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ARIZONA CORPORATION COMMISSION

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September 25, 2007

Chairman Mike Gleason
Commissioner Jeff Hatch-Miller
Commissioner Kris Mayes
Commissioner Gary Pierce

Re: APS' Renewable Energy Standard Implementation Plan;
Docket No. E-01345A-07-0468

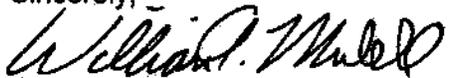
Dear Colleagues:

The amended RES Implementation Plan filed by APS on August 30, 2007 includes an increase to the renewable energy adjustor rate and caps that maintains the same proportionality between rate classes that is in place with the current adjustor. The plan would increase the adjustor rate to \$0.004629/kWh and increase the caps to \$1.85 for residential customers, \$68.78 for commercial and industrial customers less than 3MW, and \$206.33 for commercial and industrial customers greater than 3MW.

Staff is currently analyzing APS' application and has not yet issued its report. The adjustor rate and caps proposed by the Company were calculated based on the assumption that proportionality is required by Decision No. 67744. In Decision No. 69663, the Commission stated that "the proportionality requirement in Paragraph 63 of the 2005 Settlement Agreement as approved by Decision No. 67744 may no longer be appropriate."¹ I believe that the time has come to initiate a proceeding pursuant to A.R.S. § 40-252 to reexamine the proportionality requirement of Decision No. 67744. I'm particularly concerned about the effect the proposed increase to the cap could have on small and medium sized businesses.

I feel strongly that this issue should be addressed before the Commission considers APS' proposed implementation plan. Thank you for your attention to this matter.

Sincerely,


William A. Mundell, Commissioner
Arizona Corporation Commission

cc: Dean Miller
Lace Collins
Ernest Johnson
Chris Kempley
Lyn Farmer

¹ Decision No. 69663, Page 143, Lines 12-13.