

OPEN MEETING AGENDA ITEM



0000159798

RECEIVED

2015 JAN 30 P 4: 28

Federal and State Compliance

Mail Station 9712
PO Box 53999
Phoenix, Arizona 85072-3999
Tel 602-250-5671
Elisa.Malagon@aps.com

AZ CORP COMMISSION Arizona Corporation Commission
DOCKET CONTROL

DOCKETED

JAN 30 2015

DOCKETED BY

ORIGINAL

January 30, 2015

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: Calculation of Environmental Improvement Surcharge ("EIS") for 2014;
Docket No. E-01345A-11-0224; Decision No. 73183

Decision No. 73183 requires Arizona Public Service Company ("APS") to submit on or before February 1st of each year the calculated EIS rate (including all supporting data) that will be effective on April 1st of each year.

Enclosed are the updated EIS Calculations including Schedule 1: Qualified Investments for EIS Electric Plant In Service for Calendar Year 2012 - 2014 and Schedule 2 Capital Carrying Costs and Adjustor Calculation Plant In Service for Calendar Year 2012 - 2014. Please note that Schedule 2 has been redacted as it is confidential until such time APS files its Form 10K, at which time the information will be re-filed with Docket Control.

In accordance with the EIS Plan of Administration approved in Decision No. 73183, the EIS Rate of \$0.000109/kWh will go into effect on April 1, 2015 unless the Commission has otherwise acted or Commission Staff has filed a formal objection by April 1, 2015. Also enclosed is Adjustment Schedule EIS Environmental Improvement Surcharge (both clean and redlined). The average monthly residential bill will increase by nine cents based on a monthly energy consumption of 1,100 kWh. Typical customer bill impacts are also enclosed.

If you have any questions regarding this information, please contact Stefanie Layton at (602) 250-4541.

Sincerely,

Lisa Malagon

LM/sb

cc: Brian Bozzo
Parties of Record

Copies of the foregoing delivered/mailed this 30th
day of January, 2015, to:

Janice Alward
Legal Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Cynthia Zwick
1940 E. Luke Avenue
Phoenix, AZ 85016

Greg Patterson
Attorney
Munger Chadwick
2398 E. Camelback Road, Suite 240
Phoenix, AZ 85016

Jay Moyes
Moyes Sellers & Hendricks
1850 N. Central Ave., Suite 1100
Phoenix, AZ 85004

William Sullivan
Attorney
Curtis, Goodwin, Sullivan, Udall & Schwab,
P.L.C.
501 E Thomas Road
Phoenix, AZ 85012

Gary Yaquinto
President & CEO
Arizona Investment Council
2100 N. Central Avenue, Suite 210
Phoenix, AZ 85004

Scott Wakefiled
Attorney
Ridenour Hienton & Lewis, P.L.L.C.
201 N. Central Avenue, Suite 3300
Phoenix, AZ 85004-1052

Jody Kyler
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Michael Curtis
Attorney
Curtis, Goodwin, Sullivan, Udall & Schwab,
P.L.C.
501 E Thomas Road
Phoenix, AZ 85012

Barbara Wyllie - Pecora
14410 W. Gunsight Dr.
Sun City West, AZ 85375

Nicholas Enoch
Attorney
Lubin & Enoch, P.C.
349 North Fourth Ave.
Phoenix, AZ 85003

Jeffrey Woner
K.R. Saline & Associates, PLC
160 N. Pasadena, Suite 101
Mesa, AZ 85201

Copies of the foregoing delivered/mailed this 30th
day of January, 2015, to:

Michael Grant
Attorney
Gallagher & Kennedy, P.A.
2575 E. Camelback Road
Phoenix, AZ 85016

