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15 Attorneys for Arizona Public Service Company

16 **BEFORE THE ARIZONA CORPORATION COMMISSION**

17 **COMMISSIONERS**

18 KEVIN THOMPSON, Chairman
19 NICK MYERS, Vice-Chairman
20 LEA MARQUEZ PETERSON
21 RACHEL WALDEN
22 RENE LOPEZ
23

24
25 IN THE MATTER OF THE APPLICATION
26 OF ARIZONA PUBLIC SERVICE
27 COMPANY FOR A HEARING TO
28 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-25-0105

APPLICATION

Through this Application, Arizona Public Service Company (APS or Company)
seeks to adjust its rates to power opportunity for its customers in Arizona and establish a
more durable ratemaking foundation to ensure reliable, affordable service for years to

1 come. This Application proposes a net base rate increase of \$579.52 million, representing
2 a 13.99% net increase, which would become effective no earlier than July 8, 2026.¹

3 Since APS's last rate case,² which was based on a test year that ended on June 30,
4 2022, APS has made substantial investments to improve the grid and incurred significant
5 expenses to ensure top-tier reliability. At the same time, the costs to ensure reliable service
6 to customers have rapidly increased due to high rates of inflation, persistently high interest
7 rates, and continued supply chain and trade policy volatility. The significant revenue
8 deficiency reflected in Figure 1 below based on the 12-month period that ended on
9 December 31, 2024 (Test Year), demonstrates that APS's current rates do not recover
10 sufficient revenue to ensure reliable service — especially in the face of dramatic system
11 load growth showing no sign of relenting. For this reason, APS seeks to adjust its rates to
12 reflect these and other realities, including the adjusted sales and expenses for the
13 Company's jurisdictional electric operations that occurred during the Test Year.

14 Electric customers today expect greater levels of service than ever before and APS
15 is up to the challenge of making the investments necessary to maintain reliable service at
16 affordable prices, both now and into a future that presents new economic opportunities
17 for Arizona. To attain this outcome, the rate request in this Application is designed to
18 achieve the following goals — each of which is critical to meeting the evolving needs of
19 all APS customers:

- 20 • Achieving a level of investment and expense recovery necessary to ensure APS
21 can maintain financial stability across a variety of economic conditions;
- 22 • Reforming how and when APS rates are set in-between formal rate case
23 proceedings to minimize regulatory lag, improving APS's ability to provide
24 reliable service during this period of economic expansion; and

25
26 ¹ APS submits this Application pursuant to Arizona Revised Statutes (A.R.S.) §§ 40-250
and -251, and Arizona Administrative Code (A.A.C.) R14-2-103.

27 ² *In re App. of Ariz. Pub. Serv. Co. for a Hr'g to Determine the Fair Value of the Util.*
28 *Prop. of the Co. for Ratemaking Purposes*, Docket No. E-01345A-22-0144 (APS 2022
Rate Case).

- Designing new general service rate structures to require growth to pay for growth and creating more equitable outcomes for other customer classes.

Accordingly, in connection with the approval of the new rates, charges, and schedules set forth in this Application, APS is requesting a net increase in revenue collection of \$579.52 million, representing a 13.99% net increase. The Company's complete request is described in and supported by the testimony, exhibits, and schedules submitted with this Application. APS intends to call the following witnesses as part of its direct case, who will address the indicated topics:

Theodore N. Geisler	Rate Case Overview; APS Impact to Arizona; the APS Promise; Customer-Focused Commitment; Revenue Requirement Preview and Importance of Healthy Utility; Base Rate Increase vs. Total Request; Customer Bill Impact; Formula Rate Overview
Jacob Tetlow	Post-Test Year Plant; Operations, Safety, and Reliability; High Load Factor Customer Growth; Wildfire Mitigation; Palo Verde Generating Station (Palo Verde); Cholla Power Plant (Cholla); Purchase Power Agreements and Fuel Contracts
Chris R. Bauer	Financial Stability of APS; Relationship Between Financial Stability, Return on Equity (ROE) and Credit Rating and Customer Impacts; Formula Rate Adjustment Mechanism and Benefits of Minimizing Regulatory Lag to Financial Stability; Capital Structure; Financial Importance of Deferrals (Wildfire/Cholla)
Elizabeth A. Blankenship	Pro Formas (i.e., Test Year Plant, Rate Base, Income Statement); Various SFRs; Federal Energy Regulatory Commission (FERC) Order 898 Implementation Impacts; No Changes to the Allocation of the Annual Nuclear Decommissioning Funding for Palo Verde; Wildfire Expense Accumulations

