

ORIGINAL

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MEMORANDUM

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AZ CORP COMMISSION

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TO: Docket Control

FROM: Thomas M. Broderick
Director
Utilities Division

2016 APR 15 PM 3 48

DATE: April 15, 2016

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR A HEARING TO DETERMINE THE FAIR VALUE OF THE UTILITY PROPERTY OF THE COMPANY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RATE OF RETURN THEREON, AND TO APPROVE RATE SCHEDULES DESIGNED TO DEVELOP SUCH RETURN. (DOCKET NO. E-01345A-11-0224)

The Settlement Agreement adopted by Decision No. 73183 (May 24, 2012), eliminated the 90/10 sharing provision from APS's Power Supply Adjustor ("PSA"). The 90/10 sharing mechanism was designed to give APS a financial incentive to prudently plan for and acquire its purchased power and fuel.

Under the Settlement Agreement, the 90/10 sharing provision was replaced with a provision that required periodic audits of APS' fuel and power procurements, with the first audit to take place for calendar year 2014. Section 7.4 of the Settlement Agreement provides as follows:

"To incent prudent fuel and power procurement and use, APS shall be subject to periodic audits. The first audit shall be for calendar year 2014. Commission Staff shall select a consultant to perform this audit and subsequent audits. Each audit shall be funded by APS in an amount not to exceed \$100,000 per audit."

The intent of the audit period selected was to have the first fuel and power procurement audit coincide with the 2014 test year used in APS's 2015 rate case. However, APS is filing its next rate case in 2016 using a 2015 test year. Staff hereby notifies parties that Staff intends to issue an RFP for the first fuel and power procurement audit utilizing a 2015 calendar year, the test year to be used in the upcoming rate case.

TMB:EVE:nr/MAS

Originator: Eric Van Epps

Arizona Corporation Commission

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DOCKET NO.: E-01345A-11-0224

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