Laura Sanchez
P.O. Box 65623
Albuquerque, NM 87103

Kevin Higgins
215 South State Street
Suite 200
Salt Lake, UT 84111

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
1	CHC06828	Cholla Common Remediation Program Monitor Well Addition	The purpose is to ensure continued compliance with Remedial Action Plan submitted to and approved by the Arizona Department of Environmental Quality (ADEQ) in 2009. The wells will characterize the groundwater impacts, determine the source of groundwater impacts on the soil (if possible) and evaluate if remediation of the soil and/or groundwater is warranted. In addition, delineation of the volatile organic compound (VOC) impact to groundwater through the use of hydroponic in the new monitor wells, will aid in the delineation of the VOC source area. The drilling program will also support proper placement of these wells to monitor plant compliance with the APP (Aquifer Protection Permit) requirements.	11/09/2012	\$ 45,379	\$ 43,836
2	FBC90333	Four Corners Units 4-5 5275 Lift Lined Ash Impoundment	The purpose of this project is to raise embankment of ash Decant pond to add ash disposal volume. The units must dispose of ash in order to operate in compliance with the Federal Resource Conservation and Recovery Act.	11/15/2012	\$ 176,939	\$ 170,923
3	FCC07179	Four Corners Unit 4 2012 Fabric Filter Bag Replacement	The purpose of this project is for continued environmental compliance with Federal Mercury and Air Toxics Standards in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement.	10/08/2012	\$ 174,167	\$ 168,245
4	FCC07183	Four Corners Unit 5 2012 Fabric Filter Bag Replacement	The purpose of this project is to ensure continued environmental compliance with Federal Mercury and Air Toxics Standards in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement.	10/08/2012	\$ 130,947	\$ 126,495
5	WPC06521	West Phoenix Unit 5 ZLD Aux Boiler Replacement	This project provides power to the Zero Level Discharge (ZLD), which helps to reduce water usage at West Phoenix Power Plant to meet the water conservation requirements of the Arizona Department of Water Quality 3rd Management Plan for power generators.	11/07/2013	\$ 856,496	\$ 827,375
6	WPC06476	West Phoenix Combined Cycle 2 Sump Pump Replacement	Replaced aging sump pumps which are necessary to prevent an unauthorized discharge that would be a violation of Aquifer Protection Permit (APP) regulations (A.R.S. §§ 49-201(12) and 241(A)).	1/22/13	\$ 57,699	\$ 55,737
7	FCC90396	Four Corners Common Off-Site Resin Regeneration: 150 Demineralizer	The 150 Demineralizer capital project eliminates onsite regeneration of wastewater discharges that have a pH outside the hazardous waste limits of the Resource Conservation and Recovery Act and Clean Water Act and National Pollution Discharge Elimination System pH requirements.	03/27/2013	\$ 491,727	\$ 475,008
8	FCC07576	Four Corners Unit 4 Flue Gas Duct Expansion Joint Replacement	The purpose of this project is to ensure and maintain expansion joint integrity in the flue gas ductwork to avoid emission leaks. The Four Corners Title V permit requires 20% opacity and replacing the flue gas duct expansion joints ensure that Four Corners meets the Title V requirements. Citation - 40 CFR 49.5512(i)	4/22/13	\$ 82,859	\$ 80,042

Schedule 1: Qualified Investments for EIS
Electric Plant in Service for Calendar Years 2012 - 2014

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
9	FCC07195	Four Corners Unit 5 2013 Fabric Filter Bag Replacement	The purpose of this project is to ensure continued environmental compliance with Mercury and Air Toxics Standards in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement to ensure required particulate dust capture and removal.	06/07/2013	\$ 56,979	\$ 55,042
10	FCC07149	Four Corners Unit 4 2013 Fabric Filter Bag Replacement	The purpose of this project is to ensure continued environmental compliance with Mercury and Air Toxics Standards in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement to ensure required particulate dust capture and removal.	07/03/2013	\$ 44,677	\$ 43,158
11	FCC07467	Four Corners Common 5280 Lift Lined Ash Impoundment	The purpose of this project is to raise embankments to provide additional ash disposal volume in the Lined Ash impoundment. The project allows for the remaining ash to be disposed in a lined facility that will prevent pollutant infiltration to groundwater and then into surface water in violation of the Clean Water Act (40 CFR 122).	11/14/13	\$ 94,371	\$ 91,163
12	FCC07117	Four Corners Common South Ash Pond Seepage Intercept	The purpose of this project is to intercept seepage water emanating from the ash ponds and prevent potential seeps that could discharge into surface water that could be regulated under the Clean Water Act (40 CFR 122).	12/6/13	\$ 484,972	\$ 468,483
13	CHC07745	Cholla Unit 3 Fabric Filter Bag Replacement 2013	The purpose of this project is to ensure continued environmental compliance with Mercury and Air Toxics Standards in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement to ensure required particulate dust capture and removal.	12/11/2013	\$ 1,595,165	\$ 1,540,930
14	CHC07648	Cholla Unit 3 BART FIP SO2 Compliance	The purpose of this project is to comply with Environmental Protection Agency (EPA) regulatory requirements of maintaining a minimum of 95% SO2 removal as part of the 40 CFR 51.308(e) Best Available Retrofit Technology (BART) Federal Implementation Plan (FIP) to improve emissions. The Unit's compliance date is December 5, 2013. The scope of the project include installation of Unit scrubber Inlet continuous emissions monitoring system (CEMS) and updating of the Unit's scrubber automatic controls.	10/4/2013	\$ 762,781	\$ 736,847
15	CB4MW	Palo Verde Common Monitoring Wells	The installation of the monitor wells will satisfy the Nuclear Energy Institute Groundwater Protection Initiative (NEI GPI) initiative for the detection of inadvertent radiological releases in groundwater. The State of Arizona has governing authority for the protection of the state's groundwater aquifers and issues permits to ensure that the groundwater aquifers are not polluted. Implementation of Palo Verde's Aquifer Protection Permit (APP), including installation of monitoring wells to insure protection of groundwater, is required for continued operation of the facility.	11/15/2013	\$ 183,967	\$ 177,712

