



0000162360

1 Thomas A. Loquvam, AZ Bar No. 024058  
 2 Thomas L. Mumaw, AZ Bar No. 009223  
 3 Pinnacle West Capital Corporation  
 4 400 North 5<sup>th</sup> Street, MS 8695  
 5 Phoenix, Arizona 85004  
 6 Tel: (602) 250-3631  
 7 Fax: (602) 250-3393  
 8 E-Mail: [Thomas.Loquvam@pinnaclewest.com](mailto:Thomas.Loquvam@pinnaclewest.com)  
 9 [Thomas.Mumaw@pinnaclewest.com](mailto:Thomas.Mumaw@pinnaclewest.com)

RECEIVED

2015 JUN 19 P 3: 01

AZ CORP COMMISSION  
DOCKET CONTROL

ORIGINAL

Attorneys for Arizona Public Service Company

**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

11 SUSAN BITTER SMITH, Chairman  
 12 BOB STUMP  
 13 BOB BURNS  
 14 DOUG LITTLE  
 15 TOM FORESE

Arizona Corporation Commission

DOCKETED

JUN 19 2015

DOCKETED BY	
-------------	--

16 IN THE MATTER OF THE APPLICATION  
 17 OF ARIZONA PUBLIC SERVICE  
 18 COMPANY FOR A HEARING TO  
 19 DETERMINE THE FAIR VALUE OF THE  
 20 UTILITY PROPERTY OF THE COMPANY  
 21 FOR RATEMAKING PURPOSES, TO FIX  
 22 A JUST AND REASONABLE RATE OF  
 23 RETURN THEREON, TO APPROVE RATE  
 24 SCHEDULES DESIGNED TO DEVELOP  
 25 SUCH RETURN.

DOCKET NO. E-01345A-11-0224

**WITHDRAWAL OF OPPOSITION  
 TO AG-1 CUSTOMERS' AND AG  
 GENERATION SERVICE  
 PROVIDERS' JOINT MOTION TO  
 EXTEND EXPERIMENTAL RATE  
 RIDER SCHEDULE AG-1;  
 REQUEST FOR ACCOUNTING  
 DEFERRAL ORDER**

21 On November 20, 2014, a group of APS customers presently taking service under  
 22 Schedule AG-1 ("AG-1 Customers") and several providers of that service ("AG  
 23 Generation Service Providers") filed a Joint Motion with the Arizona Corporation  
 24 Commission ("Commission") requesting an extension of Schedule AG-1 beyond its  
 25 present termination date of July 1, 2016 ("Joint Motion") until a final decision is issued  
 26 by the Commission in APS' next general rate case. On December 1, 2014, Arizona  
 27  
 28

1 Public Service Company ("APS" or "Company") filed a Response in Opposition to the  
2 Joint Motion ("Response").  
3

4 On March 10, 2015, Commissioner Doug Little filed a letter in the Docket  
5 ("Commissioner Little Letter") requesting that APS and the Joint Movants meet and  
6 attempt to resolve issues in a manner that would permit an extension of the AG-1  
7 program until the conclusion of the Company's next general rate case. In response to the  
8 Commissioner Little Letter, APS and the Joint Movants met on several occasions and  
9 came to an agreement as set forth below.

10 **WITHDRAWAL OF APS OPPOSITION TO THE JOINT MOTION**  
11 **AND**  
12 **APS REQUEST FOR AN ACCOUNTING DEFERRAL ORDER**

13 The basics of the agreement between APS and the Joint Movants are simple. APS  
14 withdraws its opposition to the Joint Motion (no other party in this Docket has opposed  
15 the Joint Motion), and to reduce the possibility of an adverse financial impact on the  
16 Company from continuance of the AG-1 program (discussed at length in the Company's  
17 December 1, 2014 Response) after July 1, 2016, APS would be permitted to defer for  
18 future recovery 90% of the first \$10 million in unmitigated unrecovered costs  
19 (essentially unrecovered non-fuel costs of generation less the sum of (i) revenues  
20 produced by the administrative fees, (ii) capacity reservation charges associated with  
21 Rate Schedule AG-1, and (iii) a portion of off-system sales margins) in each 12 month  
22 period following June 30, 2016 and 100% of such unmitigated unrecovered costs over  
23 \$10 million in each similar period.<sup>1</sup> Deferrals would end with the conclusion of APS's  
24 next general rate case unless continued by order of the Commission in that rate case.<sup>2</sup>

25 \_\_\_\_\_  
26 <sup>1</sup> If the period is less than 12 months because of the timing of a decision in the Company's next general  
27 rate case, APS would defer 90% of any unmitigated unrecovered costs up to \$10 million (i.e., \$9  
28 million) and 100% of unmitigated unrecovered costs over \$10 million incurred during such shorter  
period.

