

ORIGINAL

OPEN MEETING AGENDA ITEM



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 AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

10 BOB STUMP, Chairman
 11 GARY PIERCE
 12 BRENDA BURNS
 13 BOB BURNS
 14 SUSAN BITTER-SMITH

DOCKET NO. E-01345A-11-0423

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

**APS COMMENTS ON AND
REQUEST FOR
CLARIFICATION OF THE
RECOMMENDED ORDER**

Arizona Corporation Commission
DOCKETED

JAN 23 2013

DOCKETED BY


INTRODUCTION

24 On November 22, 2011, Arizona Public Service Company (“APS” or
 25 “Company”) filed the above Application pursuant to Sections 40-285, 40-301, and 40-
 26 302 of the Arizona Revised Statutes, and the Arizona Corporation Commission’s
 27 (“Commission”) Decision No. 69947 (October 30, 2007). On January 14, 2013, the
 28 assigned Administrative Law Judge (“ALJ”) filed her Recommended Opinion and

1 Order (“ROO”) in the above matter. Pursuant to A.A.C. R14-3-110, APS files the
2 following Comments and Requests for Clarification (“Comments”) on and of the ROO.
3 APS would note that it has discussed these Comments with Staff and has been
4 authorized to represent that Staff is in agreement with them.

5 COMMENTS AND CLARIFICATIONS

6 **Page 21, ordering paragraph starting on line 14, first sentence:**

7 Forward-starting swaps based on LIBOR or U.S. Treasuries and U.S. Treasury
8 rate-locks are not a subset of those derivatives that convert floating rate debt to fixed
9 rate. Rather, they allow APS to lock in future interest rates and are distinct instruments
10 from those that are used to convert floating rates to fixed rates. Thus, the word
11 “including” on line 16 should be deleted¹ and the continuation of the sentence should
12 read “and to execute and issue forward-starting swaps...” This is consistent with the
13 characterization in the Application and the Staff Report.

14 **Page 21, line 26:**

15 This language suggests that APS should develop and have approved by its Board
16 of Directors (“Board”) an interest rate hedging program with 90 days of the effective
17 date of the ROO. What Staff recommended and APS agreed to was to have a program
18 approved and filed with the Commission prior to implementing the program. This
19 Ordering paragraph is somewhat confusing, and it is possible that what the ALJ may
20 have meant to say, and what the Company can agree to, is to file an approved program
21 90 days before implementing the program. Thus, this ordering paragraph would now
22 read:

23 IT IS FURTHER ORDERED that Arizona Public Service Company
24 shall file confirmation with the Commission’s Docket Control as a
25 compliance item in this matter certifying that it has established appropriate
26 management policy and system of internal controls formally approved by
27 Arizona Public Service Company’s Board of Directors designed to govern

28 ¹ The comma should likewise be deleted.

1 such trading at least 90 days prior to initiation of trading activity in
2 financial derivative securities or similar contracts to manage interest rate
3 risk and exposure.

4 **Page 23, paragraph (c), first line:**

5 The \$750 million cap recommended by Staff and agreed to by the Company was
6 specific to long-term debt. Thus, the word "long-term" needs to be inserted between
7 "variable interest" and "debt" to avoid possible confusion in the future.

8 **CONCLUSION**

9 APS is extremely appreciative of the efforts of both Staff and the ALJ in
10 bringing this ROO before the Commission. The Company's Comments seek only to
11 clarify certain language consistent with the understanding of both Staff and APS. They
12 should not be construed as representing any substantive disagreement between Staff and
13 the Company. APS urges the Commission to adopt the ROO with the clarifications
14 requested herein.

15 RESPECTFULLY SUBMITTED this 23rd day of January, 2013.

16
17 
18 Thomas L. Mumaw
19 Melissa M. Krueger
20 Attorneys for Arizona Public Service
21 Company

22 ORIGINAL and thirteen (13) copies
23 of the foregoing filed this 23rd day of
24 January, 2013, with:

25 The Arizona Corporation Commission
26 Hearing Division – Docket Control
27 1200 West Washington Street
28 Phoenix, Arizona 85007

27 
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