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
16	WPC0076	West Phoenix Combined Cycle Unit 5 - 5B CO Catalyst	The purpose of this project is to replace the Carbon Monoxide (CO) catalyst to ensure continued compliance with the Title V air permit requirements. Catalyst must be replaced periodically in order to ensure proper CO emission reduction and avoid a Unit derate. Description: Replace CO catalyst. (Maricopa County Rule 201§302.1(c))	04/16/2014	\$ 618,476	\$ 597,448
17	WPC05889	West Phoenix Combined Cycle Unit 5 - 5A CO Catalyst	The purpose of this project is to replace the CO catalyst to ensure continued compliance with the Title V air permit requirements. Catalyst must be replaced every 5 to 7 years in order to ensure proper performance. Description: Replace CO catalyst. (Maricopa County Rule 201§302.1(c))	04/19/2014	\$ 655,744	\$ 633,448
18	SDC05784	Sundance Units 1 & 2 CO Catalyst Replacement	The purpose of this project is to replace the CO Catalyst for Unit 1 and Unit 2 to ensure continued compliance with the Title V air permit requirements. The CO Catalyst requires periodic replacement or rejuvenation in order to ensure proper performance. The CO Catalyst for the remaining units will be replaced in subsequent years. Description: Replace Carbon-Monoxide (CO) Catalyst for Unit 1 and Unit 2.	04/21/2014	\$ 626,430	\$ 605,131
19	SDC05768	Sundance Units 1 & 2 SCR Catalyst Replacement	The purpose of this project is to replace the CO Catalyst for Unit 1 and Unit 2 to ensure continued compliance with the Title V air permit requirements. The CO Catalyst requires periodic replacement or rejuvenation in order to ensure proper performance. The CO Catalyst for the remaining units will be replaced in subsequent years. Description: Replace the Selective Catalytic Reduction (SCR) Catalyst for Unit 1 and Unit 2.	04/21/2014	\$ 653,222	\$ 631,012
20	CHC0332	Cholla Common Fly Ash Silo Vent Filter	The purpose of this project is to replace the existing two fly ash silo vent filters with three larger capacity vent filters. Future fly ash capture rate will increase due to the addition of the flue gas fabric filter and planned use of higher ash content coal. Description: Replace Fly Ash Silo Vent Filters. (A.A.C.R.18-2-702.B.3 and C)	05/01/2014	\$ 1,062,433	\$ 1,026,310
21	FCC05792	Four Corners Units 4 & 5 Dry Fly Ash Disposal Area 3	The Dry Fly Ash Disposal Area (DFADA) Site 2 facility will reach capacity by 2015. Continued operation of Units 4 & 5 requires an ash disposal facility for environmentally secure disposal per the Resource Conservation and Recovery Act. Description: Addition of a 52 acre lined dry ash disposal facility to store coal combustion residuals.	11/04/2014	\$ 3,056,309	\$ 2,952,394
22	FCC07196	Four Corners Unit 4 Fabric Filter Bag Replacement	The purpose of this project is to ensure continued environmental compliance, while maintaining unit operational performance, in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement to ensure continued high efficiency particulate dust capture and removal and compliance with the Particulate Matter (PM) standard defined in the Plant's Title V Permit. Description: Replace the fabric filter bags housed in 12 compartments of the Unit 4 Reverse Air Fabric Filter. (40CFR§49.5512)	11/15/2014	\$ 1,016,049	\$ 981,504

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
23	CHC08077	Cholla Common Bottom Ash Transfer Line Replacement	The purpose of this project is to minimize the risk of a reportable environmental incident (REI) by replacing the sections of the pipe that are at the highest risk of leaking. The existing pipe is approaching the end of its useful life. (40CFR§122)	11/17/2014	\$ 813,242	\$ 785,592
24	FCC07972	Four Corners Unit 5 Coal Burners 2E & 2F Replacement	The purpose of this project is to maintain Maximum Achievable Control Technology (MACT) and increase pulverizer efficiency by replacing two burners (E & F) on 5-2 Pulverizer. The burners are beyond repair and require replacement. Over-firing on other pulverizers causes higher emissions. Description: Replace two complete coal burners (2E & 2F) and replace the damaged windbox steel.	11/18/2014	\$ 894,668	\$ 864,249
25	FCC07197	Four Corners Unit 5 Fabric Filter Bag Replacement	The purpose of this project is to ensure continued environmental compliance, while maintaining unit operational performance, in the capture and disposal management of fly ash. The fabric filter bags are approaching the end of their serviceable life and require replacement to ensure continued high efficiency particulate dust capture and removal and compliance with the PM standard defined in the Plant's Title V Permit.	11/20/2014	\$ 994,691	\$ 960,871
26	FCC07572	Four Corners Ash Haul Road Paving	The purpose of this project is to ensure the 2.2 miles of paved haul access road are in a condition suitable for heavy trucks to drive on safely. This road is used solely for ash disposal. Description: Repave degraded portions of the haul access road to maintain adequate road conditions for ash disposal truck operations. (40CFR§49.5512)	12/02/2014	\$ 2,632,668	\$ 2,543,158
27	WPC08058	West Phoenix Combined Cycle Unit 3 CEMS DAHS Replacement	The purpose of this project is to maintain unit reliability and ensure compliance with Environmental Protection Agency (EPA) 40 CFR 75 - Part 75 Emissions Monitoring Policy. The DAHS is used by plant environmental staff for regulatory compliance reporting. Description: Replace the existing CEMS Process Control Unit (PCU) with a programmable logic controller (PLC); upgrade the existing data acquisition handling system (DAHS) server and install a firewall for secure access to the DAHS and PLC.	12/03/2014	\$ 319,542	\$ 308,678
28	RHC07714	Redhawk Common Brine Solids Drying Area Level Control Upgrade	The purpose of this project is to mitigate risk of a Reportable Environmental Incident (REI) through improving accuracy of total flow reporting to Arizona Department of Environmental Quality (ADEQ) as required by Aquifer Protection Permit, and to improve reliability of the pond LCRS pumps. Description: Install new electronic flow totalizers for the Leak Collection and Removal System (LCRS) at the existing Brine Solids Drying Area (BSSDA) pond. Repower the LCRS pumps with a feed from the 480V Water Treatment MCC, and demolish the existing solar power cent.	12/11/2014	\$ 499,727	\$ 482,736

