From: *Abhay Padgaonkar*
Date: February 15, 2021
Docket: 2016 APS Rate Case (**E-01345A-16-0036**); 2019 APS Rate Case (**E-01345A-19-0236**)
Re: **SURPRISE!! APS's $271 Million PSA Rate Hike While the Rate Case Is Still Pending**

Dear Commissioners:

Did you know that the impending PSA rate increase, originally scheduled to become effective in February 2021, amounts to a massive **$271 million** rate increase? The pending Rate Case request pales in comparison to it! The math, based on the PSA calculations submitted by APS,[1] is simple:

	Current	Proposed	Proposed Increase ($/kWh)	Source
Forward Component Rate (FC)	($0.002086)	$0.003434	$0.005520	Sched 1, Line 1
Historical Component Rate (HC)	$0.001630	$0.005988	$0.004358	Sched 1, Line 2, FN4
PSA Rate (FC + HC)			**$0.009878**	
Projected Billed Native Load Sales (kWh)		27,404,457,000		Sched 2, Line 7
Annual Rate Increase due to PSA			**$270,701,226**	PSA Rate Increase * Sales

1) **Crocodile Tears:** APS claims to have delayed the implementation "in recognition of the continuing COVID-19 pandemic" until April.[2] And yet, the continuing pandemic hasn't stopped APS from resuming power shutoffs. Believe what you want, but the real reason for the delay may be to avoid negative publicity of this huge PSA increase and potential blowback from it in the middle of the APS Rate Case hearings.

2) **Cap Hides Full Impact:** Because annual PSA Rate increases are capped at $0.004 per kWh per Decision No. 76295, **$110 million** out of the **$271 million** annual rate increase will go into effect when implemented in April 2021. However, fuel and purchased power costs above the annual cap will be rolled over into the following year and the remaining $161 million will be reflected in the 2022 reset of the PSA, as APS did in 2017-2018. **In short, the ratepayers *will* pay for the entire $271 million rate increase.**

The reasons APS has provided about the increase in the PSA[3] ring hollow. Natural gas prices were already declining in 2019 and plunged further during 2020 in the middle of the pandemic and reached a low price of $1.33 that was not seen in decades. As you can see, the average closing price in 2020 of $2.03 was 21% below the 2019 price ($2.56) and 36% below the 2018 price ($3.15).[4] And the overall usage was lower: APS reported that from March 13 through September 30, 2020, the cumulative impact in weather-normalized usage was negative 1%.

It wasn't long ago when APS was blowing its own horn about its ability to take advantage of lower fuel prices and play the energy imbalance market.[5] Is it possible that such a massive increase in APS's fuel and purchased power costs driving the $271 million rate increase may have occurred due to APS's incompetence, mismanagement, or even malfeasance? Did APS's operational missteps and financial wagers/hedges backfire and are now leaving the ratepayers holding the bag? If so, APS's shareholders must share the burden.

The Commission must immediately suspend the impending PSA increase and thoroughly and independently conduct full due diligence. Regardless, the Commission must account for this enormous PSA rate increase — and protect the ratepayers from a double-whammy — by reducing the Revenue Requirement and/or the ROE in the pending APS rate case and by voting for a sizable rate decrease.

[1] APS Calculation of PSA Components at: https://docket.images.azcc.gov/E000010299.pdf
[2] APS Implementation of PSA at: https://docket.images.azcc.gov/E000011758.pdf
[3] Ibid.
[4] Natural Gas Prices at: https://www.macrotrends.net/2478/natural-gas-prices-historical-chart
[5] "APS announces $80M rate reduction because of low gas prices -- $3 per month for customers" at: https://www.azcentral.com/story/money/business/energy/2019/01/31/aps-decrease-customer-bills-due-to-lower-natural-gas-prices/2731395002/