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ARIZONA CORPORATION COMMISSION

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August 6, 2014

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RE: In The Matter of Arizona Public Service Company Application for Approval of Net Metering Cost Shift Solution, Docket ~~# E-01345A-13-0248,~~ Innovations and Technological Developments, Docket # E-00000J-13-0375

Dear Interested Parties and Stakeholders:

I have been contemplating the 4-1 vote last month to proceed with a discussion about rate design issues as well as the rate case filing requirement involving Arizona Public Service Company ("APS"). I am inclined to believe we are all better served if we examine these two issues separately. There are many good "pro" and "con" arguments regarding the merits of studying rate design issues. However, I think a stronger argument can be made that requiring APS to file a rate next year is not an optimal route to pursue.

In my July 30th letter to the two dockets I expressed concerns about the need for properly outlined parameters before a discussion on rate design issues would begin. RUCO, in its August 1st letter, advocated for a "state-wide discussion" with "key parties." I am also concerned with how we can properly ascertain who are the "key parties" and if all potentially affected stakeholders will be provided notice and given the opportunity to be heard and participate in this unique process. If we go forward with this course then we should do so deliberately, not hastily.

I do have doubts about the efficacy of requiring APS to file a rate case in June, 2015. A rate case for the largest utility in Arizona is an expensive undertaking. The Commission issued Decision #73183, for the last APS rate case, only two years ago. The decision, per the 2012 Settlement Agreement, provided for no increase in base rates for APS ratepayers. I fear that an imminent rate case filing will result in a dramatic rate increase.

All rate cases have involved examining timely rate design issues in conjunction with revenue requirement findings. We should not pursue a path of pursuing a "problem in search of a solution." If APS does not file a rate case before July 1, 2016 then perhaps many rate design workshop principles, agreed on common ground this year, would be either moot or out-of-date by then.

Arizona Corporation Commission
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I would like to see responses to this question:

> *Should we revert to the 2012 Settlement Agreement (Decision #73183) which would reinstate the stay-out provision, calls for no increase in base rates for 4 years and maintains that APS not file a rate case before July 1, 2016?*
>
> *If so, should we postpone conducting rate design workshops, until that rate case, when those questions will be contemporaneously applicable to revenue requirement issues?*

Thank you.

Sincerely,

Brenda Burns
Commissioner