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SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO § BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE § OF
RATES § ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

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CEP 10-1:

Refer to the Direct Testimony of Adrian Hernandez at 6-7. Please identify where in the rate filing are the calculations of the following jurisdictional allocation factors:

- a. 4CP
- b. 4CP-A&E
- c. Energy
- d. Customer
- e. Composite Labor

If the calculations are not in the filing, please provide workpapers, in native (Excel) format with all formulas intact, supporting the calculation of the allocation factors. The source of all inputs to the calculations should be provided or identified in the filing.

RESPONSE:

- a. See El Paso Electric Company's ("EPE") response to CEP 4-6, Attachment 2.
- b. See EPE's response to CEP 4-6, Attachment 2.
- c. See EPE's response to CEP 4-6, Attachment 2.
- d. See EPE's response to STAFF 4-2.
- e. Refer to the "Dynamic Allocator" tab in EPE's Regulatory Case Working Model. Look for the LABOR allocator under the Jurisdiction category to see how the jurisdictional LABOR allocator is derived.

Preparer: Adrian Hernandez
Juan P. Cardenas

Title: Senior Rate Analyst – Rates
Economist – Staff

Sponsor: Adrian Hernandez
George Novela

Title: Senior Rate Analyst – Rates
Director – Economic and Rate Research

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CEP 10-2:

Refer to the EPE Regulatory Case Working Model, tab Rate Class Allocation. Please provide a description and the calculation of each factor used to allocate costs to the rate classes. The calculations should be in native (Excel) format with all formulas intact. The source of all inputs to the calculations should be provided or identified in the filing.

RESPONSE:

A description of the rate class allocators is provided in Schedule P-7. For the calculations of the external allocation factors, see El Paso Electric Company's ("EPE") response to STAFF 4-4. For the dynamic allocators, see the Rate Class allocators in the "Dynamic Allocator" tab in EPE's Regulatory Case Working Model to see how they were derived.

Preparer: Adrian Hernandez

Title: Senior Rate Analyst – Rates

Sponsor: Adrian Hernandez

Title: Senior Rate Analyst – Rates

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CEP 10-3:

Income tax: Please provide the effective income tax rates used in WP G-07.09(a).03, tab WP1 Excess TCJA, columns (b) and (d).

RESPONSE:

Column (b) of WP G-07.09(a).03, tab WP 1 Excess TCJA, represents deferred tax assets and liabilities at a 35% federal statutory income tax rate and column (d) represents deferred tax assets and liabilities at the federal income tax rate of 21% enacted by the Tax Cuts and Jobs Act of 2017.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 10-4:

Income tax: Please provide the balance sheet account (accumulated depreciation, regulatory assets or liabilities, etc.) related to each ADIT item on WP G-07.09(a).03, tab WP1 Excess TCJA and explain whether the balance sheet item identified is included in rate base. Please provide the response to this discovery request in Excel compatible format with all formulas intact.

RESPONSE:

The balance sheet accounts and description of each accumulated deferred income taxes ("ADIT") line on WP G-7.9 (a).03, is the same as the ADIT descriptions listed on Schedule G-7.4 in column (f) which are described in Schedule G-7.4(a). An adjustment was made to remove excess ADIT for items not in rate base in column (h) of WP G-7.9(a).03, which corresponds to the adjustment made to ADIT on Schedule G-7.4 in columns (g) and (h).

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CEP 10-5:

Income tax: Please provide an analysis of the excess accumulated deferred income taxes at December 31, 2017, identifying each excess accumulated deferred income tax item and providing the temporary book/tax difference related to each item. Please provide the response to this discovery request in Excel compatible format with all formulas intact.

RESPONSE:

A rollforward of all excess ADIT balances from September 30, 2016, the test year end of El Paso Electric Company's last rate case, to December 31, 2020 was provided in Schedule G-7.9(b) on pages 2 to 4. Additionally, the ADIT balances at December 31, 2017, before the enactment of the Tax Cuts and Jobs Act of 2017's ("TCJA") federal tax rate change were provided on WP G-07.9(a).03 in column (b) and the ADIT balances after the enactment of the federal income tax rate change resulting from the TCJA are in column (d). The resulting excess ADIT from the TCJA at December 31, 2017 is provided in column (c). Adjustments were made to the December 31, 2017 balances of excess ADIT from the TCJA related to the filing of the 2017 federal income tax return in column (f) and the final excess ADIT balances from the TCJA on a total Company basis are listed in column (g).

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Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

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CEP 10-6:

Income tax: Please provide the annual amortization of the protected excess accumulated deferred income tax each year 2018 through 2027 and explain whether the amounts for each year are finalized with the filing of the Company's tax returns or based on the prudent tax planning practices.

RESPONSE:

Please see CEP 10-6, Attachments 1 through 10, for the annual amortization (excess activity) of the protected excess accumulated deferred income taxes ("ADIT") from the Tax Cuts and Jobs Act of 2017 ("TCJA") for 2018 to 2027. The annual amortization amounts for 2018 and 2019 have been finalized based on El Paso Electric Company's filing of the respective federal income tax returns. Annual amortization calculations of the protected excess ADIT from the TCJA for 2020 through 2027 are projections based on current annual book depreciation amounts and will be updated annually after the filing of the federal income tax returns.

Preparer: Tammy Henderson

Title: Manager –Tax

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

2018 TAX RETURN AS FILED
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2018	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	\$15,887,068	(\$2,299,942)	\$3,336,284	\$0	(\$5,636,226)
Total Tax Classes	\$15,887,068	(\$2,299,942)	\$3,336,284	\$0	(\$5,636,226)
Amortization Type Depreciation Difference Totals:	\$15,887,068	(\$2,299,942)	\$3,336,284	\$0	(\$5,636,226)
Federal AFUDC Debt	(\$707,971)	(\$720,660)	(\$148,674)	\$0	(\$571,986)
Federal AFUDC Equity FT	(\$565,052)	\$0	(\$118,661)	(\$118,661)	\$0
Federal Cap A&G Book	\$1,518,686	\$216,057	\$318,924	\$0	(\$102,867)
Federal Environmental	\$40,126	\$14,044	\$8,426	\$0	\$5,618
Federal ITC basis reduction	\$1,510,688	\$268,199	\$317,245	\$0	(\$49,046)
Federal ITC Recapture	\$21	\$7	\$4	\$0	\$3
Federal Nuc Fuel	\$320,792	(\$149,120)	\$67,366	\$0	(\$216,486)
Federal Other Basis Diffs	(\$188,729)	(\$66,055)	(\$39,633)	\$0	(\$26,422)
Federal R&D	\$5,325,743	\$1,000,055	\$1,118,406	\$0	(\$118,351)
Federal Removal Costs	(\$12,297)	(\$4,304)	(\$2,582)	\$0	(\$1,722)
Federal Repair Allow	(\$798,678)	(\$279,537)	(\$167,722)	\$0	(\$111,815)
Federal Repair Allowance	\$2,189,782	(\$202,572)	\$459,854	\$0	(\$662,427)
Federal Software	(\$895,896)	(\$313,564)	(\$188,138)	\$0	(\$125,425)
Federal Steam Gen	(\$821,170)	(\$287,410)	(\$172,446)	\$0	(\$114,964)
Total Tax Classes	\$6,916,047	(\$524,859)	\$1,452,370	(\$118,661)	(\$2,095,890)
Amortization Type Book Overhead Totals:	\$6,916,047	(\$524,859)	\$1,452,370	(\$118,661)	(\$2,095,890)
Federal Cap A&G	(\$1,276,989)	\$386,427	(\$268,168)	\$0	\$654,595
Federal CCI	\$4,382,298	\$1,533,804	\$920,283	\$0	\$613,522
Federal CIAC	(\$2,149,560)	(\$9,058)	(\$451,408)	\$0	\$442,349
Federal CPI	(\$2,519,001)	(\$200,260)	(\$528,990)	\$0	\$328,730
Federal Repair Allowance - Bonus	\$751,636	\$263,073	\$157,844	\$0	\$105,229
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	(\$811,616)	\$1,973,986	(\$170,439)	\$0	\$2,144,425
Amortization Type Tax Overhead Totals:	(\$811,616)	\$1,973,986	(\$170,439)	\$0	\$2,144,425
Jurisdiction Totals:	\$21,991,498	(\$850,815)	\$4,618,215	(\$118,661)	(\$5,587,691)
Company Totals:	\$21,991,498	(\$850,815)	\$4,618,215	(\$118,661)	(\$5,587,691)
Grand Totals:	\$21,991,498	(\$850,815)	\$4,618,215	(\$118,661)	(\$5,587,691)

2019 TAX RETURN AS FILED
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2019	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	\$12,201,518	(\$2,974,677)	\$2,562,319	\$0	(\$5,536,996)
Total Tax Classes	\$12,201,518	(\$2,974,677)	\$2,562,319	\$0	(\$5,536,996)
Amortization Type Depreciation Difference Totals:	\$12,201,518	(\$2,974,677)	\$2,562,319	\$0	(\$5,536,996)
Federal AFUDC Debt	(\$350,912)	(\$626,618)	(\$73,692)	\$0	(\$552,926)
Federal AFUDC Equity FT	(\$1,216,244)	\$0	(\$255,411)	(\$255,411)	\$0
Federal Cap A&G Book	\$1,491,793	\$214,468	\$313,277	\$0	(\$98,808)
Federal Environmental	\$39,471	\$13,815	\$8,289	\$0	\$5,526
Federal ITC basis reduction	(\$381,644)	(\$128,617)	(\$80,145)	\$0	(\$48,472)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	\$755,277	\$88,029	\$158,608	\$0	(\$70,579)
Federal Other Basis Diffs	(\$187,029)	(\$65,460)	(\$39,276)	\$0	(\$26,184)
Federal R&D	\$3,492,670	\$615,839	\$733,461	\$0	(\$117,621)
Federal Removal Costs	(\$10,818)	(\$3,786)	(\$2,272)	\$0	(\$1,515)
Federal Repair Allow	(\$779,133)	(\$272,697)	(\$163,618)	\$0	(\$109,079)
Federal Repair Allowance	\$9,044,536	\$1,272,193	\$1,899,353	\$0	(\$627,159)
Federal Software	(\$85,880)	(\$30,058)	(\$18,035)	\$0	(\$12,023)
Federal Steam Gen	(\$819,353)	(\$286,773)	(\$172,064)	\$0	(\$114,709)
Total Tax Classes	\$10,992,755	\$790,342	\$2,308,479	(\$255,411)	(\$1,773,548)
Amortization Type Book Overhead Totals:	\$10,992,755	\$790,342	\$2,308,479	(\$255,411)	(\$1,773,548)
Federal Cap A&G	(\$2,203,742)	\$164,227	(\$462,786)	\$0	\$627,012
Federal CCI	\$4,207,651	\$1,472,678	\$883,607	\$0	\$589,071
Federal CIAC	(\$2,558,871)	(\$121,836)	(\$537,363)	\$0	\$415,527
Federal CPI	(\$2,638,340)	(\$255,432)	(\$554,051)	\$0	\$298,619
Federal Repair Allowance - Bonus	\$743,881	\$260,358	\$156,215	\$0	\$104,143
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	(\$2,449,420)	\$1,519,995	(\$514,378)	\$0	\$2,034,373
Amortization Type Tax Overhead Totals:	(\$2,449,420)	\$1,519,995	(\$514,378)	\$0	\$2,034,373
Jurisdiction Totals:	\$20,744,854	(\$664,340)	\$4,356,419	(\$255,411)	(\$5,276,171)
Company Totals:	\$20,744,854	(\$664,340)	\$4,356,419	(\$255,411)	(\$5,276,171)
Grand Totals:	\$20,744,854	(\$664,340)	\$4,356,419	(\$255,411)	(\$5,276,171)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2020	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	\$4,672,197	(\$4,239,121)	\$981,161	\$0	(\$5,220,282)
Total Tax Classes	\$4,672,197	(\$4,239,121)	\$981,161	\$0	(\$5,220,282)
Amortization Type Depreciation Difference Totals:	\$4,672,197	(\$4,239,121)	\$981,161	\$0	(\$5,220,282)
Federal AFUDC Debt	(\$4,106,077)	(\$1,414,217)	(\$862,276)	\$0	(\$551,941)
Federal AFUDC Equity FT	(\$4,659,806)	\$0	(\$978,559)	(\$978,559)	\$0
Federal Cap A&G Book	(\$794,972)	(\$266,729)	(\$166,944)	\$0	(\$99,785)
Federal Environmental	\$39,273	\$13,746	\$8,247	\$0	\$5,498
Federal ITC basis reduction	(\$377,857)	(\$127,320)	(\$79,350)	\$0	(\$47,970)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	(\$2,271,670)	(\$537,534)	(\$477,051)	\$0	(\$60,484)
Federal Other Basis Diffs	(\$185,473)	(\$64,916)	(\$38,949)	\$0	(\$25,966)
Federal R&D	(\$1,036,768)	(\$334,452)	(\$217,721)	\$0	(\$116,730)
Federal Removal Costs	(\$11,228)	(\$3,930)	(\$2,358)	\$0	(\$1,572)
Federal Repair Allow	(\$765,214)	(\$267,825)	(\$160,695)	\$0	(\$107,130)
Federal Repair Allowance	(\$4,888,067)	(\$1,653,359)	(\$1,026,494)	\$0	(\$626,865)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$813,133)	(\$284,597)	(\$170,758)	\$0	(\$113,839)
Total Tax Classes	(\$19,870,971)	(\$4,941,125)	(\$4,172,904)	(\$978,559)	(\$1,746,780)
Amortization Type Book Overhead Totals:	(\$19,870,971)	(\$4,941,125)	(\$4,172,904)	(\$978,559)	(\$1,746,780)
Federal Cap A&G	\$5,094,663	\$1,635,952	\$1,069,879	\$0	\$566,073
Federal CCI	\$3,950,286	\$1,382,600	\$829,560	\$0	\$553,040
Federal CIAC	\$3,652,927	\$1,158,277	\$767,115	\$0	\$391,162
Federal CPI	\$2,959,884	\$891,523	\$621,576	\$0	\$269,948
Federal Repair Allowance - Bonus	\$738,603	\$258,511	\$155,107	\$0	\$103,404
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$16,396,363	\$5,326,864	\$3,443,236	\$0	\$1,883,627
Amortization Type Tax Overhead Totals:	\$16,396,363	\$5,326,864	\$3,443,236	\$0	\$1,883,627
Jurisdiction Totals:	\$1,197,589	(\$3,853,382)	\$251,494	(\$978,559)	(\$5,083,435)
Company Totals:	\$1,197,589	(\$3,853,382)	\$251,494	(\$978,559)	(\$5,083,435)
Grand Totals:	\$1,197,589	(\$3,853,382)	\$251,494	(\$978,559)	(\$5,083,435)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
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Jurisdiction : Federal Tax Year : 2021	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$9,963,759)	(\$7,709,363)	(\$2,092,389)	\$0	(\$5,616,974)
Total Tax Classes	(\$9,963,759)	(\$7,709,363)	(\$2,092,389)	\$0	(\$5,616,974)
Amortization Type Depreciation Difference Totals:	(\$9,963,759)	(\$7,709,363)	(\$2,092,389)	\$0	(\$5,616,974)
Federal AFUDC Debt	(\$3,825,181)	(\$1,315,712)	(\$803,288)	\$0	(\$512,424)
Federal AFUDC Equity FT	(\$4,674,466)	\$0	(\$981,638)	(\$981,638)	\$0
Federal Cap A&G Book	(\$797,774)	(\$267,655)	(\$167,533)	\$0	(\$100,122)
Federal Environmental	\$36,301	\$12,706	\$7,623	\$0	\$5,082
Federal ITC basis reduction	(\$379,631)	(\$127,937)	(\$79,723)	\$0	(\$48,214)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	(\$1,112,127)	(\$264,363)	(\$233,547)	\$0	(\$30,816)
Federal Other Basis Diffs	(\$186,843)	(\$65,395)	(\$39,237)	\$0	(\$26,158)
Federal R&D	(\$1,045,575)	(\$337,293)	(\$219,571)	\$0	(\$117,722)
Federal Removal Costs	(\$11,297)	(\$3,954)	(\$2,372)	\$0	(\$1,582)
Federal Repair Allow	(\$768,648)	(\$269,027)	(\$161,416)	\$0	(\$107,611)
Federal Repair Allowance	(\$4,917,783)	(\$1,663,348)	(\$1,032,734)	\$0	(\$630,613)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$820,040)	(\$287,014)	(\$172,208)	\$0	(\$114,806)
Total Tax Classes	(\$18,503,043)	(\$4,588,984)	(\$3,885,639)	(\$981,638)	(\$1,684,983)
Amortization Type Book Overhead Totals:	(\$18,503,043)	(\$4,588,984)	(\$3,885,639)	(\$981,638)	(\$1,684,983)
Federal Cap A&G	\$4,625,422	\$1,484,532	\$971,339	\$0	\$513,193
Federal CCI	\$3,778,430	\$1,322,451	\$793,470	\$0	\$528,980
Federal CIAC	\$3,458,934	\$1,100,044	\$726,376	\$0	\$373,668
Federal CPI	\$2,648,558	\$803,792	\$556,197	\$0	\$247,595
Federal Repair Allowance - Bonus	\$738,574	\$258,501	\$155,100	\$0	\$103,400
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$15,249,918	\$4,969,319	\$3,202,483	\$0	\$1,766,836
Amortization Type Tax Overhead Totals:	\$15,249,918	\$4,969,319	\$3,202,483	\$0	\$1,766,836
Jurisdiction Totals:	(\$13,216,884)	(\$7,329,028)	(\$2,775,546)	(\$981,638)	(\$5,535,120)
Company Totals:	(\$13,216,884)	(\$7,329,028)	(\$2,775,546)	(\$981,638)	(\$5,535,120)
Grand Totals:	(\$13,216,884)	(\$7,329,028)	(\$2,775,546)	(\$981,638)	(\$5,535,120)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2022	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$15,738,324)	(\$8,683,758)	(\$3,305,048)	\$0	(\$5,378,710)
Total Tax Classes	(\$15,738,324)	(\$8,683,758)	(\$3,305,048)	\$0	(\$5,378,710)
Amortization Type Depreciation Difference Totals:	(\$15,738,324)	(\$8,683,758)	(\$3,305,048)	\$0	(\$5,378,710)
Federal AFUDC Debt	(\$3,797,884)	(\$1,305,502)	(\$797,556)	\$0	(\$507,947)
Federal AFUDC Equity FT	(\$4,627,970)	\$0	(\$971,874)	(\$971,874)	\$0
Federal Cap A&G Book	(\$800,614)	(\$268,598)	(\$168,129)	\$0	(\$100,469)
Federal Environmental	\$36,439	\$12,754	\$7,652	\$0	\$5,101
Federal ITC basis reduction	(\$380,137)	(\$128,114)	(\$79,829)	\$0	(\$48,285)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	(\$505,598)	(\$124,600)	(\$106,176)	\$0	(\$18,424)
Federal Other Basis Diffs	(\$186,445)	(\$65,256)	(\$39,153)	\$0	(\$26,102)
Federal R&D	(\$1,045,667)	(\$337,322)	(\$219,590)	\$0	(\$117,732)
Federal Removal Costs	(\$11,479)	(\$4,017)	(\$2,410)	\$0	(\$1,607)
Federal Repair Allow	(\$771,878)	(\$270,157)	(\$162,094)	\$0	(\$108,063)
Federal Repair Allowance	(\$4,943,372)	(\$1,672,122)	(\$1,038,108)	\$0	(\$634,014)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$820,113)	(\$287,040)	(\$172,224)	\$0	(\$114,816)
Total Tax Classes	(\$17,854,697)	(\$4,449,967)	(\$3,749,486)	(\$971,874)	(\$1,672,355)
Amortization Type Book Overhead Totals:	(\$17,854,697)	(\$4,449,967)	(\$3,749,486)	(\$971,874)	(\$1,672,355)
Federal Cap A&G	\$4,082,629	\$1,306,137	\$857,352	\$0	\$448,785
Federal CCI	\$3,522,111	\$1,232,739	\$739,643	\$0	\$493,096
Federal CIAC	\$3,265,916	\$1,041,363	\$685,842	\$0	\$355,521
Federal CPI	\$2,378,944	\$730,209	\$499,578	\$0	\$230,630
Federal Repair Allowance - Bonus	\$719,509	\$251,828	\$151,097	\$0	\$100,731
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$13,969,109	\$4,562,276	\$2,933,513	\$0	\$1,628,763
Amortization Type Tax Overhead Totals:	\$13,969,109	\$4,562,276	\$2,933,513	\$0	\$1,628,763
Jurisdiction Totals:	(\$19,623,912)	(\$8,571,450)	(\$4,121,021)	(\$971,874)	(\$5,422,302)
Company Totals:	(\$19,623,912)	(\$8,571,450)	(\$4,121,021)	(\$971,874)	(\$5,422,302)
Grand Totals:	(\$19,623,912)	(\$8,571,450)	(\$4,121,021)	(\$971,874)	(\$5,422,302)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2023	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$18,635,007)	(\$9,375,822)	(\$3,913,351)	\$0	(\$5,462,471)
Total Tax Classes	(\$18,635,007)	(\$9,375,822)	(\$3,913,351)	\$0	(\$5,462,471)
Amortization Type Depreciation Difference Totals:	(\$18,635,007)	(\$9,375,822)	(\$3,913,351)	\$0	(\$5,462,471)
Federal AFUDC Debt	(\$3,772,828)	(\$1,295,673)	(\$792,294)	\$0	(\$503,379)
Federal AFUDC Equity FT	(\$4,606,989)	\$0	(\$967,468)	(\$967,468)	\$0
Federal Cap A&G Book	(\$802,456)	(\$269,182)	(\$168,516)	\$0	(\$100,666)
Federal Environmental	\$33,420	\$11,697	\$7,018	\$0	\$4,679
Federal ITC basis reduction	(\$380,619)	(\$128,282)	(\$79,930)	\$0	(\$48,352)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	(\$20,881)	(\$4,385)	(\$4,385)	\$0	\$0
Federal Other Basis Diffs	(\$185,551)	(\$64,943)	(\$38,966)	\$0	(\$25,977)
Federal R&D	(\$1,046,195)	(\$337,493)	(\$219,701)	\$0	(\$117,792)
Federal Removal Costs	(\$11,975)	(\$4,191)	(\$2,515)	\$0	(\$1,676)
Federal Repair Allow	(\$775,615)	(\$271,465)	(\$162,879)	\$0	(\$108,586)
Federal Repair Allowance	(\$5,004,954)	(\$1,693,249)	(\$1,051,040)	\$0	(\$642,209)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$820,527)	(\$287,184)	(\$172,311)	\$0	(\$114,874)
Total Tax Classes	(\$17,395,149)	(\$4,344,343)	(\$3,652,981)	(\$967,468)	(\$1,658,830)
Amortization Type Book Overhead Totals:	(\$17,395,149)	(\$4,344,343)	(\$3,652,981)	(\$967,468)	(\$1,658,830)
Federal Cap A&G	\$3,646,550	\$1,163,960	\$765,775	\$0	\$398,184
Federal CCI	\$3,279,490	\$1,147,822	\$688,693	\$0	\$459,129
Federal CIAC	\$3,082,641	\$985,371	\$647,355	\$0	\$338,017
Federal CPI	\$2,184,541	\$679,372	\$458,754	\$0	\$220,618
Federal Repair Allowance - Bonus	\$410,706	\$143,747	\$86,248	\$0	\$57,499
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$12,603,929	\$4,120,271	\$2,646,825	\$0	\$1,473,446
Amortization Type Tax Overhead Totals:	\$12,603,929	\$4,120,271	\$2,646,825	\$0	\$1,473,446
Jurisdiction Totals:	(\$23,426,227)	(\$9,599,894)	(\$4,919,508)	(\$967,468)	(\$5,647,854)
Company Totals:	(\$23,426,227)	(\$9,599,894)	(\$4,919,508)	(\$967,468)	(\$5,647,854)
Grand Totals:	(\$23,426,227)	(\$9,599,894)	(\$4,919,508)	(\$967,468)	(\$5,647,854)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2024	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$25,006,957)	(\$10,601,463)	(\$5,251,461)	\$0	(\$5,350,002)
Total Tax Classes	(\$25,006,957)	(\$10,601,463)	(\$5,251,461)	\$0	(\$5,350,002)
Amortization Type Depreciation Difference Totals:	(\$25,006,957)	(\$10,601,463)	(\$5,251,461)	\$0	(\$5,350,002)
Federal AFUDC Debt	(\$3,730,240)	(\$1,279,440)	(\$783,350)	\$0	(\$496,090)
Federal AFUDC Equity FT	(\$4,596,801)	\$0	(\$965,328)	(\$965,328)	\$0
Federal Cap A&G Book	(\$794,774)	(\$266,453)	(\$166,903)	\$0	(\$99,550)
Federal Environmental	\$32,341	\$11,319	\$6,792	\$0	\$4,528
Federal ITC basis reduction	(\$381,292)	(\$128,518)	(\$80,071)	\$0	(\$48,447)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	\$0	\$0	\$0	\$0	\$0
Federal Other Basis Diffs	(\$185,548)	(\$64,942)	(\$38,965)	\$0	(\$25,977)
Federal R&D	(\$1,047,876)	(\$338,035)	(\$220,054)	\$0	(\$117,981)
Federal Removal Costs	(\$12,280)	(\$4,298)	(\$2,579)	\$0	(\$1,719)
Federal Repair Allow	(\$778,183)	(\$272,364)	(\$163,418)	\$0	(\$108,946)
Federal Repair Allowance	(\$5,046,135)	(\$1,707,350)	(\$1,059,688)	\$0	(\$647,661)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$821,845)	(\$287,646)	(\$172,587)	\$0	(\$115,058)
Total Tax Classes	(\$17,362,612)	(\$4,337,719)	(\$3,646,149)	(\$965,328)	(\$1,656,898)
Amortization Type Book Overhead Totals:	(\$17,362,612)	(\$4,337,719)	(\$3,646,149)	(\$965,328)	(\$1,656,898)
Federal Cap A&G	\$3,358,547	\$1,071,567	\$705,295	\$0	\$366,272
Federal CCI	\$3,033,934	\$1,061,877	\$637,126	\$0	\$424,751
Federal CIAC	\$2,920,725	\$935,790	\$613,352	\$0	\$322,438
Federal CPI	\$2,095,766	\$658,029	\$440,111	\$0	\$217,918
Federal Repair Allowance - Bonus	\$59,907	\$20,967	\$12,580	\$0	\$8,387
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$11,468,878	\$3,748,230	\$2,408,464	\$0	\$1,339,766
Amortization Type Tax Overhead Totals:	\$11,468,878	\$3,748,230	\$2,408,464	\$0	\$1,339,766
Jurisdiction Totals:	(\$30,900,691)	(\$11,190,952)	(\$6,489,145)	(\$965,328)	(\$5,667,135)
Company Totals:	(\$30,900,691)	(\$11,190,952)	(\$6,489,145)	(\$965,328)	(\$5,667,135)
Grand Totals:	(\$30,900,691)	(\$11,190,952)	(\$6,489,145)	(\$965,328)	(\$5,667,135)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2025	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$25,491,525)	(\$9,950,765)	(\$5,353,220)	\$0	(\$4,597,545)
Total Tax Classes	(\$25,491,525)	(\$9,950,765)	(\$5,353,220)	\$0	(\$4,597,545)
Amortization Type Depreciation Difference Totals:	(\$25,491,525)	(\$9,950,765)	(\$5,353,220)	\$0	(\$4,597,545)
Federal AFUDC Debt	(\$3,524,351)	(\$1,206,794)	(\$740,114)	\$0	(\$466,680)
Federal AFUDC Equity FT	(\$4,494,853)	\$0	(\$943,919)	(\$943,919)	\$0
Federal Cap A&G Book	(\$789,798)	(\$264,648)	(\$165,858)	\$0	(\$98,790)
Federal Environmental	\$30,093	\$10,533	\$6,320	\$0	\$4,213
Federal ITC basis reduction	(\$382,063)	(\$128,788)	(\$80,233)	\$0	(\$48,555)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	\$0	\$0	\$0	\$0	\$0
Federal Other Basis Diffs	(\$186,210)	(\$65,173)	(\$39,104)	\$0	(\$26,069)
Federal R&D	(\$1,052,117)	(\$339,403)	(\$220,945)	\$0	(\$118,458)
Federal Removal Costs	(\$12,514)	(\$4,380)	(\$2,628)	\$0	(\$1,752)
Federal Repair Allow	(\$782,152)	(\$273,753)	(\$164,252)	\$0	(\$109,501)
Federal Repair Allowance	(\$5,087,621)	(\$1,721,494)	(\$1,068,400)	\$0	(\$653,094)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$825,171)	(\$288,810)	(\$173,286)	\$0	(\$115,524)
Total Tax Classes	(\$17,106,736)	(\$4,282,704)	(\$3,592,415)	(\$943,919)	(\$1,634,208)
Amortization Type Book Overhead Totals:	(\$17,106,736)	(\$4,282,704)	(\$3,592,415)	(\$943,919)	(\$1,634,208)
Federal Cap A&G	\$3,151,536	\$1,005,234	\$661,823	\$0	\$343,412
Federal CCI	\$2,795,242	\$978,334	\$587,001	\$0	\$391,334
Federal CIAC	\$2,767,154	\$887,718	\$581,102	\$0	\$306,616
Federal CPI	\$2,060,158	\$649,943	\$432,633	\$0	\$217,310
Federal Repair Allowance - Bonus	\$16,015	\$5,605	\$3,363	\$0	\$2,242
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$10,790,105	\$3,526,835	\$2,265,922	\$0	\$1,260,913
Amortization Type Tax Overhead Totals:	\$10,790,105	\$3,526,835	\$2,265,922	\$0	\$1,260,913
Jurisdiction Totals:	(\$31,808,156)	(\$10,706,634)	(\$6,679,713)	(\$943,919)	(\$4,970,840)
Company Totals:	(\$31,808,156)	(\$10,706,634)	(\$6,679,713)	(\$943,919)	(\$4,970,840)
Grand Totals:	(\$31,808,156)	(\$10,706,634)	(\$6,679,713)	(\$943,919)	(\$4,970,840)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2026	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$23,747,827)	(\$9,081,790)	(\$4,987,044)	\$0	(\$4,094,747)
Total Tax Classes	(\$23,747,827)	(\$9,081,790)	(\$4,987,044)	\$0	(\$4,094,747)
Amortization Type Depreciation Difference Totals:	(\$23,747,827)	(\$9,081,790)	(\$4,987,044)	\$0	(\$4,094,747)
Federal AFUDC Debt	(\$3,537,686)	(\$1,218,556)	(\$742,914)	\$0	(\$475,641)
Federal AFUDC Equity FT	(\$4,494,839)	\$0	(\$943,916)	(\$943,916)	\$0
Federal Cap A&G Book	(\$802,336)	(\$268,979)	(\$168,490)	\$0	(\$100,489)
Federal Environmental	\$29,468	\$10,314	\$6,188	\$0	\$4,126
Federal ITC basis reduction	(\$350,359)	(\$117,691)	(\$73,575)	\$0	(\$44,116)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	\$0	\$0	\$0	\$0	\$0
Federal Other Basis Diffs	(\$192,636)	(\$67,423)	(\$40,454)	\$0	(\$26,969)
Federal R&D	(\$1,093,013)	(\$352,596)	(\$229,533)	\$0	(\$123,063)
Federal Removal Costs	(\$12,541)	(\$4,389)	(\$2,634)	\$0	(\$1,756)
Federal Repair Allow	(\$785,709)	(\$274,998)	(\$164,999)	\$0	(\$109,999)
Federal Repair Allowance	(\$5,178,221)	(\$1,751,708)	(\$1,087,426)	\$0	(\$664,281)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$857,246)	(\$300,036)	(\$180,022)	\$0	(\$120,014)
Total Tax Classes	(\$17,275,099)	(\$4,346,055)	(\$3,627,771)	(\$943,916)	(\$1,662,200)
Amortization Type Book Overhead Totals:	(\$17,275,099)	(\$4,346,055)	(\$3,627,771)	(\$943,916)	(\$1,662,200)
Federal Cap A&G	\$2,966,753	\$944,180	\$623,018	\$0	\$321,162
Federal CCI	\$2,598,216	\$909,376	\$545,625	\$0	\$363,750
Federal CIAC	\$2,621,497	\$839,743	\$550,514	\$0	\$289,229
Federal CPI	\$2,038,623	\$645,420	\$428,111	\$0	\$217,309
Federal Repair Allowance - Bonus	\$16,019	\$5,606	\$3,364	\$0	\$2,243
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$10,241,108	\$3,344,325	\$2,150,633	\$0	\$1,193,693
Amortization Type Tax Overhead Totals:	\$10,241,108	\$3,344,325	\$2,150,633	\$0	\$1,193,693
Jurisdiction Totals:	(\$30,781,818)	(\$10,083,520)	(\$6,464,182)	(\$943,916)	(\$4,563,254)
Company Totals:	(\$30,781,818)	(\$10,083,520)	(\$6,464,182)	(\$943,916)	(\$4,563,254)
Grand Totals:	(\$30,781,818)	(\$10,083,520)	(\$6,464,182)	(\$943,916)	(\$4,563,254)

2020 NM Rate Case - Excess Forecast
09 EPE - Shared Services
PowerTax Deferred Tax Summary Report
Grouped By: Total Tax Classes

Jurisdiction : Federal Tax Year : 2027	Timing Diff Activity	DFIT Activity	FAS109 Activity	FT Activity	Excess Activity
Federal Method/Life	(\$23,676,770)	(\$8,921,014)	(\$4,972,122)	\$0	(\$3,948,893)
Total Tax Classes	(\$23,676,770)	(\$8,921,014)	(\$4,972,122)	\$0	(\$3,948,893)
Amortization Type Depreciation Difference Totals:	(\$23,676,770)	(\$8,921,014)	(\$4,972,122)	\$0	(\$3,948,893)
Federal AFUDC Debt	(\$3,786,115)	(\$1,305,400)	(\$795,084)	\$0	(\$510,316)
Federal AFUDC Equity FT	(\$4,776,510)	\$0	(\$1,003,067)	(\$1,003,067)	\$0
Federal Cap A&G Book	(\$836,110)	(\$280,761)	(\$175,583)	\$0	(\$105,178)
Federal Environmental	\$27,327	\$9,565	\$5,739	\$0	\$3,826
Federal ITC basis reduction	(\$313,184)	(\$104,680)	(\$65,769)	\$0	(\$38,911)
Federal ITC Recapture	\$20	\$7	\$4	\$0	\$3
Federal Nuc Fuel	\$0	\$0	\$0	\$0	\$0
Federal Other Basis Diffs	(\$213,021)	(\$74,557)	(\$44,734)	\$0	(\$29,823)
Federal R&D	(\$1,220,344)	(\$393,671)	(\$256,272)	\$0	(\$137,399)
Federal Removal Costs	(\$12,319)	(\$4,312)	(\$2,587)	\$0	(\$1,725)
Federal Repair Allow	(\$788,088)	(\$275,831)	(\$165,499)	\$0	(\$110,332)
Federal Repair Allowance	(\$5,409,817)	(\$1,828,464)	(\$1,136,062)	\$0	(\$692,402)
Federal Software	\$0	\$0	\$0	\$0	\$0
Federal Steam Gen	(\$957,111)	(\$334,989)	(\$200,993)	\$0	(\$133,995)
Total Tax Classes	(\$18,285,272)	(\$4,593,093)	(\$3,839,907)	(\$1,003,067)	(\$1,756,253)
Amortization Type Book Overhead Totals:	(\$18,285,272)	(\$4,593,093)	(\$3,839,907)	(\$1,003,067)	(\$1,756,253)
Federal Cap A&G	\$2,725,618	\$860,621	\$572,380	\$0	\$288,241
Federal CCI	\$2,354,023	\$823,908	\$494,345	\$0	\$329,563
Federal CIAC	\$2,401,618	\$763,222	\$504,340	\$0	\$258,882
Federal CPI	\$2,031,938	\$644,017	\$426,707	\$0	\$217,310
Federal Repair Allowance - Bonus	\$16,015	\$5,605	\$3,363	\$0	\$2,242
Federal Retirement 481a Fed	\$0	\$0	\$0	\$0	\$0
Total Tax Classes	\$9,529,213	\$3,097,373	\$2,001,135	\$0	\$1,096,238
Amortization Type Tax Overhead Totals:	\$9,529,213	\$3,097,373	\$2,001,135	\$0	\$1,096,238
Jurisdiction Totals:	(\$32,432,830)	(\$10,416,735)	(\$6,810,894)	(\$1,003,067)	(\$4,608,908)
Company Totals:	(\$32,432,830)	(\$10,416,735)	(\$6,810,894)	(\$1,003,067)	(\$4,608,908)
Grand Totals:	(\$32,432,830)	(\$10,416,735)	(\$6,810,894)	(\$1,003,067)	(\$4,608,908)

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-7:

Income tax: Please explain whether the EDIT amortization forecast for 2022 is based on the Company's current or requested depreciation rates.