Jessica E. Hobbick Revenue Allocation; Formula Rate Mechanism – Customer and Efficiency Benefits; Elimination of the Lost Fixed Cost Recovery (LFCR) Adjustment Mechanism if Formula Rate Proposal is Adopted; Adjustor Modifications to the System Reliability Benefit (SRB) and Power Supply Adjustor (PSA) Mechanisms; Rate Schedule Pro Formas; Extra High Load Factor (XHLF) Cost Recovery to Ensure Growth Pays for Growth; Revenue Pro Formas; H Schedules; Rate Design; Service Schedules and Programs/Riders

Jamie R. Moe Cost of Service, including Cost to Serve Residential Distributed Generation (DG) Customers; Alternative Methods to Allocate Production Plant Based on Growth; Jurisdictional Allocation Factors; Standard Filing Requirements (SFR) Schedule A-1; All SFR G Schedules and Portions of Other SFR Schedules; Fair Value Increment Calculation

James M. Coyne Outside Expert Cost of Capital; ROE; Fair Value Rate of Return; Fair Value Increment

Dr. Ronald E. White Outside Expert Depreciation

I. COMPONENTS OF THE RATE REQUEST

The requested rate adjustment is based on adjusted sales for the Company's jurisdictional electric operations during the Test Year. APS requests that the increase become effective no earlier than July 8, 2026. This date is consistent with the Arizona Corporation Commission's (ACC or Commission) rule requiring it to process the Company's rate application within 12 months of the filing of a notice of sufficiency.³

A. Overall Rate Request

APS is requesting a net increase above 2024 Test Year base revenues of 13.99%, which is based on an overall net customer rate increase of \$579.52 million. Figure 1 below

³ A.A.C. R14-2-103(11)(d)(i).

illustrates the Company's requested base rate increase and corresponding customer bill impact:

Figure 1. Total Net Bill Impact

Net Impact = Net Base Rate Increase + Net Adjustor Changes	Impact
<i>Base Rate Increase</i>	
Total Base Revenue Deficiency	\$662.44M
Lost Fixed Cost Recovery Adjustor Removal/Transfer	(\$48.55M)
Court Resolution Surcharge Transfer	(\$34.37M)
Base Rate Increase Net of Adjustors	\$579.52M
Percent Increase Net of Adjustors	13.99%

For the purposes of this rate proceeding, APS proposes adoption of its actual capital structure at the end of the Test Year, which was 52.35% equity and 47.65% long-term debt. APS's weighted cost of long-term debt at the end of the Test Year was 4.26%. As discussed by APS witness James M. Coyne, APS proposes an ROE of 10.70%, which reflects a reasonable return commensurate with the Company's current investment risks and would enable APS to effectively compete for the capital necessary to ensure a reliable and resilient grid. Combined with the embedded 4.26% cost of debt, APS's weighted average cost of capital is 7.63%. The inclusion of a 1.0% return on the fair value increment of the Company's fair value rate base produces a requested return of 4.84% on fair value rate base. This increment and the requested 1.0% return have been calculated in a conservative manner and are consistent with past findings of the Commission in Decision Nos. 73183 (May 24, 2012)⁴ and 71448 (Dec. 30, 2009).⁵ As to each of these items, APS aims to establish a level of financial stability that will enable the Company to cost-

⁴ *In re the App. of Ariz. Pub. Serv. Co. for a Hr'g to Determine the Fair Value of the Util. Prop. of the Co. for Ratemaking Purposes*, Docket No. E-01345A-11-0224, Decision No. 73183 (May 24, 2012).

