



**Transmission Cost Adjustment
Plan of Administration**

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1. General Description

The purpose of the Transmission Cost Adjustment (TCA) is to provide a mechanism to recover transmission costs associated with serving retail customers at the level approved by the Federal Energy Regulatory Commission (FERC) and at the same time as new transmission rates become effective for Arizona Public Service (APS or Company) wholesale customers. APS shall file a notice with Docket Control that includes its revised TCA tariff, along with a copy of its FERC Informational Filing of its Annual Update of transmission service rates pursuant to its Open Access Transmission Tariff (OATT). This notice shall be filed with the Commission at the same time that APS makes its FERC filing.

The TCA applies to APS’s Retail Electric Rate Schedules. For Standard Offer customers, the TCA is applied to the bill as a monthly kWh charge for Residential Service Customers and General Service Customers less than or equal to 20 kW. For all other Standard Offer customers, the TCA is applied to the bill as a monthly kW charge. The charge and modifications to it will take effect in billing cycle 1 of the June revenue month without proration.

APS’s Network Integration Transmission Service (NITS) is calculated and filed annually with FERC in accordance with APS’s formula rate. The formula rate calculation is specified within the Company’s OATT as filed and approved by FERC.

2. Calculations

The calculated NITS Retail Transmission Rates are shown in Appendix A of the Company’s FERC Informational Filing of its Annual Update of transmission service. NITS rates as determined for the following classes include:

- Residential Service Customers
- General Service Customers less than or equal to 20 kW
- General Service Customers over 20 kW and less than 3 MW
- General Service Customers equal to and greater than 3 MW



**PLAN OF ADMINISTRATION
ADJUSTMENT SCHEDULE TCA
TRANSMISSION COST ADJUSTMENT**

In addition to NITS, APS charges retail customers for other transmission services in accordance with its OATT. These additional ancillary services include:

- Schedule 1 - Scheduling, System Control and Dispatch Service
- Schedule 3 - Regulation and Frequency Response Service
- Schedule 4 - Energy Imbalance Service
- Schedule 5 - Operating Reserve - Spinning Reserve Service
- Schedule 6 - Operating Reserve – Supplemental Reserve Service

APS's NITS rates will change annually, where ancillary service charges will change only through a separate filing when made by the Company to FERC.

The total APS OATT rate is the sum of the rates for providing these services. The revenue requirement resulting from the FERC APS OATT rate is collected by APS from its retail customers, partly in base rates and the remaining through the TCA rate.

3. TCA Balancing Account

APS will maintain accounting records that accumulate the difference in revenues anticipated to be recovered by the TCA, as compared to the actual revenues received by the Company through the TCA during the recovery period (June through May). The difference will be recorded to the TCA Balancing Account each month and will be provided annually in Attachment C of the filing. In the event the actual TCA revenues for the recovery period (June through the last billing cycle of May) are more or less than the anticipated revenues for that same period, the over or under collection will be subtracted from or added to the TCA balancing account calculation for the subsequent period.

4. Filing and Procedural Deadlines

APS will file the calculated TCA rates with the Commission each year no later than May 15th, in the form of Attachments A through H as attached to this document and described in Section 5. *Compliance Reports*.

The Commission Staff and interested parties shall have the opportunity to review APS's FERC Informational Filing of its Annual Update of transmission service rates pursuant to the APS OATT Attachment H-2, Formula Rate Implementation Protocols. The calculated NITS Retail Transmission Rates are shown in Appendix A of the Company's FERC filing. The new TCA rates proposed by APS will go into effect with the first billing cycle in June (without proration), unless Staff requests Commission review or otherwise ordered by the Commission, and will remain in effect for the following 12-month period.



5. Compliance Reports

APS will provide an annual report to Staff detailing all calculations related to the calculated TCA rates. The reports will include the following Attachments A through H as attached to this document:

Attachment A:	Non-redlined version of the new Adjustment Schedule TCA-1 Revision
Attachment B:	Redlined version of the new Adjustment Schedule TCA-1 Revision
Attachment C:	Numerical inputs used to develop the new TCA-1 rates
Attachment D:	Estimated monthly bill impacts of the new TCA-1 rates
Attachment E:	Table illustrating the percentage demand of each of the classes for the 20XX OATT and 20XX OATT as filed with FERC
Attachment F:	Table illustrating the transmission cost embedded in base rates, the current and proposed TCA rates, and the differences in the current and new rates
Attachment G:	Actual and estimated transmission additions, dollars and estimated O&M for calendar years 20XX through 20XX (1 year actual and 2 years forecast)
Attachment H:	APS's Annual Update of transmission service rates pursuant to the APS OATT as filed with FERC