RESPONSE:

The 2022 forecasted protected excess accumulated deferred income taxes amortization from the Tax Cuts and Jobs Act of 2017 is based on the El Paso Electric Company's current depreciation rates.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Cynthia S. Prieto

Title: Vice President – Controller

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-8:

Income tax: Please provide the net operating loss from EPE's filed tax returns each year 2009 through 2017 to the extent that the NOL were carried forward to 2017.

RESPONSE:

Pursuant to the agreement with representatives from the City of El Paso, El Paso Electric Company provides the following information: Please see CEP 10-8, Attachment 1 for the 2009 through 2019 federal income tax return NOL deduction and carryforward schedule. Please see CEP 10-8, Attachment 2 – Confidential for the 2015 through 2019 federal income tax return pages.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

El Paso Electric Company
Carryforward Schedule
Federal NOL

Year	Generated	Converted Contributions	IRS Adj	Utilized	Carryover	Expired
2009	26,802,771	-	-	-	-	Carried Back to 2006
2010	-	-	-	-	-	
2011	115,806,882	1,506,080	-	-	117,312,962	Contributions Converted in 2012
2012	-	1,090,836	-	(84,123,816)	34,279,982	Contributions Converted in 2013
2013	11,509,153	-	-	-	45,789,135	
2014	-	-	-	(45,789,135)	-	
2015	82,758,906	3,920,476	-	-	86,679,382	Contributions Converted in 2017
2016	91,601,594	850,908	-	-	179,131,884	Contributions Converted in 2018
2017	-	-	-	(39,204,756)	139,927,128	
2018	-	1,179,861	-	(124,543,546)	16,563,443	Contributions Converted in 2018
2019	-	-	-	(16,563,443)	-	
Total	301,676,535	8,548,161	-	(310,224,696)	-	-

PUBLIC

CEP 10-8 Attachment 2 is a CONFIDENTIAL or HIGHLY SENSITIVE PROTECTED MATERIALS attachment.

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-9:

Income tax: Please provide the net operating loss carryforward from EPE's filed tax returns each year 2009 through 2017 to the extent that an NOLC was carried forward to 2017.

RESPONSE:

Pursuant to the agreement with representatives from the City of El Paso, El Paso Electric Company ("EPE") provides the following information: Please see EPE's response and accompanying attachments to CEP 10-8.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-10:

Income tax: Please provide the Schedule M depreciation rate reconciliation amounts from EPE's tax returns each year 2009 through 2017 to the extent that EPE had an NOLC to 2017.

RESPONSE:

Pursuant to the agreement with representatives from the City of El Paso, El Paso Electric Company ("EPE") provides the following information: Please see EPE's response and accompanying attachments to CEP 10-8.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-11:

Income tax: Please provide the non-utility operating income or losses included in EPE's filed tax returns for each year 2009 through 2017 to the extent that EPE had an NOLC to 2017.

RESPONSE:

Pursuant to the agreement with representatives from the City of El Paso, El Paso Electric Company ("EPE") provides the following information: Please see EPE's response and accompanying attachments to CEP 10-8.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-12:

Income tax: Please provide the regulatory income and expense exclusions included in EPE's filed tax returns for each year 2009 through 2017 to the extent that EPE had an NOLC to 2017.

RESPONSE:

Pursuant to the agreement with representatives from the City of El Paso, El Paso Electric Company ("EPE") provides the following information: Please see EPE's response and accompanying attachments to CEP 10-8.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
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QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-13:

Income tax: Please explain the extent to which EPE NOLs from prior to the acquisition can be carried back to years prior to 2018 on consolidated returns.

RESPONSE:

The El Paso Electric Company's ("EPE") last consolidated return was for the calendar year ended December 31, 2013. Since that time, EPE has filed stand-alone tax returns. In 2009 EPE generated an NOL of \$26,802,771 which was carried back to 2006. All NOL's generated subsequent to 2009 have been carried forward to subsequent returns. EPE fully utilized all available NOL carryforwards in 2019.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-14:

Income tax: Please provide copies of EPE's stand-alone tax returns for each year 2009 through 2020.

RESPONSE:

Pursuant to the agreement with representatives from the City of El Paso, El Paso Electric Company ("EPE") provides the following information: Please see EPE's response and accompanying attachments to CEP 10-8.

Preparer: Tammy Henderson

Title: Manager – Tax

Sponsor: Sean M. Ihorn

Title: Director – Tax

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-15:

Palo Verde: Please provide a copy of each incentive plan for Palo Verde Employees.

RESPONSE:

Please refer to CEP 10-15 Attachments 1 – 5 for 2016 – 2020.

Preparer: Victor Martinez

Title: Manager – Resource Planning, Resource
Management Regulatory & Quality
Assurance

Sponsor: Todd A. Horton

Title: Senior Vice President –Site Operations
(Palo Verde Generating Station)

Arizona Public Service 2016 Annual Incentive Award Plan For Palo Verde Employees

Your contributions are important to our success. The talent, dedication and focus of our employees enable us to deliver on our business goals. The Arizona Public Service Company ("APS") 2016 Annual Incentive Award Plan for Palo Verde Employees is designed to align the success of our business with the interests of our customers and shareholders by providing an incentive opportunity for our valued employees.

This incentive award plan is an important component of the overall APS Total Rewards package for employees. As you look to the future, we want you to understand how your dedication to the success of APS can also build your financial success.

Our APS Total Rewards package includes a competitive base salary, an annual incentive program, recognition programs, health and wellness benefits, 401k savings programs, retirement programs, paid time off and career development opportunities.

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Plan Objectives

We pay for performance by paying higher amounts for higher levels of performance. The incentive award plan is designed to:

- **Ensure our workforce efforts are aligned with the APS business plan, tiered metrics and supporting initiatives** – In addition to achieving annual goals, we work to continue to strengthen our financial performance over the long term.
- **Share in the success of the company when goals are met** – Demonstrate that incentive pay ties directly to performance – greater contributions earn greater rewards.
- **Support efforts to attract and retain top talent** – Provide a compensation package that is competitive with other organizations comparable to APS.

These objectives are measured financially, by business unit performance, and by individual performance. How each component works is explained in the next section.

Eligibility

You are eligible to participate if you meet the following eligibility requirements:

- You are regularly scheduled to work 20 hours a week or more;
- You are not a contract employee or seasonal intern.

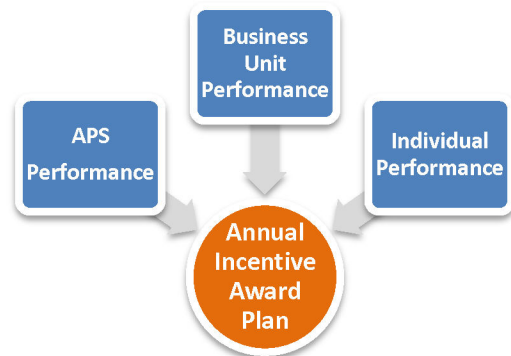
Plan Year

The plan year begins on January 1, 2016, and ends on December 31, 2016. All performance metrics are based on achievement of set performance goals for that same period.

Award Components

Final award amounts are determined based on the financial performance of APS, business unit performance, and individual performance. Both APS and business unit performance determine the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.

Note: Union employees do not participate in the individual performance component of the plan. These employees receive an incentive based on Palo Verde performance and APS performance. Participation in the incentive plan for union employees is governed by the current collective bargaining agreement.



Business Unit Performance Component

We believe the performance of each business unit is important to the success of the Company. The Business Unit Performance Component represents 50-80% (depending upon job level) of the potential incentive award. Employees who participate in this incentive plan are aligned with the Palo Verde Business Unit.

Business units are responsible for determining primary performance indicators that lead to the overall success of their organization and form the basis for the performance metrics used for this part of the plan. These metrics may vary by business unit, but all are closely tied to the APS Core and Critical Areas of Focus.

The Business Unit Performance Component has threshold, target and maximum performance levels with the incentive award payout at 50%, 100% and 200% of target, respectively. The award is calculated proportionately to the percent of target performance achieved (see the “**Business Unit Performance Metrics**” section for details). Payout under the Palo Verde Business Unit portion is not contingent upon APS achieving the Company minimum threshold performance earnings level.

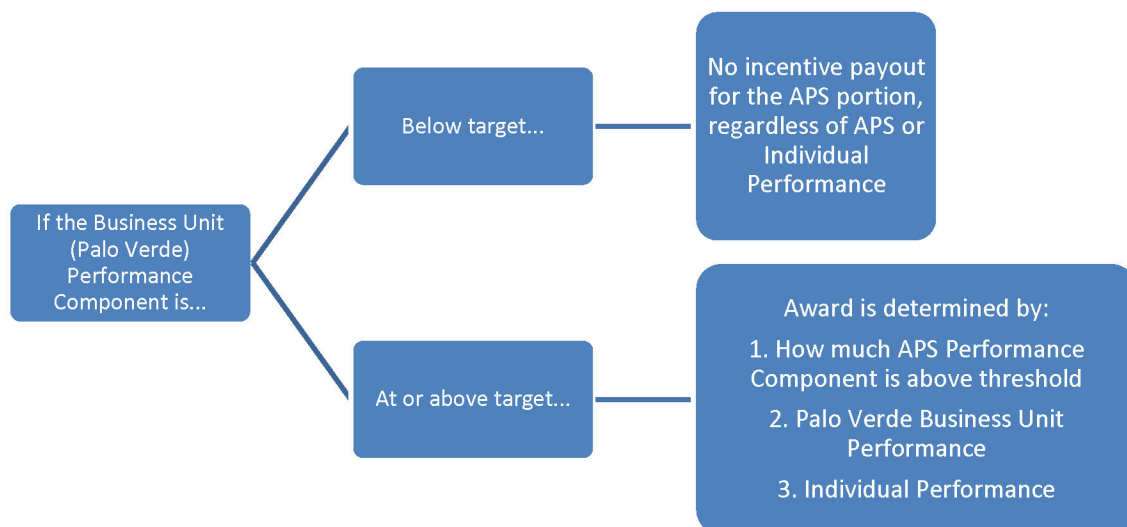
APS Performance Component

To emphasize the importance of APS financial earnings, this component within the plan is based on corporate earnings relative to goals set at the beginning of the fiscal year. The APS Performance Component accounts for 20-50% (depending on job level) of the potential incentive award. The higher the earnings achieved, the higher the potential incentive award.

The APS Performance Component has threshold, target and maximum funding levels. The earnings threshold for 2016 is \$397M. Payout under the APS portion is contingent upon achieving Palo Verde Business Unit performance goals at least 100% payout overall. Additionally, if the Company does not meet this earnings threshold, no APS portion of the incentive will be paid. However, the more the Company exceeds the threshold, the greater the funding of the plan.

Earnings Level at Fiscal Year End	Incentive Award Potential Payout	
\$397M	Threshold	---
\$447M	Target	100% of target
\$497M	Maximum	200% of target

In summary, this is how the business unit and APS performance components work together:

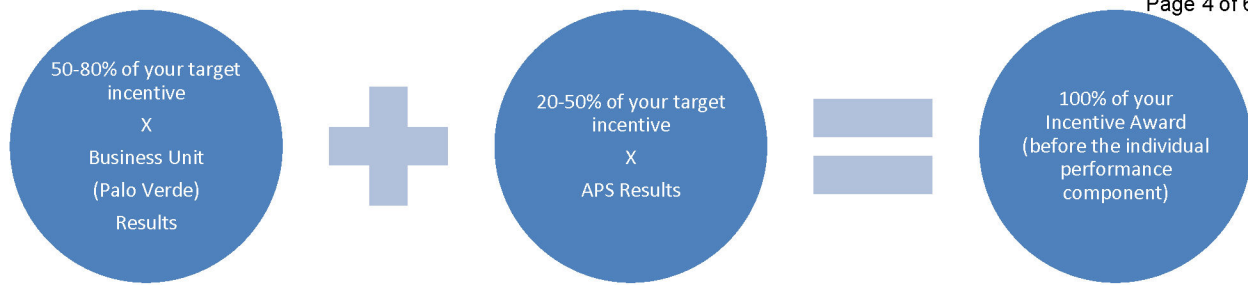


Target Incentive Opportunity

Your *target incentive opportunity* is determined by your role in the organization and expressed as a percentage of your annual base rate of pay. Target incentive opportunities and business unit metrics are based on the position you held and business unit you worked in as of the last pay period of the year.

Award Calculation

To determine the calculated portion of your incentive award, add the APS Performance Component results and your Business Unit Component results together. If these performance results are below the goal expectations for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.



Individual Performance Component

After the calculated incentive award is established, individual performance is also considered. For performance review employees, this is based on your performance during the plan year. Your leader can modify your calculated incentive award either up for significant contributions or down if expectations are not fully met. This leader discretion allows us to recognize those employees with the highest performance with greater incentive awards. Union employees do not participate in the individual performance component of the plan.

In all cases, your total individual incentive award payment may not exceed two times (2x) the target payout level regardless of APS, business unit or individual performance.

Award Payment

Awards are determined once the fiscal year closes and incentive results are determined, typically in late February after the Company publicly reports full-year earnings. Awards are paid on or before March 15 of the calendar year following the plan year.

You must be employed on December 31st of the plan year to be eligible for a payout under the plan with the following exceptions:

- If you are involuntarily terminated (other than for cause) during the plan year, you **may** receive a payout under the plan. The payout will be based only on the Business Unit Performance Component and the APS Performance Component. The maximum payout you can receive will not exceed your target incentive opportunity. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the year.
- If you retire or leave the Company due to a long-term disability or death during the plan year, you will receive a payout from the calculated award based on the Business Unit Component and the APS Performance Component. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the year.

If you are hired after January 1, 2016, you will be eligible for a prorated award based on the amount of time you were employed during the plan year.

If you voluntarily terminate your employment or are terminated for cause and are not employed on December 31st of the plan year, you will not be eligible for a payout under the plan.

Awards will be subject to potential forfeiture or recovery to the extent called for by the Company's Clawback Policy, which is intended to be responsive to the final rules to be issued by the Securities and Exchange Commission and the listing standards to be adopted by the New York Stock Exchange pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, the Clawback Policy may include such other provisions as the Human Resources Committee of the Board of Directors determines to be necessary or appropriate either to comply with any applicable law or listing standard or in light of Company ethics or other policies and practices. Specific requirements of the Clawback Policy may be adopted and amended at such times as the Human Resources Committee of the Board of Directors determines in its discretion. By accepting awards under this plan, the recipient consents and agrees to abide by such Clawback Policy.

Committee Authority

The Human Resources Committee of the Board of Directors has the sole discretionary authority to interpret, apply and administer the plan and to amend or terminate the plan at any time. The Committee may adjust plan targets or incentive results and may make other changes to the plan deemed necessary or appropriate due to unanticipated events that arise during the performance period or unusual or nonrecurring adjustments on actual earnings that arise during the performance period, including without limitation, ACC rate-related impacts on earnings.

2016 Palo Verde Performance Metrics

Palo Verde	Metric	Measure		
		Threshold	Target ¹	Maximum
Employees – 22.5%	Reactivity Management (4%)	93	95	97
	Site Safety Index (5%)	4 G/W; ≤ 1 Red	5 G/W; No Red	6 G/W; ≥ 3 Green
	INPO Recordable Rate (5%)	≤0.163	≤0.110	≤0.055
	Collective Radiation Exposure (REM) (3.5%)	75	70	65
	Voluntary Protection Permit (5%)	STAR Conditional 1-Year Frequency	STAR 3-Year Frequency	STAR 5-Year Frequency
Operational Excellence – 30%	Site Capacity Factor (20%)	90%	91.5%	93%
	Spring Outage Days (5%)	≤ 32	31	30
	Fall Outage Days (5%)	≤ 32	31	30
Performance Improvement – 27.5%	Equipment Reliability Index (ERI) (5%)	91	93	95
	Corrective Action Performance Scorecard (CAP) (5%)	5 G/W; ≤ 1 Red	6 G/W; No Red	7 G/W; ≥ 4 Green
	Site Clock Resets (Less Safety) (5%)	3	1	0
	Site Operational Focus Indicator (of 8) (7.5%)	6	7	8
	Continuous Improvement Process (5%)	350	500	650
Shareholder Value – 20%	O&M Budget (15%)	≤ Budget	≤ Budget & 10 Months Forecast Cashflow Performance ±5%	≤ Budget & 11 Months Forecast Cashflow Performance ±5%
	Capital Budget (5%)	≤ Budget	≤ Budget & 6 Months Forecast Cashflow Performance ±10%	≤ Budget & 9 Months Forecast Cashflow Performance ±10%

Notes:

1. Target Business Unit level performance, or at least 100% payout overall, must be achieved before payment of APS portion can occur.
2. Incentive budget forecast metric exclusions – One-time items that can be anticipated but timing and/or impact are unknown at the time incentive goals are set and that are outside of the control of the business unit should be excluded from the budget forecast metric incentive results
3. The Site Safety Index, CAP Scorecard and Site Operational Focus Indicator are 6-month goals that are actualized and funded on June 30th and December 31st.

Arizona Public Service 2017 Annual Incentive Award Plan For Palo Verde Employees

Your contributions are important to our success. The talent, dedication and focus of our employees enable us to deliver on our business goals. The Arizona Public Service Company ("APS") 2017 Annual Incentive Award Plan for Palo Verde Employees is designed to align the success of our business with the interests of our customers and shareholders by providing an incentive opportunity for our valued employees.

This incentive award plan is an important component of the overall APS Total Rewards package for employees. As you look to the future, we want you to understand how your dedication to the success of APS can also build your financial success.

Our APS Total Rewards package includes a competitive base salary, an annual incentive program, recognition programs, health and wellness benefits, 401k savings programs, retirement programs, paid time off and career development opportunities.

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Plan Objectives

We pay for performance by paying higher amounts for higher levels of performance. The incentive award plan is designed to:

- **Ensure our workforce efforts are aligned with the APS business plan, tiered metrics and supporting initiatives** – In addition to achieving annual goals, we work to continue to strengthen our financial performance over the long term.
- **Share in the success of the company when goals are met** – Demonstrate that incentive pay ties directly to performance – greater contributions earn greater rewards.
- **Support efforts to attract and retain top talent** – Provide a compensation package that is competitive with other organizations comparable to APS.

These objectives are measured financially, by business unit performance, and by individual performance. How each component works is explained in the next section.

Eligibility

You are eligible to participate if you meet the following eligibility requirements:

- You are regularly scheduled to work 20 hours a week or more;
- You are not a contract employee or seasonal intern.

Plan Year

The plan year begins on January 1, 2017, and ends on December 31, 2017. All performance metrics are based on achievement of set performance goals for that same period.

Award Components

Final award amounts are determined based on the financial performance of APS, business unit performance, and individual performance. Both APS and business unit performance determine the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.

Note: Union employees do not participate in the individual performance component of the plan. These employees receive an incentive based on Palo Verde performance and APS performance. Participation in the incentive plan for union employees is governed by the current collective bargaining agreement.



Business Unit Performance Component

We believe the performance of each business unit is important to the success of the Company. The Business Unit Performance Component represents 50-80% (depending upon job level) of the potential incentive award. Employees who participate in this incentive plan are aligned with the Palo Verde Business Unit.

Business units are responsible for determining primary performance indicators that lead to the overall success of their organization and form the basis for the performance metrics used for this part of the plan. These metrics may vary by business unit, but all are closely tied to the APS Core and Critical Areas of Focus.

The Business Unit Performance Component has threshold, target and maximum performance levels with the incentive award payout at 50%, 100% and 200% of target, respectively. The award is calculated proportionately to the percent of target performance achieved (see the “**Business Unit Performance Metrics**” section for details). Payout under the Palo Verde Business Unit portion is not contingent upon APS achieving the Company minimum threshold performance earnings level.

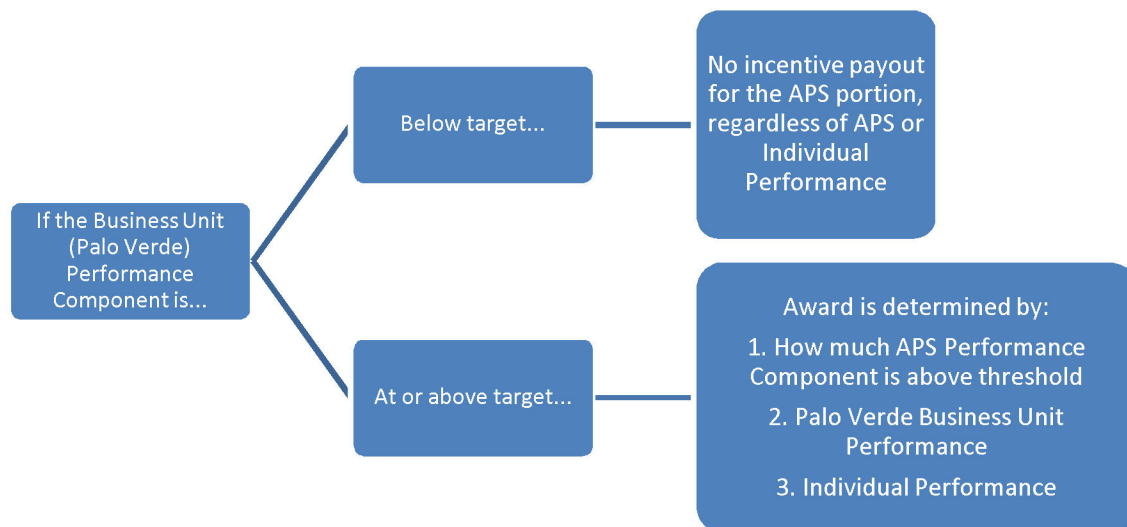
APS Performance Component

To emphasize the importance of APS financial earnings, this component within the plan is based on corporate earnings relative to goals set at the beginning of the fiscal year. The APS Performance Component accounts for 20-50% (depending on job level) of the potential incentive award. The higher the earnings achieved, the higher the potential incentive award.

The APS Performance Component has threshold, target and maximum funding levels. The earnings threshold for 2017 is \$403M. Payout under the APS portion is contingent upon achieving Palo Verde Business Unit performance goals at least 100% payout overall. Additionally, if the Company does not meet this earnings threshold, no APS portion of the incentive will be paid. However, the more the Company exceeds the threshold, the greater the funding of the plan.

Earnings Level at Fiscal Year End	Incentive Award Potential Payout	
\$403M	Threshold	---
\$453M	Target	100% of target
\$503M	Maximum	200% of target

In summary, this is how the business unit and APS performance components work together:

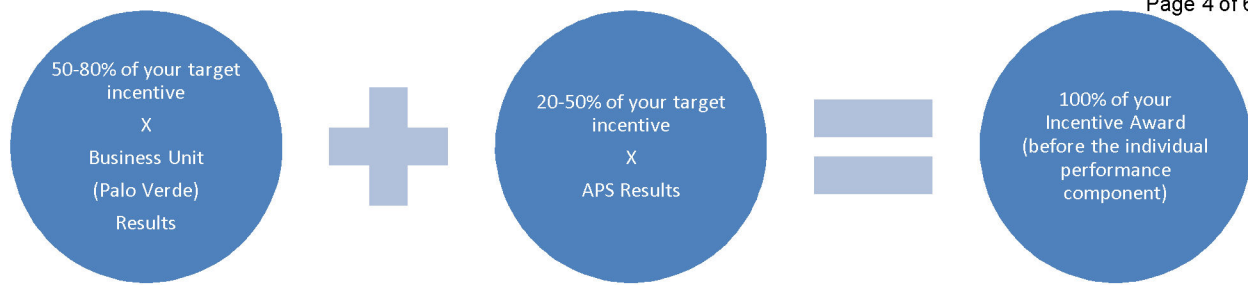


Target Incentive Opportunity

Your target incentive opportunity is determined by your role in the organization and expressed as a percentage of your annual base rate of pay. Target incentive opportunities and business unit metrics are based on the position you held and business unit you worked in as of the last pay period of the year.

Award Calculation

To determine the calculated portion of your incentive award, add the APS Performance Component results and your Business Unit Component results together. If these performance results are below the goal expectations for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.



Individual Performance Component

After the calculated incentive award is established, individual performance is also considered. For performance review employees, this is based on your performance during the plan year. Your leader can modify your calculated incentive award either up for significant contributions or down if expectations are not fully met. This leader discretion allows us to recognize those employees with the highest performance with greater incentive awards. Union employees do not participate in the individual performance component of the plan.

In all cases, your total individual incentive award payment may not exceed two times (2x) the target payout level regardless of APS, business unit or individual performance.

Award Payment

Awards are determined once the fiscal year closes and incentive results are determined, typically in late February after the Company publicly reports full-year earnings. Awards are paid on or before March 15 of the calendar year following the plan year.

You must be employed on December 31st of the plan year to be eligible for a payout under the plan with the following exceptions:

- If you are involuntarily terminated (other than for cause) during the plan year, you **may** receive a payout under the plan. The payout will be based only on the Business Unit Performance Component and the APS Performance Component. The maximum payout you can receive will not exceed your target incentive opportunity. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the year.
- If you retire or leave the Company due to a long-term disability or death during the plan year, you will receive a payout from the calculated award based on the Business Unit Component and the APS Performance Component. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the year.

If you are hired after January 1, 2017, you will be eligible for a prorated award based on the amount of time you were employed during the plan year.

If you voluntarily terminate your employment or are terminated for cause and are not employed on December 31st of the plan year, you will not be eligible for a payout under the plan.

Awards will be subject to potential forfeiture or recovery to the extent called for by the Company's Clawback Policy, which is intended to be responsive to the final rules to be issued by the Securities and Exchange Commission and the listing standards to be adopted by the New York Stock Exchange pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, the Clawback Policy may include such other provisions as the Human Resources Committee of the Board of Directors determines to be necessary or appropriate either to comply with any applicable law or listing standard or in light of Company ethics or other policies and practices. Specific requirements of the Clawback Policy may be adopted and amended at such times as the Human Resources Committee of the Board of Directors determines in its discretion. By accepting awards under this plan, the recipient consents and agrees to abide by such Clawback Policy.

Committee Authority

The Human Resources Committee of the Board of Directors has the sole discretionary authority to interpret, apply and administer the plan and to amend or terminate the plan at any time. The Committee may adjust plan targets or incentive results and may make other changes to the plan deemed necessary or appropriate due to unanticipated events that arise during the performance period or unusual or nonrecurring adjustments on actual earnings that arise during the performance period, including without limitation, ACC rate-related impacts on earnings.

2017 Palo Verde Performance Metrics

Palo Verde	Metric	Threshold	Measure Target ^{1,2}	Maximum
Employees – 22.5%	Reactivity Management (4%)	93	95	97
	Site Safety Index ³ (5%)	4 G/W; ≤ 1 Red	5 G/W; No Red	6 G/W; ≥ 3 Green
	INPO Recordable Rate (5%)	≤0.163	≤0.110	≤0.055
	Collective Radiation Exposure (3.5%)	75	70	65
	Accreditation (5%)	N/A	Split vote	Unanimous vote
Operational Excellence – 30%	Site Capacity Factor (20%)	91%	92%	93%
	Spring Outage Days (5%)	≤ 32	≤ 31	≤ 30
	Fall Outage Days (5%)	≤ 32	≤ 31	≤ 30
Performance Improvement – 27.5%	Equipment Reliability Index (5%)	91	93	95
	Corrective Action Performance Scorecard (CAP) ³ (5%)	3 G/W; ≤ 1 Red	4 G/W; No Red	5 G/W; ≥ 3 Green
	Site Clock Resets (Less Safety) (5%)	2	1	0
	Site Operational Focus Indicator ³ (of 8) (7.5%)	6 G/W; ≤ 1 Red	7 G/W; No Red	8 G/W; ≥ 4 Green
	Continuous Improvement Process (5%)	600	800	1,000
Shareholder Value – 20%	O&M Budget (15%)	On Budget	≥ \$1.25M Under Budget & 10 Months Forecast Cashflow Performance ±5%	≥\$2.5M Under Budget & 11 Months Forecast Cashflow Performance ±5%
	Capital Budget (5%)	≤ Budget	≤ Budget & 10 Months Forecast Cashflow Performance ±10%	≤ Budget & 11 Months Forecast Cashflow Performance ±10%

Notes:

1. Target Business Unit level performance, or at least 100% payout overall, must be achieved before payment of APS portion can occur.
2. Incentive budget forecast metric exclusions – One-time items that can be anticipated but timing and/or impact are unknown at the time incentive goals are set and that are outside of the control of the business unit should be excluded from the budget forecast metric incentive results
3. The Site Safety Index, CAP Scorecard and Site Operational Focus Indicator are 6-month goals that are actualized and funded on June 30th and December 31st.

Arizona Public Service 2018 Annual Incentive Award Plan For Palo Verde Employees

Your contributions are important to our success. The talent, dedication and focus of our employees enable us to deliver on our business goals. The Arizona Public Service Company ("APS") 2018 Annual Incentive Award Plan for Palo Verde Employees is designed to align the success of our business with the interests of our customers and shareholders by providing an incentive opportunity for our valued employees.

This incentive award plan is an important component of the overall APS Total Rewards package for employees. As you look to the future, we want you to understand how your dedication to the success of APS can also build your financial success.

Our APS Total Rewards package includes a competitive base salary, an annual incentive program, recognition programs, health and wellness benefits, 401k savings programs, retirement programs, paid time off and career development opportunities.

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Plan Objectives

We pay for performance by paying higher amounts for higher levels of performance. The incentive award plan is designed to:

- **Ensure our workforce efforts are aligned with the APS business plan, tiered metrics and supporting initiatives** – In addition to achieving annual goals, we work to continue to strengthen our financial performance over the long term.
- **Share in the success of the company when goals are met** – Demonstrate that incentive pay ties directly to performance – greater contributions earn greater rewards.
- **Support efforts to attract and retain top talent** – Provide a compensation package that is competitive with other organizations comparable to APS.

These objectives are measured financially, by business unit performance, and by individual performance. The mechanics of how each component works is explained in the next section.

Eligibility

You are eligible to participate if you meet the following eligibility requirements:

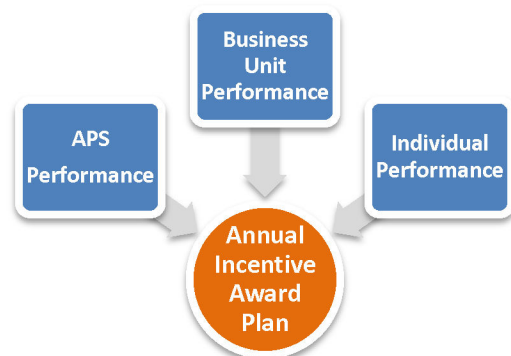
- You are regularly scheduled to work 20 hours a week or more;
- You are employed with Palo Verde; and
- You are not a contract employee or seasonal intern.

Plan Year

The plan year begins on January 1, 2018, and ends on December 31, 2018. All performance metrics are based on achievement of set performance goals for that same period.

Award Components

Final award amounts are determined based on the financial performance of APS, business unit performance, and individual performance. Both APS and business unit performance determine the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.



Business Unit Performance Component

We believe the performance of each business unit is important to the success of Pinnacle West Capital Corporation and its subsidiaries (the "Company"). The Business Unit Performance Component represents 50-80% (depending upon job level) of the potential incentive award. Employees who participate in this incentive plan are aligned with the Palo Verde Business Unit.

