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ARIZONA CORPORATION COMMISSION

May 25, 2006

Commissioner Mike Gleason
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

RE: DOCKET NO. E-01345A-05-0373

Dear Commissioner Gleason:

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AZ CORP COMMISSION
DOCUMENT CONTROL

At the Special Open Meeting for the Arizona Public Service Company ("APS") Environmental Portfolio Standard ("EPS") Credit Purchase Program, you asked Staff to perform a calculation similar to the calculation done for Commissioner Mundell about the proposed rate increases due to increases in natural gas costs.

That calculation, based on Commissioner Mundell's assumption of \$32 per month increase was:

$$\$32 \times 12 \text{ months} = \$384 \text{ per year increase for all APS residential customers}$$

As I understand your request, you wanted a similar calculation related to the increased cost from the portfolio standard requirements if photovoltaics were used to provide the required Renewable Energy Standard and Tariff ("REST") kWh.

Three Photovoltaic Scenarios

There are three scenarios where Photovoltaic ("PV") resources could be used to meet the residential REST kWh requirements.

Scenario #1

The APS customer does not install his own photovoltaic system and does not participate in the voluntary Solar Partners Green Pricing Program.

Monthly surcharge increase is \$0.70 per month (from \$0.35 to \$1.05) or \$8.40 per year.

Scenario #2

The APS customer **VOLUNTARILY** chooses to become an APS Solar Partner.

According to APS Rate Schedule SP-1, a customer may voluntarily become a Solar Partner and will pay \$2.64 per month for each 15 kWh monthly increment of solar energy.

If the customer purchases one increment (15 kWh/month), that increment would surpass the monthly EPS requirement for that customer, which is 10.5 kWh per month (1.05 percent of 1,000 kWh).

So, for this customer, the monthly increase would include the REST surcharge increase of \$0.70 per month plus the VOLUNTARY increase of \$2.64 which would total \$3.34 per month or \$40.08 per year.

Scenario #3

In this scenario, the customer would custom-order enough PV kWh to meet his REST requirement (10.5 kWh each month). This would cost him 16.5 cents per kWh. (Note: There is no current APS Tariff that would allow this, but such a Tariff could be developed.)

<u>Conventional Electricity Only</u>			<u>Conventional & PV Electricity</u>		
<u>Summer</u>			<u>Summer</u>		
400 kWh x \$0.07510	=	\$30.04	400 x \$0.07510	=	\$30.04
400 kWh x \$0.10556	=	42.22	400 x \$0.10556	=	42.22
200 kWh x \$0.12314	=	24.62	189.5 x \$0.12314	=	23.33
(PV power)		-----	10.5 x \$0.165	=	1.73
		\$96.88			\$97.32
			Additional monthly cost: \$0.44		
<u>Conventional Electricity Only</u>			<u>Conventional & PV Electricity</u>		
<u>Winter</u>			<u>Winter</u>		
1,000 kWh x \$0.07361	=	\$73.61	989.5 kWh x \$0.07361	=	\$72.83
(PV Power)		-----	10.5 kWh x \$0.165	=	1.73
		\$73.61			\$74.56
			Additional monthly cost: \$0.95		
Annual increase in cost		Summer	\$2.64 (6 months x \$0.44)		
		Winter	\$5.70 (6 months x \$0.95)		
			\$8.34 additional cost per year		

This additional \$8.34 per year would be added to the \$8.40 per year for the increased REST Surcharge and would total \$16.74 per year.

Assumptions:

- APS customer is on the E-12 rate and uses 1,000 kWh per month.
- The EPS requirement for 2006 is 1.05 percent. So 1.05 percent of 1,000 kWh would require 10.5 kWh of photovoltaic electricity.
- Voluntary participation in the APS Solar Partners Green Pricing Program would cost a customer \$2.64 per month for 15 kWh of solar electricity.
- If the customer were able to custom-order PV kWh (as posed in Scenario 3) it would cost the customer \$0.165 per PV kWh.

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**ANNUAL INCREASE IN BILLS DUE TO REST SURCHARGE
INCREASE AND VOLUNTARY RENEWABLES PURCHASES**

		<u>Increase</u>
Scenario #1:	REST Surcharge only	\$ 8.40 per year *
Scenario #2:	Customer VOLUNTARILY joins Solar Partners	\$40.08 per year **
Scenario #3:	Customer VOLUNTARILY custom-orders PV kWh	\$16.99 per year **

Notes:

- * This annual increase due to the proposed REST surcharge increase applies to ALL residential customers.
- ** This annual increase includes the REST surcharge increase as well as any additional increased charges due to Solar Partners or custom-order PV purchases (if such a tariff were to be approved).

Should you have any questions or care to discuss this issue further, please contact Ray Williamson or me at your earliest convenience.

Sincerely,



Ernest G. Johnson
Director
Utilities Division

EGJ:RTW:lhm

cc: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Kristin K. Mayes
Matt Derr, Advisor
Dean Miller, Advisor
Adam Safford, Advisor
Philip Dion, Advisor
Kenneth Rozen, Advisor
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