⁵ *In re the App. of Ariz. Pub. Serv. Co. for a Hr'g to Determine the Fair Value of the Util. Prop. of the Co. for Ratemaking Purposes*, Docket No. E-01345A-08-0172, Decision No. 71448 (Dec. 30, 2009).

effectively access capital on behalf of customers throughout a variety of economic conditions. Within their Direct Testimonies, APS witnesses Chris R. Bauer and Mr. Coyne provide additional detail and support for these components of APS's rate request, including the importance to customers of a financially stable utility company.

B. Key Programmatic Elements of the Rate Request

In addition to the requested adjustment in rates described above, APS's rate request contains numerous elements that will enable the Company to affordably meet the evolving needs of its current and future customers, achieve more timely and equitable investment and expense recovery, and establish a durable foundation to enable the Company to continue to meet customers' needs for highly reliable service in a rapidly expanding service territory.

1. Formula Rate Proposal

A core aim of APS's rate request is to reduce regulatory lag — the degree to which utility cost recovery does not align with its current level of expense and investment costs — and ensure a more seamless and timely customer experience associated with adjustments in the Company's rates. Among other goals described in the testimony supporting this Application, the Company's formula rate proposal seeks to achieve these outcomes by implementing more regular and efficient base rate adjustments. Rather than only adjust base rates during protracted and costly litigated rate cases, APS's proposal would enable smaller, annual adjustments — up or down — based on APS's authorized ROE, with robust mechanisms to prevent overearning. This process would be subject to thorough Commission oversight, extensive stakeholder involvement, and a transparent review of all information and data necessary for the annual adjustments, including the continued use of a historic test year and Commission determinations of fair value. The proposed mechanism also adapts existing, well-established earnings-test methodologies while also incorporating formula rate approaches relied upon in at least 12 other states for

1 retail utility cost recovery.⁶ As documented in the complete Plan of Administration (POA)
2 proposed as part of this Application, APS's formula rate proposal aligns with the guidance
3 offered by the Commission's "Formula Rate Plan Policy" in Decision No. 79647 (Dec.31,
4 2024)⁷ and is consistent with APS's long-standing use of formula rates at the FERC to
5 recover transmission-related costs. APS witnesses Theodore N. Geisler, Jessica E.
6 Hobbick, and Mr. Bauer provide greater detail and support for this proposal in their Direct
7 Testimonies supporting this Application.

8 **2. General Service Rate Design**

9 Arizona is in the midst of a historic period of economic growth, which is translating
10 into rapid and sustained system load growth within APS's service territory. While such
11 growth provides numerous opportunities and benefits to APS's customers, including
12 additional revenue that puts downward pressure on rates for service, it is critical that cost
13 allocation and rate design properly account for this growth. In particular, the Company's
14 rate design should mitigate significant cross-subsidization by those customer classes that
15 are not directly contributing to the costs caused by significant and concentrated system
16 load growth among large high load factor customers, such as data centers. For this reason,
17 APS's rate request proposes to adjust its cost-allocation methodologies and rate designs
18 for these general service customers to ensure that growth is paying for growth and the
19 costs imposed on the system as a result. APS witnesses Jamie R. Moe and Ms. Hobbick
20 provide greater detail and support for these proposals in their Direct Testimonies.

24 ⁶ Retail formulas have been adopted by several states, including Alabama, Arkansas,
25 Georgia, Hawaii, Illinois, Louisiana, Maine, Maryland, Massachusetts, Mississippi,
26 Texas, and Vermont. See APS, "Formula Rates" Presentation, Oct. 3, 2024, [Special Open Meeting/Workshop - \(AU-00000A-23-0012\) - Workshop - In the Matter of the Commission Inquiry into Possible Modifications to the Commission Test Year Rules](#).