Business units are responsible for determining primary performance indicators that lead to the overall success of their organization and form the basis for the performance metrics used for this part of the plan. These metrics may vary by business unit, but all are closely tied to the APS Core.

The Business Unit Performance Component has threshold, target and maximum performance levels with the incentive award payout at 50%, 100% and 200% of target, respectively. The award is calculated proportionately to the percent of target performance achieved (see the "**Business Unit Performance Metrics**" section for details). Payout under the Palo Verde Business Unit portion is not contingent upon APS achieving its minimum threshold performance earnings level.

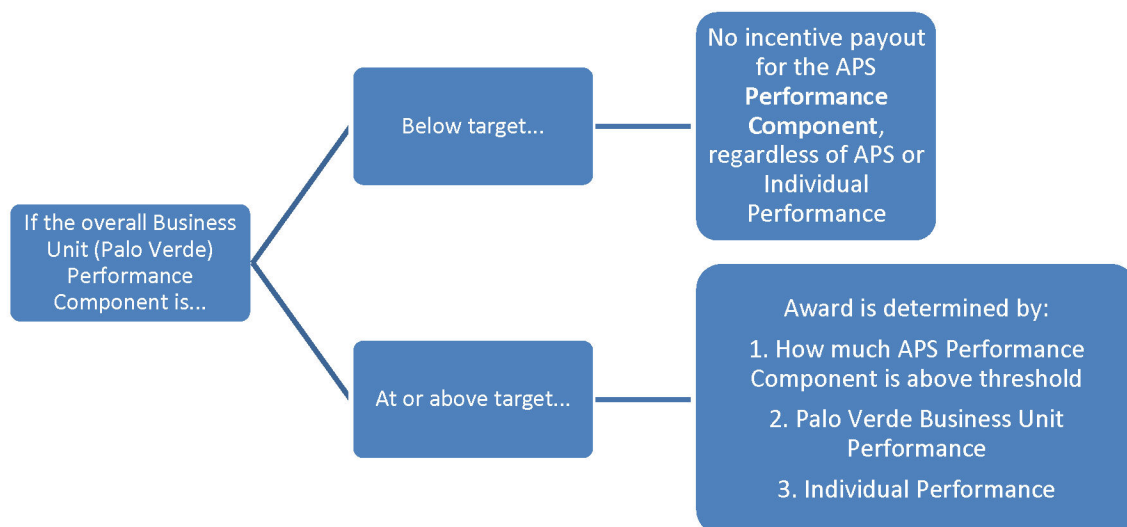
APS Performance Component

To emphasize the importance of APS financial earnings, this component within the plan is based on corporate earnings relative to goals set at the beginning of the fiscal year. The APS Performance Component accounts for 20-50% (depending on job level) of the potential incentive award. The higher the earnings achieved, the higher the potential incentive award.

The APS Performance Component has threshold, target and maximum funding levels. The earnings threshold for 2018 is \$461M. Payout under the APS Performance Component is contingent upon achieving Palo Verde Business Unit performance goals at least 100% payout overall. Additionally, if APS does not meet this earnings threshold, no APS portion of the incentive will be paid. However, the more APS exceeds the threshold, the greater the funding of the plan.

Earnings Level at Fiscal Year End	Incentive Award Potential Payout	
\$461M	Threshold	---
\$512M	Target	100% of target
\$563M	Maximum	200% of target

In summary, this is how the business unit and APS performance components work together:

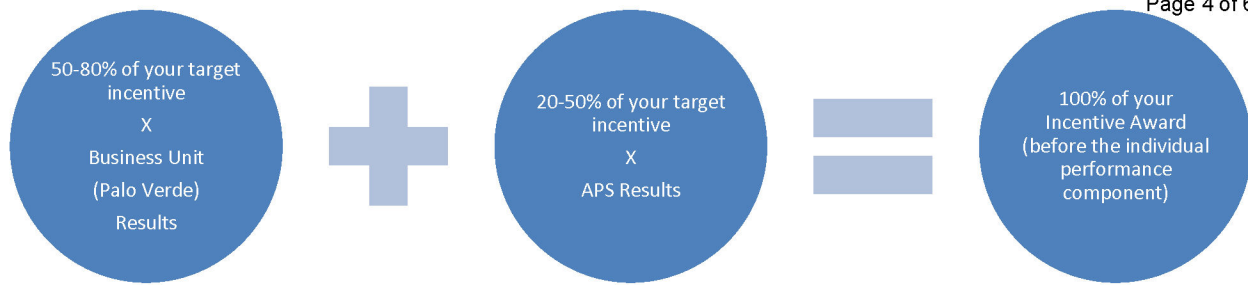


Target Incentive Opportunity

Your *target incentive opportunity* is determined by your role in the organization and expressed as a percentage of your annual base rate of pay. Target incentive opportunities and business unit metrics are based on the position you held and business unit you worked in as of the last pay period of the year.

Award Calculation

To determine the calculated portion of your incentive award, add the APS Performance Component results and your Business Unit Component results together. If these performance results are below the goal expectations for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.



Individual Performance Component

After the calculated incentive award is established, individual performance is also considered. For performance review employees, this is based on your performance during the plan year. Your leader can modify your calculated incentive award either up for significant contributions or down if expectations are not fully met. This leader discretion allows us to recognize those employees with the highest performance with greater incentive awards.

In all cases, your total individual incentive award payment may not exceed two times (2x) the target payout level regardless of APS, business unit or individual performance.

Award Payment

Awards are determined once the fiscal year closes and incentive results are determined, typically in late February after the Company publicly reports full-year earnings. Awards are paid on or before March 15 of the calendar year following the plan year.

You must be employed by the Company on December 31st of the plan year to be eligible for a payout under the plan with the following exceptions:

- If you are involuntarily terminated (other than for cause) during the plan year, you **may** receive a payout under the plan. The payout will be based only on the Business Unit Performance Component and the APS Performance Component. The maximum payout you can receive will not exceed your target incentive opportunity. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the plan year.
- If you retire or leave the Company due to a long-term disability or death during the plan year, you will receive a payout from the calculated award based on the Business Unit Component and the APS Performance Component. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the plan year.

If you are hired after January 1, 2018, you will be eligible for a prorated award based on the amount of time you were employed during the plan year.

If you voluntarily terminate your employment or are terminated for cause and are not employed on December 31st of the plan year, you will not be eligible for a payout under the plan.

Awards will be subject to potential forfeiture or recovery to the extent called for by the Company's Clawback Policy. The Clawback Policy may include such provisions as the Human Resources Committee of the Board of Directors determines to be necessary or appropriate either to comply with any applicable law or listing standard or in light of Company ethics or other policies and practices. Specific requirements of the Clawback Policy may be adopted and amended at such times as the Human Resources Committee of the Board of Directors determines in its discretion. By accepting awards under this plan, the recipient consents and agrees to abide by such Clawback Policy.

Committee Authority

The Human Resources Committee of the Board of Directors has the sole discretionary authority to interpret, apply and administer the plan and to amend or terminate the plan at any time. The Human Resources Committee of the Board of Directors may adjust plan targets or incentive results and may make other changes to the plan deemed necessary or appropriate due to unanticipated events that arise during the performance period or unusual or nonrecurring adjustments on actual earnings that arise during the performance period, including without limitation, ACC rate-related impacts on earnings.

2018 Palo Verde Performance Metrics

Palo Verde	Metric	Measure		
		Threshold	Target ¹	Maximum
Employees – 22.5%	Reactivity Management (INPO PIC) & Zero New Fuel Damage Events (5%)	≤ 2.0 & Zero New FDE's	≤ 1.3 & Zero New FDE's	≤ 0.7 & Zero New FDE's
	Site Safety Index (5%)	9	10	11
	OSHA – free days (in calendar year) (5%)	361	362	363
	INPO Evaluation ² (4%)	Excellent	Excellent	Excellent
	Radiological Safety Focus Index (3.5%)	85	90	95
Operational Excellence – 30%	Site Capacity Factor (15%)	90.0%	90.8%	91.6%
	Summer Reliability Capacity Factor (15%)	98.7%	99.2%	99.7%
Performance Improvement – 27.5%	Equipment Reliability Index (2.5%)	91	94	97
	Plant Health Committee (PHC) Actions (2.5%)	85	90	95
	Corrective Action Performance Scorecard June (CAP) ³ (1.25%)	3 G/W; ≤ 1 Red	4 G/W; No Red	5 G/W; ≥ 3 Green
	Corrective Action Performance Scorecard December (CAP) ³ (1.25%)	3 G/W; ≤ 1 Red	4 G/W; No Red	5 G/W; ≥ 3 Green
	Startup Iron CEI-R – PPB Spring Outage (5%)	≤5.0	≤4.0	≤ 3.0
	Startup Iron CEI-R – PPB Fall Outage (5%)	≤5.0	≤4.0	≤ 3.0
	Site Clock Resets (Less Safety) (5%)	1	1	0
	Operational Focus Indicator (INPO PIC) (5%)	≤45.0	≤37.5	≤ 30.0
Shareholder Value – 20%	O&M Budget (15%)	≤ Budget	≤ Budget	≤ Budget
	Capital Budget (5%)	≤ Budget	≤ Budget	≤ Budget

Palo Verde Footnotes:

1. Palo Verde Business Unit performance goals must achieve at least 100% payout overall before payment of the APS Performance Component can occur.
2. The INPO Evaluation measure will pay Maximum if achieved.
3. The CAP Scorecard reflects 6-month goals that are actualized and funded on June 30th and December 31st.

Arizona Public Service Company 2019 Annual Incentive Award Plan For Palo Verde Employees

Your contributions are important to our success. The talent, dedication and focus of our employees enable us to deliver on our business goals. The Arizona Public Service Company ("APS") 2019 Annual Incentive Award Plan for Palo Verde Employees is designed to align the success of our business with the interests of our customers and shareholders by providing an incentive opportunity for our valued employees.

This incentive award plan is an important component of the overall total rewards package for employees. As you look to the future, we want you to understand how your dedication to the success of APS ties to your own personal financial success.

Our APS Total Rewards package includes a competitive base salary, an annual incentive program, recognition programs, health and wellness benefits, 401k savings programs, retirement programs, paid time off and career development opportunities.

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Plan Objectives

We pay for performance by paying higher amounts for higher levels of performance. The incentive award plan is designed to:

- **Ensure our workforce efforts are aligned with the APS business plan, tiered metrics and supporting initiatives** – In addition to achieving annual goals, we work to continue to strengthen our financial performance over the long term.
- **Share in the success of the company when goals are met** – Demonstrate that incentive pay ties directly to performance – greater contributions earn greater rewards.
- **Support efforts to attract and retain top talent** – Provide a compensation package that is competitive with other organizations comparable to APS.

These objectives are measured financially, by business unit performance, and by individual performance. The mechanics of how each component works is explained in the next section.

Eligibility

You are eligible to participate if you meet the following eligibility requirements:

- You are regularly scheduled to work 20 hours a week or more;
- You are employed with Palo Verde; and
- You are not a contract employee or seasonal intern.

Plan Year

The plan year begins on January 1st, 2019, and ends on December 31st, 2019. All performance metrics are based on achievement of set performance goals for that same period.

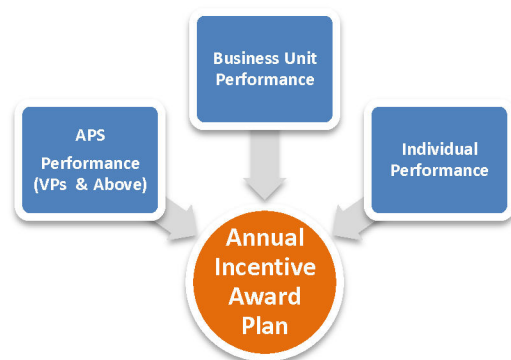
Award Components

For Vice Presidents and above:

Final award amounts are determined based on the financial performance of APS, business unit performance, and individual performance. Both APS and business unit performance determine the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.

For all other employees:

Final award amounts are determined based on business unit performance and individual performance. Business unit performance determines the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.



Business Unit Performance Component

We believe the performance of each business unit is important to the success of Pinnacle West Capital Corporation and its subsidiaries (the "Company"). The Business Unit Performance Component represents 50-100% (depending upon job level) of the potential incentive award. Employees who participate in this incentive plan are aligned with the Palo Verde Business Unit.

Business units are responsible for determining primary performance indicators that lead to the overall success of their organization and form the basis for the performance metrics used for this part of the plan. These metrics may vary by business unit, but all are closely tied to the APS Core.

The Business Unit Performance Component has threshold, target and maximum performance levels with the incentive award payout at 50%, 100% and 200% of target, respectively. The award is calculated proportionately to the percent of target performance achieved (see the “**Business Unit Performance Metrics**” section for details). With respect to Vice Presidents and above, incentive award payout under the Palo Verde Business Unit portion is not contingent upon APS achieving its minimum threshold performance earnings level.

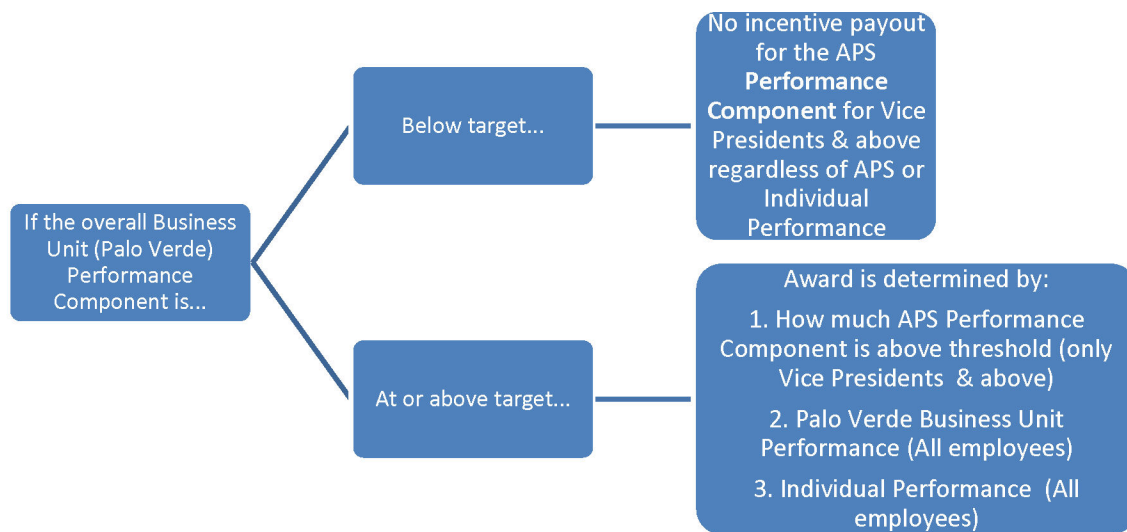
APS Performance Component at the Vice President Level and Above

To emphasize the importance of APS financial earnings at the Vice President level and above, this component within the plan is based on corporate earnings relative to goals set at the beginning of the fiscal year. The APS Performance Component accounts for 50% of the potential incentive award.

The APS Performance Component has threshold, target and maximum funding levels. The earnings threshold for 2019 is \$484M. Payout under the APS Performance Component is contingent upon achieving Palo Verde Business Unit performance goals at least 100% payout overall. Additionally, if APS does not meet this earnings threshold, no APS portion of the incentive will be paid.

Earnings Level at Fiscal Year End	Incentive Award Potential Payout	
\$484M	Threshold	---
\$538M	Target	100% of target
\$592M	Maximum	200% of target

In summary, this is how the business unit and APS performance components work together:



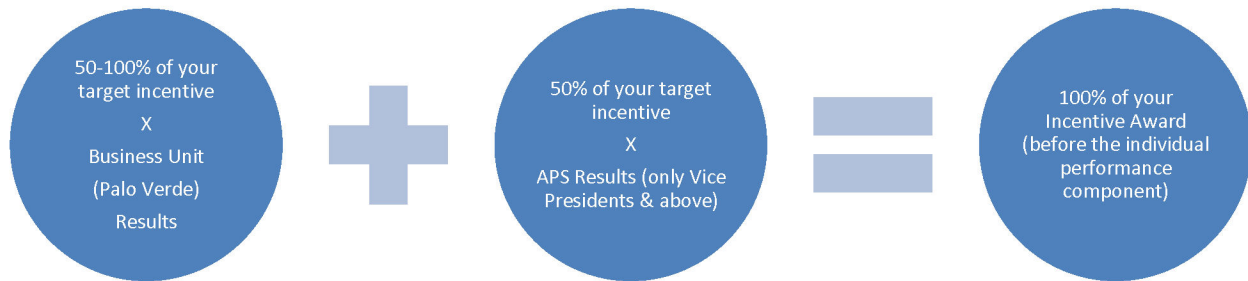
Target Incentive Opportunity

Your target incentive opportunity is determined by your role in the organization and expressed as a percentage of your annual base rate of pay. Target incentive opportunities and business unit metrics are based on the position you held and business unit you worked in as of the end of the plan year.

Award Calculation

Vice Presidents and above - To determine the calculated portion of your incentive award, add the APS Performance Component results and your Business Unit Component results together. If these performance results are below the goal expectations for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.

All other levels – The calculated portion of your incentive award is based solely on your Business Unit results. If the performance results are below the goal expectation for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.



Individual Performance Component

After the calculated incentive award is established, individual performance is also considered for performance review employees. Your leader may increase your calculated incentive award for significant contributions or decrease your incentive if expectations are not fully met. This leader discretion allows us to recognize those employees with the highest performance with greater incentive awards.

In all cases, your total individual incentive award payment may not exceed two times (2x) the target payout level regardless of APS, business unit or individual performance.

Award Payment

Awards are determined once the year closes and incentive results are determined, typically in late February after the Company publicly reports full-year earnings. Awards are paid on or before March 15th of the calendar year following the plan year.

You must be employed by the Company on December 31st of the plan year to be eligible for an incentive payout with the following exceptions:

- If you are involuntarily terminated (other than for cause) during the plan year, you **may** receive a payout under the plan. The payout will be based only on the Business Unit Performance Component and the APS Performance Component for Vice Presidents and above or only on the Business Unit Performance Component for all other levels. The maximum payout you can receive will not exceed your target incentive opportunity. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the plan year.
- If you retire or leave the Company due to a long-term disability or death during the plan year, you will receive a payout from the calculated award based on the Business Unit Component and the APS Performance Component for Vice Presidents and above or based on the Business Unit Component for all other levels. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the plan year.

If you are hired after January 1st, 2019, you will be eligible for a prorated award based on the amount of time you were employed during the plan year.

If you voluntarily terminate your employment or are terminated for cause and are not employed on December 31st of the plan year, you will not be eligible for a payout under the plan.

Committee Authority

The Human Resources Committee of the Board of Directors has the sole discretionary authority to interpret, apply and administer the plan and to amend or terminate the plan at any time. The Human Resources Committee of the Board of Directors may adjust plan targets or incentive results and may make other changes to the plan deemed necessary or appropriate due to unanticipated events that arise during the performance period or unusual or nonrecurring adjustments on actual earnings that arise during the performance period, including without limitation, ACC rate-related impacts on earnings.

2019 Palo Verde Performance Metrics

Palo Verde	Metric	Measure		
		Threshold	Target ¹	Maximum
Employees – 35%	Reactivity Management (7.5%)	94	95	96
	Site Safety Index (10%)	10	11	12
	OSHA Recordable Incidents (10%)	3	2	1
	Radiological Safety Focus Index (7.5%)	85	90	95
Operational Excellence – 30%	Site Capacity Factor (15%)	90.1%	90.9%	91.7%
	Summer Reliability Capacity Factor (15%)	98.2%	98.7%	99.2%
Performance Improvement – 15%	Plant Health Committee (PHC) Level 4 Work Orders (2.5%)	85	90	95
	Start-Up CEI-R (PPB - Spring Outage) (2.5%)	≤5.0	≤4.0	≤ 3.0
	Start-Up CEI-R (PPB - Fall Outage) (2.5%)	≤5.0	≤4.0	≤ 3.0
	CAP Quality Index, Funded 06/30 and 12/31 ² (5%)	5 G/W≤1 Red	5 G/W No Red	7 G/W ≥ 4 Green
	Site Operational Focus Indicator, Funded 6/30 and 12/31 ³ (2.5%)	6 G/W≤1 Red	7 G/W No Red	8 G/W ≥ 4 Green
Shareholder Value – 20%	O&M Budget (12.5%)	≤ Budget	≤ Budget	≤ Budget
	Capital Budget (5%)	≤ Budget	≤ Budget	≤ Budget
	Value Based Maintenance Savings (2.5%)	\$800K	\$900K	\$1,000K

Palo Verde Footnotes:

1. Palo Verde Business Unit performance goals must achieve at least 100% payout overall before payment of the APS Performance Component can occur for Vice Presidents and above.
2. The CAP Quality Index reflects 6-month goals that are actualized and funded on June 30th and December 31st.
3. The Site Operational Focus Indicator reflects 6-month goals that are actualized and funded on June 30th and December 31st of the plan year.

Arizona Public Service Company 2020 Annual Incentive Award Plan For Palo Verde Employees

Your contributions are important to our success. The talent, dedication and focus of our employees enable us to deliver on our business goals. The Arizona Public Service Company ("APS") 2020 Annual Incentive Award Plan for Palo Verde Employees is designed to align the success of our business with the interests of our customers and shareholders by providing an incentive opportunity for our valued employees.

This incentive award plan is an important component of the overall total rewards package for employees. As you look to the future, we want you to understand how your dedication to the success of APS ties to your own personal financial success.

Our APS Total Rewards package includes a competitive base salary, an annual incentive program, recognition programs, health and wellness benefits, 401k savings programs, retirement programs, paid time off and career development opportunities.

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Plan Objectives

We pay for performance by paying higher amounts for higher levels of performance. The incentive award plan is designed to:

- **Ensure our workforce efforts are aligned with the APS business plan, tiered metrics and supporting initiatives** – In addition to achieving annual goals, we work to continue to strengthen our financial performance over the long term.
- **Share in the success of the company when goals are met** – Demonstrate that incentive pay ties directly to performance – greater contributions earn greater rewards.
- **Support efforts to attract and retain top talent** – Provide a compensation package that is competitive with other organizations comparable to APS.

These objectives are measured financially, by business unit performance, and by individual performance. The mechanics of how each component works is explained in the next section.

Eligibility

You are eligible to participate if you meet the following eligibility requirements:

- You are regularly scheduled to work 20 hours a week or more;
- You are employed with Palo Verde; and
- You are not a contract employee or seasonal intern.

Plan Year

The plan year begins on January 1st, 2020, and ends on December 31st, 2020. All performance metrics are based on achievement of set performance goals for that same period.

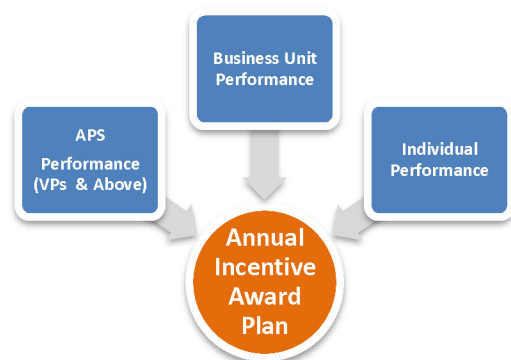
Award Components

For Vice Presidents and above:

Final award amounts are determined based on the financial performance of APS, business unit performance, and individual performance. Both APS and business unit performance determine the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.

For all other employees:

Final award amounts are determined based on business unit performance and individual performance. Business unit performance determines the calculated portion of award amounts with individual performance acting as a modifier that may increase or decrease the actual award.



Business Unit Performance Component

We believe the performance of each business unit is important to the success of Pinnacle West Capital Corporation and its subsidiaries (the "Company"). The Business Unit Performance Component represents 50-100% (depending upon job level) of the potential incentive award. Employees who participate in this incentive plan are aligned with the Palo Verde Business Unit.

Business units are responsible for determining primary performance indicators that lead to the overall success of their organization and form the basis for the performance metrics used for this part of the plan. These metrics may vary by business unit, but all are closely tied to the APS Core.

The Business Unit Performance Component has threshold, target and maximum performance levels with the incentive award payout at 50%, 100% and 200% of target, respectively. The award is calculated proportionately to the percent of target performance achieved (see the “**Business Unit Performance Metrics**” section for details). With respect to Vice Presidents and above, incentive award payout under the Palo Verde Business Unit portion is not contingent upon APS achieving its minimum threshold performance earnings level.

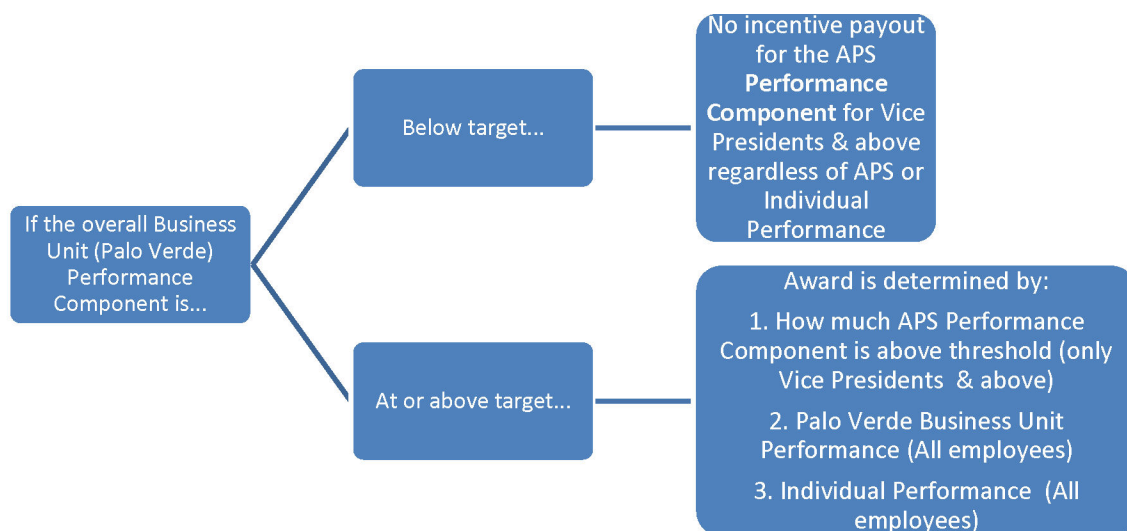
APS Performance Component at the Vice President Level and Above

To emphasize the importance of APS financial earnings at the Vice President level and above, this component within the plan is based on corporate earnings relative to goals set at the beginning of the fiscal year. The APS Performance Component accounts for 50% of the potential incentive award.

The APS Performance Component has threshold, target and maximum funding levels. The earnings threshold for 2020 is \$508M. Payout under the APS Performance Component is contingent upon achieving Palo Verde Business Unit performance goals at least 100% payout overall. Additionally, if APS does not meet this earnings threshold, no APS portion of the incentive will be paid.

Earnings Level at Fiscal Year End	Incentive Award Potential Payout	
\$508M	Threshold	---
\$564M	Target	100% of target
\$620M	Maximum	200% of target

In summary, this is how the business unit and APS performance components work together:



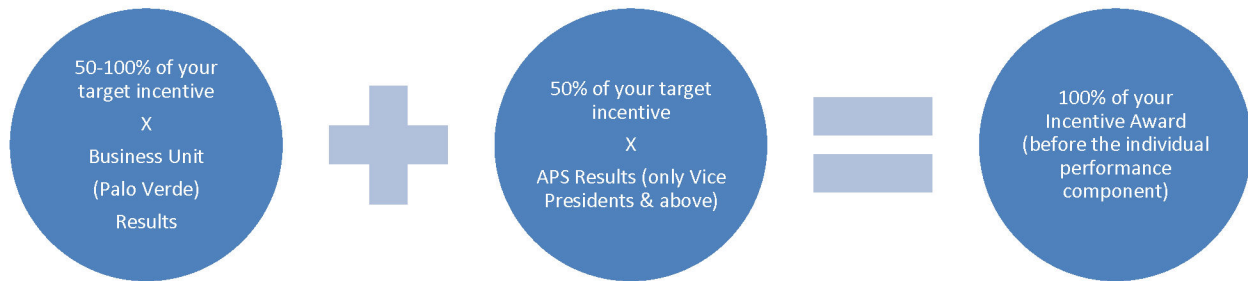
Target Incentive Opportunity

Your target incentive opportunity is determined by your role in the organization and expressed as a percentage of your annual base rate of pay. Target incentive opportunities and business unit metrics are based on the position you held and business unit you worked in as of the end of the plan year.

Award Calculation

Vice Presidents and above - To determine the calculated portion of your incentive award, add the APS Performance Component results and your Business Unit Component results together. If these performance results are below the goal expectations for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.

All other levels – The calculated portion of your incentive award is based solely on your Business Unit results. If the performance results are below the goal expectation for your target incentive opportunity, your award may be less than your target amount. Likewise, if the performance results exceed the goal expectations, your incentive award may be more than your target.



Individual Performance Component

After the calculated incentive award is established, individual performance is also considered for performance review employees. Your leader may increase your calculated incentive award for significant contributions or decrease your incentive if expectations are not fully met. This leader discretion allows us to recognize those employees with the highest performance with greater incentive awards.

In all cases, your total individual incentive award payment may not exceed two times (2x) the target payout level regardless of APS, business unit or individual performance.

Award Payment

Awards are determined once the year closes and incentive results are determined, typically in late February after the Company publicly reports full-year earnings. Awards are paid on or before March 15th of the calendar year following the plan year.

You must be employed by the Company on December 31st of the plan year to be eligible for an incentive payout with the following exceptions:

- If you are involuntarily terminated (other than for cause) during the plan year, you **may** receive a payout under the plan. The payout will be based only on the Business Unit Performance Component and the APS Performance Component for Vice Presidents and above or only on the Business Unit Performance Component for all other levels. The maximum payout you can receive will not exceed your target incentive opportunity. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the plan year.
- If you retire or leave the Company due to a long-term disability or death during the plan year, you will receive a payout from the calculated award based on the Business Unit Component and the APS Performance Component for Vice Presidents and above or based on the Business Unit Component for all other levels. The award will be prorated based on the amount of time you were actively employed in an incentive award-eligible position during the plan year.

If you are hired after January 1st, 2020, you will be eligible for a prorated award based on the amount of time you were employed during the plan year.

If you voluntarily terminate your employment or are terminated for cause and are not employed on December 31st of the plan year, you will not be eligible for a payout under the plan.

Committee Authority

The Human Resources Committee of the Board of Directors has the sole discretionary authority to interpret, apply and administer the plan and to amend or terminate the plan at any time. The Human Resources Committee of the Board of Directors may adjust plan targets or incentive results and may make other changes to the plan deemed necessary or appropriate due to unanticipated events that arise during the performance period or unusual or nonrecurring adjustments on actual earnings that arise during the performance period, including without limitation, ACC rate-related impacts on earnings.

2020 Palo Verde Performance Metrics

Palo Verde	Metric	Measure		
		Threshold	Target ¹	Maximum
Employees – 40%	Reactivity Management (7.5%)	94	95	96
	Site Safety Index ² (5%)	10	11	12
	OSHA Recordable Incidents ² (15%) Measured 3/31, 6/30, 9/30 and 12/31	N/A	N/A	0
	Operations Accreditation (7.5%)	N/A	In-person Board	Virtual Board
	Radiological Safety Focus Index (5%)	88	93	100
Operational Excellence – 30%	Site Capacity Factor (12.5%)	91.6%	92.5%	93.0%
	Summer Reliability Capacity Factor (17.5%)	98.2%	98.7%	99.2%
Performance Improvement – 10%	PI&R Performance Index (5%) Measured 3/31, 6/30, 9/30 and 12/31	6 G/W ≤ 1 Red	6 G/W No Red	8 G/W ≥ 5 Green
	Site Operational Focus Indicator (2.5%) Measured 6/30 and 12/31	6 G/W ≤ 1 Red	7 G/W No Red	8 G/W ≥ 4 Green
	Plant Health Committee (PHC) Actions (2.5%)	85	90	95
Shareholder Value³ – 20%	O&M Budget (15%)	≤ Budget	\$3M < Budget	\$6M < Budget
	Capital Budget (5%)	≤ Budget	≤ Budget	≤ Budget

Palo Verde Footnotes:

1. Palo Verde Business Unit performance goals must achieve at least 100% payout overall before payment of the APS Performance Component can occur for Vice Presidents and above.
2. In the event of a Palo Verde work-related fatality, neither the Site Safety Index nor the OSHA Recordable Incidents metrics will have any payout.
3. Shareholder Metrics exclude incentives and non-controllable costs (mid-year true-ups and load rate adjustments).

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-16:

Palo Verde: Please provide an analysis of each incentive plan for Palo Verde employees showing the amounts included in test year expenses based on a) company earnings, b) utility investment cost containment, c) expense containment, d) customer service, and e) safety.

RESPONSE:

- a) Company Earnings – \$915,058 (EPE Share \$144,579)
- b) Utility Investment Cost Containment (Capital Budget) - \$2,254,959 (EPE Share \$356,283)
- c) Expense Containment (O&M Budget) - \$7,195,405 (EPE Share \$1,136,874)
- d) Customer Service (Operational Excellence) - \$20,806,383 (EPE Share \$3,287,408)
- e) Safety (Safety/Performance Improvement) - \$7,660,653 (EPE Share \$1,210,383)

Preparer: Victor Martinez

Title: Manager – Resource Planning, Resource
Management Regulatory & Quality
Assurance

Sponsor: Todd A. Horton

Title: Senior Vice President –Site Operations
(Palo Verde Generating Station)

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-17:

Palo Verde: Please provide an analysis of each incentive plan for Palo Verde employees showing the amounts included in pro forma expenses based on a) company earnings, b) utility investment cost containment, c) expense containment, d) customer service, and e) safety.

RESPONSE:

The El Paso Electric Company ("EPE") did not make any adjustments to test year incentives. Please see EPE's response to CEP 10-16.

