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6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

7  
8 SUSAN BITTER SMITH, Chairman  
9 BOB STUMP  
10 BOB BURNS  
11 TOM FORESE  
12 DOUG LITTLE

Arizona Corporation Commission  
**DOCKETED**  
JAN 09 2015

11 ORIGINAL

DOCKETED BY 

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

DOCKET NO. E-01345A-11-0224

**SCHOOL ASSOCIATIONS'  
APPLICATION FOR  
REHEARING OF DECISION  
NO. 74876**

18 Pursuant to A.R.S. § 40-253, the Arizona School Boards Association and the Arizona  
19 Association of School Business Officials ("School Associations") apply for rehearing of  
20 Decision No. 74876 on the following grounds and incorporate by reference the exceptions and  
21 brief submitted by the School Associations in this matter on December 15, 2014 and August 29,  
22 2014, respectively.

23 The Decision is unlawful for two reasons.

24 First, the Decision approves a revenue increase of \$57.05 million but makes no finding of  
25 fair value as required by Article 15, § 14 of the Arizona Constitution. There is a finding in

1 Finding of Fact No. 27 that the Four Corners acquisition results in a \$225,933,911 addition to  
2 fair value rate base but that is the closest the Decision comes to finding fair value.

3 Even if the fair value determined by the Commission in Decision No. 73183 is included,  
4 the fair value finding would still be defective from a constitutional standpoint because there is no  
5 finding of fair value for all of APS' property, only for those properties from a test year that is  
6 now four years old and a rate decision that was issued more than two and a half years ago. For  
7 the rate increase to be lawful, the Commission must find fair value and it must find the fair value  
8 of the company's properties at the current time.

9 Second, the rate increase is unlawful because it focuses on only one element of the  
10 company's costs, the Four Corners acquisition, and ignores any other changes that have occurred  
11 since the last rate decision. This is single issue ratemaking which is generally prohibited in  
12 Arizona. *See Scates v. Arizona Corporation Commission*, 118 Ariz. 531, 578 P.2d 612 (App.  
13 1978). By definition, rates are not just and reasonable as required by Article 15, § 3 if they are  
14 not based on a consideration of all the utility's costs. The only costs examined in this case are  
15 those associated with the Four Corners acquisition.

16 The Decision notes that the Commission approved the settlement agreement among the  
17 parties which required APS to submit for review updated financial information in any filing  
18 seeking a rate adjustment as well as analysis of the proposed increase on both APS and APS'  
19 customers. The Decision states that:

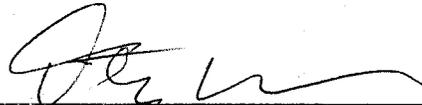
20 We required the information so that we would have sufficient information to  
21 analyze whether, in the discretion of the Commission, a requested adjustment to  
22 the rates approved in Decision No. 73183 based on a post test year known and  
23 measurable change in APS' rate base, would result in just and reasonable rates.  
24 APS complied with the procedural and substantive requirements of Decision No.  
25 73183.

Decision at 10.

1 The analysis promised in Decision No. 73183 is totally lacking in Decision No. 74876. There is  
2 no discussion whatsoever in Decision No. 74876 about the financial information submitted by  
3 APS and specifically no discussion about APS' earnings. The Commission cannot  
4 constitutionally determine that the rates approved in the Decision are just and reasonable when  
5 there has been no analysis of the financial information submitted by APS or the impact of the  
6 increase on the company's earnings. Indeed, there is no determination in Decision No. 74876  
7 that the rates proposed by the Commission are just and reasonable.

8 DATED this 9<sup>th</sup> day of January, 2015.

9 ARIZONA CENTER FOR LAW IN  
10 THE PUBLIC INTEREST

11 By 

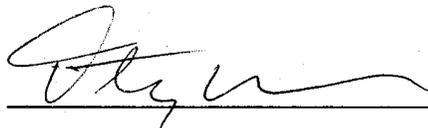
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16 ORIGINAL and 13 COPIES filed this  
17 9<sup>th</sup> day of January, 2015, with:

18 Docketing Supervisor  
19 Docket Control  
20 Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

21 COPIES of the foregoing  
22 electronically mailed this  
9<sup>th</sup> day of January, 2015 to:

23 All Parties of Record

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