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
29	RHC07872	Red Hawk CEMS DAHS Replacement	<p>The purpose of this project is to ensure continued compliance with Environmental Protection Agency (EPA) 40 CFR 75 - Part 75 Emissions Monitoring Policy. The DAHS is used for regulatory compliance reporting and requires an upgrade to a new platform to ensure continued OEM support. To ensure continued regulatory compliance as the existing CEMS's PCU will not be able to communicate with the upgraded DAHS server, a replacement of the CEMS's PCU with a PLC will ensure continued communication between the DAHS and CEMS. The firewall will allow the plant to receive remote support and upgrades to the DAHS and CEMS from the OEM to ensure continued up to date regulatory reporting procedures are maintained. Description: Replace the existing continuous emissions monitoring system (CEMS) process control unit (PCU) with a programmable logic controller (PLC), upgrade the existing data acquisition handling system (DAHS) server and install a firewall for secure remote access.</p>	12/16/2014	\$ 709,827	\$ 685,693
30	WPC08059	West Phoenix Combined Cycle Unit 4CEMS DAHS Replacement	<p>The purpose of this project is to ensure continued compliance with Environmental Protection Agency (EPA) 40 CFR 75 - Part 75 Emissions Monitoring Policy. The DAHS is used for regulatory compliance reporting and requires an upgrade to a new platform to ensure continued OEM support. To ensure continued regulatory compliance as the existing CEMS's PCU will not be able to communicate with the upgraded DAHS server, a replacement of the CEMS's PCU with a PLC will ensure continued communication between the DAHS and CEMS. The firewall will allow the plant to receive remote support and upgrades to the DAHS and CEMS from the OEM to ensure continued up to date regulatory reporting procedures are maintained. Description: Replace the existing continuous emissions monitoring system (CEMS) process control unit (PCU) with a programmable logic controller (PLC), upgrade the existing data acquisition handling system (DAHS) server and install a firewall for secure remote access.</p>	12/17/2014	\$ 505,956	\$ 488,753
31	FBC90391	Four Corners Unit 4 & 5 Off-Site Resin Regeneration: Polishers	<p>The purpose of this project is to eliminate on-site resin regeneration. The resin regeneration equipment in the Unit 4 & 5 "in-line" demineralizer system is to be demolished and replaced with a header designed to receive vendor supplied resin tanks. The vendor tanks are to be filled with resin that is regenerated at their facilities. Description: Bypass the resin regeneration equipment in the Unit 4 & 5 demineralizer system with vendor supplied resin tanks. Eliminates onsite wastewater discharges that have a pH outside the hazardous waste limits of the Resource Conservation and Recovery Act and Clean Water Act and National Pollution Discharge Elimination System pH requirements.</p>	12/31/2014	\$ 1,581,059	\$ 1,527,303

