

**PUBLIC NOTICE OF HEARING AND PUBLIC COMMENT MEETINGS  
ON ARIZONA PUBLIC SERVICE COMPANY ("APS") RATE APPLICATION.  
DOCKET NO. E-01345A-22-0144)**

**Summary**

On October 28, 2022, APS filed with the Arizona Corporation Commission ("Commission") a Rate Application ("Application") requesting approval of rates, charges, and schedules that would result in an annual increase in revenue from base rates of \$772.27 million, or 22.9%. The Application uses a test year ending June 30, 2022. APS reports that the net revenue increase experienced by customers would be significantly lower, at \$459.94 million, or 13.62%, because of a test year adjustor revenue transfer (-\$107.83 million), a Power Supply Adjustment Mechanism ("PSA") revenue reduction (-\$220.59 million), and a Renewable Energy Standard Adjustment Clause ("REAC") revenue increase (+\$16.09 million).

The Application proposes a return on equity of 10.25%, a 7.17% weighted average cost of capital, and a return on the fair value increment of 1.0%, resulting in a proposed fair value rate of return of 4.92% on a proposed fair value rate base of \$16.6 billion. APS reports a test year fair value rate of return of 1.43%.

**Adjustor Mechanisms**

APS proposes:

- To eliminate the Environmental Improvement Surcharge adjustor mechanism ("EIS") and have \$10.3 million in test year EIS-eligible costs recovered through base rates;
- To eliminate the Lost Fixed Cost Recovery Mechanism ("LFCR"), have \$58.5 million of test year LFCR-eligible costs recovered through base rates, and have future LFCR-eligible costs recovered through a revised Demand Side Management Adjustment Charge ("DSMAC");
- To increase the DSMAC-eligible costs recovered through base rates from \$20 million to \$59.4 million;
- To revise the DSMAC performance incentive to align better with peak load reduction goals and change its annual processing schedule;
- To revise the REAC to allow recovery of the capital carrying costs of new APS-owned clean energy resources and energy storage facilities, to recover Coal Community Transition obligations, and to change its annual processing schedule;
- To retain the PSA and increase the base fuel and chemical rates, with a corresponding reduction to the PSA;
- To retain the Transmission Cost Adjustment mechanism ("TCA"); and
- To retain the Tax Expense Adjustor Mechanism ("TEAM"), which is set at zero.

**Limited-Income Residential Customer Assistance Programs**

APS proposes to change its current Energy Support Program to a two-tiered program that would provide a 60% monthly bill discount (capped at \$165 per month) to customers with verified income levels up to 75% of the federal poverty level ("FPL") and a 25% monthly bill discount (capped at \$95 per month) to customers with income levels of 76% to 200% of the FPL. Customers with income levels of 76% to 200% of the FPL who have qualifying medical equipment would receive the current 35% discount (with a new cap of \$95 per month).

**AG-X Program**

APS proposes to modify its AG-X program:

- By providing AG-X customers two resource adequacy options (provided by APS or provided by the customer) and corresponding reserve capacity rates, to facilitate eliminating the \$15 million currently being recovered through the PSA mechanism;
- By reducing the AG-X administrative management fee;
- By requiring longer notice to leave the AG-X program for AG-X customers who provide their own resource adequacy; and
- By expanding AG-X program eligibility.

### Coal Community Transition ("CCT")

APS requests approval of those portions of the CCT proposal from its last rate case that the Commission did not approve in Decision No. 78317 (November 9, 2021), specifically requesting to recover \$106.5 million from ratepayers through the REAC over nine years, with \$16.09 million to be recovered in year one.

### Residential Rate Design Changes

APS proposes to eliminate credit card fees and in-person kiosk fees and to provide two additional off-peak holidays for time-of-use rate plans.

### Bill Impacts

The following table shows APS's proposed revenue increase percentages for customer classes:

Customer Class	Requested Retail Revenue Increase for Class as a Whole
<b>Residential</b>	22.79%
<b>General Service</b>	
Extra-Small, Small	23.75%
Medium	23.58%
Large	22.30%
Extra-Large	20.88%
Schools	24.17%
Houses of Worship	23.75%
Irrigation/Municipal	27.59%
Outdoor Lighting	17.67%
<b>Total Retail</b>	<b>22.87%</b>

The actual impact of the proposed revenue increase on any customer's bill depends on the customer's rate plan and usage.

For example, a residential customer on the "Time-of-Use 4PM to 7PM Weekdays" plan would see a 25% increase in basic service charge, approximately a 24% increase in on-peak energy charges per kWh (summer and winter), approximately a 22.4% increase in off-peak energy charges per kWh, and a 16.1% increase in super off-peak energy charge per kWh.

A residential customer on the "Fixed Energy Charge Plan" would see an increase in basic service charge by 24.4–25% (depending on tier) and an increase in energy charge per kWh of 22.6–22.7% (depending on tier).

APS reports that on the effective date of its new rates, the average net class bill impact for residential customers will be a 13.6% increase, and the average net class bill impact for general service customers will range from 9.2% to 15.9%.

### Other Requests

APS also proposes to modify several service schedules, to modify decommissioning funding allocations for the Palo Verde Generating Station, to eliminate several Commission-required compliance and reporting requirements, and to defer Energy Support Program costs for possible recovery or refund in a future rate case.