<sup>2</sup> In that regard, APS intends to file its next general rate case application during the second quarter of  
2016, with a request for new rates to be effective no later than July 1, 2017.

1 Neither APS nor the Joint Movants will propose or support recovery of any amounts  
2 deferred pursuant to this request from APS residential customers.

3 In order for the Company to recognize an accounting deferral on its books of  
4 account, the Commission language authorizing such a deferral must be clear and  
5 unequivocal about what is being deferred and the potential for the deferral's recovery in  
6 rates in a specific future rate proceeding. Thus, APS urges that any Order granting the  
7 Joint Motion and the Company's related request for an accounting deferral order contain  
8 language substantially as follows as part of its ordering language:

9  
10 IT IS FURTHER ORDERED that Arizona Public Service  
11 Company's request for an accounting order permitting it to defer and  
12 capitalize, for later recovery through regulated rates, the unrecovered  
13 generation costs imputed to AG-1 customers, including a debt and equity  
14 return is granted. APS will be permitted to defer 90% of the first \$10  
million of unrecovered costs in each 12 month period following June 30,  
2016 and 100% of such unrecovered costs over \$10 million in each similar  
period. The unrecovered generation costs imputed to AG-1 customers shall  
be calculated using the generation rate established in the last rate case and  
which would normally be applicable to each participating AG-1 customer.

15 IT IS FURTHER ORDERED that the accumulated deferred balance,  
16 including the related deferred return, associated with all amounts deferred  
17 pursuant to this Decision will be included in cost of service and rate base  
18 for ratemaking purposes.<sup>3</sup> Nothing in this Decision shall be construed to  
limit the Commission's authority to review such balance and to make  
disallowances thereof due to imprudence, errors or inappropriate  
application of requirements of this Decision.

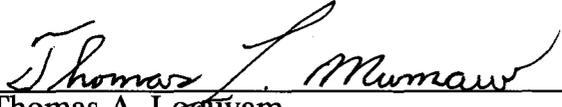
### 19 20 CONCLUSION

21 APS believes the agreement described above, if approved by the Commission,  
22 allows the AG-1 program to continue after July 1, 2016 and provides APS some  
23 protection against any adverse economic impact on the Company of such a continuance.  
24 At the same time, the agreement protects residential customers while not requiring the  
25 Commission or any other party (including Staff) to take a position at this time on who

26  
27 <sup>3</sup> The use of the word "return" in this context does not mean or imply that APS will be allowed to defer a  
28 rate of return on amounts deferred during the deferral period. The word merely is meant to acknowledge  
that a component of the Company's unrecovered generation costs is composed of debt and equity  
returns.

1 ultimately pays for recovery of the deferrals and over what period of time – decisions  
2 appropriately left to APS's next general rate case.

3 RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of June 2015.

4  
5 By:   
6 Thomas A. Lequivam  
7 Thomas L. Mumaw

8 Attorneys for Arizona Public Service Company  
9

10 ORIGINAL and thirteen (13) copies  
11 of the foregoing filed this 19<sup>th</sup> day of  
12 June 2015, with:

13 Docket Control  
14 ARIZONA CORPORATION COMMISSION  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

17 COPY of the foregoing delivered/mailed this  
18 19<sup>th</sup> day of June 2015, to:

19 Dwight Nodes  
20 Acting Chief Administrative Law Judge  
21 Arizona Corporation Commission  
22 1200 West Washington  
23 Phoenix, Arizona 85007

Steve Olea  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

24 Janice Alward  
25 Legal Division  
26 Arizona Corporation Commission  
27 1200 West Washington  
28 Phoenix, Arizona 85007

Daniel Pozefsky  
Chief Counsel  
Residential Utility Consumer Office  
1110 West Washington  
Phoenix, Arizona 85007

C. Webb Crockett  
Patrick J. Black  
Fennemore Craig  
2394 East Camelback Road, Suite 600  
Phoenix, Arizona 85016-3429