27 ⁷ *In re the App. of Ariz. Pub. Serv. Co. for a Hr'g to Determine the Fair Value of the*
28 *Util. Prop. of the Co. for Ratemaking Purposes*, Docket No. E-01345A-08-0172,
Decision No. 71448 (Dec. 30, 2009) at Attachment A.

3. Residential Rate Design

While as part of APS's most recent rate cases (those filed in 2019⁸ and 2022) the Company sought modest changes to rate design components to support rate stability and gradualism, this Application offers an opportunity to achieve more meaningful alignment between rate elements and the specific costs they are intended to recover. In this respect, APS's rate request proposes changes to the residential Basic Service Charge and increased adjustments to residential rate classes based on the relative degree by which rates are recovering the costs necessary to serve each class. In addition, to further address long-standing deficiencies in recovering their cost of service, and as ordered in Decision No. 79648 (Dec. 31, 2024),⁹ APS is proposing to increase the Grid Access Charge for residential solar customers on current rate plans. Moreover, revenue allocations for residential solar customers still on legacy rate plans (*i.e.*, E-12, ET-1, ET-2, ECT-1R, and ECT-2) will increase as well. These adjustments are intended to reduce cross-subsidization among APS's residential customer classes, in particular as to those customers with solar DG, and ensure greater alignment between cost recovery and the expenses necessary to ensure reliable service for customers. APS is making these adjustments in compliance with the Commission's directive in Decision No. 79648, which ordered the Company to propose a revenue allocation that apportions revenues in a manner that further moves toward parity in revenue collection between residential solar and non-solar rate classes.¹⁰ Ms. Hobbick and Mr. Moe provide more detail on these proposals in their Direct Testimonies, as well as describe the cost-of-service studies upon which they are based.

⁸ *In re App. of Ariz. Pub. Serv. Co. for a Hr'g to Determine the Fair Value of the Util. Prop. of the Co. for Ratemaking Purposes*, Docket No. E-01345A-19-0236 (APS 2019 Rate Case).

⁹ APS 2022 Rate Case, Decision No. 79648 (Dec. 31, 2024) (Decision No. 79648).

¹⁰ *Id.* at 50.

4. Post-Test Year Plant (PTYP)

APS's proposed base rate increase includes a pro forma adjustment that incorporates 12 months of PTYP placed into service from January 1, 2025 through December 31, 2025 (following the Test Year). This adjustment is structured in the same manner as similar adjustments made in connection with APS's three preceding rate cases.¹¹ It includes only plant that is placed in-service by the conclusion of the PTYP period and, based on a rigorous evaluation of projects directed in Decision No. 79293 (Mar. 5, 2024) and Decision No. 76295 (Aug. 18, 2017), excludes all investments made for the purposes of serving growth. In addition, the calculation will be updated as the case proceeds to reflect actual costs of investments that go into service. APS also rolled forward accumulated depreciation on Test Year rate base, which further reduced the request. As is more fully described in APS witness Jacob Tetlow's Direct Testimony, the Company's PTYP includes items, such as:

- Distribution system upgrades, including pole repair and replacement, substation improvements, and the deployment of grid technology to improve service quality and reliability for customers. These upgrades include various grid hardening and resiliency projects (such as wood pole replacements or fire mesh pole wrapping) to address wildfire risks, which are intended to provide high levels of reliable service to customers while also offering greater protection to the communities APS serves;
- Nuclear generation upgrades, which include improving the physical- and cybersecurity operations at Palo Verde, the largest source of reliable baseload generation in Arizona;

¹¹ APS 2022 Rate Case, Decision No. 79293 (Mar. 5, 2024) (Decision No. 79293); APS 2019 Rate Case, Decision No. 78317 (Nov. 9, 2021) (Decision No. 78317); *In re the App. of Ariz. Pub. Serv. Co. for a Hr'g to Determine the Fair Value of the Util. Prop. of the Co. for Ratemaking Purposes*, Docket No. E-01345A-16-0036, Decision No. 76295 (Aug. 18, 2017).

