



PLAN OF ADMINISTRATION RETURNING CUSTOMER DIRECT ACCESS CHARGE

Returning Customer Direct Access Charge Plan of Administration

General Description

Section 2.6 of the May 17, 1999 Settlement Agreement (“Agreement”) in Docket No. E-01345A-98-0473 allows Arizona Public Service Company (“APS”) to recover the reasonable and prudent costs associated with compliance and implementation of the Electric Competition Rules beginning July 1, 2004. The Arizona Corporation Commission (“Commission”) approved the collection of these costs in Decision No. 67744, Docket No. E-01345A-03-0437. Section 2.6(2) of the Agreement provides the opportunity to recover the costs of providing Standard Offer service to customers who have left an APS Standard Offer service or special contract rate for a competitive generation supplier and are returning to Standard Offer service. Customers that have been Direct Access customers since the origination of their APS service that request Standard Offer service are considered to be returning customers.

The Company may assign any of the above costs directly to the customer(s) who caused them via a Returning Customer Direct Access Charge (“RCDAC”). This will only be done when a customer, or an aggregated group of customers, with a monthly demand of three MW or greater returns to Standard Offer service and APS did not include their load in planned resource acquisitions. If APS is provided one year’s advance notice of the customer’s intent to return to Standard Offer service then they will not be assessed a RCDAC. APS may create a RCDAC in each individual case and require the customer(s) to enter into a service agreement that specifies the charge, its duration, and how it will be applied and collected. In situations where an aggregated group of customers wish to return, each customer from the group will be charged the same rate for the same duration and an agreement will be required from each customer.

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The RCDAC will be based on the cost differential between the applicable Standard Offer rate generation component and the cost of the resources required to serve the returning customer(s). The costs associated with serving customers that are required to enter into RCDAC agreements will be kept separate from the retail power supply costs subject to recovery through the Power Supply Adjustment. The types of costs that will be used to develop the RCDAC are Incremental Power Supply, Transmission, Ancillary Services and Metering costs. These terms are defined as follows:

Incremental Power Supply - The costs of generation or purchased power supplied to the customer that is over the base rate power supply cost for their applicable rate schedule.

Transmission - The costs of delivering power across a utility system or to other utility systems.

Ancillary Service - The costs of services necessary to support the transmission of energy from the resources to the loads while maintaining reliable operation of the transmission provider’s transmission system.

Metering - The costs of measuring the power used by the customer.

These costs will be amortized over an appropriate period to allow their timely recovery. In no event, however, will the RCDAC last longer than 12 months for any individual customer.