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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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AZ CORP COMMISSION
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Arizona Corporation Commission
DOCKETED
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IN THE MATTER OF THE APPLICATION
OF THE SOLAR ALLIANCE FOR A
DECLARATORY ORDER THAT
PROVIDERS OF CERTAIN SOLAR
SERVICE AGREEMENTS WOULD NOT
BE PUBLIC SERVICE CORPORATIONS

DOCKET NO. E-20633A-08-0513

**ARIZONA PUBLIC SERVICE
COMPANY'S COMMENTS ON
ISSUES TO BE CONSIDERED
DURING SOLAR ALLIANCE'S
DECLARATORY ACTION
HEARING**

On October 3, 2008, the Solar Alliance (the "Alliance") filed with the Arizona Corporation Commission ("Commission") its Application for a declaratory order that providers of certain solar service agreements ("SSA") would not be public service corporations subject to the Commission's jurisdiction. The Alliance filed a motion on April 24, 2009, requesting that a procedural conference be held to address three procedural issues (outlined in the Commission's Procedural Order below).

On May 13, 2009, the Commission issued a Procedural Order scheduling a procedural conference for the purpose of addressing the following procedural issues:

1. Whether the Alliance has standing to bring the Application;
2. What issues should be addressed in this proceeding; and
3. Whether a hearing should be held, and if so, the issues that should be addressed.

The Procedural Order also ordered the parties who believe a hearing should be held to file a list of issues the party believes should be considered at the hearing.

1 Pursuant to the Procedural Order, Arizona Public Service Company ("APS") hereby
2 submits this response listing issues that APS believes the Commission should consider in a
3 hearing in this Docket.

4 1. Is a SSA provider a public service corporation under the Alliance's proposed
5 business model, if such business model is limited to one customer-one installation, and is the
6 economic equivalent of customer-ownership of the solar facility? On the other hand, a
7 business model where one party owns the solar facilities and retains all the attributes of
8 ownership and "sells" electricity to the wholly passive site owner raises the question of
9 whether the owning and operating party becomes a public service corporation. This approach
10 poses a number of issues, including whether the manner in which a transaction is structured is
11 a sufficient basis to require Commission regulation.

12 2. Does the answer to the above question change if the SSA providers' business
13 model is expanded to include one installation serving multiple customers? APS believes that
14 if the Alliance were to expand the business model so that its members provided electricity to
15 multiple customers from a single facility, such as a master planned community with a solar
16 substation or a shopping center with a solar facility that sold electricity to multiple
17 commercial tenants, then the Alliance members would clearly be public service corporations.

18 3. Is a SSA functionally equivalent to customer ownership? In part, the Alliance
19 asserts that its business model is simply a financing alternative for customers to eliminate the
20 need for up-front capital expenditures. If this is true, it would seem that there are attributes
21 that should be common in deploying the model, such as the ability for the customer to
22 purchase the system.

23 4. Does the SSA customer own the Renewable Energy Credits pursuant to the
24 Renewable Energy Standard Rules? APS believes its customers enter into agreements with
25 renewable energy system developers with the expectation that they receive rights to all
26 environmental attributes and, as a result, that they are therefore eligible to receive incentives
27 from APS in exchange for the Renewable Energy Credits generated by those systems.

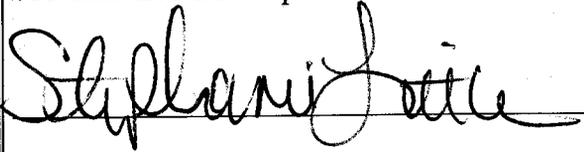
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COPY of the foregoing mailed/delivered this
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See attached list of parties.

A handwritten signature in cursive script that reads "Stephanie Juice". The signature is written in black ink and is positioned over the line for line 5 of the document.

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