholesale contracts that are excluded from the Proposed sales and fuel costs.

⁵ Base Cost of Fuel and Purchased Power established in Decision No. _____.

Schedule presentation will appear to round up to \$000s and MWh; however, calculations are performed on an actual \$ and kWh basis with resultant Rates/kWh rounded up to \$0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 3

XXXX PSA Year Forward Component Tracking Account - in Effect from February 1, XXXX to Jan 31, XXXX
(\$ in thousands; Forward Component Rate and Base Rate in \$/kWh)

	From L26	Feb-XX	Mar-XX	Apr-XX	May-XX	Jun-XX	Jul-XX	Aug-XX	Sept-XX	Oct-XX	Nov-XX	Dec-XX	Jan-XX	XXXX Total
1 Prior Month's Balance														
Energy Sales														
2 PSA Retail Energy Sales ¹														
3 Wholesale Native Load Energy Sales ²														
4 Total Native Load Energy Sales	L2 + L3													
5 Retail Energy Sales as a % of Total	L2 / L4													
6 Retail Billed Sales Excluding E-36XL, AG-1 Sales (MWh) ³														
7 Metered Sales to AG-1 Customers														
8 Total Off-System Energy Sales														
9 Ratio of AG-1 sales to Total Off-System Sales	L7 / L8													
PSA Costs														
10 Fuel and Purchased Power Costs ^{4,5}														
11 Off System Revenue (Credit) ⁶														
12 Off System Margin Displaced by AG-1 (Debit)														
13 Net Margins on Sale of Emission Allowances														
14 Net PSA Costs	sum(L10 to L13)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retail PSA Costs														
15 Fuel and Purchased Power Costs	L5 * L10													
16 Off System Revenue (Credit)	L5 * L11													
17 Off System Margin Displaced by AG-1 (Debit)	L5 * L12													
18 Net Margins on Sale of Emission Allowances	L5 * L13													
19 Net Retail PSA Costs	sum(L15 to L18)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Base Rate Power Supply Recovery														
20 Fuel and Purchased Power Recovery	L28 * L2													
21 Net Margins on Sale of Emission Allowances	L29 * L2													
(Over) Under Recovery From Base Rate														
22 Fuel and Purchased Power (Over) Under Recovery	(L15 + L16 + L17) - L20													
23 Net Margins on Sale of Emission Allowances (Over) Under Recovery	L18 - L21													
24 Total (Over) Under Recovery	sum(L22 to L23)													
25 Forward Component Collections ⁷	- L30 * L6													
26 Tracking Account Balance	L1 + L24 - L25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27 Annual Interest (Calculated only in January)														
28 Total Base Fuel Rate - \$ per kWh	3.2071													
29 Base Net Margin on the Sale of Emission Allowances - \$ per kWh	(0.0001)													
30 Forward Component Rate - \$ per kWh	#####													

Notes:

- ¹ PSA Retail Energy Sales are the calendar month's MWh sales. XXXX PSA Year Cumulative Retail Energy Sales of XX,XXX MWhs under rate schedule E-36XL, AG-1 were excluded from the PSA Calculations.
- ² Includes traditional sales for resale, PacifiCorp supplemental sales, and other non-ACC jurisdictional sales. ED 3 and City of Williams energy sales are excluded from the PSA Calculation.
- ³ Retail Billed Sales on Line 6 relate specifically to the Forward Component Collections. Due to billing adjustments and timing, this amount will differ from other components' Retail Billed Sales.
- ⁴ Renewables costs exclude \$X,XXX,XXX of XXXX PSA Year year-to-date costs that are currently being recovered through the RES rate schedule.
- ⁵ Includes native load and off-system fuel and purchased power costs, including the costs of acquiring mandated carbon emission allowances, less those costs associated with E-36XL, AG-1 and other direct assignment customers, amortization of previously deferred ISFSI, Four Corners Coal Reclamation, and mark-to-market accounting adjustments
- ⁶ Includes off-system revenue less mark-to-market accounting adjustments.
- ⁷ Generally, Line 30 * Line 6 = Line 25; however, differences may occur due to billing adjustments.

Schedule presentation will appear to round up to \$000s, however, calculations are performed on an actual \$ and kWh basis with resultant rates/kWh rounded up to \$0.0000000000/kWh

ARIZONA PUBLIC SERVICE COMPANY
Schedule 4

PSA Historical Component Rate Calculation

(\$ in thousands; Historical Component Rate in \$/kWh)

Line No.	PSA Historical Component Rate Calculation	Current		Proposed	Increase/(Decrease)	
		February 1, XXXX #,###	February 1, XXXX ¹ \$		\$ Values	%
1	Forward Component Tracking Account Balance (Schedule 3, L26 + L27)			February 1, XXXX ¹ -	N/A	N/A
2	Historical Component Tracking Account Balance (Schedule 5, L9 + L10) ²	#,###		-	N/A	N/A
3	Total Historical Amount to be (Refunded)/Collected Balance (L1+L2)	#,###	\$	-	N/A	N/A
4	Projected Billed Retail Energy Sales without E-36 XL, AG-1 (MWh)	###,###,###		-	N/A	N/A
5	Applicable Historical Component Rate (L3 / L4)	#,#####	\$	-	N/A	N/A

Notes:

¹ Proposed levels are provided in the September 30 filing and updated in the December 31 filing of each year.

² The Current Rate Projected Billed Retail Energy Sales are for February XXXX through January XXXX.

