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State Regulation and Compliance

Mail Station 9712
PO Box 53999
Phoenix, Arizona 85072-3999
Tel 602-250-3341
Kerri.Carnes@aps.com

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AZ CORP COMMISSION
DOCKET CONTROL

December 23, 2015

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

Arizona Corporation Commission

DOCKETED

DEC 23 2015

RE: Arizona Public Service Company
AG-1 Experimental Rate Rider
Docket No. E-01345A-11-0224



In Decision No. 75322, APS was ordered to:

"...file an AG-1 plan of administration, for Commission approval, within 30 days of the effective date of a Commission decision to extend the AG-1 rate."

Attached please find for Commission approval the Company's Plan of Administration for the AG-1 Deferral approved in Decision No. 75322.

Sincerely,

Kerri A. Carnes

KC/bgs

cc: Parties of Record
Tom Broderick
Terri Ford
Eric Van Epps

* Copies of the foregoing delivered/mailed this 23rd
day of December, 2015, to:

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

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

Kurt Boehm
Attorney
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202

Thomas Broderick
Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Bradley Carroll
88 East Broadway Blvd.
Mail Stop HQE910
P.O. Box 711
Tucson, AZ 85702

Steve Chriss
Senior Manager, Energy Regulatory Analysis
Walmart Stores
2001 Southeast 10th Street
Bentonville, AR 72716-5530

Jennifer Cranston
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, AZ 85016-9225

C. Webb Crockett
Attorney
Fennemore Craig
2394 East Camelback Road, Suite 600
Phoenix, AZ 85016

Jeffrey Crockett
Attorney
Brownstein Hyatt Farber Schreck LLP
One East Washington Street, Suite 2400
Phoenix, AZ 85004

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

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

Douglas Fant
Law Offices of Douglas V. Fant
3655 W. Anthem Way, Suite A-109, PMB 411
Anthem, AZ 87193

• Copies of the foregoing delivered/mailed this 23rd
day of December, 2015, to:

Meghan Grabel
Osborn Maledon, P.A.
2929 North Central Avenue
Phoenix, AZ 85012

Timothy Hogan
Attorney
Arizona Center for Law in the Public Interest
202 E. McDowell Road, Suite 153
Phoenix, AZ 85004

Nellis Kennedy-Howard
Sierra Club
85 Second Street
San Francisco, CA 94105

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

Lissa Maldonado-Kiser
Safeway, Inc.
5918 Stoneridge Mall Road
Pleasanton, California 94588

Craig Marks
Attorney
AURA
10645 N. Tatum Blvd. Ste. 200-676
Phoenix, AZ 85028

Robert Melti
Munger Chadwick, P.L.C.
2398 East Camelback Road, Suite 240
Phoenix, AZ 85016

Samuel Miller
139 Barnes Ave., Ste. 1
Tyndall AFB, FL 32403

John William Moore
Attorney
7321 North 16th Street
Phoenix, AZ 85020

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

Dwight Nodes
Chief Administrative Law Judge
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Amanda Ormond
Southwest Representative
Interwest Energy Alliance
7650 S. McClintock Dr., Suite 103-282
Tempe, AZ 85284

Copies of the foregoing delivered/mailed this 23rd
day of December, 2015, to:

Michael Patten
Attorney
SNELL & WILMER L.L.P.
One Arizona Center
400 E. Van Buren Street, Suite 1900
Phoenix, AZ 85004-2202

Greg Patterson
Attorney
Munger Chadwick
916 West Adams Suite 3
Phoenix, AZ 85007

Daniel Pozefsky
Chief Counsel
RUCO
1110 W. Washington, Suite 220
Phoenix, AZ 85007

Travis Ritchie
Sierra Club
85 Second Street, 2nd Floor
San Fransico, CA 94105

Lawrence Robertson, Jr.
Attorney At Law
2247 East Frontage Road, Suite 1
P.O. Box 1448
Tubac, AZ 85646

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

Jeff Schlegel
SWEEP
1167 W. Samalayuca Dr.
Tucson, AZ 85704

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

Scott Wakefield
Attorney
Hienton & Curry, P.L.L.C.
5045 N. 12th Street, Suite 110
Phoenix, AZ 85014-3302

Karen White
Attorney
Air Force Utility Law Field Support Center
AFLOA/JACL-ULFSC, 139 Barnes Drive
Tyndall AFB, FL 32403

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

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

- Copies of the foregoing delivered/mailed this 23rd day of December, 2015, to:

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

Cynthia Zwick
2700 N. 3rd Street, Suite 3040
Phoenix, AZ 85004



**Alternative Generation (“AG-1”) Deferral
Plan of Administration**

1. General Description

This document describes the plan of administration of the deferral for the AG-1 rate rider approved for Arizona Public Service Company (“APS” or “Company”) by the Arizona Corporation Commission (“ACC”) on November 25, 2015 in Decision No. 75322. The AG-1 rate rider is a buy-through rate that provides an opportunity for a limited number of industrial and large commercial customers to arrange for an alternate source of generation in lieu of APS’s standard bundled generation service.

2. Deferral Description

APS is permitted to defer for possible future recovery 90 percent up to \$10,000,000 and 100 percent above \$10,000,000 in unmitigated unrecovered costs for every 12 month period after June 30, 2016 and until new rates become effective, with deferrals subject to review in the Company’s next rate case. No amount of the deferral shall be recovered from residential customers.

3. Deferral Components

APS Generation Retail Unrecovered Costs – Revenue from unbundled retail generation rate that APS would have recovered absent the AG-1 program.

Avoided Fuel Costs – Base cost of fuel and purchased power as recorded in Schedule 2 of APS’s monthly PSA compliance filing.

AG-1 Specific Charges – Monthly management fee and reserve capacity charge applied to participating customers’ bills.

Wholesale Margins – Off system margin attributable to the AG-1 program as recorded in Schedule 3 of APS’s monthly PSA compliance filing.

Unmitigated Unrecovered Costs – APS Generation Retail Unrecovered Costs minus Avoided Fuel Costs, AG-1 Specific Charges and Wholesale Margins.



**PLAN OF ADMINISTRATION
ALTERNATIVE GENERATION DEFERRAL**

4. Deferral Calculation

Calculation for the APS Generation Retail Unrecovered Costs, Avoided Fuel Costs and AG-1 Specific Charges will be calculated specific to each service account enrolled in the AG-1 program. APS Generation Retail Unrecovered Costs for each customer will be calculated according to their monthly billing determinants and the unbundled generation charges on their retail rate. Avoided Fuel Costs will be calculated based on each customer's monthly kWh and the base fuel rate found in Schedule 2 of APS's monthly PSA compliance filing. The lost revenue and fuel costs associated with the PSA fuel adjustor rate are not specifically included as they net out to zero. AG-1 Specific Charges will be obtained from each specific customer's monthly bills. Wholesale Margins will be applied to each service account enrolled in the AG-1 program by pro rata MWh share.

Example deferral calculation:

	(\$000)
(a) APS Generation Retail Unrecovered Costs	15,000
(b) Avoided Fuel Costs	4,000
(c) AG-1 Specific Charges	1,000
(d) Wholesale Margins	4,000
(e) Unmitigated Unrecovered Costs (a-b-c-d)	<u>6,000</u>
(f) Deferred amount (e x 90%)	<u>5,400</u>

Deferred amount is \$5,400 (90% of unmitigated unrecovered costs if (e) above is \$10,000,000 or less in any 12 month period following June 30, 2016).