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
32	CHC0178	Cholla Common CP Rectifier Remote Monitoring	<p>The purpose is to monitor the operation of the cathodic protection systems on a daily basis to ensure optimum levels of cathodic protection are continually applied on metallic substructures to ensure the integrity of the substructure. Currently rectifiers are manually checked every 3-6 months to validate the cathodic protection system condition and ensure it's functionality. As underground assets age, pipeline coatings degrade which greatly increases the importance of an active cathodic protection system to mitigate corrosion. Cathodic protection systems can be out of service for extended periods, only to be discovered out of service upon a 3-6 month interval manual inspection. During this period of non-activity, the underground asset will sustain corrosion damage, eventually requiring repair and/or replacement, and causing a system and/or Unit or Plant outage. The continual application of adequate cathodic protection is a necessity to safeguard underground assets, and continual monitoring of the protection system activity is necessary to ensure continued protection of the asset, and anticipate repair to avoid extended cathodic protection system non-activity. Maintaining pipelines is necessary to prevent an unauthorized discharge that would be a violation of Aquifer Protection Permit (APP) regulations (A.R.S. §§ 49-201(12) and 241(A)).</p>	8/18/2014	\$ 99,241	\$ 95,866
33	CHC04225	Cholla Unit 1 DAHS-CEMS Upgrade Phase 1	<p>The purpose of this project is to ensure continued compliance with Environmental Protection Agency (EPA) 40 CFR 75 - Part 75 Emissions Monitoring Policy. The DAHS is used for regulatory compliance reporting and requires an upgrade to a new platform to ensure continued OEM support. To ensure continued regulatory compliance as the existing CEMS's PCU will not be able to communicate with the upgraded DAHS server, a replacement of the CEMS's PCU with a PLC will ensure continued communication between the DAHS and CEMS. The firewall will allow the plant to receive remote support and upgrades to the DAHS and CEMS from the OEM to ensure continued up to date regulatory reporting procedures are maintained. (Clean Air Act Title V permit)</p>	10/24/2014	\$ 911,808	\$ 880,807
34	CHC07536	Cholla Unit 3 DAHS-CEMS Upgrade Phase 1	<p>The purpose of this project is to ensure continued compliance with Environmental Protection Agency (EPA) 40 CFR 75 - Part 75 Emissions Monitoring Policy. To ensure continued regulatory compliance as the existing CEMS's PCU will not be able to communicate with the upgraded DAHS server (upgraded under CHC04225), a replacement of the CEMS's PCU with a PLC will ensure continued communication between the DAHS and CEMS.</p>	11/25/2014	\$ 333,521	\$ 322,182
35	CHC07627	Cholla Unit 3 Cooling Tower Chemical Treatment Tanks Replacement	<p>The purpose of this project is to mitigate the risk of violating the plant's Aquifer Protection Permit (APP) from chemical leaks by reducing the amount of acid and bleach piping and fittings between the chemical tanks and cooling tower and by installing Alloy 20 acid piping and double walled bleach piping. Furthermore, the project ensures unit reliability and availability because the existing acid tank has reached the end of its useful life.</p>	12/15/2014	\$ 1,701,572	\$ 1,643,719

Line No.	(A) Project Tracking Number	(B) Project Name	(C) Purpose	(D) In-Service Date	(E) Total Cost	(F) ACC Jurisdictional Cost
36	FCC06440	Four Corners Unit 4 Baghouse & SO2 Instru Air Dryers Repl	<p>The dryers were installed in 1981 and have reached the end of their service life. Ultrasonic testing indicates that the vessels are deteriorating. The inspection report dated November 16, 2009 by OEM representative Mesa Equipment indicated that vessel corrosion is causing filter blockage, desiccant contamination and valve malfunction. The OEM representative also indicates that the air dryers are operating at pressure dew points above design and that the air dryers will no longer achieve operation at design pressure dew points due to the deteriorated condition. Piping modifications and mist eliminators were recommended by IZ Systems Inc in their Compressed Air System Audit Final Report dated July 2010. The piping modifications purpose is to place the air receivers downstream of the dryers. The current configuration is that the receivers are upstream of the air dryers. This configuration causes overloading of the dryers when the downstream pressure decays and which for short periods of time the air flow can be 150% of design causing liquids to pass through the dryers. Continued operation of the dryers in their present condition risks maintaining unit reliability and the possibility of a unit forced outage and lost production. (40CFR\$49.5512)</p>	1/30/2014	\$ 1,094,081	\$ 1,056,883
Totals					\$ 26,019,393	\$ 25,134,733

CONFIDENTIAL

Schedule 2: Capital Carrying Costs and Adjustor Calculation

Plant in Service Calendar Year 2012 - 2014

Billing Period 4/1/2015 - 3/31/2016

Line No.	EIS Calculation	
Qualified Plant		
1.	Environmental Improvement Projects (Schedule 1, Total Line Column F)	\$25,134,733
2.	Accumulated Depreciation ¹	
3.	Cumulative Deferred Tax/Tax Credits ¹	
4.	Qualified Net Plant (Line 1 - Line 2 - Line 3) ¹	
5.	Pre-tax Weighted Average Cost of Capital	11.8560%
Capital Carrying Cost		
6.	Composite Return on EIS Net Plant (Line 4 * Line 5) ¹	
7.	Annual Depreciation of Plant In Service ¹	
8.	Applicable Property Tax ¹	
9.	Associated O&M Expense ¹	
10.	Total EIS Revenue Requirement (Line 6 + Line 7 + Line 8 + Line 9) ¹	
11.	Total Company Sales ^{1,2}	
12.	Calculated EIS Adjustment (\$/kWh) (line 10/Line 11)	\$ 0.000109
13.	EIS Rate Cap (\$/kWh)	\$ 0.000160
14.	EIS Rate (\$/kWh) (Lesser of Line 12 and Line 13)	\$ 0.000109

Note: ¹ The information provided on lines 2 through 4 and lines 6 through 11 in this document is confidential until APS files its Form 10K for the year ending on December 31, 2014 (no later than end of first quarter 2015), at which time the information will be made public.