Schedule presentation will appear up to \$000s; however, calculations are performed on an actual \$ and kWh basis with resultant Rates/kWh rounded up to \$0.000000/kWh.

**ARIZONA PUBLIC SERVICE COMPANY
Schedule 6**

PSA Transition Component Rate Calculation

(\$ in thousands; Transition Component Rate(s) in \$/kWh)

Line No.	Description	Current		Proposed		Increase/(Decrease)	
		February 1, XXXX ¹	N/A	February 1, XXXX ¹	N/A	\$ Values	%
1	PSA Transition - Approved (Refundable)/Collection Amount ¹		N/A		N/A	N/A	0.00%
2	Projected Energy Sales without E-36XL, AG-1 (MWh) XXX. X, XX to XXX. X,XX		N/A		N/A	N/A	0.00%
3	PSA Transition Component (Refundable)/Collection Rate (L1 / L2)		N/A		N/A	N/A	0.00%

Notes:

¹ Commission Decision No. XXXXXXXXXXXXX

Schedule presentation will appear to round up to \$000s and MWh; however, calculations are performed on an actual \$ and kWh basis with resultant Rates/kWh rounded up to \$0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 7

PSA Transition Tracking Account in Effect XX 1, 20XX through XX 31, 20XX
(\$ in thousands; Transition Component Rate in \$/kWh)

Line No.	20XX Data												20XX January			
	January	February	March	April	May	June	July	August	September	October	November	December				
1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- 1 Transferred balance from FC Tracking Acct Per Decision No. XXXXX
- 2 Prior Month's Ending Balance
- 3 Transition Component TA Adjusted Beginning Balance (L1 + L2)
- 4 Applicable Transition TA Component Rate (\$/kWh)¹
- 5 Retail Billed Sales Excluding E-36XL, AG-1 Sales (MWhs)²
- 6 Less Revenue from Applicable Transition Component (L4 x L5)³
- 7 Ending Balance; (L3 - L6)

Notes:

- ¹ Transition Component, Schedule 6, Line 3
- ² Sales amounts are for energy billed each period.
- ³ Generally, Line 4 x Line 5 = Line 6; however, differences may occur due to billing adjustments.

Schedule presentation will appear to round up to \$000s and MWh; however, calculations are performed on an actual \$ and kWh basis with resultant rates/kWh rounded up to \$0.000000/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 8
Summary of Monthly Calculations
Mo YYYY
(\$ in thousands)

Line No.		January	February	March	April	May	June	July	August	September	October	November	December	XXXX January
		XXXX Data												
XXXX Forward Component Tracking Account														
1	Beginning Balance													
2	Transfers to XXXX Historical Component Tracking Account													
3	Post-Sharing (Over)/Under Collection													
4	Less Revenue from Applicable Forward Component Rate													
5	Annual Interest (Calculated only in January)													
6	Ending Balance (Line 1 + Line 2 + Line 3 - Line 4 + Line 5)													
XXXX Historical Component Tracking Account														
7	Beginning Balance													
8	Transfers from XXXX Forward Component Tracking Account													
9	Less Revenue from Applicable Historical Component Rate													
10	Annual Interest (Calculated only in January)													
11	Ending Balance (Line 7 + Line 8 - Line 9 + Line 10)													
12	Combined Balance (Line 6 + Line 11)¹													
13	Annual Interest Rate													

#.##%

¹ Schedule presentation will appear to round up to \$000s and MWh; however, calculations are performed on an actual \$ and kWh basis with resultant Rates/kWh rounded up to \$0.00000000k/kWh.

ARIZONA PUBLIC SERVICE COMPANY
Schedule 9
YYYY Native Load Customer Counts, Sales and Revenue
Mo YYYY

Line No.	Class	January	February	March	April	May	June	July	August	September	October	November	December	Total ¹
Customers														
1	Residential													#DIV/0!
2	Commercial													#DIV/0!
3	Industrial													#DIV/0!
4	Irrigation													#DIV/0!
5	Sales for Resale ²													#DIV/0!
6	Streelights & Other Public Authority													#DIV/0!
7	Less E-36XL, AG-1, ED 3 and CoW (includes adj. to prior mth)													#DIV/0!
8	Total													#DIV/0!
Sales (MWh)														
9	Residential													-
10	Commercial													-
11	Industrial													-
12	Irrigation													-
13	Sales for Resale ²													-
14	Streelights & Other Public Authority													-
15	Less E-36XL, AG-1, ED 3 and CoW (includes adj. to prior mth)													-
16	Total													-
Revenue (\$000)														
17	Commercial													\$ -
18	Industrial													\$ -
19	Irrigation													\$ -
20	Sales for Resale ²													\$ -
21	Streelights & Other Public Authority													\$ -
22	Less E-36XL, AG-1, ED 3 and CoW (includes adj. to prior mth)													\$ -
23	Total													\$ -
24	Est. System Losses and Peak													\$ -
25	Est. Native Load Sys. Losses (MWh)													\$ -
26	Est. Native Load Sys. Losses (MW)													\$ -
27	Est. Native Load Sys. Peak (MW) ³													\$ -

¹ The Customers total is the average of the customer class' monthly totals.
² Includes traditional sales for resale, PacifiCorp supplemental sales, ED 3, City of Williams (CoW), and other non-ACC jurisdictional sales. Off-System Interchange customers, sales and revenue are excluded from Sales for Resale.
³ The Preliminary Native Load System Peak totals will be updated each month.