- Capital expenditures intended to improve the reliability of operations at APS non-nuclear generation fleet, including various upgrades at APS's Redhawk Power Plant (Redhawk);
- Capital expenditures that expand APS's battery energy storage system (BESS) capacity, which enables the Company to serve customer peak demand from low to negatively priced solar energy after the sun has set. Specifically, the Company's PTYP request in this case includes the Agave BESS project that adds 150 megawatts of reliable, cost-effective energy storage capacity; and
- Information-technology investments intended to improve the efficiency and cost-effectiveness by which APS provides service to customers, while at the same time making APS's grid more resilient and protected from the growing threat of cyberattacks.

In addition to these PTYP investments, APS's Application also includes a pro forma adjustment to account for the Company's acquisition of a 7% ownership share of Palo Verde Unit 2, which is currently subject to a sale-leaseback. This acquisition, and corresponding termination of the sale-leaseback, capitalizes on a unique opportunity to ensure APS secures ownership of this interest in highly-reliable, baseload generation before the current sale-leaseback term expires in 2033 at a price that is cost-effective for customers today. APS witnesses Elizabeth A. Blankenship and Mr. Tetlow describe this pro forma and support the prudence of this acquisition in their Direct Testimonies.

5. Changes to Adjustment Mechanisms

In order to accommodate APS's formula rate proposal, along with improvements to the Company's approach to cost-allocation based on customer growth, APS proposes the following changes to its authorized adjustment mechanisms:

- Eliminate the LFCR adjustment mechanism. After the first annual adjustment pursuant to APS's proposed formula rate, the LFCR mechanism will no longer be needed and thereafter will be eliminated;
- Modify and enhance the PSA mechanism to reflect APS's improved methodology for allocating revenue collection based on customer growth. To ensure that system costs—particularly those related to procuring new generation resources through third-party contracts—are properly assigned to the customer classes driving that growth, the PSA needs to be updated to incorporate APS's proposed growth-based cost allocation approach; and
- Modify and enhance the SRB mechanism to account for the annual update process in APS's proposed formula rate. This change is necessary to account for the annual adjustments to base rates that will occur through a formula rate and to move approved SRB investments into base rates as part of that process. The SRB's earnings test is also being replaced with the earnings evaluation that occurs as part of the annual formula rate reset process. Finally, similar to the PSA, the SRB is also being modified to implement APS's improved methodology for allocating revenue collection based upon growth.

Otherwise, APS is not requesting any structural changes to the Transmission Cost Adjustment (TCA) mechanism, the Renewable Energy Adjustment Charge (REAC), the Demand Side Management Adjustment Charge (DSMAC), or the Tax Expense Adjustment Mechanism (TEAM), which is currently inactive and set at zero. In her Direct Testimony, Ms. Hobbick provides more detail on these proposals, in addition to discussing their interplay with APS's proposed formula rate.

6. Limited Income Programs

APS and its customers have a long history of providing bill discounts and assistance to those customers who need them the most through APS's Energy Support

1 Program and Crisis Bill Program. APS proposes to continue this important tradition by
2 maintaining the current Crisis Bill Program funding of \$2.5 million and the current Energy
3 Support Program, which was modified in Decision No. 79293. Consistent with Decision
4 No. 78317 and Decision No. 79293, APS requests authorization for appropriate deferral
5 accounting treatment associated with APS's Energy Support Program.¹²

6 **7. Changes to Service Schedules**

7 APS proposes the following changes to its Service Schedules:

- 8 • Revise Service Schedule 1 to eliminate the AutoPay Credit, along with
9 modifications to clarify requirements for applicants requesting new service
10 or a discontinuance of service;
- 11 • Revise Service Schedule 3 to update the Schedule of Charges and ensure
12 that Electrical and Irrigation Districts do not encroach on APS's Certificate
13 of Convenience and Necessity (CC&N); and
- 14 • Eliminate the Residential Rate Rider for Critical Peak Pricing, which is no
15 longer necessary given the full portfolio of currently available APS Demand
16 Side Management programs.

