

EXCEPTION



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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

7 BOB STUMP, Chairman
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Arizona Corporation Commission

DOCKETED

DEC 15 2014

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11 IN THE MATTER OF THE APPLICATION OF)
 12 ARIZONA PUBLIC SERVICE COMPANY FOR)
 13 A HEARING TO DETERMINE THE FAIR)
 14 VALUE OF THE UTILITY PROPERTY OF THE)
 15 COMPANY FOR RATEMAKING PURPOSES,)
 16 TO FIX A JUST AND REASONABLE RATE OF)
 17 RETURN THEREON, TO APPROVE RATE)
 18 SCHEDULES DESIGNED TO DEVELOP SUCH)
 19 RETURN)

DOCKET NO. E-01345A-11-0224

**EXCEPTIONS OF ASBA/
AASBO TO THE
RECOMMENDED OPINION
AND ORDER ON FOUR
CORNERS RATE RIDER**

18 The Arizona School Boards Association ("ASBA") and the Arizona Association of
 19 School Business Officials ("AASBO") submit the following Exceptions to the recommended
 20 Opinion and Order in this case.

21 The recommended Opinion and Order, if approved by the Commission, would constitute
 22 an unlawful rate increase to the customers of Arizona Public Service Company ("APS").

23 ASBA/AASBO previously described the legal problems associated with this proceeding in their
 24 initial brief which is incorporated by this reference.

1 There are two principal problems with the recommended Opinion and Order which
2 render it unlawful if approved by the Commission.

3 First, the Opinion and Order approves a revenue increase of \$57.05 million but makes no
4 finding of fair value as required by Article 15, § 14 of the Arizona Constitution. There is a
5 finding in Finding of Fact No. 27 that the Four Corners acquisition results in a \$225,933,911
6 addition to fair value rate base but that is the closest the Opinion and Order comes to finding fair
7 value. If the idea is to simply add the incremental amount attributable to the Four Corners
8 acquisition to the fair value rate base specified in Decision No. 73183, then the Opinion and
9 Order should say so.

10 Even if that arithmetic is done, the fair value finding would still be defective from a
11 constitutional standpoint because there is no finding of fair value for all of APS' property, only
12 for those properties from a test year that is now four years old and a rate decision that was issued
13 more than two and a half years ago. For the proposed rate increase to be lawful, the Commission
14 must find fair value and it must find the fair value of the company's properties at the current
15 time.

16 Second, the proposed rate increase is unlawful because it focuses on only one element of
17 the company's costs, the Four Corners acquisition, and ignores any other changes that have
18 occurred since the last rate decision. This is single issue ratemaking which is generally
19 prohibited in Arizona. *See Scates v. Arizona Corporation Commission*, 118 Ariz. 531, 578 P.2d
20 612 (App. 1978). By definition, rates are not just and reasonable if they are not based on a
21 consideration of all the utility's costs. The only costs examined in this case are those associated
22 with the Four Corners acquisition.

23 The Opinion and Order notes that the Commission approved the settlement agreement
24 among the parties which required APS to submit for review in any filing seeking a rate
25

1 adjustment updated financial information as well as analysis of the proposed increase on both
2 APS and APS' customers. The Opinion and Order states that:

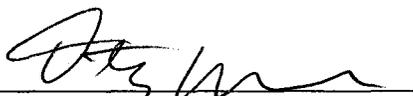
3 We required the information so that we would have sufficient information to
4 analyze whether, in the discretion of the Commission, a requested adjustment to
5 the rates approved in Decision No. 73183 based on a post test year known and
6 measurable change in APS' rate base, would result in just and reasonable rates.
7 APS complied with the procedural and substantive requirements of Decision No.
8 73183.

9 Recommended Opinion and Order at 10.

10 The analysis promised in Decision No. 73183 is totally lacking in the Opinion and Order. There
11 is no discussion whatsoever about the financial information submitted by APS and specifically
12 no discussion about APS' earnings. The Commission cannot determine that the rates approved
13 in the Opinion and Order are just and reasonable when there has been no analysis of the financial
14 information submitted by APS or the impact of the increase on the company's earnings.

15 DATED this 15th day of December, 2014.

16 ARIZONA CENTER FOR LAW IN
17 THE PUBLIC INTEREST

18 By 

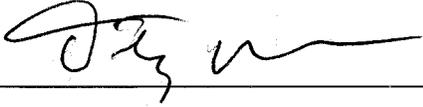
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23 ORIGINAL and 13 COPIES filed this
24 15th day of December, 2014, with:

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electronically mailed this
15th day of December, 2014 to:

All Parties of Record



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