Preparer: Victor Martinez

Title: Manager – Resource Planning, Resource
Management Regulatory & Quality
Assurance

Sponsor: Todd A. Horton

Title: Senior Vice President –Site Operations
(Palo Verde Generating Station)

SOAH DOCKET NO. 473-21-2606
PUC DOCKET NO. 52195

APPLICATION OF EL PASO	§	BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO CHANGE	§	OF
RATES	§	ADMINISTRATIVE HEARINGS

EL PASO ELECTRIC COMPANY'S RESPONSE TO
CITY OF EL PASO'S TENTH REQUEST FOR INFORMATION
QUESTION NOS. CEP 10-1 THROUGH CEP 10-20

CEP 10-18:

Palo Verde: For each short-term incentive compensation plan for which any expense is included in El Paso Electric's pro forma cost of service, please provide the information for Palo Verde's short-term plans:

- Please provide a description of each plan.
- Provide a description of each of the goals or performance measures for each plan.
- Provide the amount paid in the test year for each goal or performance measure, by plan.
- Provide the amount included in Pro forma operating expense for each goal or performance measure for each plan.
- Provide the amount included in operating expenses for each plan for each year 2016 through 2020.
- Provide the amount capitalized for each plan for each year 2016 through 2020.
- For each plan, show the amounts and dates of each incentive payment for each year 2016 through 2020.
- For each month 2016 through 2020, provide the amount included in operating expenses for each incentive or bonus plan.
- Provide the amount of any adjustments related to each incentive or bonus plan.
- Provide the jurisdictional allocation factors for each incentive or bonus plan.
- Please provide the amount of payroll taxes associated with each plan in the test year.

RESPONSE:

- Please refer to CEP 10-18 Attachments 1-5 for 2016-2020 (first page of each attachment includes the annual scorecard for that year).
- Please refer to CEP 10-18 Attachments 1-5 for 2016-2020 (backup for each section of the plan, top left corner includes a 'goal/definition' that includes the description and measure for each area).
- Please refer to CEP 10-8, Attachment 6.

- d. EPE included the test year actual amount in operating expenses and no adjustments were made.
- e. Please refer to CEP 10-18, Attachment 7, page 1 of 4.
- f. Please refer to CEP 10-18, Attachment 7, page 1 of 4.
- g. Please refer to CEP 10-18, Attachment 7, page 2 of 4.
- h. Please refer to CEP 10-18, Attachment 7, Page 3 of 4.
- i. Not Applicable
- j. PV is allocated with D1PROD (81.161%).
- k. Please refer to CEP 10-18, Attachment 7, page 4 of 4.

Preparer: Victor Martinez

Title: Manager – Resource Planning, Resource
Management Regulatory & Quality
Assurance

Sponsor: Todd A. Horton

Title: Senior Vice President –Site Operations
(Palo Verde Generating Station)



EMPLOYEE INCENTIVE SCORE CARD: DECEMBER 2016

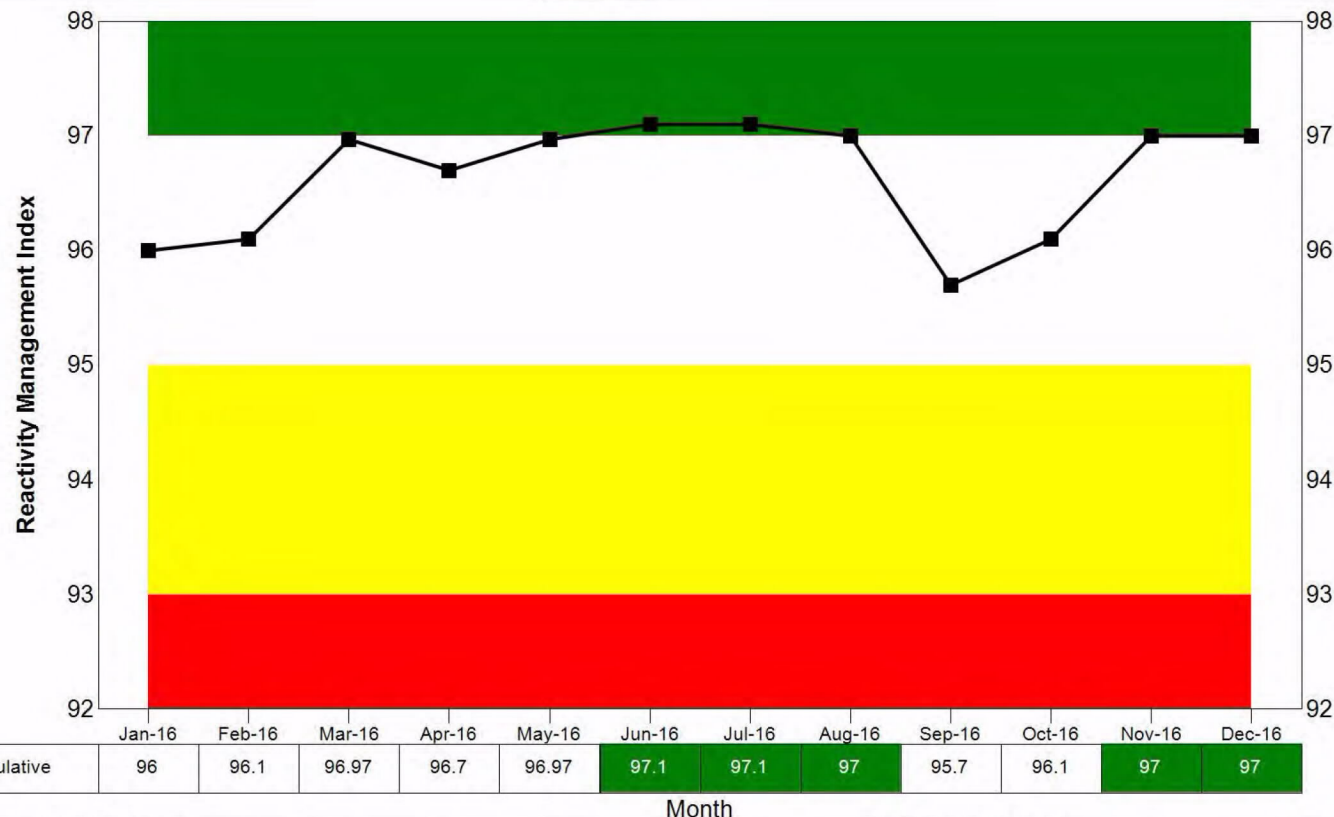
Our Results + Your Performance = Your Reward (Palo Verde and APS)

INDICATORS	Threshold (Minimum)	Threshold Incentive Funding	Target	Target Incentive Funding	Maximum	Maximum Incentive Funding	YTD Actual	On/Off Maximum
Safety and Employees:								
Reactivity Management	93	2.0%	95	4.0%	97	8.0%	97.0	■
Site Safety Index (out of 6) 06/30/16	4 G/W ≤1 Red	1.25%	5 G/W No Red	2.5%	6 G/W ≥3 Green	5.0%	6 / 6 Green	■
Site Safety Index (out of 6) 12/31/16	4 G/W ≤1 Red	1.25%	5 G/W No Red	2.5%	6 G/W ≥3 Green	5.0%	6 / 6 Green	■
INPO Recordable Rate	≤ 0.163	2.5%	≤ 0.110	5.0%	≤ 0.055	10.0%	0.050	■
VPP (Voluntary Protection Permit)	STAR Conditional 1-Year Frequency	2.5%	STAR 3-Year Frequency	5.0%	STAR 5-Year Frequency	10.0%	5-Year	■
Collective Radiation Exposure (REM)	75	1.75%	70	3.5%	65	7.0%	64.404	■
Operational Excellence:								
Site Capacity Factor	90%	10.0%	91.5%	20.0%	93%	40.0%	93.2	■
Spring 2016 Outage Duration	≤ 32 days	2.50%	≤ 31 days	5.0%	≤ 30 days	10.0%	35d 17h	■
Fall 2016 Outage Duration	≤ 32 days	2.50%	≤ 31 days	5.0%	≤ 30 days	10.0%	28d 17h	■
Performance Improvement:								
Equipment Reliability Index (ERI)	91	2.50%	93	5.0%	95	10.0%	98	■
CAP Scorecard (out of 7) 06/30/2016	5 G/W ≤1 Red	1.25%	6 G/W No Red	2.5%	7 G/W ≥4 Green	5.0%	7 / 4 Green	■
CAP Scorecard (out of 7) 12/31/2016	5 G/W ≤1 Red	1.25%	6 G/W No Red	2.5%	7 G/W ≥4 Green	5.0%	7 / 5 Green	■
Continuous Improvement Process	350	2.50%	500	5.0%	650	10.0%	922	■
Site Clock Resets (no Industrial Safety)	3	2.50%	1	5.0%	0	10.0%	0	■
Site Operational Focus Indicator (out of 8) 06/30/16	6	1.875%	7	3.75%	8	7.5%	8	■
Site Operational Focus Indicator (out of 8) 12/31/16	6	1.875%	7	3.75%	8	7.5%	8	■
Stakeholder Value:								
O&M Budget (Minus Incentives)	≤ Budget	7.5%	≤ Budget & 10 Months ±5%	15.0%	≤ Budget & 11 Months ± 5%	30.0%	(\$8.7M) & 11 Months	■
Capital Budget	≤ Budget	2.5%	≤ Budget & 6 Months ±10%	5.0%	≤ Budget & 9 Months ± 10%	10.0%	(\$1.1M) & 12 Months	■
New Metrics to be Monitored:								
O&M Budget Monthly Cashflow Performance	3 Months ± 5%		6 Months ± 5%		9 Months ± 5%		7	N/A
O&M Budget Quarterly Cashflow Performance	1 Quarter ± 5%		2 Quarters ± 5%		3 Quarters ± 5%		4	N/A
Capital Budget Monthly Cashflow Performance	3 Months ± 5%		6 Months ± 5%		9 Months ± 5%		6	N/A
Capital Budget Quarterly Cashflow Performance	1 Quarter ± 5%		2 Quarters ± 5%		3 Quarters ± 5%		2	N/A

NOTES	LEGEND - Colors are based on monthly indicator performance			
Incentive payouts may be adjusted based on individual performance as determined by your leader through the APS Performance and Talent Management System (APTMS). As in the past, APS earnings will also impact the incentive payout.	■ Unsatisfactory	■ Needs Improvement	■ Satisfactory	■ Strength

Employee Incentive Reactivity Management

Goal/Definition	Analysis/Actions
<p>Goal: To maintain a high level of reactivity management.</p> <p>Def: Indicator consists of a 12-month cumulative index that measures equipment and human performance issues that challenge, to any degree, the station's ability to safely manage reactivity and integrity of nuclear fuel. The PI is based on a rolling 12 month cumulative value of the monthly index for reactivity events severity level 1-5, with 1 being the most severe. $PI = 100 - [(20 * SL1) - (10 * SL2) - (2 * SL3) - (0.5 * SL4) - (0.1 * SL5)]/3$, where SLx is the current number of SL issues.</p>	<p>Performance is GREEN/steady with an index value of 97.0. Unit 1 is GREEN/steady (96.1), Unit 2 is GREEN/steady (98.6), and Unit 3 is GREEN/steady (96.2). However, the indicator was impacted by 1-Significance Level 4 EQ Precursor, 8-SL5 EQ Concerns, and 1-SL5 HU Concern. The SL4 Precursor resulted when the Unit 3 blowdown flash tank relief valve lifted due to a faulty pressure control valve. The EQ impacts were generally associated with the focus areas for reactivity management. 1-SL4 HU Precursor, 1-SL5 HU Concern, and 7-SL5 EQ Concerns were removed. There are 2-SL3 Events, 2-SL4 Precursors, and 39-SL5 Concerns impacting the indicator. Performance resulted in full incentive payout for 2016.</p>
Industry Standards	Action Plan :
<p>Industry incentive standards have not been established. However, the industry Reactivity Management Working Group has established performance indicator goals which are reflected in the station and individual unit indicators.</p>	<p>Focus areas are: extraction steam/heater drains system reliability, engineered safety features actuation system/excore nuclear instrumentation circuit reliability, and secondary steam supply systems performance.</p>



Rolling 12-Month Cumulative

Indicator Owner
THOMAS ROMAY

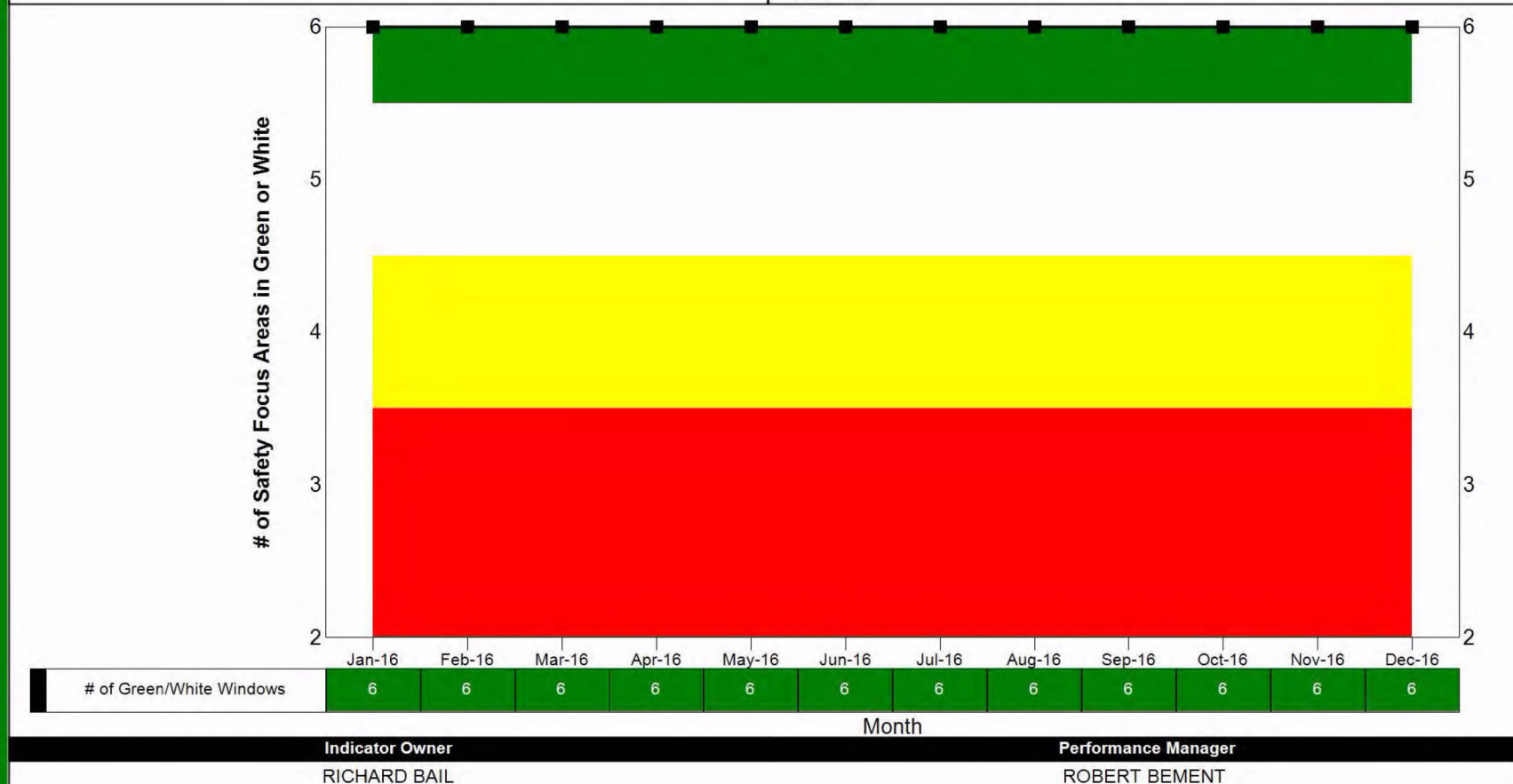
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Site Safety Index

Goal/Definition	Analysis/Actions
<p>Goal: Improve industrial safety engagement and performance in specific focus areas through proactive behaviors.</p> <p>Def: Number of green/white windows on the site safety index scorecard, which includes: Close Call Reporting, Safety Observations, Area Inspections, Industrial Safety WOs, Site Safety Committee Support, and Job Hazard Analysis Use</p> <p>Note: The final Site Safety Index will include performance snapshots at June and December. Max = 6 Green/White with ≥ 3 Green; Target = 5 Green/White with no Red; Threshold = 4 Green/White with ≤ 1 Red.</p>	<ol style="list-style-type: none"> 1. All six areas achieved maximum (green) performance for this month. Employees continue to actively support the focus areas of the Site Safety Index such that a green window has been achieved for 12 consecutive months. 2. The site's efforts have achieved a good (green) window for December 2016. 3. Although these individual focus areas are used throughout the industry as leading indicators, collectively this metric is unique. The site is achieving its established goals for performance. 4. Site Safety Index Focus Areas are re-enforced and monitored daily by publishing the current status in the Industrial Safety section of the PV Daily Plant Status Package.
Industry Standards	
Incentive indicators do not have industry standards.	<p>This sustained good performance during 2016 resulted in incentive full payout for the year.</p> <p>More ..</p>
	Action Plan :

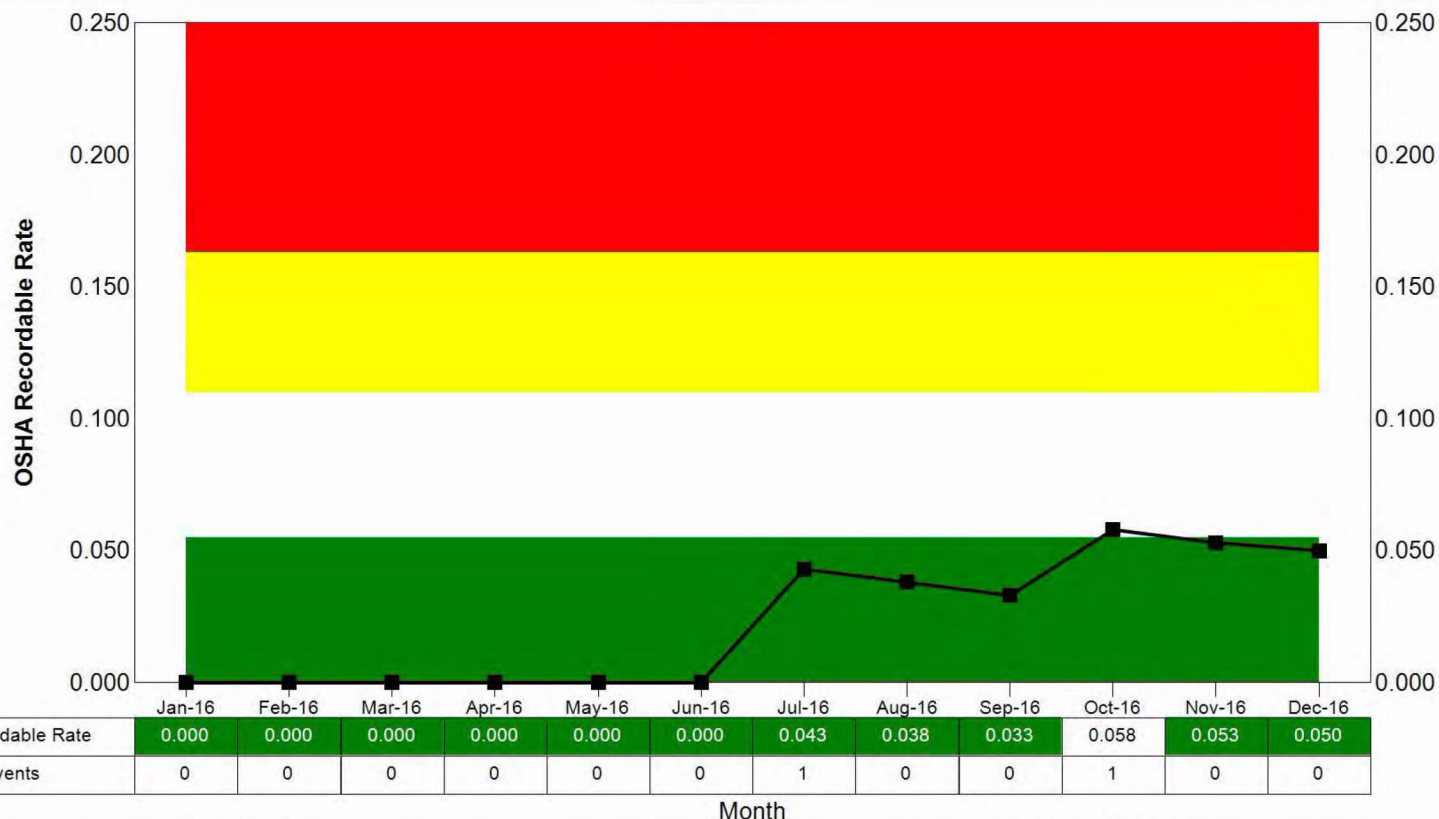


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Dec-16

Employee Incentive INPO OSHA Recordable Rate

Goal/Definition	Analysis/Actions
<p>Goal: Enhance employee awareness about workplace injuries and demonstrate continuous performance improvement and minimize the number of OSHA recordable injuries.</p> <p>Definition: The INPO OSHA Recordable Rate includes the number of recordable accidents (accidents required to be reported as defined in the OSHA 300 Log guidance) reported during the performance year for all personnel (utility and contractor) normalized to 200,000 Man-hours divided by the number of manhours worked for all personnel.</p>	<p>There were 0 INPO OSHA Recordable injuries incurred by Palo Verde Personnel in December.</p> <p>There was a total of 2 INPO OSHA Recordable injuries in 2016. This was achieved by sustained good performance over the 12 months of 2016 and resulted in incentive full payout for 2016.</p>
Industry Standards	
Incentive indicators do not have industry standards.	
	Action Plan :



Indicator Owner

RICHARD BAIL

Performance Manager

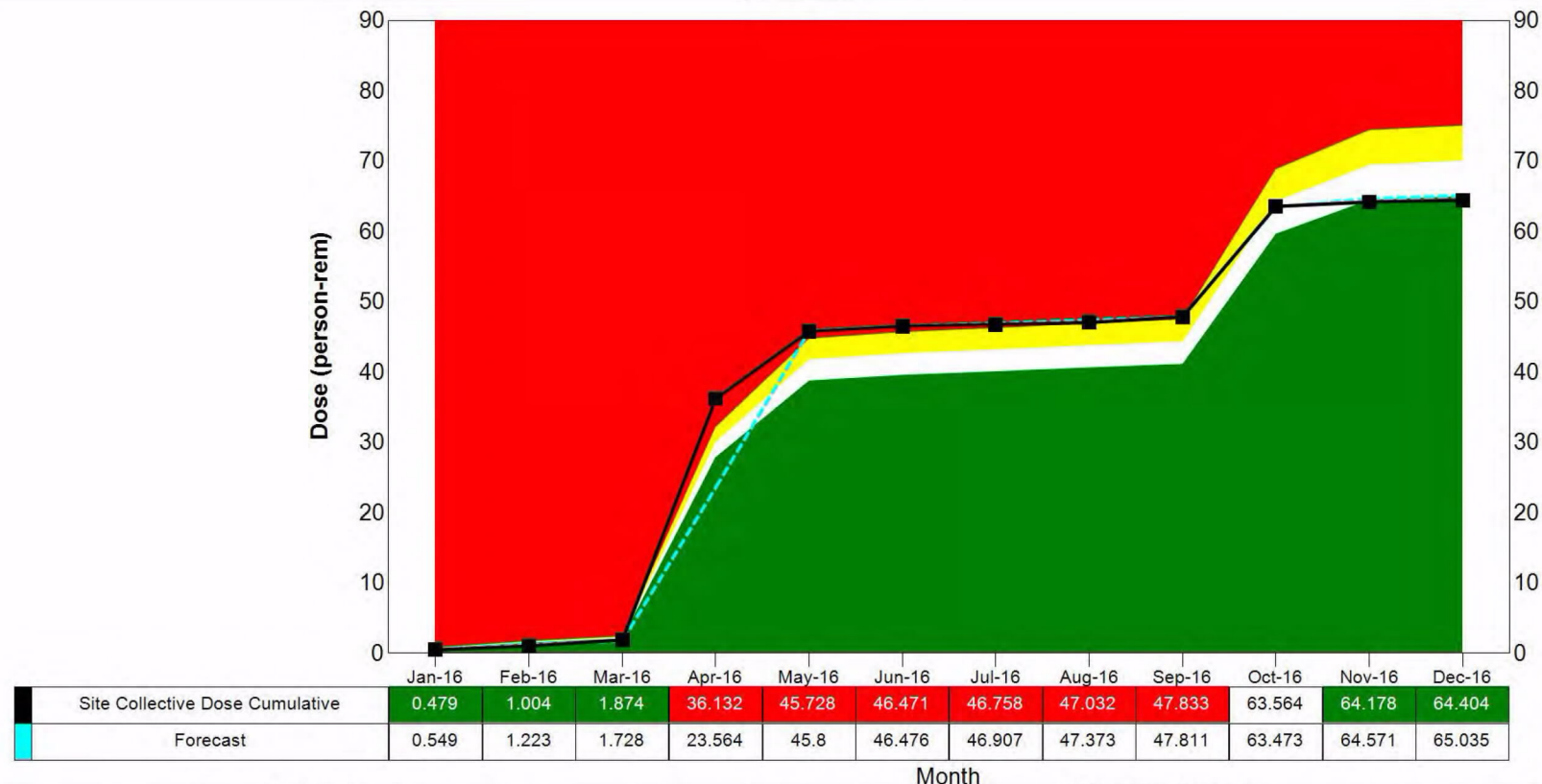
ROBERT BEMENT

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Dec-16

Employee Incentive Collective Radiation Exposure (YTD)

Goal/Definition	Analysis/Actions
<p>Goal: To maintain Collective Radiation Exposure as low as is reasonably achievable.</p> <p>Definition: The total whole-body dose received by all personnel as measured by Electronic Personnel Dosimeter.</p> <p>NOTE: Full payout up to 65 rem. Variable payout from >65 to 75 rem. No payout above 75 rem.</p>	<p>Collective Radiation Exposure (CRE or "dose") is 0.596 rem under the 2016 Maximum Incentive Goal (65 rem).</p> <p>Refueling Outage 1R19 dose performance (43.268 rem) was higher than projected (+7.814 rem) due to high dose rates in Unit 1 during and after post-shutdown crud burst clean-up associated with high particulates (Cr-51) in the RCS.</p> <p>Online dose performance (5.345 rem) is lower than projected (-1.746 rem) due to excellent dry cask storage and online dose performance in Units 2 & 3 year to date.</p> <p>Refueling Outage 3R19 dose performance (15.791 rem) was lower than projected (-6.664 rem) due to excellent post-shutdown crud burst clean-up and efficient execution of outage work.</p> <p>Strong performance for calendar year 2016 has been achieved and is projected to continue in calendar year 2017.</p> <p>Refer to the attachment in the More link for additional analysis/actions.</p>
Industry Standards	
No industry standard for incentive indicators.	
	<p>Action Plan :</p> <p>More ..</p>



Indicator Owner
ROBERT ROUTOLO

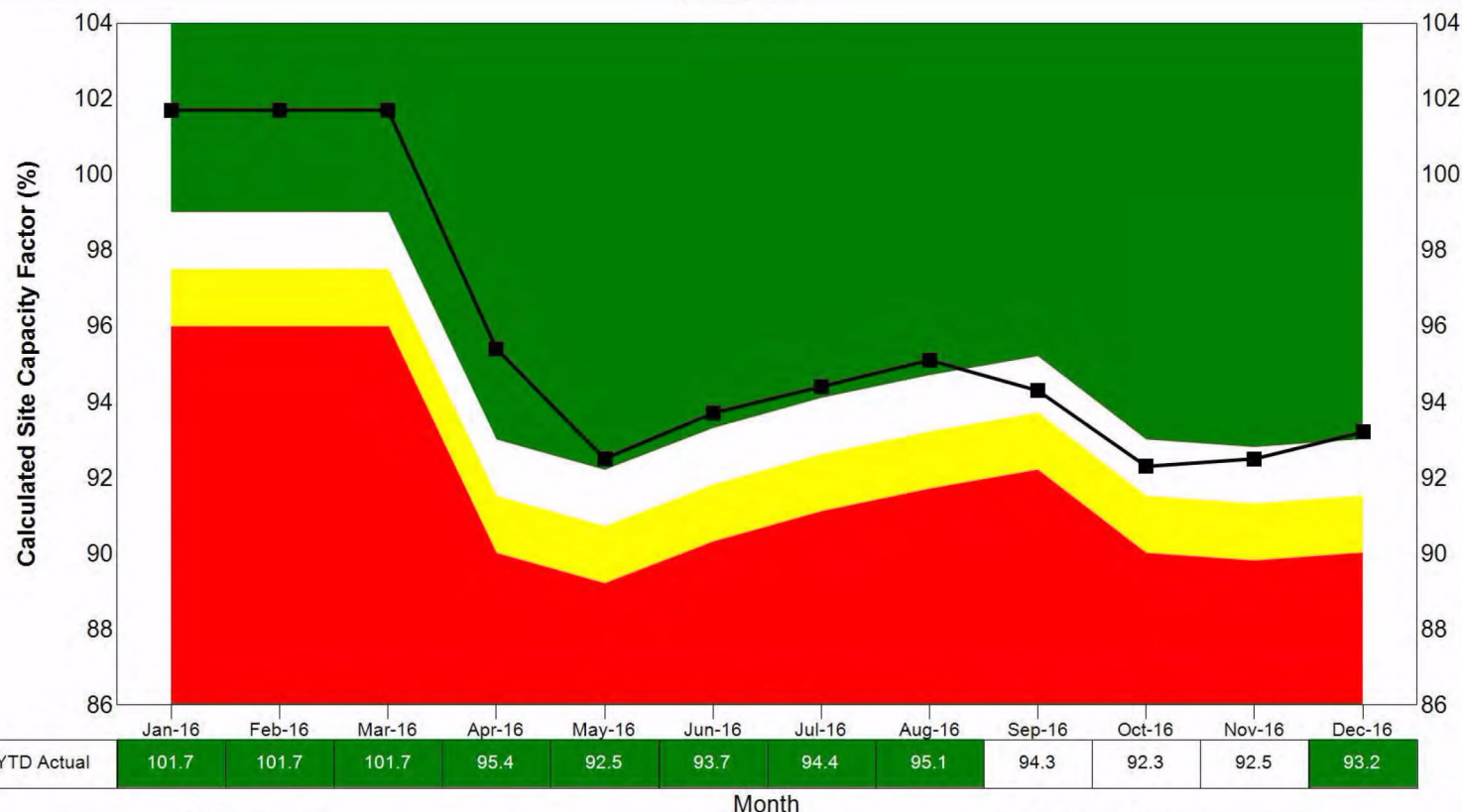
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Site Capacity Factor

Goal/Definition	Analysis/Actions
<p>Goal: To keep all three units running with the highest capacity factor achievable.</p> <p>Definition: This indicator measures and trends the ratio of the net electricity generated, for the time considered, to the energy that could have been generated at continuous full-power operation during the same period. Based on planned refueling outages in Long Range Plan plus a 1.0% forced loss rate.</p> <p>NOTE: Capacity Factor = YTD Actual Net MWh / (Unit rating * YTD Calendar Hours)</p>	<p>Analysis: December monthly performance was 101.5% in Unit 1, 101.9% in Unit 2, and 101.4% in Unit 3. Window color is Green.</p> <p>Status: Unit 1 was impacted by the SG valve leakage (CR#14-01702); miscellaneous losses for SGNHV0046 & SCNPV0004B (CR#16-15447), MTCV testing, Cooling Tower Fans #1F and 1K, and 1st Stage C RHTR Drain Tank Level Control Vlv (CR#16-18756); Unit 2 was impacted by 2EDNLV602 packing leak (CR #15-03136), MTCV testing, and atypical blowdown; Unit 3 was impacted by miscellaneous losses for 3AS-V19 seat leakage (CR#15-02537), COLSS blowdown constant testing, MTC testing, 3EDNLV802 Level Control Valve, and atypical blowdown alignments. The year-end Site Capacity Factor for 2016 is 93.2% resulting in a full incentive payout.</p>
Industry Standards	
No industry standard for incentive indicators.	
	Action Plan :



Indicator Owner
PETER MCSPARRAN

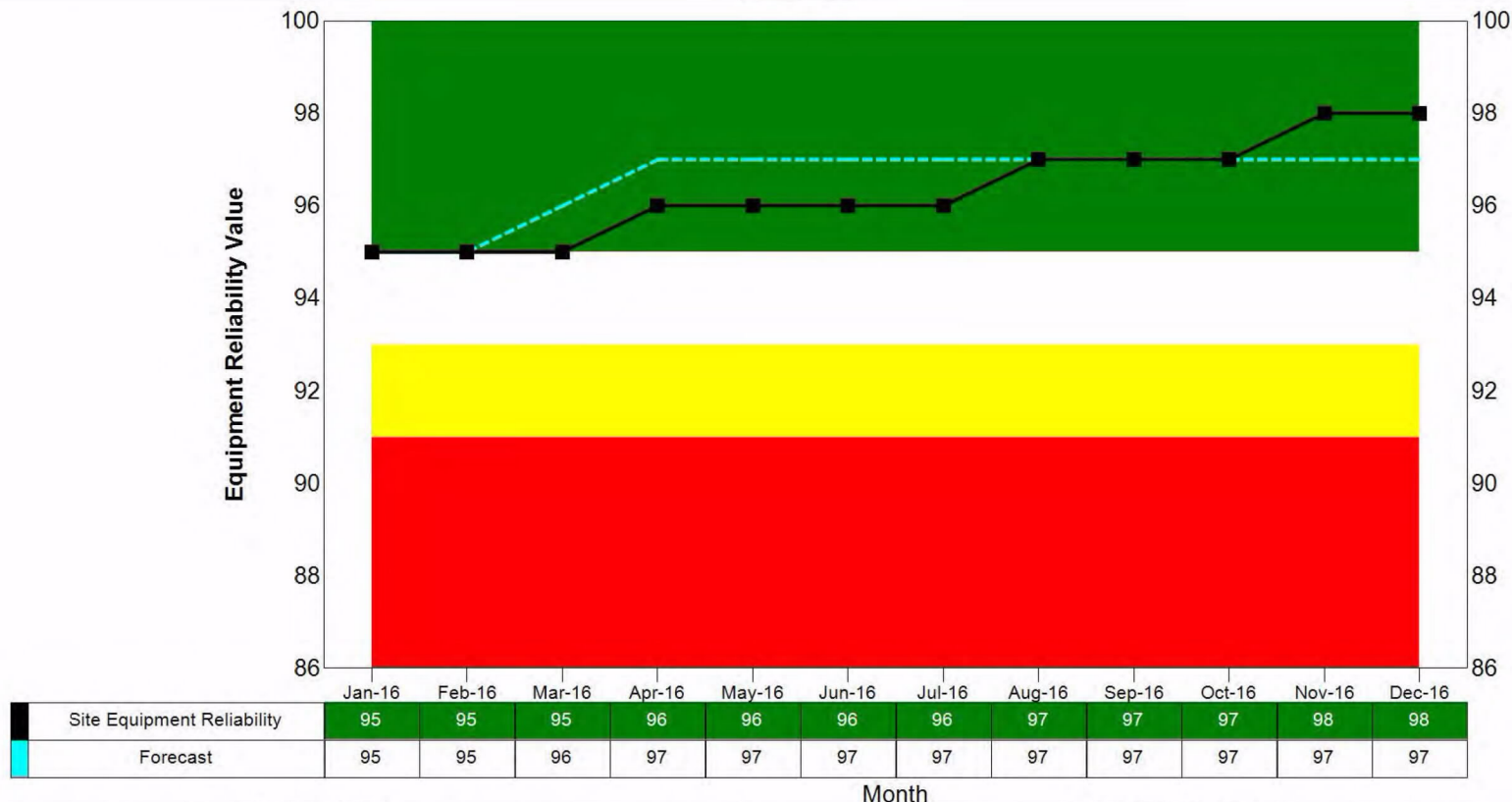
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Equipment Reliability Index