17 **II. STATEMENTS IN SUPPORT OF APPLICATION AND RELIEF** 18 **REQUESTED**

19 In support of this Application, APS states as follows:

- 20 1. APS is a corporation duly organized, existing, and in good standing under the
21 laws of the state of Arizona. Its principal place of business is 400 N. 5th Street,
22 Phoenix, Arizona, 85004.
- 23 2. APS is a public service corporation, engaged in the generation, transmission,
24 and distribution of electricity for sale in Arizona. In conducting such business,
25 the Company operates an interconnected and integrated electric system.

27 ¹² The "[c]ontinuation of the accounting order allowing APS to defer the limited income
28 programs' discounts (fees or credits)" was uncontested and reaffirmed in the 2022 Rate
Case (Decision No. 79293).

- 1 3. All communications and correspondence concerning this Application, as well
2 as discovery and pleadings with respect thereto, should be served upon:

3
4 Jeffrey S. Allmon (Jeffrey.Allmon@pinnaclewest.com)
5 Scott M. Hesla (Scott.Hesla@pinnaclewest.com)
6 Lauren Ferrigni (Lauren.Ferrigni@pinnaclewest.com)
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9 P.O. Box 53999
10 Mail Station 8695
11 Phoenix, Arizona 85072-3999
12 Attorneys for Arizona Public Service Company

13 And also:

14
15 Jose Esparza (Jose.Esparza@aps.com)
16 Rodney Ross (Rodney.Ross@aps.com)
17 Jessica Hobbick (Jessica.Hobbick@aps.com)
18 APS Rate Case Inbox (RateCase@aps.com)
19 P.O. Box 53999
20 Mail Station 9708
21 Phoenix, AZ 85072-3999

- 22 4. This Commission has jurisdiction to conduct public hearings to determine the
23 fair value of the property of the public service corporation, to fix a just and
24 reasonable rate of return thereon, and thereafter, to approve rate schedules
25 designed to develop such return. Further, the Commission has jurisdiction to
26 establish the practices and procedures to govern the conduct of such hearings,
27 including, but not limited to, such matters as notice, intervention, filing,
28 service, exhibits, discovery, and other prehearing and post-hearing matters.
5. Accompanying this Application are all the relevant SFRs and rate design
schedules required by A.A.C. R14-2-103¹³ as well as the supporting direct
testimony and attachments of the witnesses listed above. In Decision No.
78317, the Commission requested that the Company identify a way to present

¹³ This Application does not include SFR Schedule E-6 because that schedule applies only to a “combination utility” within the meaning of A.A.C. R14-2-103(A)(3)(q), and APS is not a “combination utility.”

1 separate jurisdictional only schedules.¹⁴ The Company intends to submit a
2 separate set of jurisdictional schedules for informational purposes in
3 conjunction with the filing of this Application.

4 6. The Company respectfully requests that this Commission set a date for the
5 hearing on this Application such that new rates for the Company will become
6 effective no earlier than July 8, 2026. At the hearing conducted pursuant to this
7 rate request, APS alleges and will establish, among other items, that:

- 8 a. APS's current rates and charges do not permit the Company to earn a
9 fair return on the fair value of its assets devoted to public service and are
10 therefore no longer just and reasonable;
- 11 b. The requested increase produces the minimum amount necessary to
12 allow the Company an opportunity to earn a fair return on the fair value
13 of its assets devoted to public service, preserve the Company's financial
14 integrity and stability, and permit the Company to attract new capital
15 investment on reasonable terms;
- 16 c. The Company requires additional permanent revenue of at least \$579.52
17 million, based on annualized test period sales, calculated as described in
18 this Application, in order to continue to provide — both now and in the
19 future — safe, adequate, and reliable electric service to its customers as
20 required by law;
- 21 d. APS's new rates and service offerings for residential and general service
22 customers are in the public interest and should be approved;
- 23 e. The Company's proposed modifications to existing rates and service
24 schedules are in the public interest and should be approved;
- 25 f. The Company should be allowed to track discounts applied to
26 customers' bills and defer program costs incurred for future recovery or
27

28 ¹⁴ Decision No. 78317 at 426.

