



BEFORE THE ARIZONA CORPORATION COMMISSION

12

COMMISSIONERS

MIKE GLEASON, Chairman
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JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

2007 MAY 15 P 2:14

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP SUCH
RETURN, AND TO AMEND DECISION NO.
67744.

DOCKET NO. E-01345A-05-0816

IN THE MATTER OF THE INQUIRY INTO THE
FREQUENCY OF UNPLANNED OUTAGES
DURING 2005 AT PALO VERDE NUCLEAR
GENERATING STATION, THE CAUSES OF
THE OUTAGES, THE PROCUREMENT OF RE-
PLACEMENT POWER AND THE IMPACT OF
THE OUTAGES ON ARIZONA PUBLIC
SERVICE COMPANY'S CUSTOMERS.

DOCKET NO. E-01345A-05-0826

Arizona Corporation Commission
DOCKETED

MAY 15 2007

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IN THE MATTER OF THE AUDIT OF THE
FUEL AND PURCHASED POWER PRACTICES
AND COSTS OF THE ARIZONA PUBLIC
SERVICE COMPANY.

DOCKET NO. E-01345A-05-0827

EXCEPTIONS OF DISTRIBUTED
ENERGY ASSOC. OF AZ.

The Distributed Energy Association of Arizona ("DEAA") respectfully
submits the following Exceptions in response to the Recommended Opinion and
Order in connection with the above-referenced matter.

1. Rate Design

DEAA takes exception to the Conclusions of Law number 5 stating; "*The rates, charges, and conditions of service established herein are just and reasonable*"... As previously stated in our docketed brief dated January 22, 2007, DEAA believes that the "Partial Requirements Rates" offered to APS customers have the effect of discouraging the implementation of Distributed Generation ("DG"). DEAA does not believe the rates proposed for customers providing self generation are reasonably designed and therefore are not fair to ratepayers.

DEAA agrees with the Findings of Fact number 48 provided on page 139 of the herein referenced Recommended Opinion and Order and read as follows:

48. APS' proposed Partial Requirement Schedules E-56 and E-57 need further discussion and revision and APS should meet with Staff and the interested parties and submit a revised E-56 and E-57 tariffs within 60 days of the date of this Decision.

DEAA stands by its position in past testimony that future rates should be the true current costs incurred by APS. That is to say, rate design should be better aligned with new higher fuel (Energy) prices, and lower capital costs (Demand). Due to the fact that E-56 & E-57 must also include rate E-32, DEAA encourages the Commission to adopt its previous recommendation that general service DG customers utilize a rate similar in design to the SRP E-32TOU, and not rate APS E-32.

Furthermore, DEAA takes exception with the Recommended Opinion and Order in that no specific portion of the Order has been provided in Section XVI which specifically addresses Finding of Fact Number 48.

2. Renewable Energy

DEAA takes exception to the Recommended Opinion and Order in that it does not clearly address issues relating to distributed renewable energy resources. DEAA has previously testified that current recommended rate designs for distributed generation, including distributed renewable energy resources, are unfair and do not set adequate price signals to foster the development of distributed generation, including renewable energy resources.

DEAA agrees with the Findings of Fact number 59 thru 61 provided on page 140 of the herein referenced Recommended Opinion and Order and read as follows:

59. APS should be seeking low cost, stably priced renewable energy under long term contracts to hedge against and to limit APS' and the ratepayers' exposure to high natural gas prices over the next 15 years or longer.

60. The record in this case supports a finding that the requirement contained in the RES rules is appropriate for APS at this time, and accordingly, it is not necessary to adopt a specific target in this proceeding in addition to what is contained in our RES rules.

61. During the collaborative meetings APS and interested parties should also discuss and evaluate how performance-based incentives and decoupling of rates from revenues might encourage APS to procure more renewable energy resources.

Furthermore, DEAA concurs with the Recommended Order under Section XVI regarding the issues of APS developing renewable energy resources and distributed renewable energy resources, and stated as follows:

IT IS FURTHER ORDERED that Arizona Public Service Company shall seek low cost, stably priced renewable energy under long term contracts to hedge against and to limit exposure to high natural gas prices over at least the next 15 years.

IT IS FURTHER ORDERED that requirement contained in the RES rules for Arizona Public Service Company is appropriate at this time, and therefore, it is not necessary to adopt a specific target in this proceeding in addition to what is contained in the RES rules.

IT IS FURTHER ORDERED that given Arizona Public Service Company's commitment to procure renewable energy, the requirement in the RES rules and our adoption of that requirement in this Decision, and our intent to hold Arizona Public Service Company to that commitment, it is not necessary to mandate additional procurements or a specific procurement schedule at this time.

IT IS FURTHER ORDERED that Arizona Public Service Company shall use the collaborative meetings to discuss with interested parties and evaluate how performance-based incentives and decoupling of rates from revenues could encourage the procurement of more renewable energy resources.

However, DEAA believes the above referenced Findings of Fact and Recommended Orders do not adequately address critical issues regarding rate design, rates and charges necessary to foster beneficial distributed generation, including distributed renewable energy resources. DEAA finds exception to the Recommended Opinion and Order's lack of response toward recommending clear price signals for renewable generation resources.

Respectfully submitted this 15th day of May, 2007.



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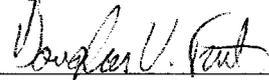
The original and 13 copies
of the foregoing have been filed
as of May 15, 2007 with:

Docket Control

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ. 85007

Copies of the foregoing have
been mailed, faxed, or trans-
mitted electronically as of
May 15, 2007 to:

All parties of record



Douglas V. Fant