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ARIZONA CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

11 GARY PIERCE, Chairman
 12 BOB STUMP
 13 SANDRA D. KENNEDY
 14 PAUL NEWMAN
 15 BRENDA BURNS

DEC 27 2012

DOCKETED BY


16 IN THE MATTER OF THE APPLICATION
 17 OF ARIZONA PUBLIC SERVICE
 18 COMPANY FOR AN ORDER OR
 19 ORDERS AUTHORIZING IT TO ISSUE,
 20 INCUR, AND AMEND EVIDENCES OF
 21 LONG-TERM INDEBTEDNESS, SHORT-
 TERM INDEBTEDNESS, AND OTHER
 LONG-TERM SECURITIES, TO MANAGE
 INTEREST RATE RISK, TO EXECUTE
 NEW SECURITY INSTRUMENTS TO
 SECURE ANY SUCH INDEBTEDNESS
 OR OTHER LONG-TERM SECURITIES,
 AND FOR DECLARATORY ORDER
 CONCERNING VARIABLE INTEREST
 ENTITIES

DOCKET NO. E-01345A-11-0423

**APS REPLY TO STAFF
RESPONSE**

INTRODUCTION

22 On November 22, 2011, Arizona Public Service Company (“APS” or
 23 “Company”) filed the above Application pursuant to Sections 40-285, 40-301, and 40-
 24 302 of the Arizona Revised Statutes, and the Arizona Corporation Commission’s
 25 (“Commission”) Decision No. 69947 (October 30, 2007) (the “2007 Order”). On
 26 November 2, 2012, Utilities Division Staff (“Staff”) filed its Report on the Application,
 27 requesting Comments by November 9, 2012. On November 8, 2012, APS filed such
 28

1 Comments and stressed the need for action prior to December 31, 2012. The
2 Commission responded by entering Decision No. 73619 (12/12/12) extending the
3 relevant provisions of the 2007 Order until a resolution of this Docket.

4 Prior to the entry of Decision No. 73619, Staff filed a Response to the
5 Company's November 8th Comments on December 4, 2012. Therein, Staff agreed with
6 all of APS's Comments excepting two:

- 7 1) Staff offered two new alternatives to its original suggestion (see
8 Staff recommendation 1a in the November 2nd Staff Report) of a
9 minimum 40% equity ratio for issuance of additional long-term debt
10 by APS (referred to as the "Equity Ratio Test") that included (for the
11 first time) short-term debt in the denominator ("Total Capital") of
the Equity Ratio Test. One of the alternatives (referred to herein as
"Option 2") was an increase in the required equity ratio from 40% to
42%, but continuing the traditional exclusion of short-term debt
from the calculation of Total Capital.
- 12 2) Staff extended the end-term of the recommended financing
13 authorization from December 31, 2016 to December 31, 2017, but
14 retained the latter as a hard and fast end date for both short and long-
15 term debt authorizations without the provision for automatic
extension of the authorizations similar to that previously approved
by the 2007 Order.

16 A SUGGESTED COMPROMISE

17 APS is willing to accept Staff's Option 2 relative to the Equity Ratio Test.
18 However, the Company continues to believe that the circumstances surrounding the
19 present Docket, which necessitated the Commission's extraordinary act of reopening
20 the 2007 Order under A.R.S. Section 40-252, are compelling arguments for having a
21 provision wherein if APS files a new application requesting extension or expansion of
22 the debt authorizations granted in this proceeding at least one year prior to their
23 expiration, the authorization would continue until further order of the Commission.
24 Thus, APS asks for ordering language in any final order in this matter to the following
25 effect:

26 IT IS FURTHER ORDERED that, the authorizations granted in this
27 proceeding shall expire after December 31, 2017 unless the Company files
28 an application with the Commission prior to January 1, 2017 seeking to

1 continue or expand such authorizations. In that instance, the authorizations
2 approved herein shall continue until further order of the Commission.

3 **CONCLUSION**

4 APS has proposed this potential compromise in good faith and after discussions
5 with Staff so that this matter can proceed to final resolution without further delay. The
6 Company asks that the assigned Administrative Law Judge forward a recommended
7 order for the Commission's consideration reflecting Staff's Response of December 4,
8 2012 and the proposed compromise suggested herein.

9 RESPECTFULLY SUBMITTED this 27th day of December, 2012.

10
11 
12 Thomas L. Mumaw
13 Melissa M. Krueger
14 Attorneys for Arizona Public Service
15 Company

16 ORIGINAL and thirteen (13) copies
17 of the foregoing filed this 27th day of
18 December, 2012, with:

19 The Arizona Corporation Commission
20 Hearing Division – Docket Control
21 1200 West Washington Street
22 Phoenix, Arizona 85007

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