² Calendar year 2014 actual retail sales less kWh sales for Rate Schedule E-36-XL and Rate Rider AG-1.

Non Red Lined Version



**ADJUSTMENT SCHEDULE EIS
ENVIRONMENTAL IMPROVEMENT SURCHARGE**

APPLICATION

The Environmental Improvement Surcharge ("EIS") shall apply to all retail Standard Offer service excluding Rate Schedules E-36 XL, and AG-1. All provisions of the customer's current applicable rate schedule shall apply in addition to charges under this Adjustment Schedule EIS.

The EIS was approved by the Arizona Corporation Commission ("ACC") in Decision No. 69663 and Decision No. 73183.

The EIS recovers the cost associated with investment and expenses for environmental improvements at APS' generation facilities that the ACC has approved for recovery. Approved environmental improvements include those implemented on or after January 1, 2004, for which costs have not been fully recovered under current approved rates, ongoing environmental improvement projects and environmental improvement projects designed to comply with prospective environmental standards required by federal, state, tribal, or local laws or regulations.

RATE

The charge shall be calculated at the following rate:

EIS

All kWh

\$0.000109 per kWh

Red Lined Version



**ADJUSTMENT SCHEDULE EIS
ENVIRONMENTAL IMPROVEMENT SURCHARGE**

APPLICATION

The Environmental Improvement Surcharge ("EIS") shall apply to all retail Standard Offer service excluding Rate Schedules E-36 XL, and AG-1. All provisions of the customer's current applicable rate schedule shall apply in addition to charges under this Adjustment Schedule EIS.

The EIS was approved by the Arizona Corporation Commission ("ACC") in Decision No. 69663 and Decision No. 73183.

The EIS recovers the cost associated with investment and expenses for environmental improvements at APS' generation facilities that the ACC has approved for recovery. Approved environmental improvements include those implemented on or after January 1, 2004, for which costs have not been fully recovered under current approved rates, ongoing environmental improvement projects and environmental improvement projects designed to comply with prospective environmental standards required by federal, state, tribal, or local laws or regulations.

RATE

The charge shall be calculated at the following rate:

EIS

All kWh

~~\$0.000021000109~~ per kWh

ARIZONA PUBLIC SERVICE COMPANY
EIS projected impact

AVERAGE MONTHLY BILL IMPACTS

	Current		Proposed		% Impact
	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	
Residential (Avg - All Rates)	1,100				
Average kWh per Month					
Base Rates	\$ 123.90	\$ 123.90			
PSA	\$ 1.71	\$ 1.71			
TCA	\$ 7.70	\$ 7.70			
RES	\$ 4.42	\$ 4.42			
DSMAC	\$ 2.03	\$ 2.03			
EIS	\$ 0.03	\$ 0.12	\$ 0.09		0.06%
Four Corners	\$ 2.52	\$ 2.52			
LFCR	\$ 1.36	\$ 1.36			
Total	\$ 143.67	\$ 143.76	\$ 0.09		0.06%

	Current		Proposed		% Impact
	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	
Residential (Rate E-12)	691				
Average kWh per Month					
Base Rates	\$ 86.40	\$ 86.40			
PSA	\$ 1.08	\$ 1.08			
TCA	\$ 4.84	\$ 4.84			
RES	\$ 4.42	\$ 4.42			
DSMAC	\$ 1.28	\$ 1.28			
EIS	\$ 0.02	\$ 0.08	\$ 0.06		0.06%
Four Corners	\$ 1.75	\$ 1.75			
LFCR	\$ 0.95	\$ 0.95			
Total	\$ 100.74	\$ 100.80	\$ 0.06		0.06%

	Current		Proposed		% Impact
	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	
Commercial XS (E-32)	1,430				
Average kWh per Month					
Base Rates	\$ 202.38	\$ 202.38			
PSA	\$ 2.23	\$ 2.23			
TCA	\$ 3.73	\$ 3.73			
RES	\$ 15.82	\$ 15.82			
DSMAC	\$ 2.64	\$ 2.64			
EIS	\$ 0.03	\$ 0.16	\$ 0.13		0.06%
Four Corners	\$ 4.11	\$ 4.11			
LFCR	\$ 2.20	\$ 2.20			
Total	\$ 233.14	\$ 233.27	\$ 0.13		0.06%