Goal/Definition	Analysis/Actions
<p>Goal: To improve reliability of plant equipment as measured by the ERI (Equipment Reliability Index).</p> <p>Definition: ERI is the summation of 17 weighted indicators with a total value of 100 points as defined by the ERWG (Equipment Reliability Working Group). The ERI indicator is being reported through INPO. The current ERI Guidance document is Revision 6, effective January 31, 2016.</p>	<p>Losses: No ERI point losses for December.</p> <p>Gains: No ERI points gains for December. U1: Forecasted gains with AP-913 CFES was not realized due to an unplanned LCO for CIAS/RAS handswitches. U3: Margin was lost with AP-913 CFES due to EDG 3B.</p> <p>Forecast: U1: Online Reliability Factor will gain 1 point in 11/17 and another 1 point 3/18, Unplanned Power Reductions will gain 1 point in 5/17 and AP-913 CFES will gain 2 points in February when the Oct. Invalid ESFAS rolls off.</p> <p>Status: Site ERI remained at 98 in December. Industry top quartile performance was 95.5 as of 1st Q 2016 and 98.0 for 3rd Q 2016. Site ERI achieved year end projection. Based on this performance, the site achieved full incentive payout for 2016.</p>
Industry Standards	
No industry standard for incentive indicators.	
	Action Plan :



Indicator Owner
KEVIN GRAHAM

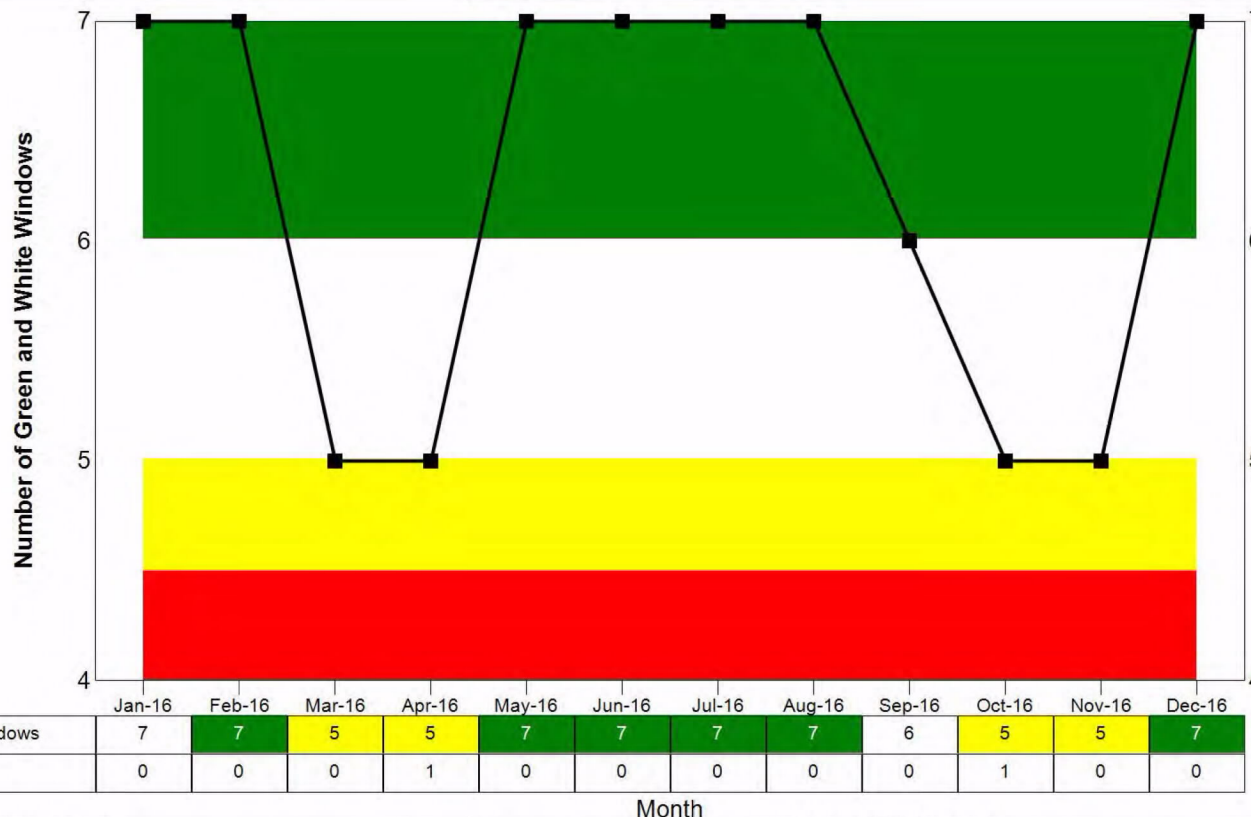
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Corrective Action Program Scorecard

Goal/Definition	Analysis/Actions
<p>Goal: To improve performance in the Corrective Action Program area.</p> <p>Definition: The Incentive CAP Scorecard is comprised of seven individually monitored items which use the Site Level Indicators for an overall index of CAP health.</p> <p>Note: The final CAP Scorecard will include performance snapshots at June and December.</p> <p>Max = 7 Green/White with ≥ 4 Green</p> <p>Target = 6 Green/White with no Red</p> <p>Threshold = 5 Green/White with ≤ 1 Red.</p>	<p>Overall Site CAP Performance Index is GREEN based on having 5 Green and 2 White attribute colors.</p> <p>Evaluation Age - 20 days (Green)</p> <p>Overdue Evaluations/AIs/PCRs - 0 (Green)</p> <p>Corrective Actions > 180 Days Old - 17 (Green)</p> <p>CMWOs > 540 Days - 1434 (Green)</p> <p>Corrective Action Inventory - 93 (Green)</p> <p>CR Leader Reviews - 91% (White)</p> <p>CAP Quality Index - 87% (White)</p> <p>The site rallied in December to achieve full payout for 2016.</p>
Industry Standards	
No industry standards exist for Incentive Indicators.	
	Action Plan :



Indicator Owner
DONALD WHEELER

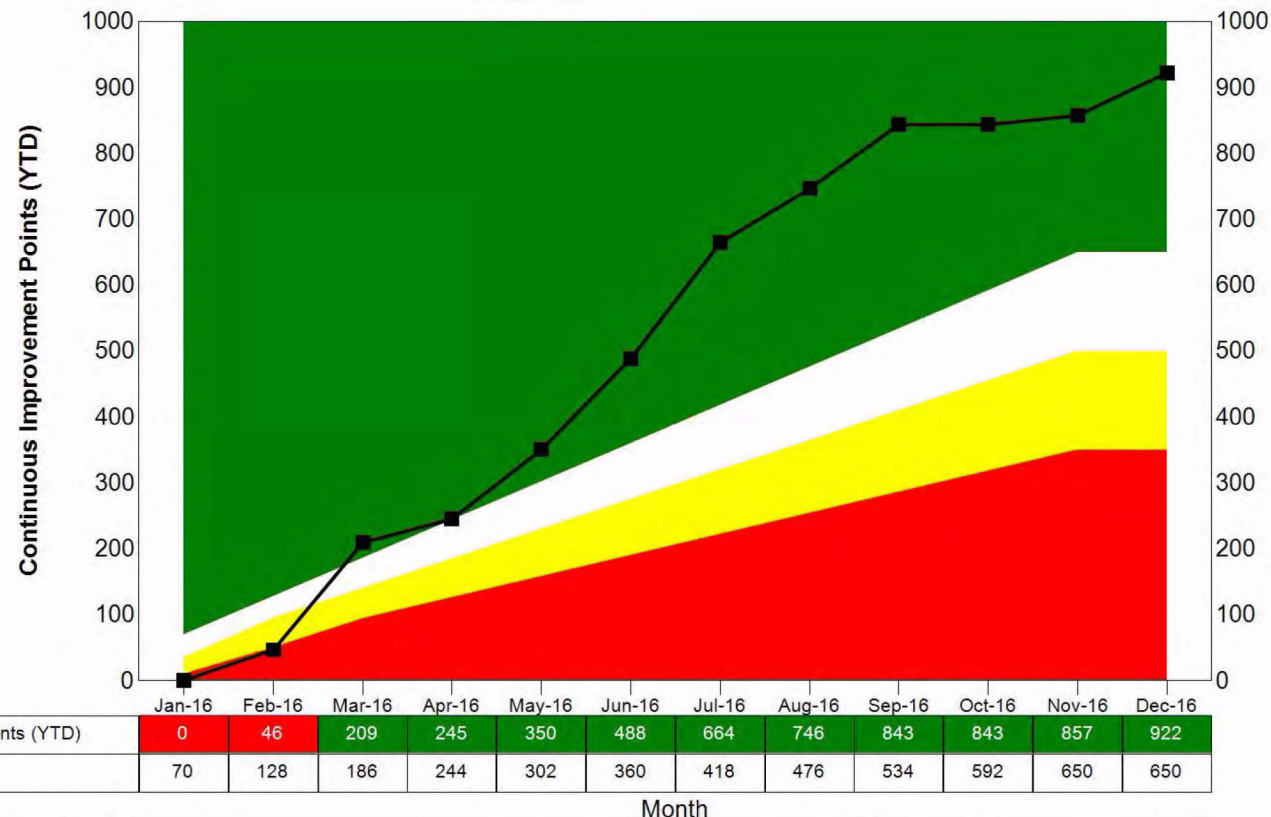
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Continuous Improvement Program

Goal/Definition	Analysis/Actions
<p>Goal: Reduce non-value added work and administrative burdens through efficiency, effectiveness and innovation so the station can continue to improve programs, processes and services.</p> <p>Definition: A process improvement initiative that reduces non-value added work and administrative burdens through efficiency, effectiveness and innovation and improves programs, processes and services, while protecting the core without compromising safety and quality. Continuous improvement initiatives are "awarded" points based on pre-set scoring criteria. Improvements must be implemented to obtain points.</p>	<p>Three improvement proposals were completed in December, earning 40 points and saving 580 man-hours. The Continuous Improvement (CI) proposals included adding ERO duty weeks to Outlook calendars, which ensures the >200 ERO team members are aware of their responsibilities and regulatory commitments; implementing a remote camera (monitoring system) for the annulus temp mat insulation removal during the fall outage, which reduces dose exposure; and scanning and uploading transaction documents into MLIS so storekeepers can find information and material receipts quickly and without having to spend hours searching through boxes to retrieve the information. In an effort to align with the Delivering the Nuclear Promise initiative, the Committee also verified an additional \$285,731.32 savings not previously credited to the program, earning an additional 25 points for a total award of 65 points for December.</p>
Industry Standards	
<p>Although there is no known industry standard for this metric, the point system is aligned with similar continuous improvement programs in the industry.</p>	<p>The 2016 annual performance remains Green at 922 points, well above the annual goal of 650 points. Annual performance supports full payout for this incentive area.</p> <p>Action Plan :</p>



Indicator Owner
HARRY NELSON

Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Site Clock Resets

Goal/Definition	Analysis/Actions
<p>Goal: Minimize the number of Site Clock Resets incurred at the site.</p> <p>Definition: The cumulative number of Site Clock Resets excluding ones attributed to industrial safety events.</p>	<p>The site sustained good performance throughout December. The site incurred zero site clock resets and twenty-eight department clock resets for the year. No department clock resets were incurred in December. Collectively, the site has performed 636 plus Event-Free days without a significant human performance related event and setting a record best performance. The Dept. Clock Reset program's three-tiered approach continues its success path. It has aided in classifications and enhanced communications in correcting and/or improving behaviors and lessons learned. The site is tracking the Team Clock reset program aggressively to pin-point behaviors that have the potential to rising to a higher level of consequence. This approach will maintain PVNGS's top industry performance. Engaged employee groups are working together and addressing site safety concerns in a collaborative effort working side-by-side with the Industrial Health and Safety specialists. The site's performance has resulted in achieving full incentive payout at year's end.</p>
Industry Standards	
No industry standard for incentive indicators.	
	Action Plan :



Indicator Owner
DONALD WHEELER

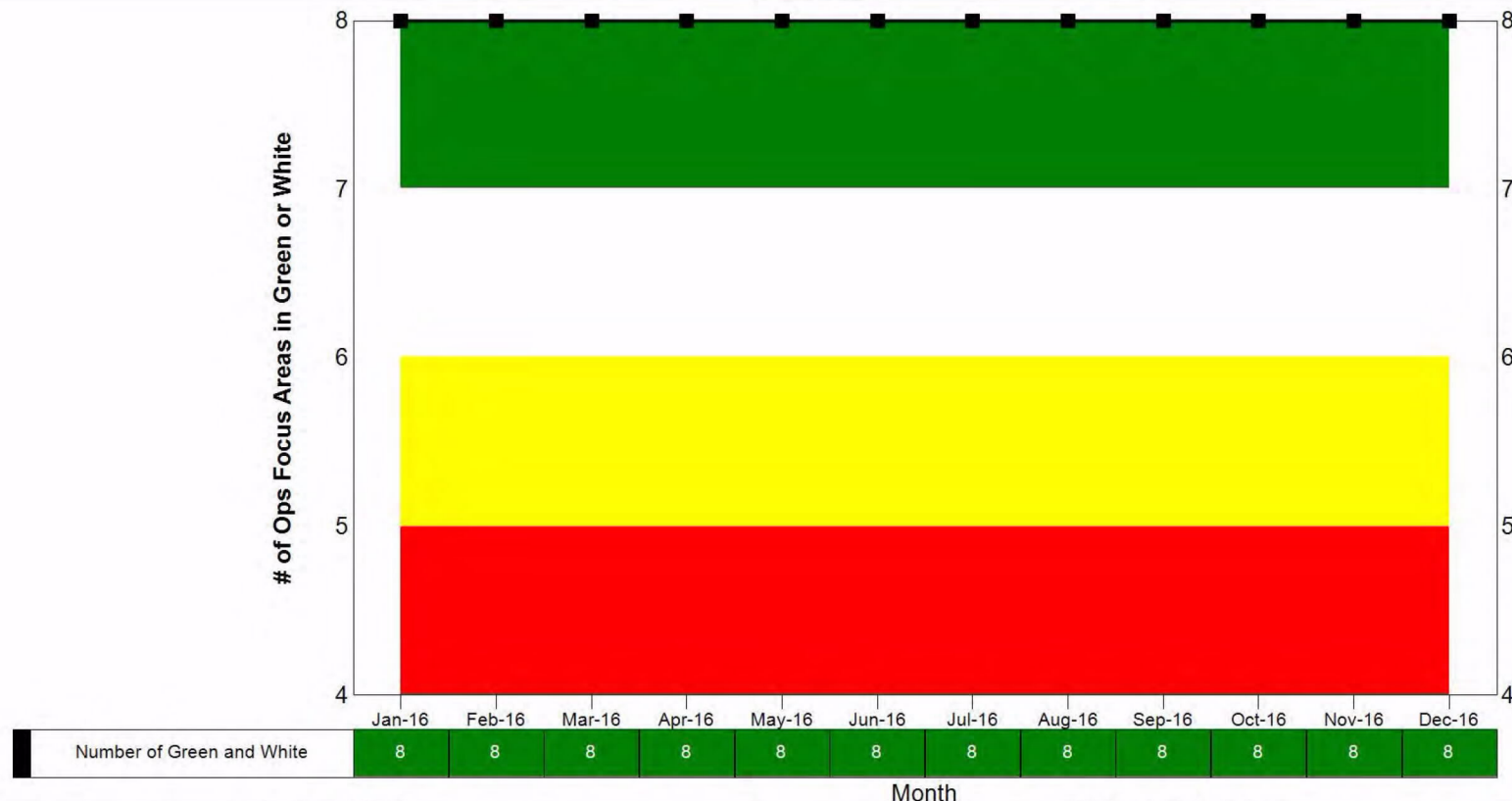
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Site Operational Focus Indicator

Goal/Definition	Analysis/Actions
<p>Goal: Drive performance and achieve positive results and trend aggregate impact to operational focus aligned to common goals and priorities that result in excellent material condition to support safe and reliable operation.</p> <p>Definition: Number of Green and White Operational Focus Areas in Monthly Trend Report Operational Focus Performance Indicator.</p> <p>The final Operational Focus Indicator will include performance snapshots at June and December. Max = 8 Green/White; Target = 7 Green/White; Threshold = 6 Green/White.</p>	<p>The December Operational Focus Incentive Indicator is Green, with 8 of the 8 focus area windows Green or White.</p> <p>November Status:</p> <ul style="list-style-type: none"> Green - Operator Work Arounds Green - Operator Burdens White - Lit Annunciators Green - Control Room Discrepancy Log (CRDLS) Green - Long-Term Clearances Green - Fire Impairments (FSCCRs) White - Corrective Critical Work Mechanisms Green - Deficient Critical Work Mechanisms <p>Based on this performance, the site achieved full incentive payout for 2016.</p>
Industry Standards	Action Plan :
No industry standard for incentive indicators.	



Indicator Owner
PETER MCSPARRAN

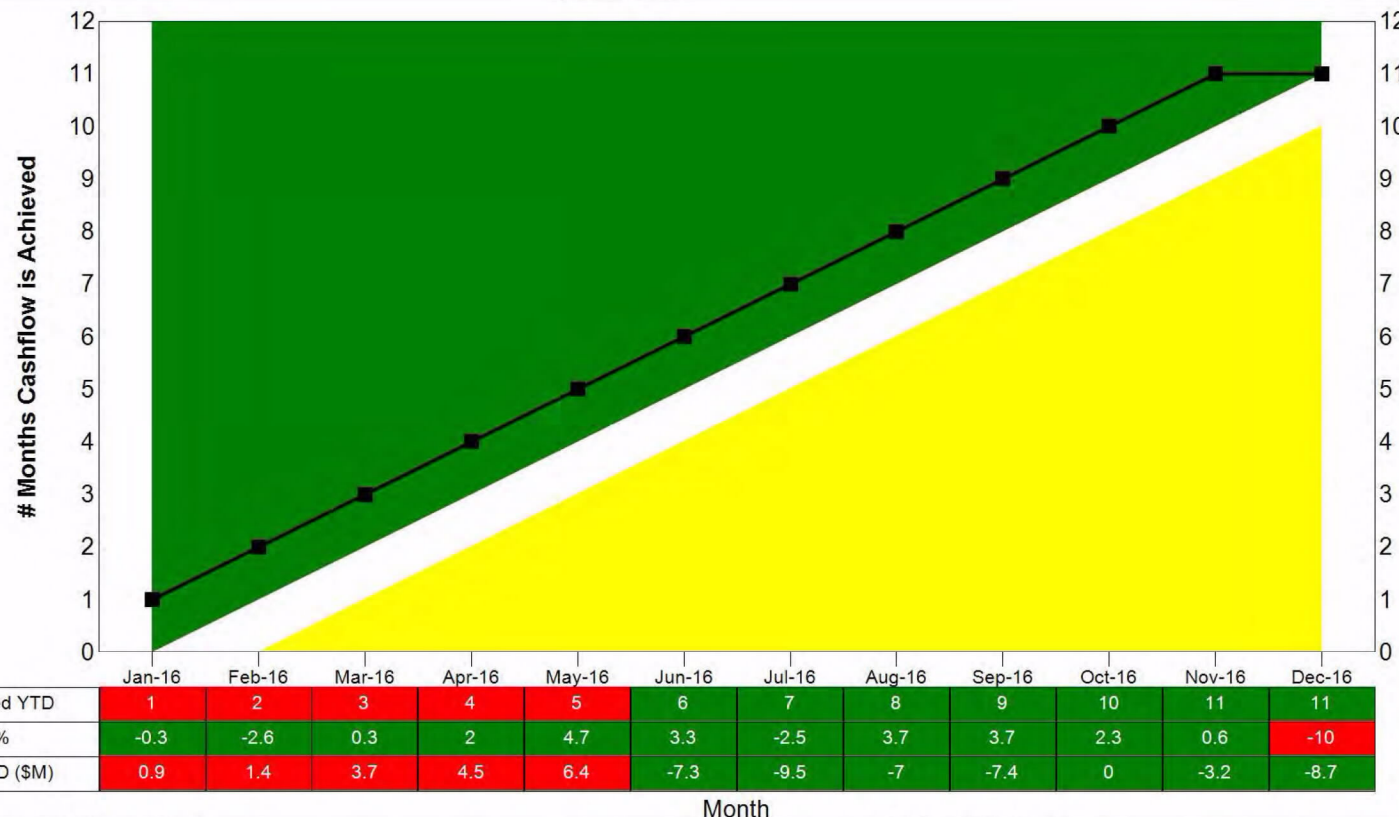
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive O&M Budget

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of the O&M budget cashflows, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The O&M Budget Monthly Cashflow metric measures the monthly (12) budget periods. The indicator window color will be determined by the number of months performance results are attained.</p> <p>Performance Threshold/Target/Maximum: 3 months / 6 months / 9 months Budget Cashflow Performance $\pm 5\%$</p>	<p>December's forecast performance was (\$4.5M) under forecast or (10.0%). Based upon the metric criteria December was not a successful month.</p> <p>O&M year end performance, including incentives, will be (\$8.4M) under budget. Current performance supports full payout for this incentive area.</p> <p>December's budget performance was (\$5.5M) under budget or (12.1%). Primary driver (s) in December was a credit related to a corporate accounting change.</p> <p>YTD budget performance, less incentives, is (\$8.7M) under budget. Primary driver(s) are Load true ups and credit related to a corporate accounting change.</p>
Industry Standards	
<p>Incentive indicators do not have industry standard information.</p> <p>Threshold \leq Budget Target \leq Budget & 10 Months $\pm 5\%$ Forecast Performance Maximum \leq Budget & 11 Months $\pm 5\%$ Forecast Performance</p>	Action Plan :



Indicator Owner
DONALD NAUGHTON

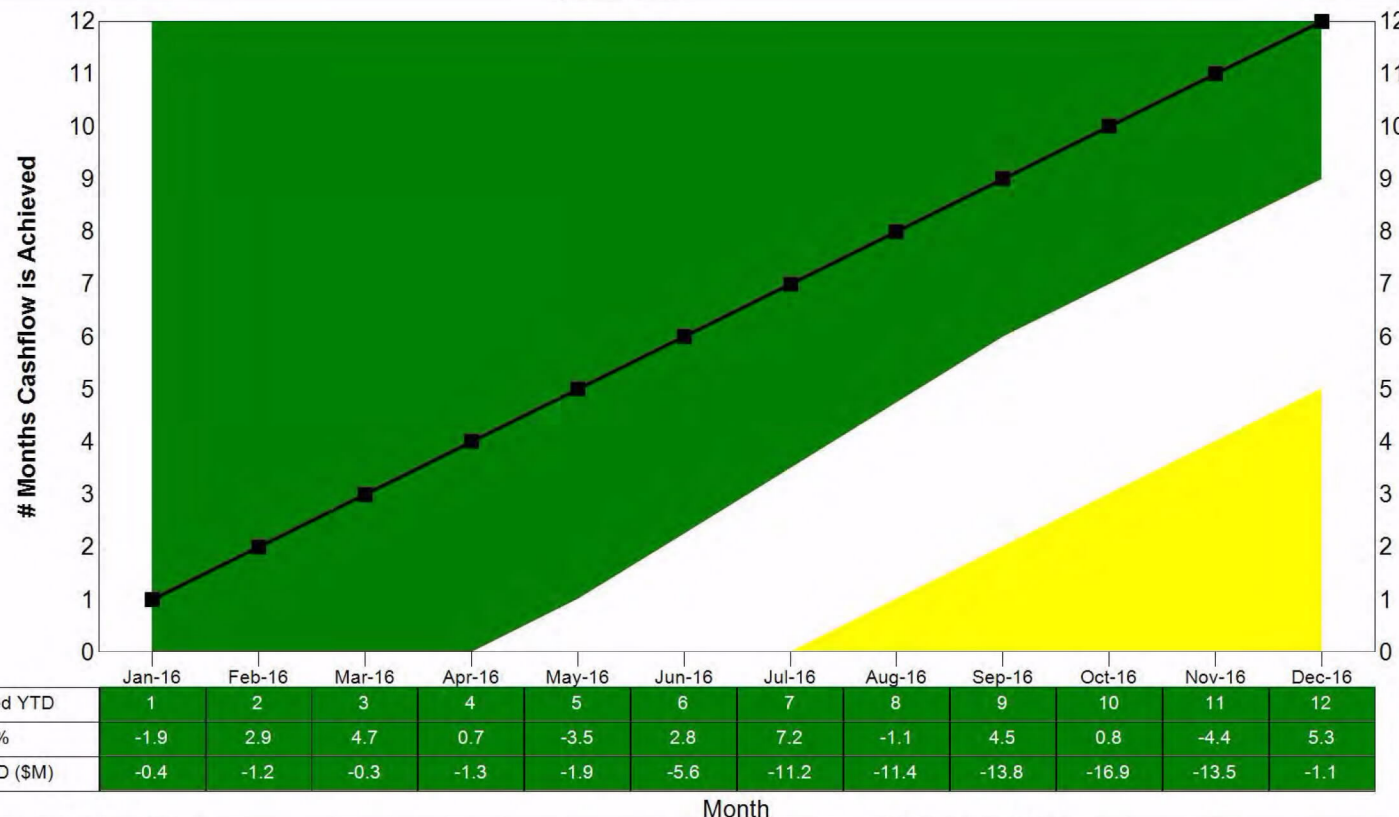
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Capital Budget

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of the Capital budget cashflows, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The Capital Budget Monthly Cashflow metric measures the monthly (12) budget periods. The indicator window color will be determined by the number of months performance results are attained.</p> <p>Performance Threshold/Target/Maximum: 3 months / 6 months / 9 months Budget Cashflow Performance $\pm 10\%$</p>	<p>December's forecast performance was \$1.5M over forecast or 5.3%. Based on the metric criteria December was a successful month.</p> <p>December's budget performance was \$12.4M over budget resulting in a (\$1.1M) year-to-date underrun to the budget. The primary driver was timing of project spending.</p> <p>Performance supports full payout for this incentive area.</p>
Industry Standards	
Incentive indicators do not have industry standard information.	
Action Plan :	



# Months % Achieved YTD	1	2	3	4	5	6	7	8	9	10	11	12
Cashflow Perf %	-1.9	2.9	4.7	0.7	-3.5	2.8	7.2	-1.1	4.5	0.8	-4.4	5.3
Budget Variance YTD (\$M)	-0.4	-1.2	-0.3	-1.3	-1.9	-5.6	-11.2	-11.4	-13.8	-16.9	-13.5	-1.1

Indicator Owner
DONALD NAUGHTON

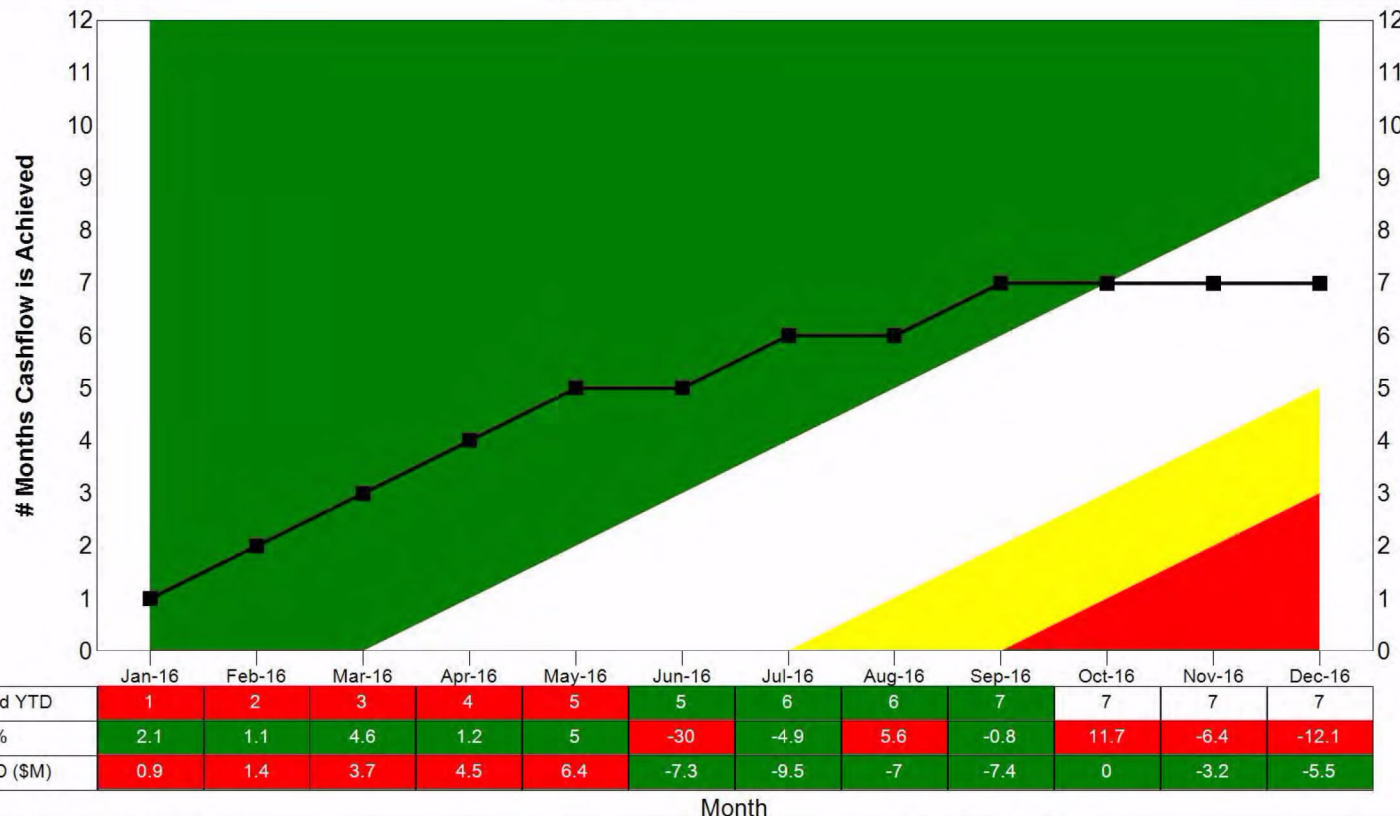
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive O&M Budget Monthly Cashflow Performance

Goal/Definition	Analysis/Actions
Goal: The goal is to maximize shareholder value; link to "pay for performance", & enhance cost awareness & cost effectiveness. Definition: The O&M Budget is an expression of the sites strategic business plans for the current year & supports in planning site operations & coordination of the organization through resource management, communications, & accountability. The indicator window color will be determined by the YTD mo. results & cost <=under budget. NOTE: This indicator is being used as a Tier 2 metric; Tier 2 metric rules apply for performance issues.	December's performance to budget was (\$5.5M) under budget or (12.1%). December's performance does not meet the criteria for a successful window. Major driver of December's variance is a credit related to a corporate accounting change. Station will be (\$8.4M) under budget including incentives at year end.
Industry Standards	
Incentive indicators do not have industry standard information.	
Action Plan :	



