PUBLIC NOTICE OF HEARING AND PUBLIC COMMENT MEETINGS ON ARIZONA PUBLIC SERVICE COMPANY ("APS") RATE APPLICATION. (DOCKET NO. E-01345A-25-0105)

Summary

On June 13, 2025, 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 $662.44 million, or 15.99%. The Application uses a test year ending December 31, 2024. APS reports that the net revenue increase experienced by customers would be $579.52 million, or 13.99%, which reflects a test year adjustor revenue transfer (-$48.55 million) and a Court Resolution Surcharge Transfer (-$34.37 million) to base rates.

The Application proposes a return on equity of 10.70%, a 7.63% 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 4.84% on a proposed fair value rate base of approximately $21.6 billion. APS reports a test year fair value rate of return of 2.54%.

Formula Rate Mechanism

APS proposes the adoption of a Formula Rate Mechanism ("FRM"). The FRM would use a Commission-established formula to make annual rate adjustments based on an analysis of the prior 12-months of cost and revenue data to provide more frequent but lower rate increases than under the traditional general rate case approach. As proposed, the FRM would limit the rate adjustments for residential customers to between 0.85 and 1.15 times the annual average adjustment. APS has filed a proposed Plan of Administration for the FRM, which would allow APS five annual FRM adjustments and then would require APS to file a new general rate case.

Adjustor Mechanisms

APS proposes:

- To eliminate the Lost Fixed Cost Recovery Mechanism ("LFCR") in conjunction with the adoption of the FRM, effective with the first rate adjustment made under the FRM;
- To modify the Power Supply Adjustor ("PSA") to reflect proposed modifications to revenue allocation based on customer growth;
- To modify the System Reliability Benefit ("SRB") Adjustment mechanism to account for the proposed FRM, including removal of the earnings test from the SRB, and to incorporate proposed modifications to revenue allocation based on whether SRB costs are attributable to serving load growth;
- To retain the Transmission Cost Adjustment mechanism ("TCA");
- To retain the Renewable Energy Adjustment Charge ("REAC");
- To retain the Demand Side Management Adjustment Charge ("DSMAC"); and
- To retain the Tax Expense Adjustor Mechanism ("TEAM"), which is set at zero.

Limited-Income Residential Customer Assistance Programs

APS proposes to continue its current Crisis Bill Program funding of $2.5 million and its current Energy Support Program.

Residential Rate Design Changes

APS proposes to adjust residential basic service charges and rates to align with costs of serving different residential rate classes and current rates of cost recovery, increasing the Grid Access Charge for residential solar customers on current rate plans, as well as increasing revenue allocations for residential solar customers still on legacy rate plans (i.e. E-12, ET-1, ET-2, ECT-1R, and ECT-2).

General Service Rate Design Changes

APS proposes to establish new general service rate structures to mitigate cross-subsidization by customer classes that are not directly contributing to the costs caused by significant and concentrated system load growth among large high-load-factor customers such as data centers. APS proposes to adjust its cost-allocation methodologies and rate designs for general service customers to achieve this result.

Other Service Schedule Changes

APS proposes to revise its Service Schedule 1 and its Service Schedule 3 and to eliminate its Residential and General Service Rate Riders for Critical Peak Pricing.

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
Residential	16.44%
General Service	
XS, S	9.32%
M	9.42%
L	15.73%
XL (E-34, E-35)	23.52%
XHLF	47.03%
Schools	14.34%
Houses of Worship	16.00%
Irrigation/Municipal	15.92%
Outdoor Lighting	15.95%
Total Retail	**15.99%**

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 9.17% increase in basic service charge, approximately a 16.6% increase in on-peak energy charges per kWh (summer and winter), approximately a 16.6% increase in off-peak energy charges per kWh, and a 16.6% 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 9.17-38.1% (depending on tier) and an increase in energy charge per kWh of 14.7-16.9% (depending on tier).

Other Requests
APS also proposes to include a net $306.7 million in rate base associated with 12 months of Post Test Year Plant; to track and defer for later recovery any ongoing costs related to the Cholla Power Plant, net of any savings, including all decommissioning costs and costs related to coal-combustion residual disposal unit closure and remediation; and to continue deferring Energy Support Program costs for possible recovery or refund in a future rate case. APS also seeks elimination of certain "duplicative and outdated compliance filings."

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 APS, 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 APS 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: **400 N. 5TH STREET, M.S. 9708, PHOENIX, ARIZONA, 85004, ATTN: RATE CASE MANAGER, CALL 602-250-2767 OR EMAIL 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;** 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) 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:**

Date	Time
January 20, 2026	**(Telephonic and in-Person)** **1:00 p.m.** to **4:00 p.m.,** or until the last caller is finished speaking, whichever comes first
January 26, 2026	**(Telephonic Only)** **6:00 p.m.** to **8:30 p.m.,** or until the last caller is finished speaking, whichever comes first
February 18, 2026	**(Telephonic and in-Person)** **10:00 a.m.** to **1:00 p.m.,** or until the last caller is finished speaking, whichever comes first
February 18, 2026	**(Telephonic Only)** **6:00 p.m.** to **8:30 p.m.,** or until the last caller is finished speaking, whichever comes first
May 18, 2026	**(Telephonic and in-Person)** **10:00 a.m.** to **1:00 p.m.,** or until the last caller is finished speaking, whichever comes first

During the January 20, 2026, February 18, 2026, (10:00 a.m.), and May 18, 2026, public comment meetings at the Commission's offices, **both telephonic and in-person** public comment may be provided. During the January 26, 2026, (6:00 p.m.) and February 18, 2026 (6:00 p.m.) public comment meetings, **only telephonic** public comments may be provided.

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

Written public comments may be submitted by mailing a letter referencing **Docket No. E-01345A-25-0105** 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) using "Meetings & Cases" 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 **May 18, 2026, 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) using the e-Docket function. **Information on how to Follow a Docket is available on the Commission's website** by selecting "Divisions" and then "Hearing" and then clicking on the tab for "Following a Docket."

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 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) by clicking on "Divisions" and then "Hearing" and then the tab for "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 November 3, 2025**. Instructions and restrictions for eFiling are available on the Commission's website at **https://azcc.gov/hearing/efiling**. 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 **November 3, 2025.**

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 for the Hearing Division, E-mail HearingDivision@azcc.gov, voice phone number 602-542-4250. 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.

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