SEASONAL BILL IMPACTS

	Current		Proposed		% Impact
	Summer Monthly Bill	Winter Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	
Base Rates	\$ 1,337	\$ 863	\$ 1,337	\$ 863	
PSA	\$ 161.07	\$ 86.72	\$ 161.07	\$ 86.72	
TCA	\$ 2.08	\$ 1.34	\$ 2.08	\$ 1.34	
RES	\$ 9.36	\$ 6.04	\$ 9.36	\$ 6.04	
DSMAC	\$ 4.42	\$ 4.42	\$ 4.42	\$ 4.42	
EIS	\$ 2.47	\$ 1.59	\$ 2.47	\$ 1.59	
Four Corners	\$ 0.03	\$ 0.02	\$ 0.15	\$ 0.09	
LFCR	\$ 3.27	\$ 1.76	\$ 3.27	\$ 1.76	
Total	\$ 184.44	\$ 102.86	\$ 184.56	\$ 102.93	

	Current		Proposed		% Impact
	Summer Monthly Bill	Winter Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	
Base Rates	\$ 780	\$ 602	\$ 780	\$ 602	
PSA	\$ 108.04	\$ 64.76	\$ 108.04	\$ 64.76	
TCA	\$ 1.22	\$ 0.94	\$ 1.22	\$ 0.94	
RES	\$ 5.46	\$ 4.22	\$ 5.46	\$ 4.22	
DSMAC	\$ 4.42	\$ 4.42	\$ 4.42	\$ 4.42	
EIS	\$ 1.44	\$ 1.11	\$ 1.44	\$ 1.11	
Four Corners	\$ 0.02	\$ 0.01	\$ 0.09	\$ 0.07	
LFCR	\$ 2.19	\$ 1.31	\$ 2.19	\$ 1.31	
Total	\$ 123.96	\$ 77.50	\$ 124.03	\$ 77.56	

	Current		Proposed		% Impact
	Summer Monthly Bill	Winter Monthly Bill	Summer Monthly Bill	Winter Monthly Bill	
Base Rates	\$ 1,575	\$ 1,285	\$ 1,575	\$ 1,285	
PSA	\$ 233.37	\$ 171.39	\$ 233.37	\$ 171.39	
TCA	\$ 2.45	\$ 2.00	\$ 2.45	\$ 2.00	
RES	\$ 4.11	\$ 3.35	\$ 4.11	\$ 3.35	
DSMAC	\$ 17.42	\$ 14.21	\$ 17.42	\$ 14.21	
EIS	\$ 2.91	\$ 2.37	\$ 2.91	\$ 2.37	
Four Corners	\$ 0.03	\$ 0.03	\$ 0.17	\$ 0.14	
LFCR	\$ 4.74	\$ 3.48	\$ 4.74	\$ 3.48	
Total	\$ 267.55	\$ 198.70	\$ 267.69	\$ 198.81	

ARIZONA PUBLIC SERVICE COMPANY
EIS projected Impact

AVERAGE MONTHLY BILL IMPACTS

	Current		Proposed		\$ Impact	% Impact
	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	Average Monthly Bill ^{1,2}	Average Monthly Bill ^{1,2}		
Commercial S (E-32)	7,182	7,182	7,182	7,182		
Average kWh per Month	23.7	23.7	23.7	23.7		
Base Rates	\$ 842.33	\$ 842.33	\$ 842.33	\$ 842.33		
PSA	\$ 11.18	\$ 11.18	\$ 11.18	\$ 11.18		
TCA	\$ 19.48	\$ 19.48	\$ 19.48	\$ 19.48		
RES	\$ 79.44	\$ 79.44	\$ 79.44	\$ 79.44		
DSMAC	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50		
EIS	\$ 0.15	\$ 0.78	\$ 0.78	\$ 0.78	\$ 0.63	0.06%
Four Corners	\$ 17.10	\$ 17.10	\$ 17.10	\$ 17.10		
LFCR	\$ 9.38	\$ 9.38	\$ 9.38	\$ 9.38		
Total	\$ 995.56	\$ 996.19	\$ 996.19	\$ 996.19	\$ 0.63	0.06%

SEASONAL BILL IMPACTS

	Current		Proposed		\$ Impact	% Impact
	Summer Monthly Bill	Winter Monthly Bill	Summer Monthly Bill	Winter Monthly Bill		
Commercial - M (E-32)	68,381	56,094	68,381	56,094		
Average kWh per Month	209.5	181.8	209.5	181.8		
Base Rates	\$ 7,407.24	\$ 5,454.95	\$ 7,407.24	\$ 5,454.95		
PSA	\$ 106.47	\$ 87.34	\$ 106.47	\$ 87.34		
TCA	\$ 172.21	\$ 149.44	\$ 172.21	\$ 149.44		
RES	\$ 276.50	\$ 276.50	\$ 276.50	\$ 276.50		
DSMAC	\$ 145.81	\$ 126.53	\$ 145.81	\$ 126.53		
EIS	\$ 1.44	\$ 7.45	\$ 7.45	\$ 7.45	\$ 5.47	0.07%
Four Corners	\$ 150.37	\$ 110.74	\$ 150.37	\$ 110.74		
LFCR	\$ 78.54	\$ 59.02	\$ 78.54	\$ 59.02		
Total	\$ 8,338.58	\$ 6,265.70	\$ 8,344.65	\$ 6,270.68	\$ 6.11	0.08%