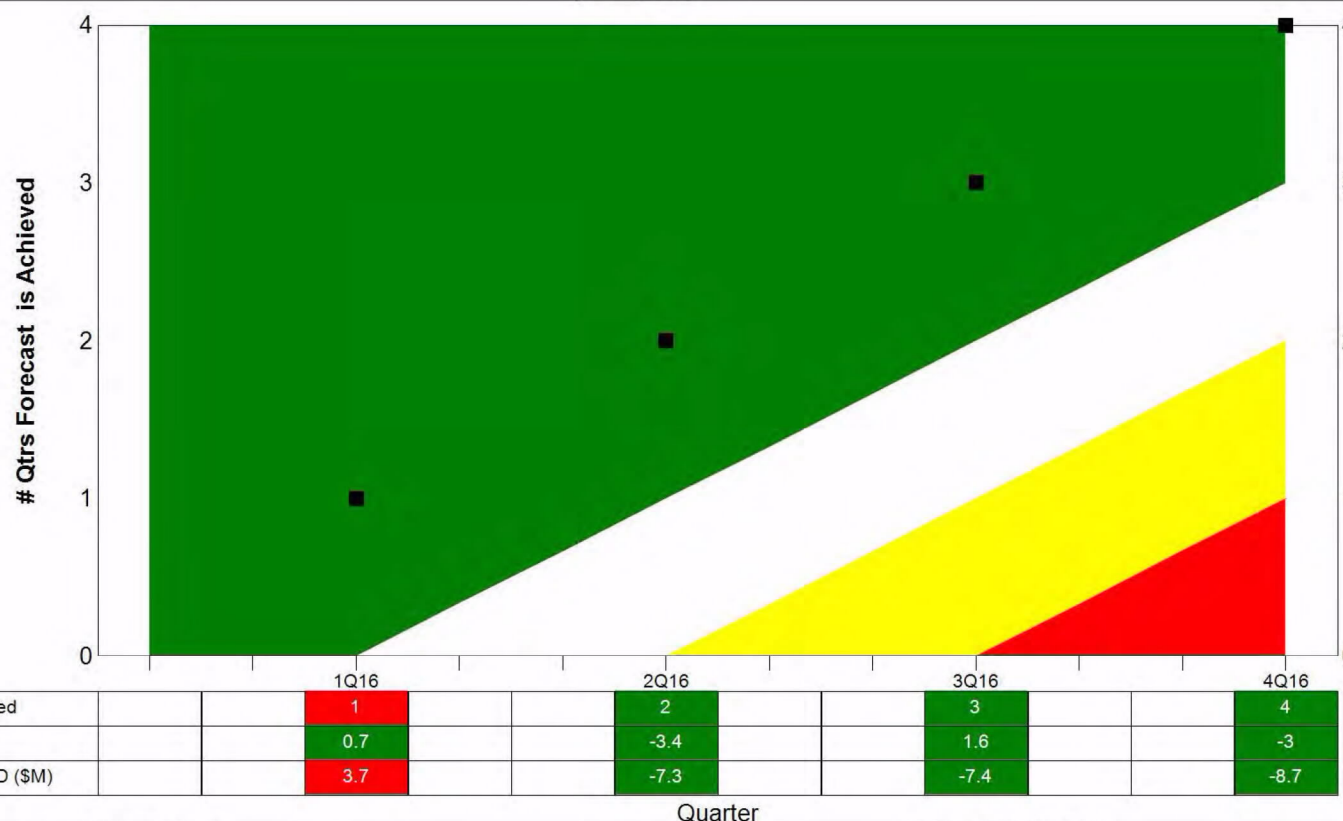
Indicator Owner	Performance Manager
DONALD NAUGHTON	ROBERT BEMENT

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Dec-16

Employee Incentive O&M Budget Quarterly Cashflow Performance

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of O&M forecasts, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The metric measures quarterly cashflow performance. Cashflow performance needs to be +/- 5%. The indicator window color will be determined by the quarterly results.</p> <p>Performance Threshold/Target/Maximum: 1 Quarter / 2 Quarters / 3 Quarters Budget Cashflow Performance $\pm 5\%$</p>	<p>The Q4 forecast performance was (\$4.9M) under forecast or (3.0%).</p> <p>The forecast baseline is a snapshot taken in October for the total fourth quarter.</p> <p>Target performance needs to be between +5% and -5%. The Q4 forecast performance represents a Successful window.</p> <p>The primary driver for this variance is credit related to a corporate accounting change.</p>
Industry Standards	
Incentive indicators do not have industry standard information.	
	Action Plan :



Indicator Owner
DONALD NAUGHTON

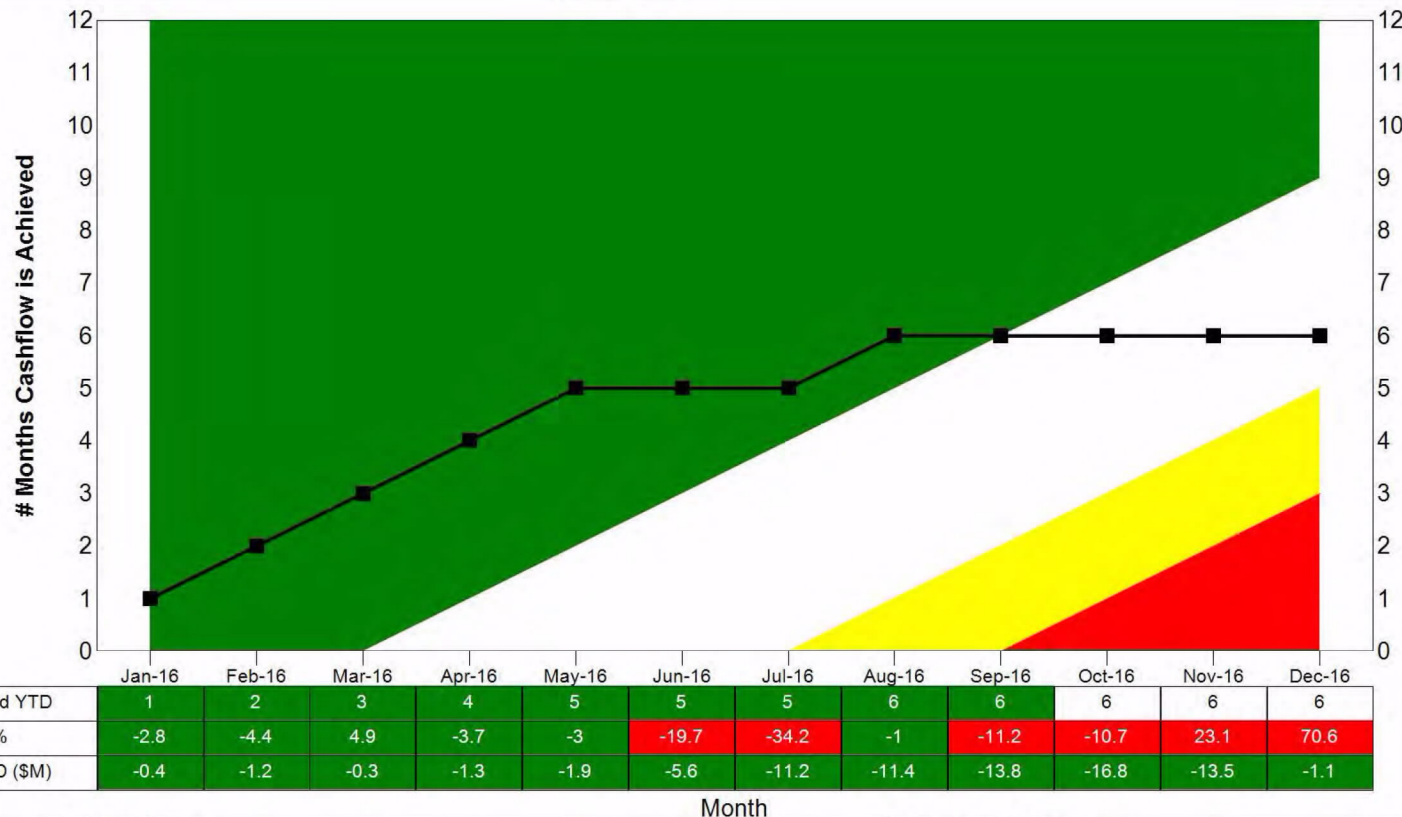
Performance Manager
ROBERT BEMENT

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Dec-16

Employee Incentive Capital Budget Monthly Cashflow Performance

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize shareholder value; link to "pay for performance", and enhance cost awareness, cost effectiveness and cost management. Definition: The Capital Budget reflects the site's process and plan for allocating resources for major capital, or investment, expenditures. The indicator window color will be determined by the YTD monthly results and cost <= to budget.</p> <p>NOTE: This indicator is being used as a Tier 2 metric; Tier 2 metric rules apply for performance issues.</p>	<p>December's budget performance was \$12.4M over budget or 70.6% resulting in a red window for the month and (\$1.1M) year-to-date underrun to the budget.</p> <p>December's performance meets the criteria for a white window.</p>
Industry Standards	
<p>Incentive indicators do not have industry standard information.</p> <p>Threshold <= Budget Target <= Budget & 6 Months +5% Forecast Performance Maximum <= Budget & 9 Months +5% Forecast Performance</p>	
	Action Plan :



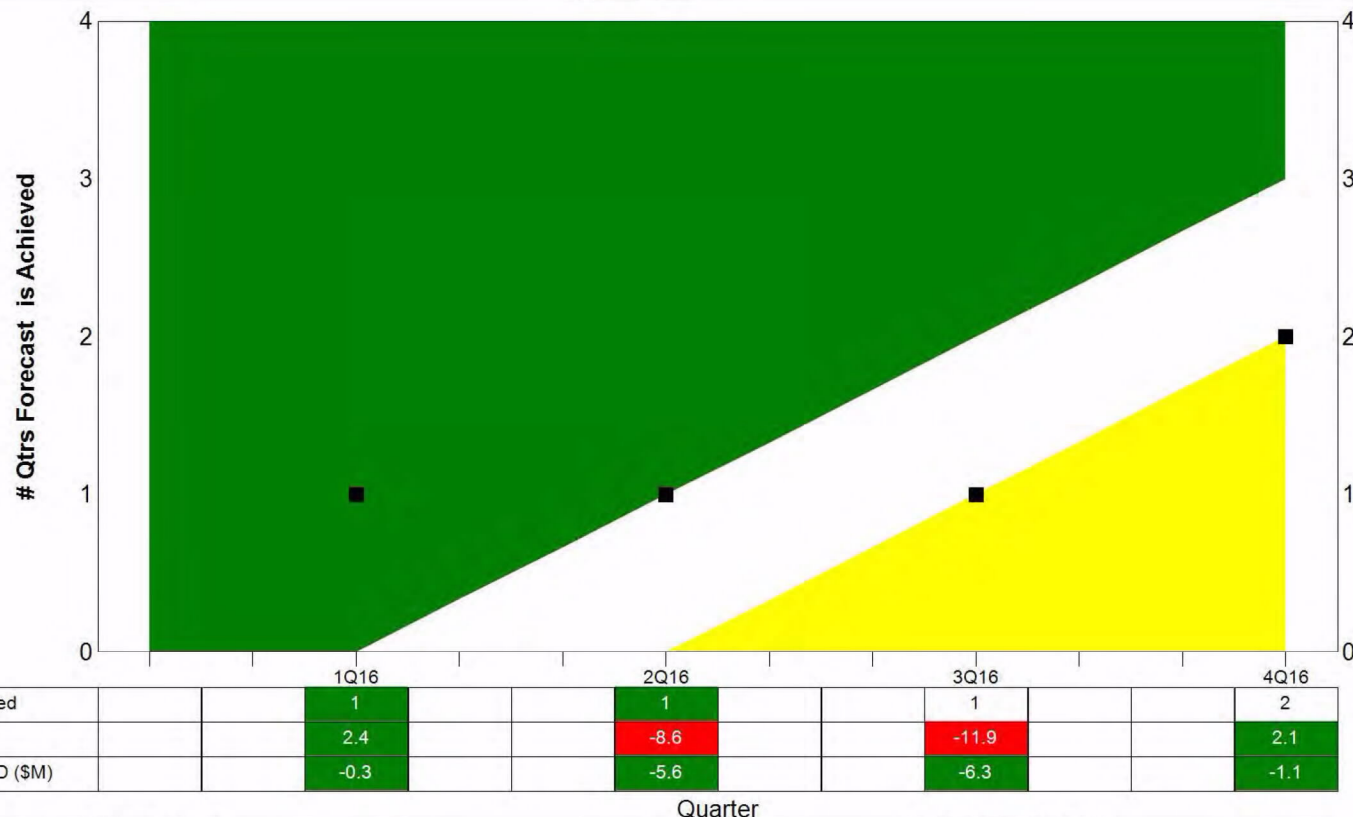
Indicator Owner	Performance Manager
DONALD NAUGHTON	ROBERT BEMENT

Created: Jan 10, 2017 @ 6:49 AM

Dec-16

Employee Incentive Capital Budget Quarterly Cashflow Performance

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of Capital budgets, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The metric measures quarterly cashflow performance. Cashflow performance needs to be +/- 5%. The indicator window color will be determined by the quarterly results.</p> <p>Performance Threshold/Target/Maximum: 1 Quarter / 2 Quarters / 3 Quarters Budget Cashflow Performance $\pm 5\%$</p>	<p>The Fourth Quarter forecast performance was \$1.5M over forecast or 2.1% which represents a green window for the quarter.</p> <p>December's performance meets the criteria for a white window.</p>
Industry Standards	
Incentive indicators do not have industry standard information.	
	Action Plan :



Indicator Owner
DONALD NAUGHTON

Performance Manager
ROBERT BEMENT

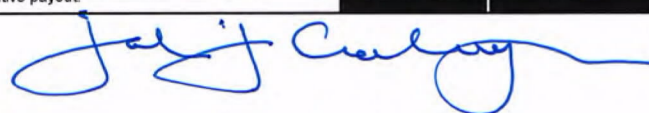
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Dec-16

EMPLOYEE INCENTIVE SCORE CARD: December 2017

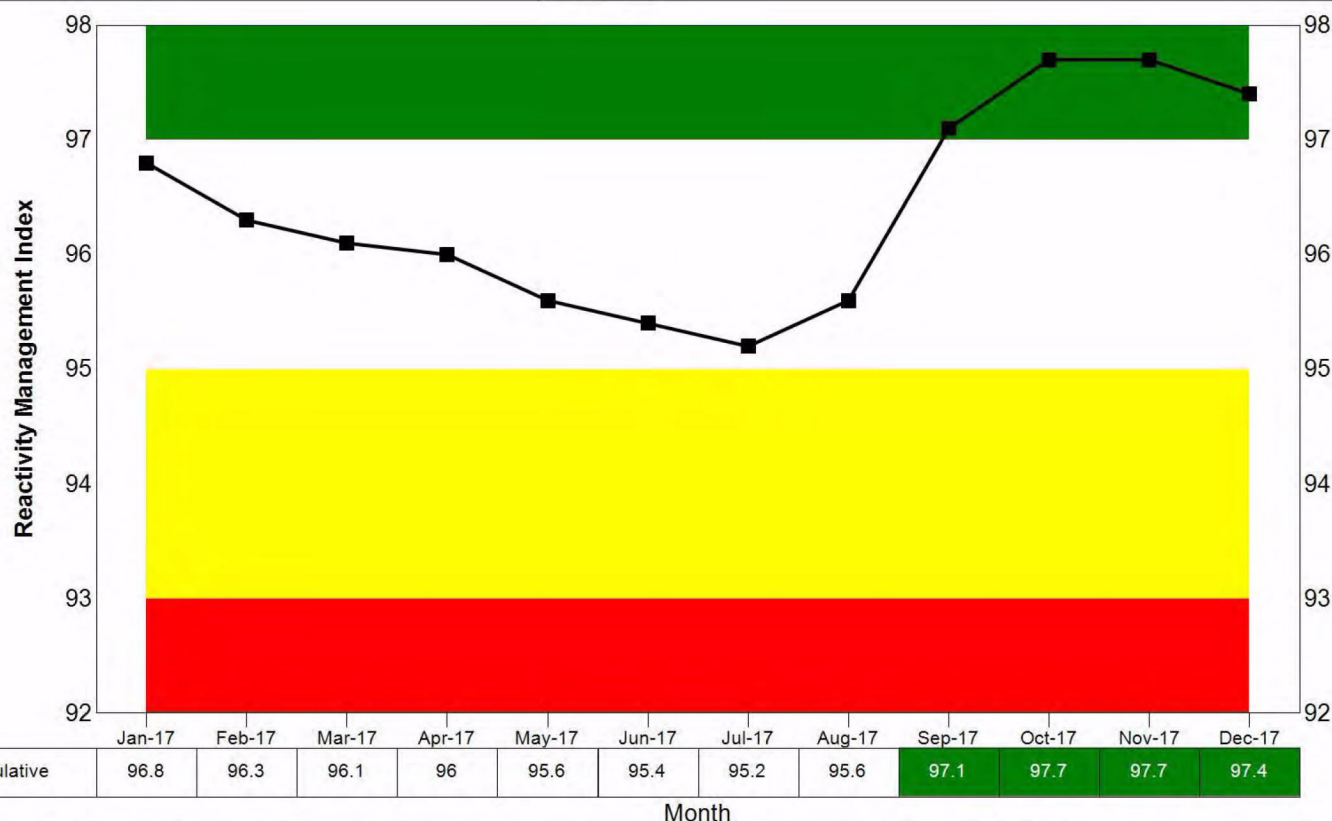
Our Results + Your Performance = Your Reward (Palo Verde and APS)

INDICATORS	Threshold (Minimum)	Threshold Incentive Funding	Target	Target Incentive Funding	Maximum	Maximum Incentive Funding	YTD Actual	On/Off Maximum
Safety and Employees:								
Reactivity Management	93	2.0%	95	4.0%	97	8.0%	97.4	■
Site Safety Index (out of 6) 06/30/17	4 G/W ≤1 Red	1.25%	5 G/W No Red	2.5%	6 G/W ≥3 Green	5.0%	6 / 6 Green	■
Site Safety Index (out of 6) 12/31/17	4 G/W ≤1 Red	1.25%	5 G/W No Red	2.5%	6 G/W ≥3 Green	5.0%	6 / 6 Green	■
INPO Recordable Rate *	≤ 0.163	2.5%	≤ 0.110	5.0%	≤ 0.055	10.0%	0.256	■
Accreditation	N/A	0	Accreditation-Split Vote	5.0%	Accreditation-Unanimous Vote	10.0%	Unanimous	■
Collective Radiation Exposure (REM)	75	1.75%	70	3.5%	65	7.0%	55.02	■
Operational Excellence:								
Site Capacity Factor	91%	10.0%	92%	20.0%	93%	40.0%	93.8	■
Spring 2017 Outage Duration	≤ 32 days	2.50%	≤ 31 days	5.0%	≤ 30 days	10.0%	30D 23H	■
Fall 2017 Outage Duration	≤ 32 days	2.50%	≤ 31 days	5.0%	≤ 30 days	10.0%	30D 18H	■
Performance Improvement:								
Equipment Reliability Index (ERI)	91	2.50%	93	5.0%	95	10.0%	98	■
CAP Scorecard (out of 5) 06/30/2017	3 G/W ≤1 Red	1.25%	4 G/W No Red	2.5%	5 G/W ≥3 Green	5.0%	5 / 3 Green	■
CAP Scorecard (out of 5) 12/31/2017	3 G/W ≤1 Red	1.25%	4 G/W No Red	2.5%	5 G/W ≥3 Green	5.0%	5 / 3 Green	■
Continuous Improvement Process **	600	2.50%	800	5.0%	1,000	10.0%	1018	■
Site Clock Resets (no Industrial Safety)	2	2.50%	1	5.0%	0	10.0%	0	■
Site Operational Focus Indicator (out of 8) 06/30/17	6 G/W ≤1 Red	1.875%	7 G/W No Red	3.75%	8 G/W ≥4 Green	7.5%	8 / 6 Green	■
Site Operational Focus Indicator (out of 8) 12/31/17	6 G/W ≤1 Red	1.875%	7 G/W No Red	3.75%	8 G/W ≥4 Green	7.5%	8 / 5 Green	■
Stakeholder Value:								
O&M Budget (Excluding Incentives)	On Budget	7.5%	≥\$1.25M Under Budget & 10 Months ±5%	15.0%	≥\$2.5M Under Budget & 11 Months ± 5%	30.0%	\$-6.2M & 12 Months	■
Capital Budget (Excluding Incentives)	≤ Budget	2.5%	≤ Budget & 10 Months ±10%	5.0%	≤ Budget & 11 Months ± 10%	10.0%	\$-8.5M & 12 Months	■
New Metrics to be Monitored:								
O&M Monthly Forecast Volatility ≤25%	7		8		9		N/A	N/A
O&M Budget Quarterly Cashflow Performance	1 Quarter ± 5%		2 Quarters ± 5%		3 Quarters ± 5%		3	N/A
O&M 4 th Quarter Forecast Volatility ≤25%	6		7		8		N/A	N/A
Capital Projects Placed In-Service	70 & ±5% of Aggregate In-Service Budget		75 & ±5% of Aggregate In-Service Budget		85 & ±5% of Aggregate In-Service Budget		N/A	N/A
NOTES				LEGEND - Colors are based on monthly indicator performance				
*Water Reclamation Facility (WRF) OSHA recordables are included in this metric even though they are excluded from statistics reported to INPO; **Continuous Improvement Process points exclude Delivering the Nuclear Promise savings. Incentive payouts may be adjusted based on individual performance as determined by your leader through the APS Performance and Talent Management System (APTMS). As in the past, APS earnings will also impact the incentive payout.				■ Unsatisfactory	■ Needs improvement	■ Satisfactory	■ Strength	



Employee Incentive Reactivity Management

Goal/Definition	Analysis/Actions
<p>Goal: To maintain a high level of reactivity management.</p> <p>Def: Indicator consists of a 12-month cumulative index that measures equipment and human performance issues that challenge, to any degree, the station's ability to safely manage reactivity and integrity of nuclear fuel. The PI is based on a rolling 12 month cumulative value of the monthly index for reactivity events severity level 1-5, with 1 being the most severe. $PI = 100 - [(20 * SL1) - (10 * SL2) - (2 * SL3) - (0.5 * SL4) - (0.1 * SL5)]/3$, where SLx is the current number of SL issues.</p>	<p>Station performance declined due to the occurrence of one Significance Level 4 Precursor (U1) and six SL5 Concerns (2-U1, 4-U3) this month. Four of these seven issues were promptly corrected. The SL4 Precursor occurred when a high level control valve on a high pressure feedwater heater failed open, resulting in an RCS temperature change. Two SL5 Concerns (1-U2, 1-U3) were removed. There are one SL3 Event, five SL4 Precursors, and thirty-three SL5 Concerns impacting the indicator. The indicator is predicted to remain stable. See unit-specific metrics for additional information.</p>
Industry Standards	<p>Focus areas are: extraction steam/heater drains system reliability and plant protection system/excore nuclear instrumentation circuit reliability. The Equipment Reliability Excellence Team and Assistant Plant Managers are addressing these issues.</p> <p>Based on this performance, the site achieved full incentive payout for 2017.</p>
<p>Industry incentive standards have not been established. However, the industry Reactivity Management Working Group has established performance indicator goals which are reflected in the station and individual unit indicators.</p>	Action Plan :



Rolling 12-Month Cumulative

Indicator Owner
TODD HORTON

Performance Manager
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Site Safety Index

Goal/Definition	Analysis/Actions
<p>Goal: Improve industrial safety engagement and performance in specific focus areas through proactive behaviors.</p> <p>Definition: Number of green/white windows on the site safety index scorecard, which includes: Close Call/Good Catch Reporting, Safety BEST Observations, Area Inspections, Industrial Safety WOs, Living VPP Presentations, and Job Hazard Analysis Use. Note: The final Site Safety Index will include performance snapshots at June and December. Max = 6 Green/White with ≥ 3 Green; Target = 5 Green/White with no Red; Threshold = 4 Green/White with ≤ 1 Red.</p>	<ol style="list-style-type: none"> 1. All six areas achieved maximum (green) performance for this month. Employees continue to actively support the focus areas of the Site Safety Index such that a green window has been achieved for 12 consecutive months. 2. The site's efforts have achieved a good (green) window for December 2017. 3. Although these individual focus areas are used throughout the industry as leading indicators, collectively this metric is unique. The site is achieving its established goals for performance. 4. Site Safety Index Focus Areas are re-enforced and monitored daily by publishing the current status in the Industrial Safety section of the PV Daily Plant Status Package.
Industry Standards	
Incentive indicators do not have industry standards.	<p>The Site Safety Index has achieved a green window for all 12 months of 2017 which will result in a full payout for this indicator.</p> <p style="text-align: right;">More ..</p>
	Action Plan :



of Green/White Windows

Indicator Owner

RICHARD BAIL

Performance Manager

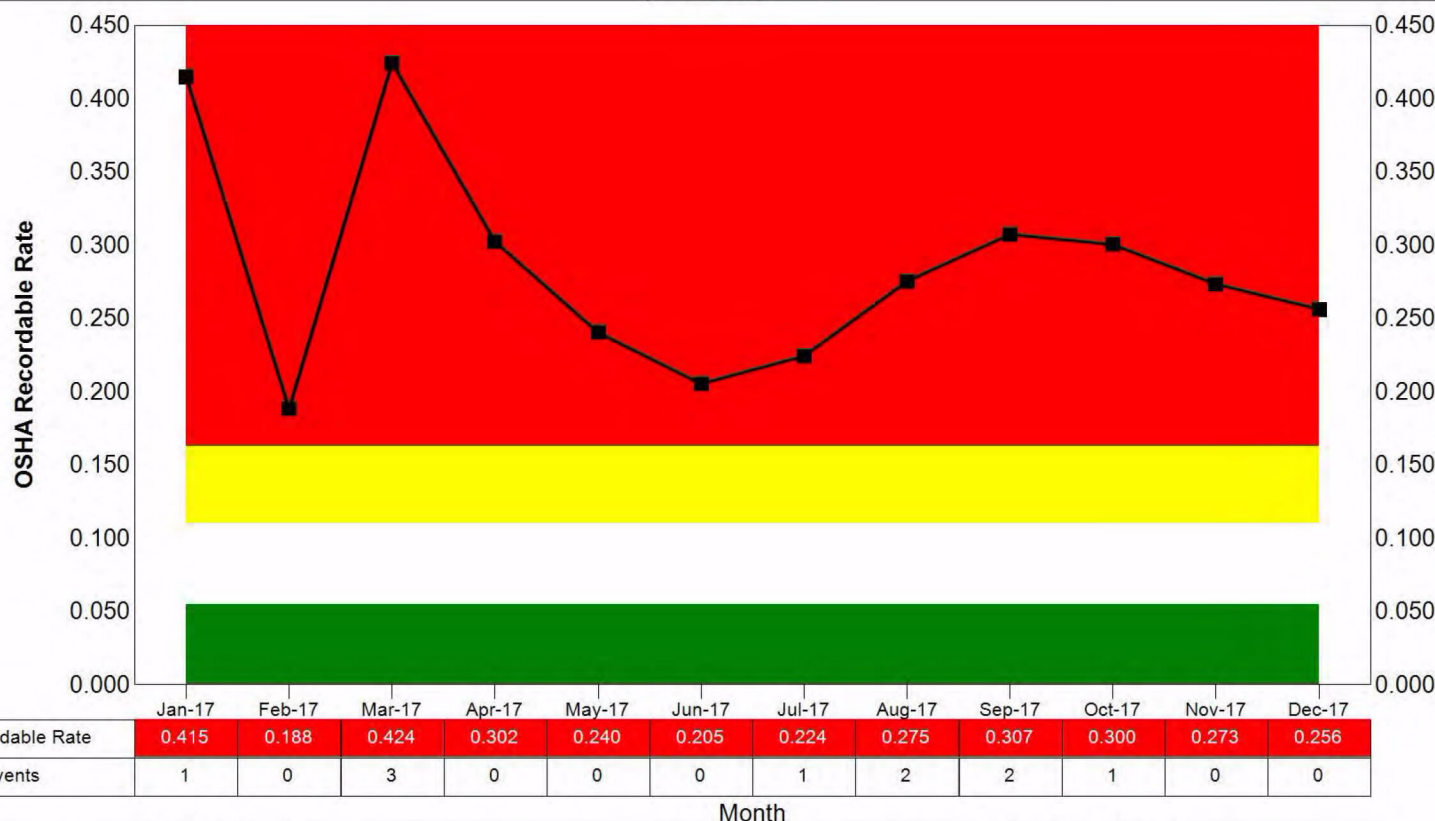
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive INPO OSHA Recordable Rate

Goal/Definition	Analysis/Actions
Goal: Enhance employee awareness about workplace injuries and demonstrate continuous performance improvement and minimize the number of OSHA recordable injuries. Definition: The INPO OSHA Recordable Rate includes the number of recordable accidents (accidents required to be reported as defined in the OSHA 300 Log guidance) reported during the performance year for all personnel (utility and contractor) normalized to 200,000 Man-hours divided by the number of manhours worked for all personnel. WRF events are included in this indicator; however, they are not reported to INPO.	0 OSHA Recordable injury in December; 10 OSHA Recordable Injuries YTD. 1. Cont. services emp. - eye injury - WRF - wrench slipped - Lost Time 2. APS emp. - fractured foot - WRF - stepped off raised platform - Lost Time 3. APS emp. - concussion - Control Bldg. elevator - fell in car due to sudden stop 4. Cont. labor emp. - Lacerated lip - U2 OSB - struck by loose gas cylinder cap. 5. APS emp. - Sprained elbow during annual physical agility test. 6. Cont. Services emp. - finger fracture WRF - Wood panel fell on hand 7. APS emp. - Stepped over barricade, foot slipped, fractured foot - Restricted Duty 8. Cont. Service emp. - WRF - JLG ran over foot - fracture 9. APS emp. - U3 Control Room door - Back strain 10. Cont. Serv. - U1 Turb. Bldg. - Laceration, wrench slipped Recovery actions: increased mgmt presence in field, Contractor Engagement, Safety Bulldogs, Mgmt training on Leadership Fundamentals, and Coworker's Keeper Program. Based on this performance, the site achieved no incentive payout for this indicator.
Industry Standards	
Incentive indicators do not have industry standards.	Action Plan :



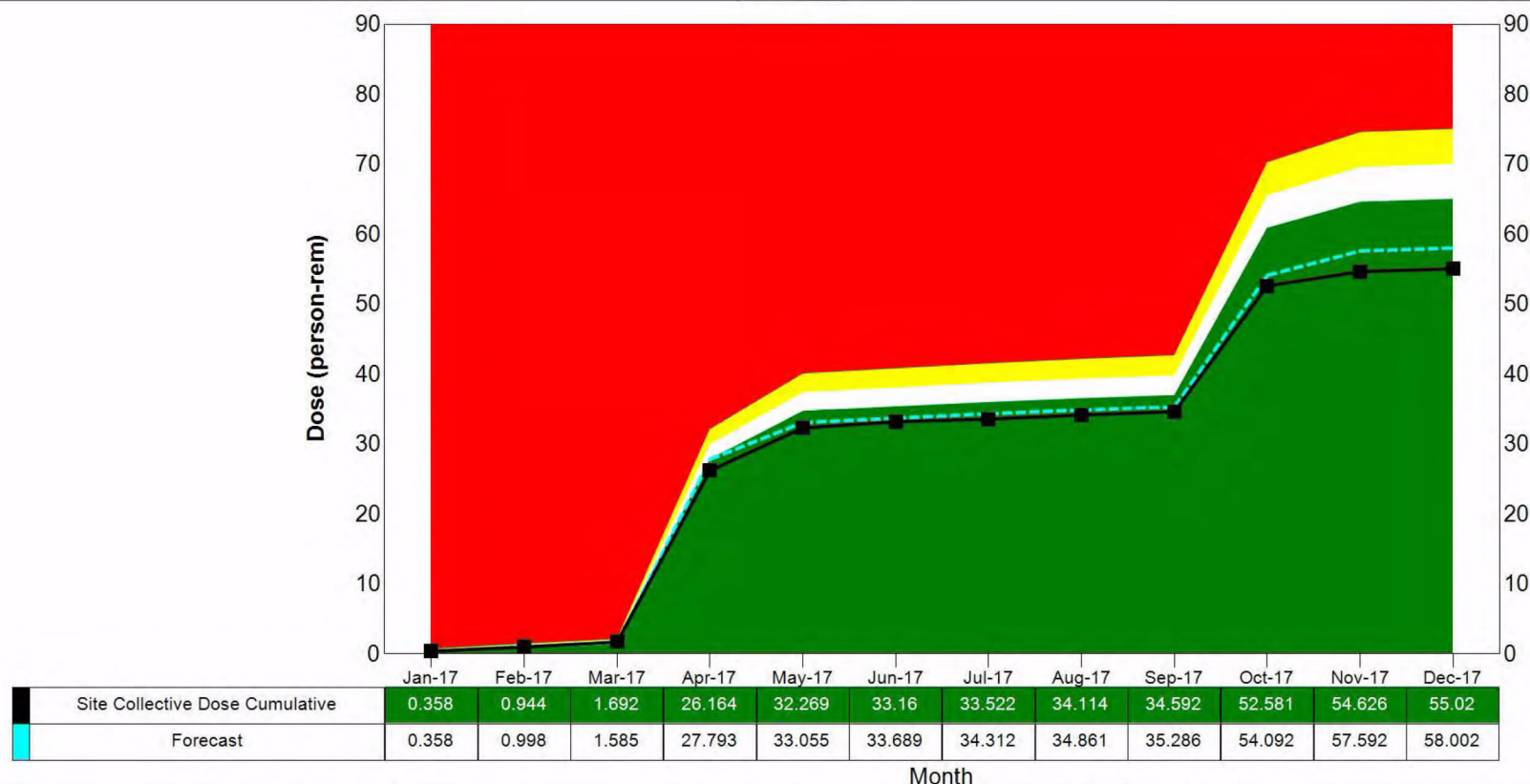
Indicator Owner	Performance Manager
RICHARD BAIL	JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Collective Radiation Exposure (YTD)

Goal/Definition	Analysis/Actions
<p>Goal: To maintain Collective Radiation Exposure as low as is reasonably achievable.</p> <p>Definition: The total whole-body dose received by all personnel as measured by Electronic Dosimeter.</p> <p>NOTE: Full payout up to 65 rem. Variable payout from >65 to 75 rem. No payout above 75 rem.</p>	<p>Collective Radiation Exposure (CRE or "dose") is 9.980 rem under the 2017 Maximum Incentive Goal (65 rem) and 19.980 rem under the 2017 Threshold Incentive Goal (75 rem) for CRE. Online dose performance (6.487 rem) was 0.421 rem higher than projected due to Unit 3 SNO and Dry Cask Storage activities.</p> <p>Refueling outage 2R20 (29.142 rem) was 2.925 rem lower than projected due to good ALARA performance associated with CEDM Coil Stack Replacement, Reactor Annulus Barrier Modifications, Shutdown Cooling Heat Exchanger 'A' Testing and Maintenance, and Pressurizer Heater Removal and Replacement.</p> <p>Refueling outage 1R20 (19.391 rem) was 7.476 rem lower than projected due to good ALARA performance associated with Fibrous Insulation Removal, Reactor Annulus Barrier Modifications and Shutdown Cooling Heat Exchanger 'A' Testing.</p> <p>Strong performance (green in color) is projected to continue throughout 2018 with year-end CRE projected at 53.3 rem.</p> <p>Refer to the attachment in the More link for additional analysis/actions.</p> <p>More ..</p>
Industry Standards	
No industry standard for incentive indicators.	
	Action Plan :