1 refund related to its limited income Energy Support Program above or
2 below Test Year levels in base rates. Accordingly, APS requests that any
3 final order in this case contain the following language as part of its
4 ordering language:

5 IT IS FURTHER ORDERED that APS is authorized to track
6 discounts paid to customers and to defer program costs
7 incurred above or below the level authorized in this case on
8 the limited-income programs (E-3 and E-4) for possible later
9 recovery or refund through rates. Nothing in this Decision
10 shall be construed in any way to limit this Commission's
11 authority to review the entirety of the program and to make
any disallowances thereof due to imprudence, errors, or
inappropriate application of the requirements of this
Decision.;

- 12 g. The Company's proposed formula rate and modifications and
13 enhancements to existing adjustment mechanisms are in the public
14 interest and should be approved;
- 15 h. The Company should be allowed to track and defer for later opportunity
16 to recover any and all ongoing costs and expenses related to Cholla, net
17 of any savings, including without limitation any and all plant
18 decommissioning costs and costs associated with coal-combustion
19 residual disposal unit closure and remediation. Accordingly, APS
20 requests that any final order in this case contain the following language
21 as part of its ordering language:

22 IT IS FURTHER ORDERED that APS is authorized to track
23 and defer any and all costs and expenses incurred above or
24 below the level authorized in this case for a future
25 opportunity for recovery or refund through rates related to or
26 arising from continued expenses associated with APS's
27 Cholla Power Plant, including without limitation any and all
28 plant decommissioning costs and costs associated with coal-
combustion residual disposal unit closure and remediation.
Such costs and expenses shall be recorded in a regulatory

1 asset to enable future recovery in rates over an amortization
2 period to be authorized by the Commission at such time as the
3 Company brings forth the deferral for inclusion in rates
4 during a future rate proceeding. Nothing in this Decision shall
5 be construed in any way to limit this Commission's authority
6 to review the entirety of such costs and expenses and to make
7 any disallowances thereof due to imprudence, errors, or
8 inappropriate application of the requirements of this Decision
9 along with any other adjustments as it deems fit.;

- 10 i. The Company's proposal not to change the annual funding amount for
11 Palo Verde decommissioning, nor to modify the allocation of that
12 funding among the three Palo Verde units (as discussed in the Direct
13 Testimony of Ms. Blankenship) is in the public interest and should be
14 approved. There are no adjustments to Nuclear Decommissioning
15 Funding being proposed in this case, but APS requests that any final
16 order in this case contain the following language as part of its ordering
17 language:

18 IT IS FURTHER ORDERED that the decommissioning costs
19 as recommended by APS are adopted as set forth in the
20 decommissioning contribution schedule attached as
21 Appendix X to this Decision.; and

- 22 j. All other proposals supported by the testimony and the accompanying
23 exhibits are in the public interest and should be approved.

24 7. In addition to setting a hearing date, APS asks that the Commission issue a
25 procedural order setting forth the prescribed notice for the Application, establishing
26 procedures for intervention, and providing for appropriate discovery.

1 RESPECTFULLY SUBMITTED this 13th day of June 2025.

2
3 By: /s/ Jeffrey S. Allmon

4 Jeffrey S. Allmon

5 Scott M. Hesla

6 Lauren Ferrigni

7 Shawane Lee

8 Attorneys for Arizona Public Service Company

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10
11
12 ORIGINAL electronically filed
13 this 13th day of June 2025, with:

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 COPY of the foregoing emailed/delivered
19 this 13th day of June 2025 to:

20 Thomas Van Flein, General Counsel
21 Legal Division
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, AZ 85007

25 legaldiv@azcc.gov
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27 Consented to Service by Email

28 Charles H. Hains
Administrative Law Judge
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29 /s/