Commercial - M (E-32)

	Current		Proposed		\$ Impact	% Impact
	Average Monthly Bill ¹	Average Monthly Bill ^{1,2}	Average Monthly Bill ^{1,2}	Average Monthly Bill ^{1,2}		
Commercial - L (E-32)	290,507	290,507	290,507	290,507		
Average kWh per Month	716.5	716.5	716.5	716.5		
Base Rates	\$ 24,707.54	\$ 24,707.54	\$ 24,707.54	\$ 24,707.54		
PSA	\$ 452.32	\$ 452.32	\$ 452.32	\$ 452.32		
TCA	\$ 588.97	\$ 588.97	\$ 588.97	\$ 588.97		
RES	\$ 553.00	\$ 553.00	\$ 553.00	\$ 553.00		
DSMAC	\$ 498.69	\$ 498.69	\$ 498.69	\$ 498.69		
EIS	\$ 6.10	\$ 31.67	\$ 31.67	\$ 31.67	\$ 25.57	0.09%
Four Corners	\$ 501.57	\$ 501.57	\$ 501.57	\$ 501.57		
LFCR	\$ -	\$ -	\$ -	\$ -		
Total	\$ 27,308.19	\$ 27,333.76	\$ 27,333.76	\$ 27,333.76	\$ 25.57	0.09%

Commercial - L (E-32)

	Current		Proposed		\$ Impact	% Impact
	Summer Monthly Bill	Winter Monthly Bill	Summer Monthly Bill	Winter Monthly Bill		
Commercial - L (E-32)	314,925	266,089	314,925	266,089		
Average kWh per Month	795	638	795	638		
Base Rates	\$ 29,453.69	\$ 19,961.38	\$ 29,453.69	\$ 19,961.38		
PSA	\$ 490.34	\$ 414.30	\$ 490.34	\$ 414.30		
TCA	\$ 653.49	\$ 524.44	\$ 653.49	\$ 524.44		
RES	\$ 553.00	\$ 553.00	\$ 553.00	\$ 553.00		
DSMAC	\$ 553.32	\$ 444.05	\$ 553.32	\$ 444.05		
EIS	\$ 6.61	\$ 5.59	\$ 34.33	\$ 29.00	\$ 25.57	0.09%
Four Corners	\$ 597.91	\$ 405.22	\$ 597.91	\$ 405.22		
LFCR	\$ -	\$ -	\$ -	\$ -		
Total	\$ 32,308.36	\$ 22,307.98	\$ 32,336.08	\$ 22,331.39	\$ 25.57	0.09%

ARIZONA PUBLIC SERVICE COMPANY
EIS projected Impact

AVERAGE MONTHLY BILL IMPACTS

	Average Monthly Bill		Average Monthly Bill ^{1,2}	\$ Impact	% Impact
	Current	Proposed			
Industrial - XL (E-34.35)	3,693,933	3,693,933			
Average kWh per Month	6,369.5				
Base Rates	\$ 251,228.00	\$ 251,228.00			
PSA	\$ 5,751.45	\$ 5,751.45			
TCA	\$ 7,433.21	\$ 7,433.21			
RES	\$ 3,594.00	\$ 3,594.00			
DSMAC	\$ 4,433.18	\$ 4,433.18			
EIS	\$ 77.58	\$ 402.64		\$ 325.06	0.12%
Four Corners	\$ 5,099.93	\$ 5,099.93			
LFCR	\$ -	\$ -			
Total	\$ 277,617.35	\$ 277,942.41		\$ 325.06	0.12%

SEASONAL BILL IMPACTS

	Current		Proposed	
	Summer Monthly Bill	Winter Monthly Bill	Summer Monthly Bill	Winter Monthly Bill
	3,841,873	3,841,873	3,841,873	3,545,992
	6,681	6,681	6,681	6,058
	\$ 262,539.00	\$ 262,539.00	\$ 262,539.00	\$ 239,917.00
	\$ 5,981.79	\$ 5,981.79	\$ 5,981.79	\$ 5,521.11
	\$ 7,796.73	\$ 7,796.73	\$ 7,796.73	\$ 7,069.69
	\$ 3,594.00	\$ 3,594.00	\$ 3,594.00	\$ 3,594.00
	\$ 4,649.98	\$ 4,649.98	\$ 4,649.98	\$ 4,216.37
	\$ 80.68	\$ 418.76	\$ 418.76	\$ 386.51
	\$ 5,329.54	\$ 5,329.54	\$ 5,329.54	\$ 4,870.32
	\$ -	\$ -	\$ -	\$ -
	\$ 289,971.72	\$ 289,971.72	\$ 290,309.80	\$ 265,575.00

Notes:

- (1) Bill excludes regulatory assessment charge, taxes and fees. All Adjustor levels in effect as of January 1, 2015.
- (2) Bill includes the projected impact to customers of the proposed EIS adjustor.