Indicator Owner
CARL MOELLER

Performance Manager
JOHN CADOGAN

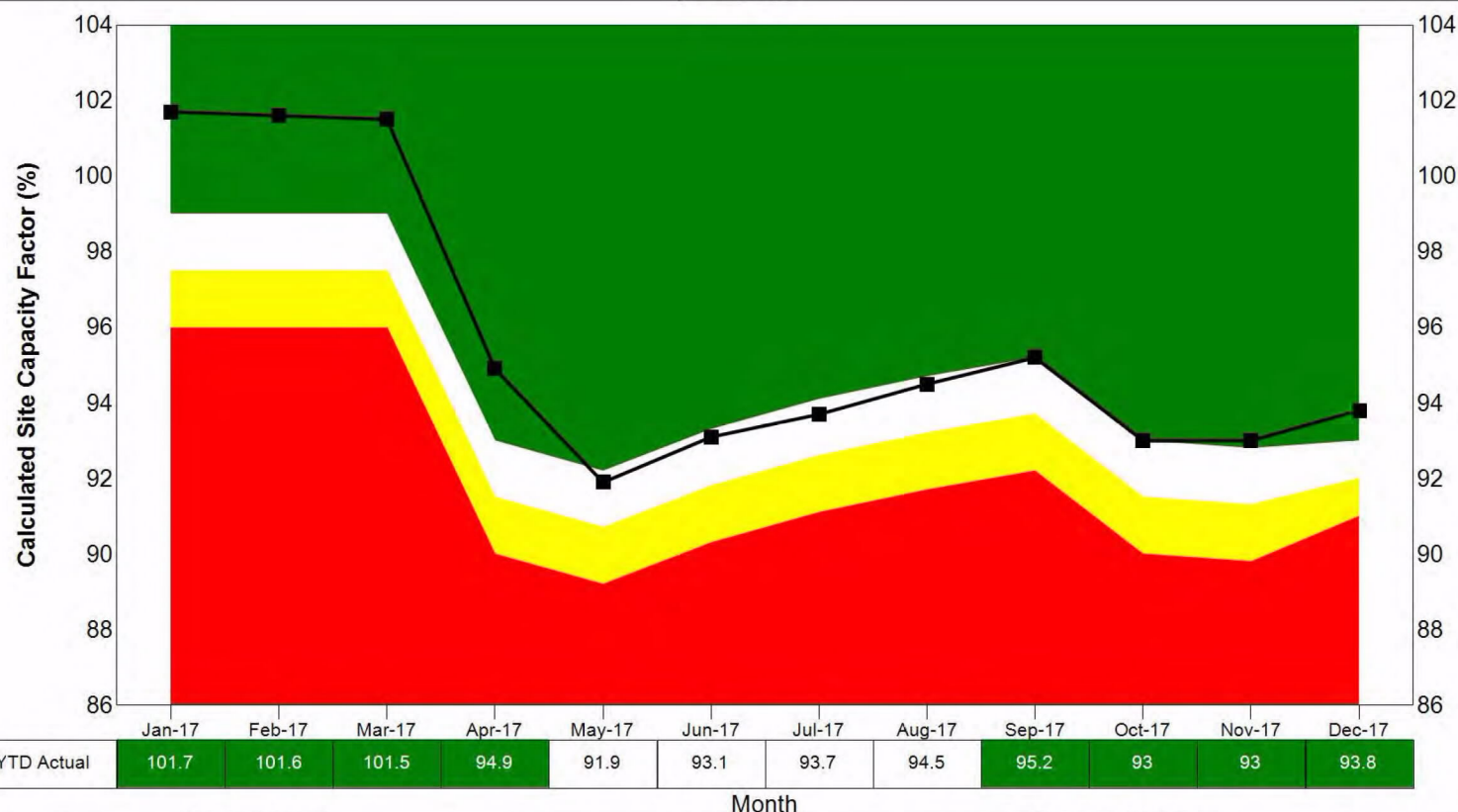
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Dec-17

Employee Incentive Site Capacity Factor

Goal/Definition	Analysis/Actions
<p>Goal: To keep all three units running with the highest capacity factor achievable.</p> <p>Definition: This indicator measures and trends the ratio of the net electricity generated, for the time considered, to the energy that could have been generated at continuous full-power operation during the same period. Based on planned refueling outages in Long Range Plan plus a 1.0% forced loss rate.</p> <p>NOTE: Capacity Factor = YTD Actual Net MWh / (Unit rating * YTD Calendar Hours)</p>	<p>December monthly performance was 102.0% in U1, 102.2% in U2, and 101.4% in U3. The year-end Site Capacity Factor for 2017 is 93.8%. Equipment conditions that result in MWe or Thermal Performance impacts are flagged for prioritizing of corrective Maintenance. Scheduled MWe impacts are identified in the Daily Plant Status package. See more for issues impacting Site Capacity Factor. The year-end Site Capacity Factor for 2017 is 93.8% resulting in a full incentive payout.</p>
Industry Standards	
No industry standard for incentive indicators.	
	More ..

Action Plan :



Indicator Owner
TODD HORTON

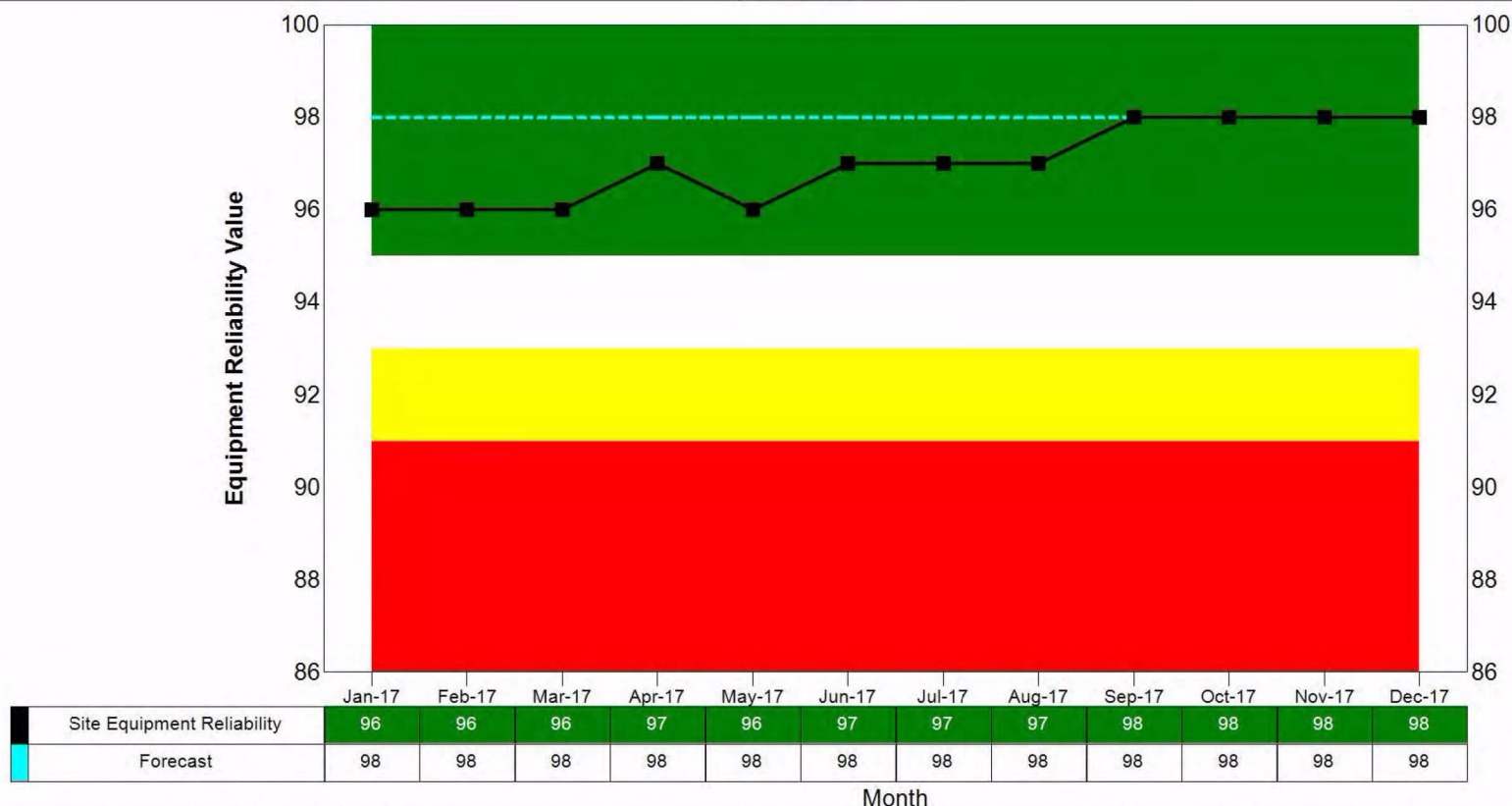
Performance Manager
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Equipment Reliability Index

Goal/Definition	Analysis/Actions
<p>Goal: To improve reliability of plant equipment as measured by the ERI (Equipment Reliability Index). It measures the effectiveness of equipment reliability actions, including maintenance work practices and preventive maintenance program performance.</p> <p>Definition: ERI is the summation of 17 weighted indicators with a total value of 100 points as defined by the ERWG (Equipment Reliability Working Group). The ERI indicator is being reported through INPO. The current ERI Guidance document is Revision 6, effective January 31, 2016.</p>	<p>Month Losses: No additional ERI point losses were incurred in December.</p> <p>Month Gains: No ERI point gains were acquired during December.</p> <p>Forecast: U1: 1 point will be gained in 3/18 in Online Reliability Loss Factor. U3: 1 point will be gained in 5/18 with Unplanned Power Reduction. U3: 3 points will be gained in 12/18 with Online Reliability Loss Factor.</p> <p>Status: Site ERI is 98 for December. Industry top quartile performance for 3rd Quarter 2017 is 99.00, which was unchanged from 2nd Quarter 2017. Site ERI achieved year end projection. Based on this performance, the site achieved full incentive payout for 2017.</p>
Industry Standards	
No industry standards exist for incentive indicators.	
	Action Plan :



Indicator Owner

KEVIN GRAHAM

Performance Manager

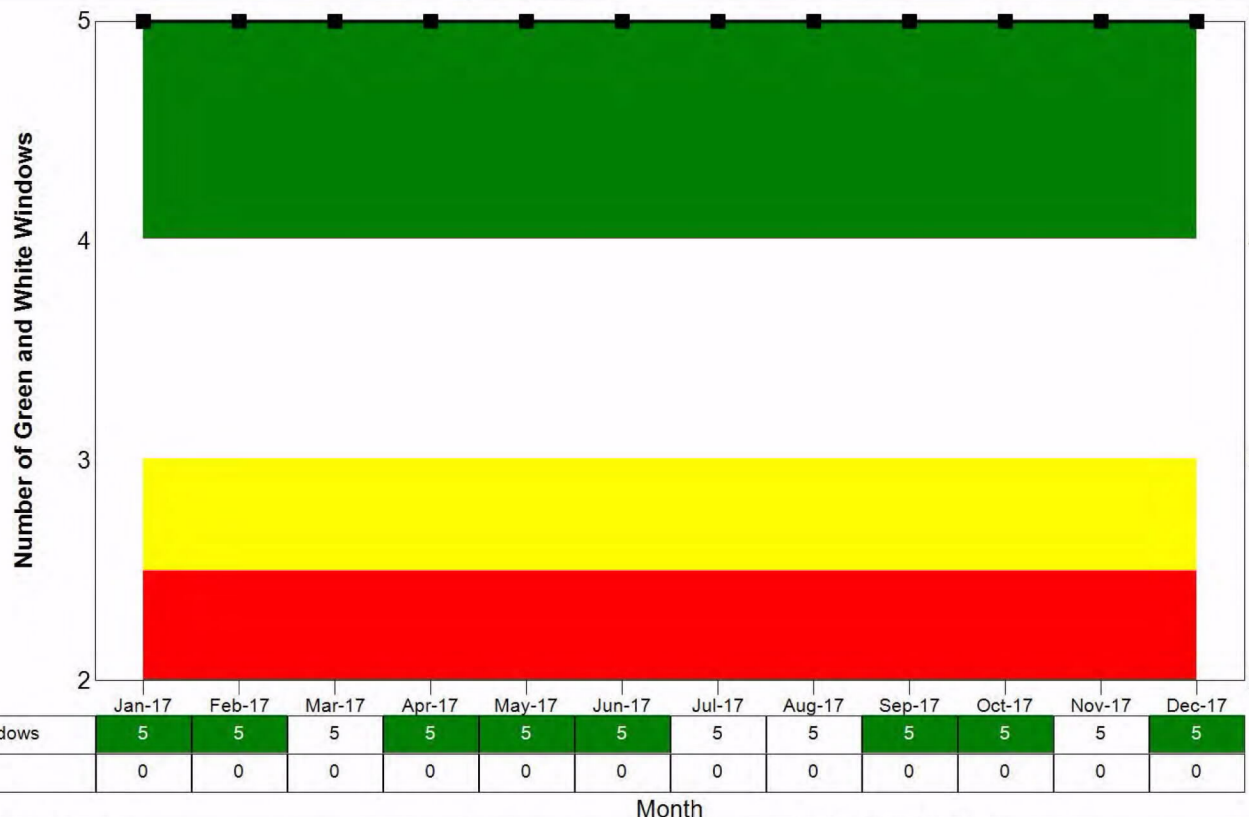
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Corrective Action Program Scorecard

Goal/Definition	Analysis/Actions
<p>Goal: To improve performance in the Corrective Action Program area.</p> <p>Definition: The Incentive CAP Scorecard is comprised of five individually monitored items which use the Site Level Indicators for an overall index of CAP health.</p> <p>Note: The final CAP Scorecard will include performance snapshots at June and December.</p> <p>Max = 5 Green/White with \geq 3 Green</p> <p>Target = 4 Green/White with no Red</p> <p>Threshold = 3 Green/White with \leq 1 Red.</p> <p>More..</p>	<p>Overall Site CAP Performance Index is GREEN based on having 3 Green and 2 White attribute colors.</p> <p>Evaluation Age - 21 days (Green)</p> <p>Corrective Actions > 180 Days Old - 19 (Green)</p> <p>Corrective Action Inventory - 95 (Green)</p> <p>CR Leader Reviews - 94% (White)</p> <p>CAP Quality Index - 91% (White)</p>
Industry Standards	Based on this performance, the site achieved full incentive payout for 2017
No industry standards exist for Incentive Indicators.	Action Plan :



Indicator Owner
THOMAS MOCK

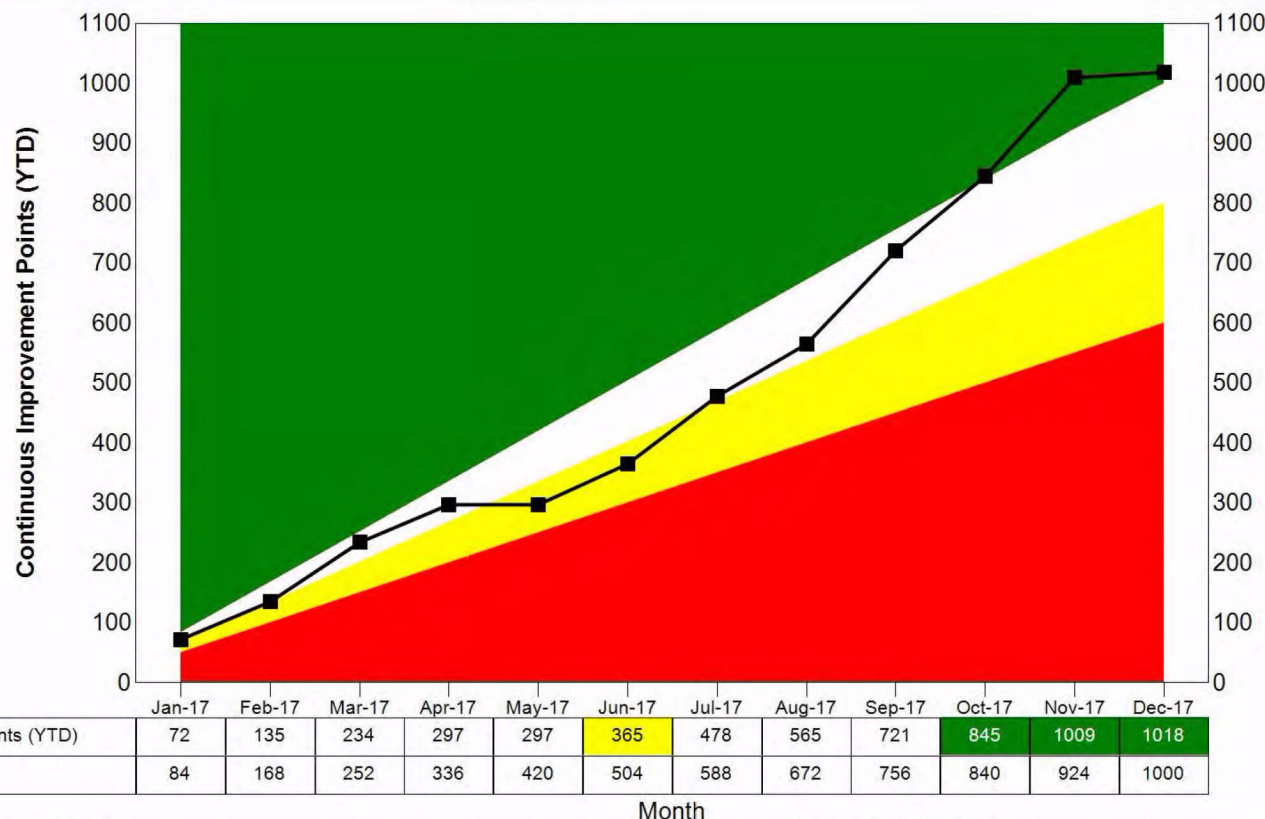
Performance Manager
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Continuous Improvement Program

Goal/Definition	Analysis/Actions
<p>Goal: Reduce non-value added work and administrative burdens through efficiency, effectiveness and innovation so the station can continue to improve programs, processes and services.</p> <p>Definition: A process improvement initiative that reduces non-value added work and administrative burdens through efficiency, effectiveness and innovation and improves programs, processes and services, while protecting the core without compromising safety and quality. Continuous improvement initiatives are "awarded" points based on pre-set scoring criteria. Improvements must be implemented to obtain points.</p>	<p>The current performance is Green for December with the metric for 2017 at 1018 points. Two proposals earning 9 points were completed in December, including new desktop references for Outage Work Management, and improved reporting capability for PRA engineering.</p> <p>The CIP process supports enhancements to improve effectiveness and efficiency in order to maintain this metric in Green.</p> <p>Full payout of the incentive for 2017 has been achieved</p>
Industry Standards	
<p>Although there is no known industry standard for this metric, the point system is aligned with similar continuous improvement programs in the industry.</p>	
	Action Plan :



Indicator Owner	Performance Manager
DONALD NAUGHTON	JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Site Clock Resets

Goal/Definition	Analysis/Actions
<p>Goal: Minimize the number of Site Clock Resets incurred at the site. The metric is designed to raise personnel awareness of proper human performance behaviors, improve the performance of personnel by focusing on the behaviors needed to maximize event-free days and promote the prevention of events due to human error by focusing on sustaining error-prevention behaviors.</p> <p>Definition: The cumulative number of Site Clock Resets excluding ones attributed to industrial safety events. WRF reset events are not included in this indicator.</p>	<p>The site sustained good performance during December. The site has incurred zero non-safety related site clock resets and Twenty two (22) department clock resets for the year. There was one department clock reset that occurred in December. The last non-safety related site clock reset was March 14, 2014. The Dept Clock Reset program's three-tiered approach continues its success path. It has aided in classifications and enhanced communications in correcting and/or improving behaviors and lessons learned. The site is tracking the Team Clock reset program aggressively to pin-point behaviors that have the potential to rising to a higher level of consequence. This approach will maintain PVGS's top industry performance. Engaged employee groups are working together and addressing site human performance concerns in a collaborative effort.</p> <p>Based on this performance, the site achieved full incentive payout for 2017</p>
Industry Standards	
No industry standard for incentive indicators.	
	Action Plan :



Indicator Owner

THOMAS MOCK

Performance Manager

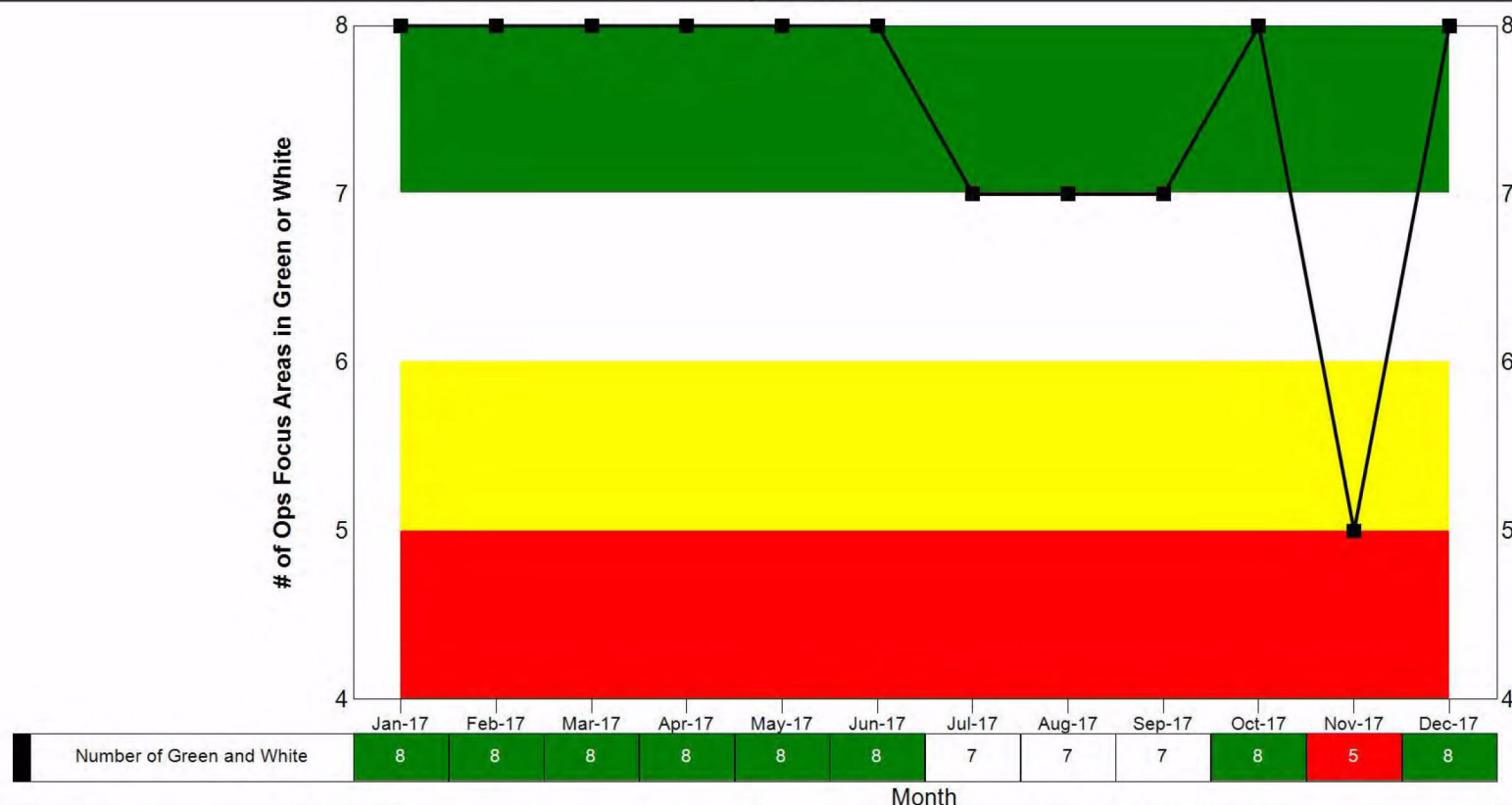
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Site Operational Focus Indicator

Goal/Definition	Analysis/Actions
<p>Goal: Drive performance and achieve positive results and trend aggregate impact to operational focus aligned to common goals and priorities that result in excellent material condition to support safe and reliable operation.</p> <p>Definition: Number of Green and White Operational Focus Areas in Monthly Trend Report Operational Focus Performance Indicator.</p> <p>The final Operational Focus Indicator will include performance snapshots at June and December. Max = 8 Green/White >= 4 Green; Target = 7 Green/White No Red; Threshold = 6 Green/White <= 1 Red.</p>	<p>December 2017 performance is Green with 5 Green windows and 3 White windows.</p> <p>Green - Operator Work Arounds White - Operator Burdens White - Lit Annunciators Green - Control Room Discrepancy Log White - Long-Term Clearances Green - Fire Impairments (FSCCRs) Green - Corrective Critical Work Mechanisms Green - Deficient Critical Work Mechanisms</p> <p>Based on this performance, the site achieved full incentive payout for 2017.</p>
Industry Standards	
No industry standard for incentive indicators.	
	Action Plan :



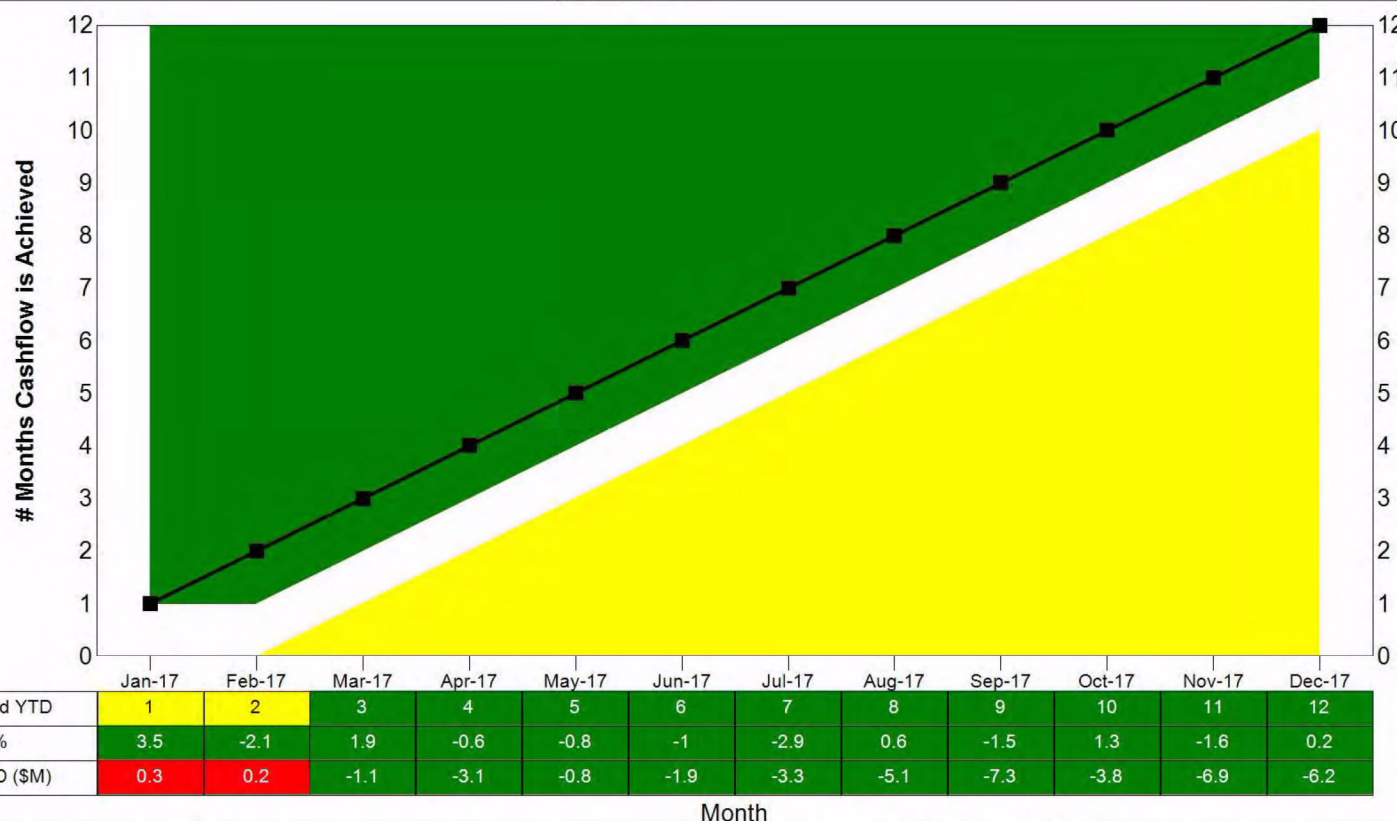
Indicator Owner	Performance Manager
TODD HORTON	JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive O&M Budget

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of the O&M budget cashflows, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The O&M Budget Monthly Cashflow metric measures the monthly (12) budget periods. The indicator window color will be determined by the number of months performance results are attained.</p> <p>Performance Threshold On Budget, Target \geq \$1.25M Under Budget & 10 Months \pm 5%, Maximum \geq \$2.5M Under Budget & 11 Months \pm 5%.</p>	<p>December's forecast performance was \$75K over forecast or 0.2%. Based upon the metric criteria December was a successful month.</p> <p>December's budget performance was \$0.7M over budget or 1.5%. Primary driver in December was budget timing of material and service support offset by payroll related items.</p> <p>2017 final budget performance is (\$6.2M) under budget. Primary driver(s) are Payroll Related Costs and Deferral of 2R20 RCP Diffuser Inspection, partially offset by Online Material and Labor expenses plus the 2016 Load True Ups.</p> <p>Performance supports full payout for this incentive area.</p>
Industry Standards	
Incentive indicators do not have industry standard information.	
	Action Plan :



Indicator Owner
DONALD NAUGHTON

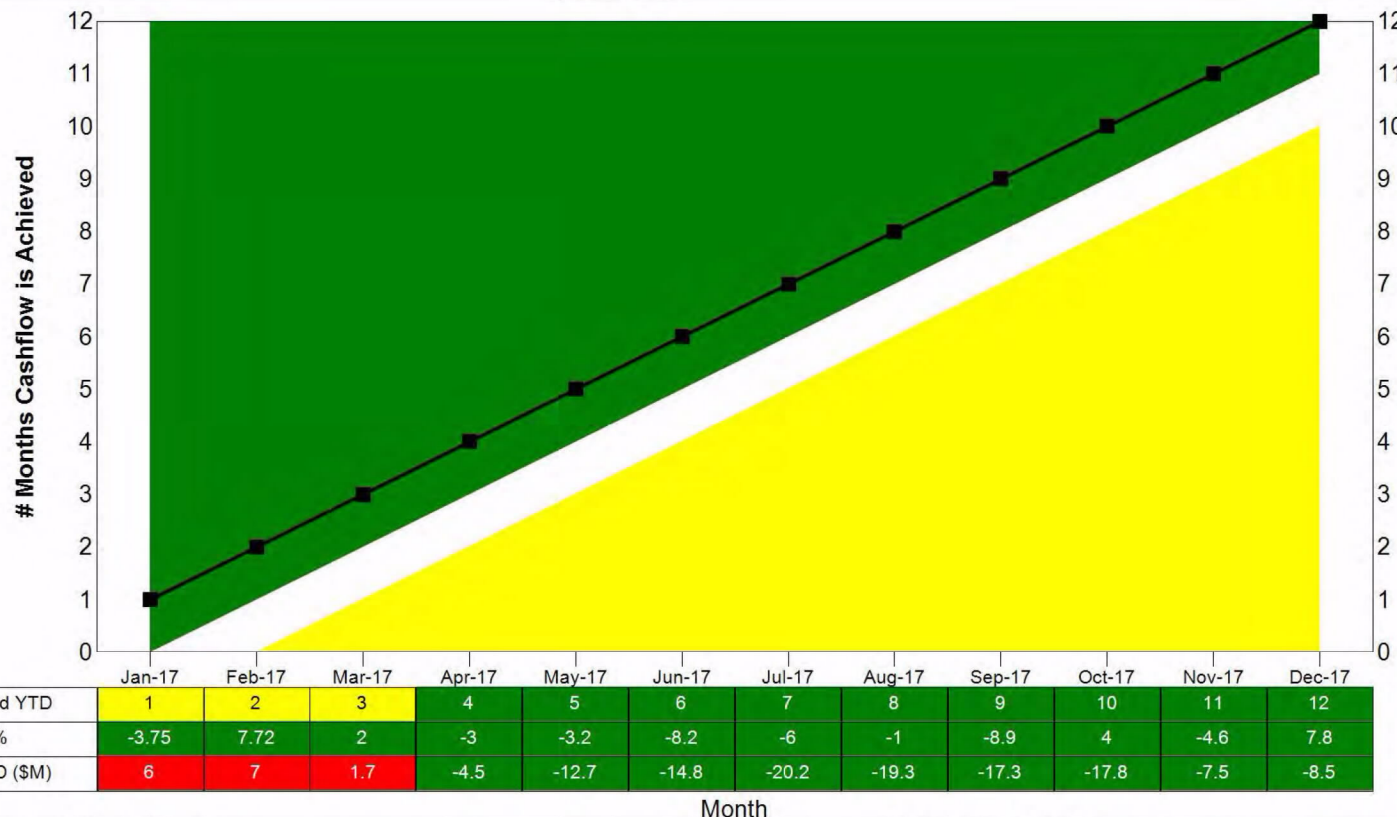
Performance Manager
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive Capital Budget