Timothy Hogan  
Arizona Center for Law in the Public  
Interest  
202 East McDowell Road, Suite 153  
Phoenix, Arizona 85004

David Berry  
Jody M. Kyler  
Western Resource Advocates  
P.O. Box 1064  
Scottsdale, AZ 85252-1064

Barbara Wyllie-Pecora  
14410 West Gunsight Drive  
Sun City West, Arizona 85375

1	Michael A. Curtis William P. Sullivan	Nicholas J. Enoch Lubin & Enoch, P.C.
2	Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C.	349 North Fourth Avenue Phoenix, Arizona 85003
3	501 East Thomas Road Phoenix, Arizona 85012-3205	
4	Greg Patterson	Stephen J. Baron
5	Munger Chadwick PLC	J. Kennedy & Associates
6	2398 East Camelback Road, Suite 240 Phoenix, Arizona 85016	570 Colonial Park Drive, Suite 305 Roswell, Georgia 30075
7	Jeff Schlegel	Kurt J. Boehm
8	SWEEP Arizona Representative	Jody M. Kyler
9	1167 West Samalayuca Drive Tucson, Arizona 85704-3224	Boehm, Kurtz & Lowry 36 East Seventh Street, Suite 1510 Cincinnati, Ohio 45202
10	John William Moore, Jr.	Jeffrey W. Crockett
11	Moore Genham & Beaver, PLC	Brownstein Hyatt Farber Schreck LLP
12	7321 North 16th Street Phoenix, AZ 85020	One East Washington Street, Suite 2400 Phoenix, Arizona 85004
13	Michael W. Patten	Michael M. Grant
14	Roshka DeWulf & Patten, PLC	Gallagher & Kennedy, P.A.
15	One Arizona Center	2575 East Camelback Road, 11 <sup>th</sup> Floor
16	400 East Van Buren Street, Suite 800 Phoenix, Arizona 82004	Phoenix, Arizona 85016-9225
17	Bradley S. Carroll	Cynthia Zwick
18	Tucson Electric Power Company	1940 East Luke Avenue
19	P.O. Box 711	Phoenix, Arizona 85016
20	88 East Broadway Boulevard MS HQE910	
21	Tucson, Arizona 85701	
22	Gary Yaquinto	Karen S. White
23	President & CEO	Air Force Utility Law Field Support Center
24	Arizona Utility Investors Association	AFLOA/JACL-ULT
25	2100 North Central Avenue, Suite 210	139 Barnes Drive
26	Phoenix, Arizona 85004	Tyndall Air Force Base, Florida 32403
27	Craig A. Marks	Jay I. Moyes
28	Craig A. Marks, PLC	Steven Wene
	10645 North Tatum Boulevard	Moyes Sellers & Hendricks, Ltd.
	Suite 200-676	1850 North Central Avenue, Suite 1100
	Phoenix, Arizona 85028	Phoenix, Arizona 85004
	Jeffrey J. Woner	Lawrence Robertson, Jr.
	K.R. Saline & Associates., PLC	Of Counsel to Munger Chadwick, PLC
	160 North. Pasadena, Suite 101	P.O. Box 1448
	Mesa, Arizona 85201	Tubac, Arizona 85644

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Scott Wakefield  
Ridenour, Hienton & Lewis, PLLC  
201 North Central Avenue, Suite 3300  
Phoenix, Arizona 85004-1052

Laura Sanchez  
National Resources Defense Counsel  
P.O. Box 287  
Albuquerque, New Mexico 87120

Amanda Ormond  
Interwest Energy Alliance  
7650 South McClintock Drive  
Suite 103-282  
Tempe, Arizona 85284

Nellis Kennedy-Howard  
Travis Ritchie  
Sierra Club Environmental Law Program  
85 Second Street, 2<sup>nd</sup> Floor  
San Francisco, California 94105

Steve Chriss  
Wal-Mart Stores  
2011 S.E. 10th Street  
Bentonville, Arkansas 72716-0550

Douglas Fant  
Law Offices of Douglas V. Fant  
3655 West Anthem Way, Suite A-109  
PMB 411  
Anthem, Arizona 85086

Samuel T. Miller  
USAF Utility Law Field Support Center  
139 Barnes Avenue, Suite 1  
Tyndall Air Force Base, Florida 32403

Robert Metli  
Munger Chandwick, PLC  
2398 East Camelback Road, Suite 240  
Phoenix, Arizona 85016



---