NEITHER THE COMMISSION'S UTILITIES DIVISION ("STAFF") NOR ANY INTERVENOR HAS YET MADE ANY RECOMMENDATION REGARDING APS'S APPLICATION. THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF COMPANY, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RELIEF TO BE GRANTED IN RESPONSE TO APS'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS MATTER.

THE FINAL RATES APPROVED BY THE COMMISSION MAY BE HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY COMPANY OR BY OTHER PARTIES.

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact APS at: its office at 400 N. 5th Street, M.S. 9708, Phoenix, Arizona, 85004, Attn: Rate Case Manager, call 602-250-2767 or email [ratecase@aps.com](mailto:ratecase@aps.com).

#### **How You Can View or Obtain a Copy of the Application**

Copies of the Application are available from APS at [www.aps.com/ratecase](http://www.aps.com/ratecase); at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and its Tucson office at 400 West Congress Street, Suite 218, Tucson, Arizona, during regular business hours; and on the Commission website ([www.azcc.gov](http://www.azcc.gov)) using the e-Docket function.

#### **Public Comment Meetings at Commission Offices**

The Commission will hold the following public comment meetings in this matter at the Commission's offices at 1200 West Washington Street, Phoenix, Arizona 85007:

<b>Date</b>	<b>Time</b>
<b>June 1, 2023</b>	<b>1:00 p.m. to 4:00 p.m., or until the last caller is finished speaking, whichever comes first</b>
<b>June 7, 2023</b>	<b>6:00 p.m. to 8:30 p.m., or until the last caller is finished speaking, whichever comes first</b>
<b>June 20, 2023</b>	<b>10:00 a.m. to 1:00 p.m., or until the last caller is finished speaking, whichever comes first</b>
<b>June 20, 2023</b>	<b>6:00 p.m. to 8:30 p.m., or until the last caller is finished speaking, whichever comes first</b>
<b>July 31, 2023</b>	<b>10:00 a.m. to 1:00 p.m., or until the last caller is finished speaking, whichever comes first</b>

During public comment meetings at the Commission's offices, both telephonic and in-person public comment may be provided.

To provide telephonic public comments, call 1-877-309-3457 and use passcode 801972877##.

If you plan to attend a public comment meeting held at the Commission's Phoenix offices in person, please complete a "Request to Speak" on one of the kiosks in the lobby at the Commission's Phoenix office or on any computer or mobile device through the ACC Portal (available on the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using "Cases and Open Meetings" and "Request to Speak at Open Meetings").

Written public comments may be submitted by mailing a letter referencing Docket No. E-01345A-22-0144 to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using "Cases and Open Meetings" and "Make a Public Comment in a Docket." If you require assistance, you may contact the Consumer Services Section at 602-542-4251 or 1-800-222-7000.

The Commission will impose a 3-minute time limit per speaker to ensure that everyone who desires to speak has an opportunity to do so.

#### **Commission Public Hearing Information**

The Commission will hold a hearing on this matter beginning August 2, 2023, at 10:00 a.m., at the Commission's offices at 1200 West Washington Street, Phoenix, Arizona 85007.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket unless you sign up to Follow the Docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website ([www.azcc.gov](http://www.azcc.gov)) using the e-Docket

function. Information on how to Follow a Docket is available on the Commission's website using "Cases and Open Meetings" and "Follow a Docket or Document Type."

### **About Intervention**

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. Intervention is not required for you to attend the hearing and provide public comment, to file written comments in the record of the case, or to receive emailed notice of each filing made in the case by following the docket.

Information about what intervention means, including an explanation of the rights and responsibilities of an intervenor, is available on the Commission's website ([www.azcc.gov](http://www.azcc.gov)) by clicking on "Cases and Open Meetings" and then clicking on "Intervene in a Case." The information includes a Sample Intervention Request and a Fillable Intervention Request Form.

To request intervention, you must file a written request to intervene, either (a) by filing a hard copy request (meeting filing requirements) with Docket Control (Docket Control, 1200 West Washington, Phoenix, AZ 85007), or (b) by eFiling the request. Your request must be filed or eFiled no later than March 3, 2023. Instructions and restrictions for eFiling are available on the Commission's website at <http://azcc.gov/hearing/efile-for-utilities-instruction>. You also must serve a copy of the request to intervene on each party of record, on the same day that you file the request to intervene with the Commission.

Your request to intervene must contain the information below:

1. Your name, address, and telephone number;
2. The docket number for the case in which you are requesting to intervene;
3. A short statement explaining:
  - a. Your interest in the proceeding (e.g., a customer of APS),
  - b. How you will be directly and substantially affected by the outcome of the case, and
  - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have sent a copy of your request to intervene to APS's attorney and to the representatives for all other parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31.1, 31.2, 31.3, 38, 39, and 42, as applicable. This only applies if you are NOT representing yourself and you are not an Arizona licensed attorney.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before March 3, 2023.

### **ADA/Equal Access Information**

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Carolyn Buck, E-mail [ADACoordinator@azcc.gov](mailto:ADACoordinator@azcc.gov), voice phone number 602-542-2247. Requests should be made as early as possible and no later than 48 hours in advance of the event to allow time to arrange the accommodation.