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of the Capital budget cashflows, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The Capital Budget Monthly Cashflow metric measures the monthly (12) budget periods. The indicator window color will be determined by the number of months cashflow performance results are attained.</p> <p>Performance Threshold \leq Budget, Target \leq Budget & 10 Months $\pm 10\%$, Maximum \leq Budget & 11 Months $\pm 10\%$.</p>	<p>December's forecast performance was \$1.2M over forecast or 7.8%. Based on the forecast metric criteria December was a successful month.</p> <p>December's budget performance was (\$0.9M) under budget resulting in a (\$8.46M) under run to the budget for 2017.</p> <p>Performance supports full payout for this incentive area.</p>
Industry Standards	
Incentive indicators do not have industry standard information.	
Action Plan :	



# Months % Achieved YTD	1	2	3	4	5	6	7	8	9	10	11	12
Cashflow Perf %	-3.75	7.72	2	-3	-3.2	-8.2	-6	-1	-8.9	4	-4.6	7.8
Budget Variance YTD (\$M)	6	7	1.7	-4.5	-12.7	-14.8	-20.2	-19.3	-17.3	-17.8	-7.5	-8.5

Indicator Owner
DONALD NAUGHTON

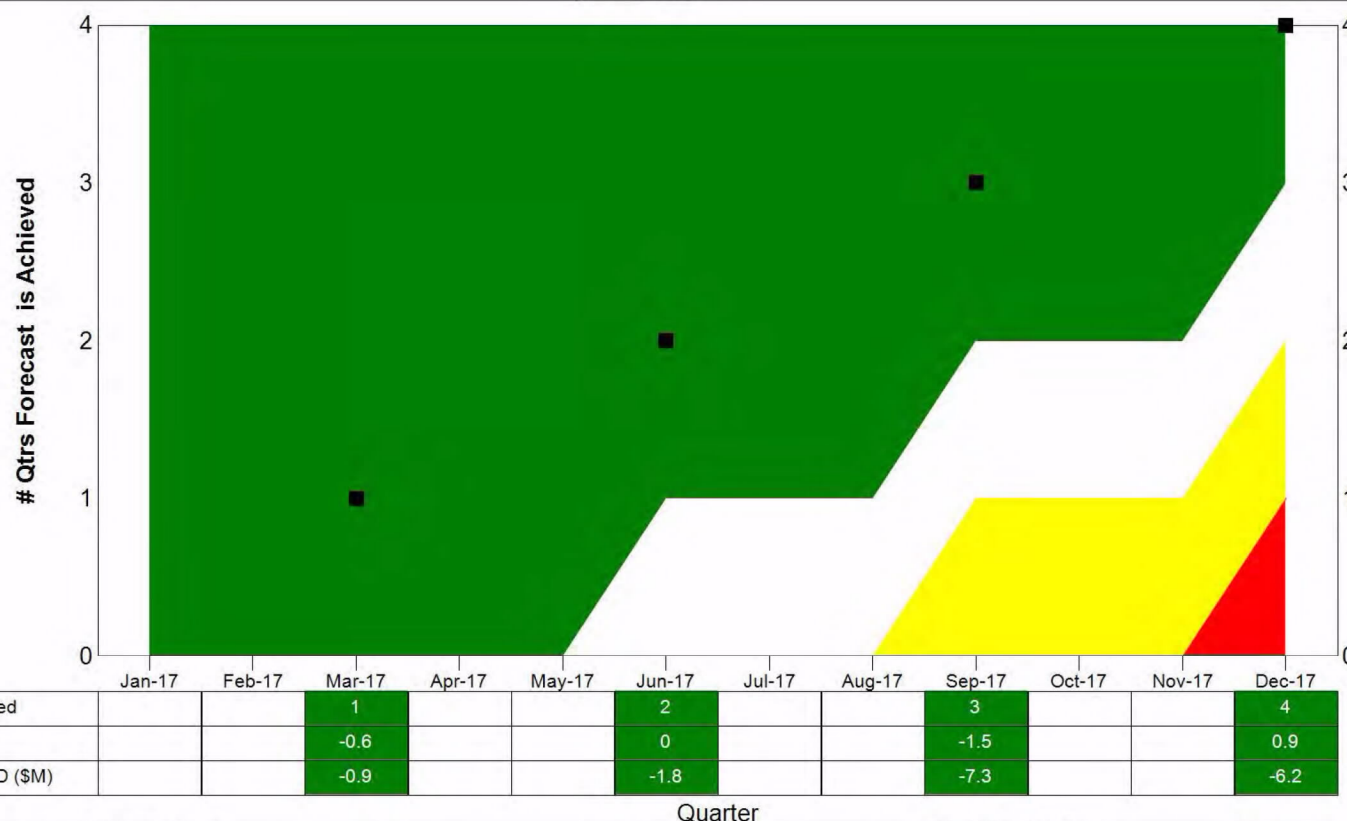
Performance Manager
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17

Employee Incentive O&M Budget Quarterly Cashflow Performance

Goal/Definition	Analysis/Actions
<p>Goal: The goal is to maximize the accuracy of O&M forecasts, maximize shareholder value and enhance cost awareness, cost effectiveness and cost management.</p> <p>Definition: The metric measures quarterly cashflow performance. Cashflow performance needs to be +/- 5%. The indicator window color will be determined by the quarterly results.</p> <p>Performance Threshold/Target/Maximum: 1 Quarter / 2 Quarters / 3 Quarters Budget Cashflow Performance $\pm 5\%$</p>	<p>The Q4 forecast performance was \$1.4M over forecast or 0.9%.</p> <p>The forecast baseline is a snapshot taken in September for the total fourth quarter.</p> <p>Target performance is between +5% and -5%. The Q4 forecast performance represents a Successful window.</p>
Industry Standards	
Incentive indicators do not have industry standard information.	
	Action Plan :



Indicator Owner
DONALD NAUGHTON

Performance Manager
JOHN CADOGAN

Created: Jan 9, 2018 @ 9:50 AM

Dec-17



EMPLOYEE INCENTIVE SCORE CARD: December 2018

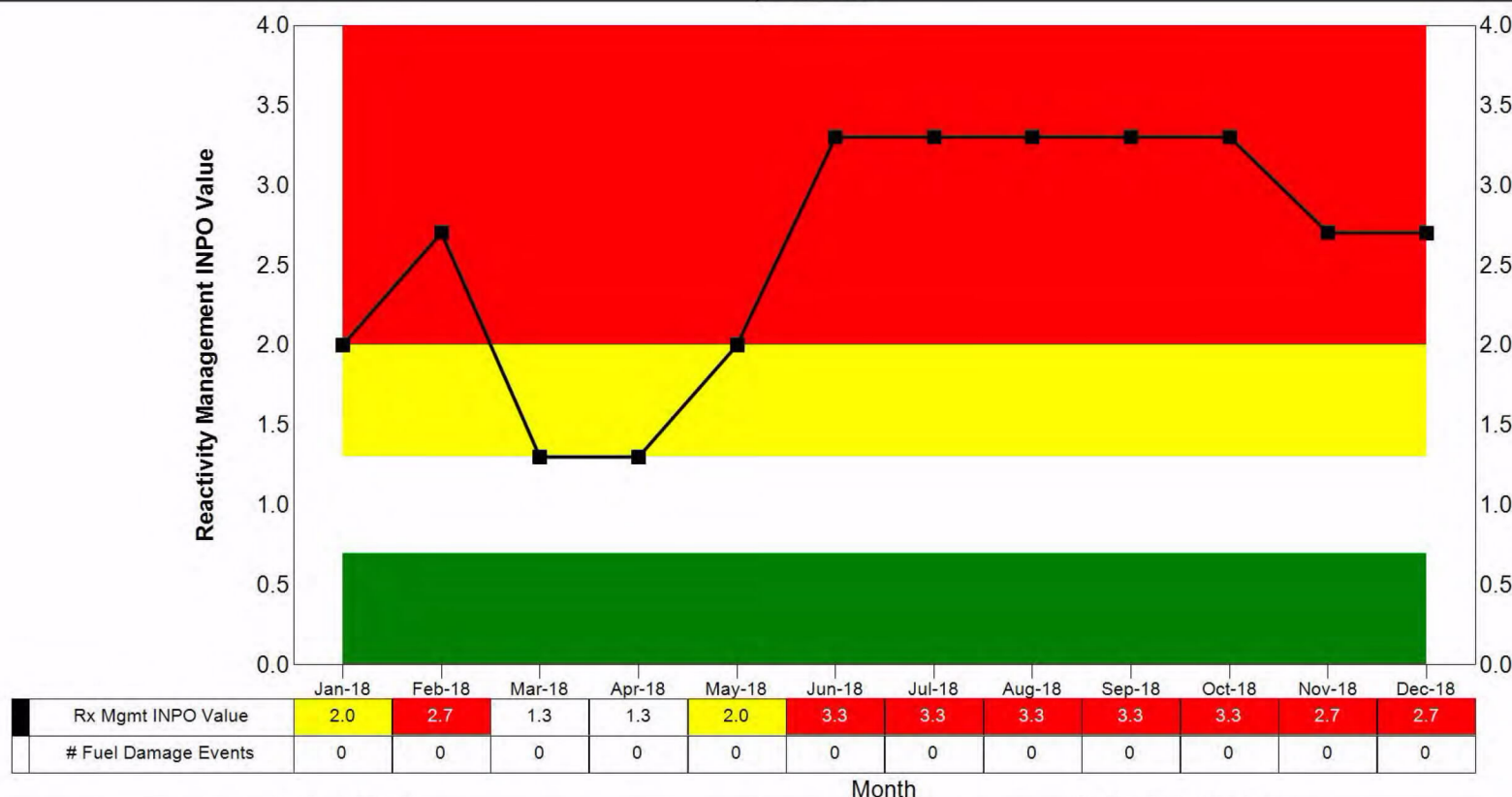
Our Results + Your Performance = Your Reward (Palo Verde and APS)

INDICATORS	Threshold (Minimum)	Threshold Incentive Funding	Target	Target Incentive Funding	Maximum	Maximum Incentive Funding	YTD Actual	
Safety and Employees:								
Reactivity Management & No Fuel Damage Events (FDE)	≤ 2.0 & No New FDEs	2.5%	≤ 1.3 & No New FDEs	5.0%	≤ 0.7 & No New FDEs	10.0%	2.7	■
Site Safety Index	9	2.5%	10	5.0%	11	10.0%	12	■
Days Worked Without OSHA Recordable Injury (Total Days in Current Year)	361	2.5%	362	5.0%	363	10.0%	360	■
INPO Evaluation (Pays at Maximum)	Excellent	N/A	Excellent	N/A	Excellent	8.0%	Exemplary	■
Radiological Safety Focus Index	85	1.75%	90	3.5%	95	7.0%	100	■
Operational Excellence:								
Site Capacity Factor	90.0%	7.5%	90.8%	15.0%	91.6%	30.0%	90.2	■
Summer Reliability Capacity Factor	98.7%	7.5%	99.2%	15.0%	99.7%	30.0%	96.4	■
Performance Improvement:								
Equipment Reliability Index (ERI)	91	1.25%	94	2.5%	97	5.0%	97	■
PHC Actions	85	1.25%	90	2.5%	95	5.0%	100	■
Start-Up Iron CEI-R (PPB – Spring Outage)	≤ 5.0	2.5%	≤ 4.0	5.0%	≤ 3.0	10.0%	2.45	■
Start-Up Iron CEI-R (PPB – Fall Outage)	≤ 5.0	2.5%	≤ 4.0	5.0%	≤ 3.0	10.0%	3.76	■
CAP Scorecard (out of 5) 06/30/2018	3 G/W ≤ 1 Red	0.625%	4 G/W No Red	1.25%	5 G/W ≥ 3 Green	2.5%	5/4 G	■
CAP Scorecard (out of 5) 12/31/2018	3 G/W ≤ 1 Red	0.625%	4 G/W No Red	1.25%	5 G/W ≥ 3 Green	2.5%	5/5 G	■
Site Clock Resets (no Industrial Safety)	1	N/A	1	5.0%	0	10.0%	1	■
Operational Focus Index	≤ 45.0	2.5%	≤ 37.5	5.0%	≤ 30.0	10.0%	25	■
Stakeholder Value:								
O&M Budget Excluding Incentives (Pays at Maximum)	≤ Budget	N/A	≤ Budget	N/A	≤ Budget	30.0%	(\$1.2 M)	■
Capital Budget Excluding Incentives (Pays at Maximum)	≤ Budget	N/A	≤ Budget	N/A	≤ Budget	10.0%	(\$0.2 M)	■

NOTES	LEGEND - Colors are based on monthly indicator performance
Water Resources OSHA recordables are included in this metric even though they are excluded from statistics reported to INPO; Incentive payouts may be adjusted based on individual performance as determined by your leader through the APS Performance and Talent Management System (APTMS). As in the past, APS earnings will also impact the incentive payout.	<div>■ Unsatisfactory</div> <div>■ Needs improvement</div> <div>■ Satisfactory</div> <div>■ Strength</div>

Employee Incentive Reactivity Management & Fuel Damage Events

Goal/Definition	Analysis/Actions
Goal: INPO Reactivity Management value of ≤ 0.7 and no fuel damage events for the year. Definition: INPO defined Reactivity Management Events resulting from use/misuse of reactivity control systems, manual or automatic; Events involving core design controls and shutdown margin calculations; Equipment-related failures that affect or could potentially affect reactivity control such as nuclear instrumentation failures, core monitoring equipment failures, system dump valve failures, etc. Fuel Damage Events (FDEs) are events that result in a damaged fuel assembly, as defined by the site (refer to More link). An FDE results in a red indicator. More..	The Reactivity Management & Fuel Damage Event indicator ended the year Red with a value of 2.7. There were no events in December. The indicator is being driven by the following ICES Reactivity Management events: Feb-2018 - Unit 1 Reactor Trip due to Generator Trip May-2018 - Unit 2 Automatic Reactor Trip May-2018 - Unit 2 Part Strength CEA Unexpected Movement (slipped rod) Jun-2018 - Unit 3 Automatic Reactor Trip
Industry Standards	Refer to the "More" link for additional details regarding indicator monthly performance. More..
No industry standards exist for incentive indicators.	Action Plan :



Indicator Owner

TODD HORTON

Performance Manager

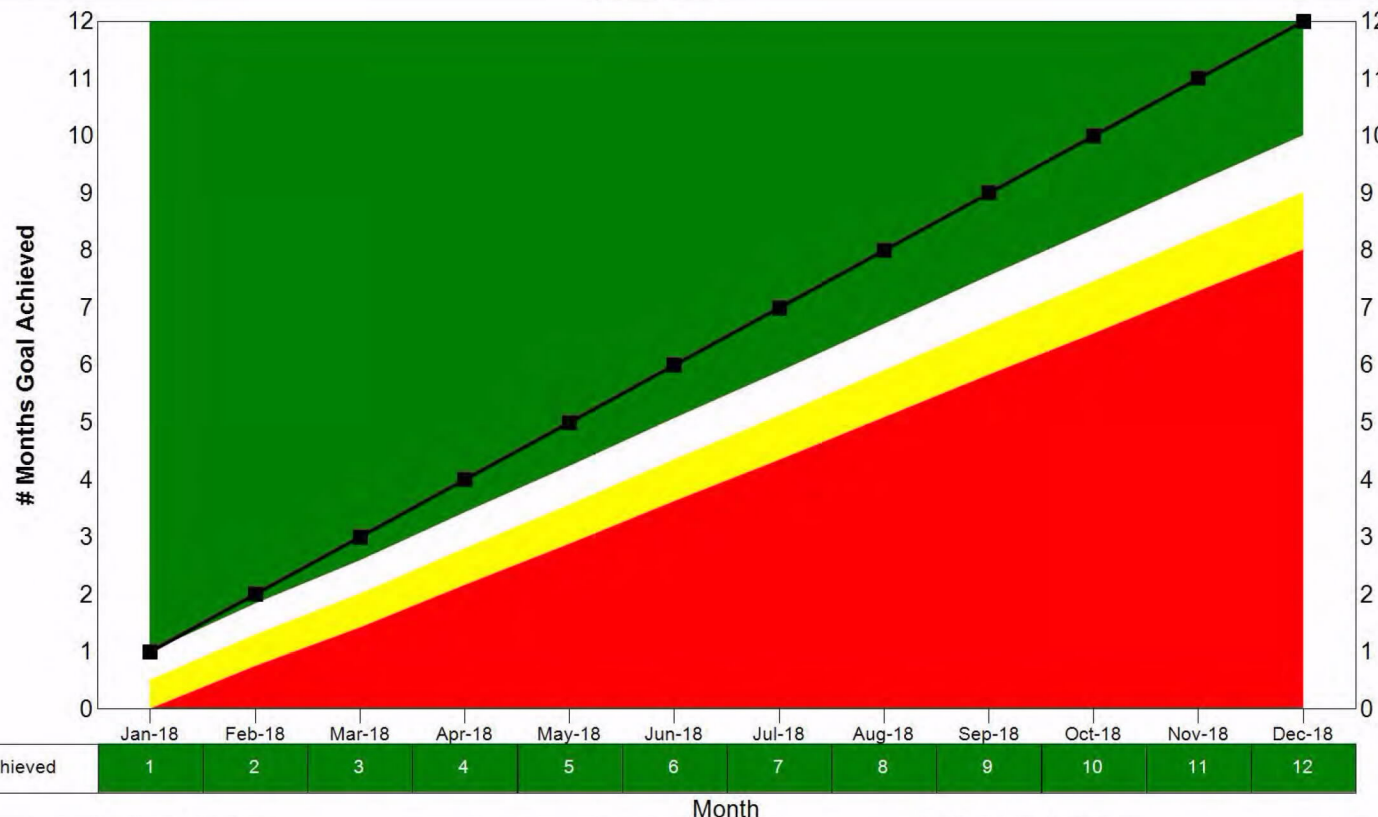
JOHN CADOGAN

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Dec-18

Employee Incentive Site Safety Index

Goal/Definition	Analysis/Actions
<p>Goal: Achieve all green/white windows each month for > 10 months to improve industrial safety engagement and performance in specific focus areas through proactive behaviors.</p> <p>Definition: Indicator is comprised of seven individually tracked sub-indicators forming an overall index of Industrial Safety Health. The seven sub-indicators being tracked are: Job Hazardous Analysis Use, Close Call Reporting, Safety Observations (Best), Area Inspections, Industrial Safety Work Orders, Living VPP Presentations and Co-Worker's Keeper.</p>	<p>The site sustained good performance during December and achieved a green window. Employees continue to actively support the Site Safety Index focus areas and have embraced the Overarching Priorities of Live Our Standards and Control Our Risks to improve the station's Human Performance and Industrial Safety. The Site Safety Index focus areas are re-enforced and monitored daily by publishing the current status in the Industrial Safety section of the PV Daily Plant Status Package. The site achieved maximum performance for 12 consecutive months in 2018, resulting in Maximum payout for this Incentive Metric.</p>
Industry Standards	
No industry standards exist for incentive indicators.	
	More .. Action Plan :



Months Goal Achieved

Indicator Owner
CARL MOELLER

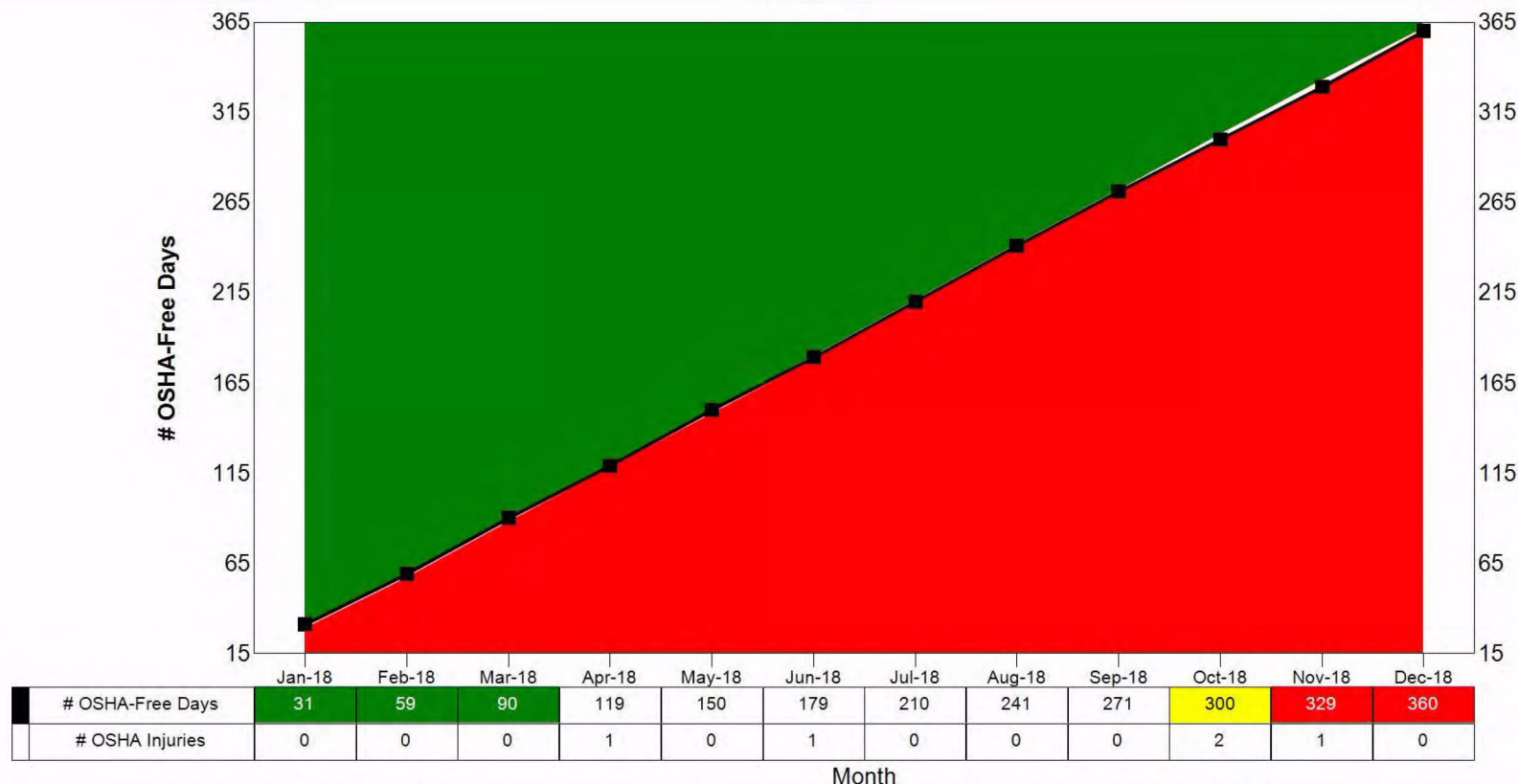
Performance Manager
JOHN CADOGAN

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Dec-18

Employee Incentive OSHA-Free Days (in Calendar Year)

Goal/Definition	Analysis/Actions
<p>Goal: Achieve the maximum number of days during the calendar year without a recordable injury.</p> <p>Definition: A recordable injury includes first aid accidents as defined in the OSHA 300 LOG guidance, such as death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid or loss of consciousness. The PV recordable injuries include all APS personnel, contractors and non-seconded contractors.</p>	<p>There were 0 OSHA Recordable Injuries in December 2018.</p> <p>1. November - Contractor stepped over cable reel, foot slipped, weight landed on other foot - fractured ankle. Lost Time Injury. Unsafe travel path accepted by workers.</p> <p>2. October - Contractor adjusting forklift forks lacerated thumb when pinched under the fork bar. Lost Time Injury. Repetitive task led to overconfidence and inadequate risk perception. Co-worker's not engaged and communicating well with each other.</p> <p>3. October - APS employee tripped on edge of sidewalk in parking lot and fractured leg. Lost Time injury. Loss of situational awareness, may have been distracted thinking about work planned for that shift.</p> <p>4. June - Contractor removing light fixtures. As a fixture was being removed a baffle came loose, fell & hit worker's forearm causing a laceration. Risk perception issue.</p> <p>5. April - Contractor stepped on a chain, rolled and fractured ankle. Restricted Duty. Procedural non-compliance due to lack of awareness of process requirements.</p> <p>This employee Incentive Indicator did not meet the minimum threshold of 361 days.</p>
Industry Standards	
No industry standards exist for incentive indicators.	
	Action Plan :



Indicator Owner
CARL MOELLER

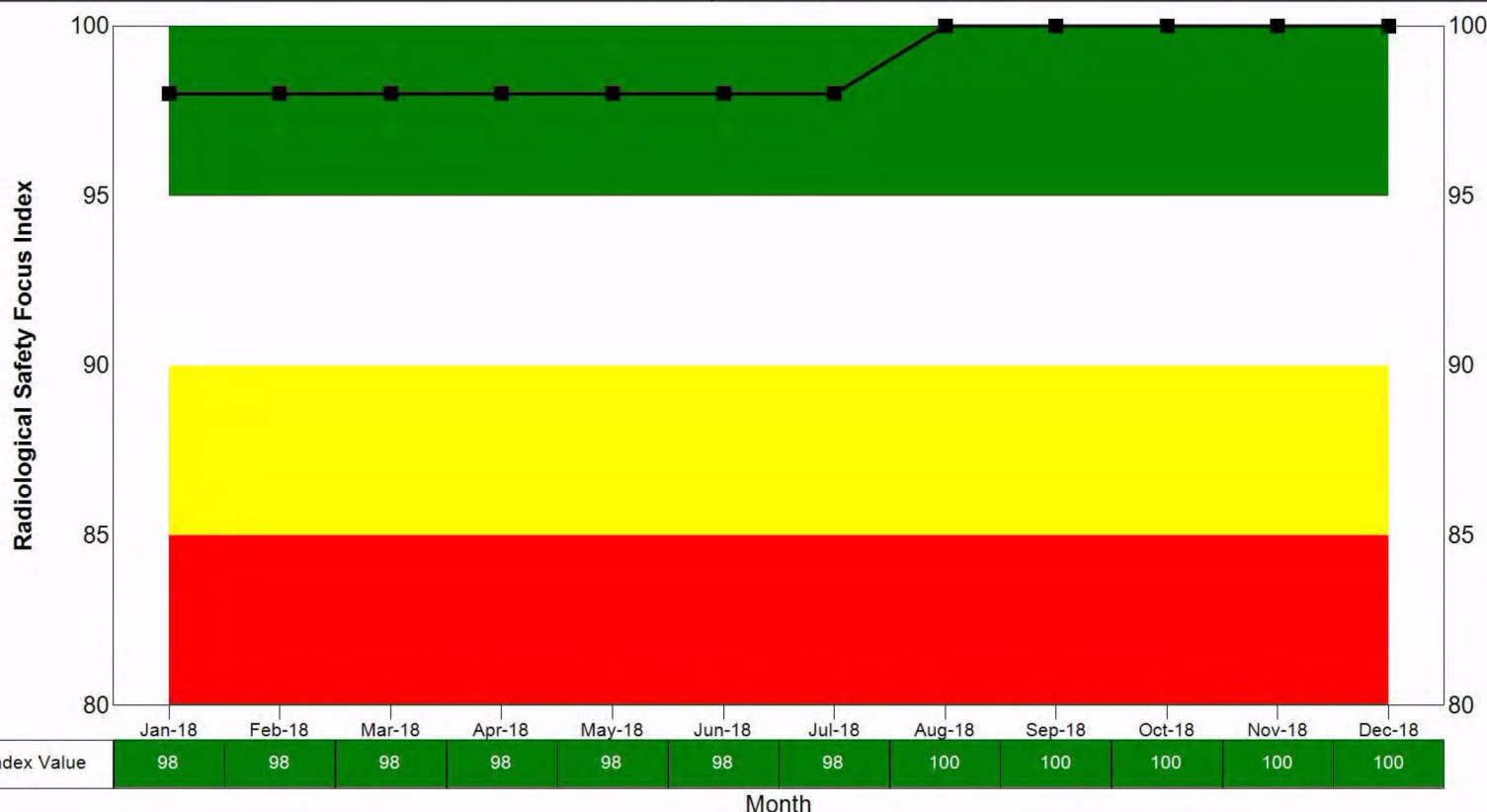
Performance Manager
JOHN CADOGAN

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Dec-18

Employee Incentive Radiological Safety Focus Index

Goal/Definition	Analysis/Actions
Goal: The Goal of this metric is to enhance public and worker safety through utilization of Radiological Safety fundamentals defined as the essential knowledge, skills, behaviors and practices personnel apply for proper conduct of radiation protection activities. Definition: This index consists of eight attributes: Station Collective Radiation Exposure (Dose) YTD, Unintended Exposure Occurrences > 100 mrem, Very High Radiation Area Events, Locked High Radiation Area Events, Unplanned Exposure (Internal/External > 10 mrem), High Radiation Area Events, RAM Found Outside the PA, and RAM Found Outside an RCA.	PVGS collective radiation exposure totaled 0.276 rem in December which is 0.072 rem fewer than projected due to good ALARA performance in the online units. PVGS completed calendar year 2018 for 42.800 rem which is 10.504 rem fewer than projected. Station personnel achieved the 59 rem annual goal and the 53.304 rem challenge goal. There are zero incidents and events impacting collective radiation exposure, high radiation areas, locked high radiation areas, very high radiations areas, unintended personnel exposure, unplanned personnel exposure and radioactive material control outside and inside of the Protected Area, resulting in an RSFI of 100 (maximum) points for calendar year 2018. The Radiological Safety Focus Index is projected to remain at 100 (maximum) points throughout calendar year 2019.
Industry Standards	
No industry standards exist for incentive indicators.	
	More ..
	Action Plan :



Indicator Owner
NATHAN HOGUE

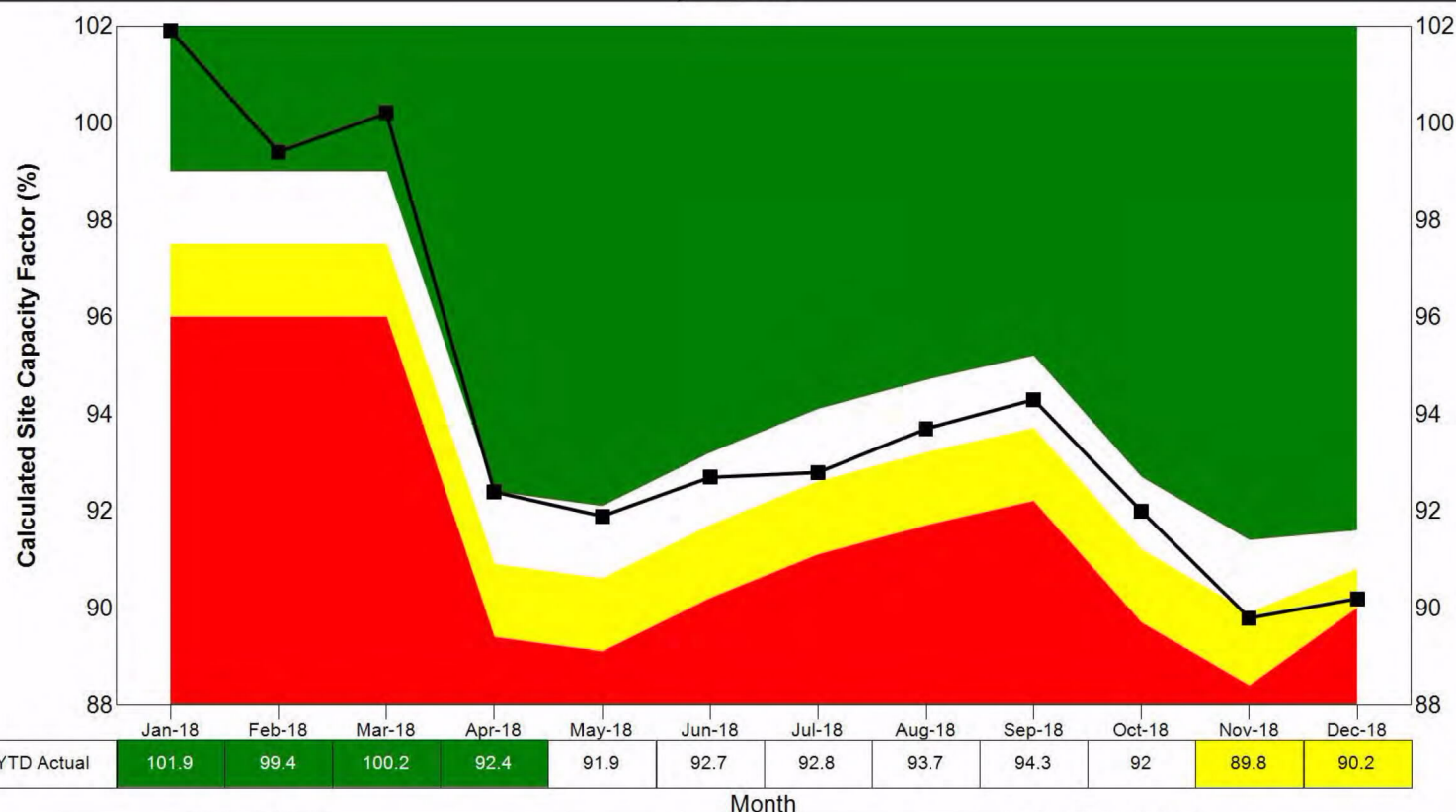
Performance Manager
JOHN CADOGAN

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Dec-18

Employee Incentive Site Capacity Factor

Goal/Definition	Analysis/Actions
<p>Goal: To keep all three units running with the highest capacity factor achievable.</p> <p>Definition: This indicator measures and trends the ratio of the net electricity generated, for the time considered, to the energy that could have been generated at continuous full-power operation during the same period. Based on planned refueling outages in Long Range Plan plus a 1.0% forced loss rate.</p> <p>NOTE: Capacity Factor = YTD Actual Net MWh / (Unit rating * YTD Calendar Hours)</p>	<p>Analysis: December monthly performance was 102.0% in U1, 80.7% in U2 due to U1R12 Refueling Outage extension, and 101.0% in U3. The year-end Site Capacity Factor for 2018 is 90.2%. Equipment conditions that result in MWe or Thermal Performance impacts are flagged for prioritizing of corrective maintenance. Scheduled MWe impacts are identified in the Daily Plant Status package. See more for issues impacting Site Capacity Factor.</p>
Industry Standards	
No industry standard for incentive indicators.	
	More ..
	Action Plan :



Indicator Owner
TODD HORTON

Performance Manager
JOHN CADOGAN

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Dec-18