



0000101193

61

Leland R. Snook  
Director  
State Regulation & Pricing

Tel. 602-250-3730  
Fax 602-250-3003  
e-mail Leland.Snook@aps.com

Mail Station 9708  
PO Box 53999  
Phoenix, Arizona 85072-3999

ORIGINAL

July 31, 2009

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

RE: SolarCity's Application for a Determination That When it Provides Solar Service to Arizona Schools, Governments, and Non-Profit Entities, it is Not Acting As a Public Service Corporation  
Docket No. E-20690A-09-0346

On July 30, 2009, Arizona Public Service (APS) filed a supplemental filing in APS's docket requesting an authorization for an increase in production based incentives (PBI) for distributed renewable energy projects (Docket No. E-01345A-09-0263).

The supplemental filing was made to update the Commission on the number of requests that APS has received for payment of PBI for non-residential distributed renewable energy installations and to propose another funding option for renewable energy projects for schools.

For your convenience, APS is filing a courtesy copy of that supplemental filing in this matter.

If you have any questions, please call Jeff Johnson at 602-250-2661.

  
Leland R. Snook

LS/dt

CC: Parties of Record  
Ernest Johnson  
Ray Williamson  
Steve Irvine  
Terri Ford  
Barbara Keene  
Janet Wagner  
Janice Alward

Arizona Corporation Commission  
DOCKETED

JUL 31 2009

DOCKETED BY 

RECEIVED  
2009 JUL 31 P 4: 37  
AZ CORP COMMISSION  
DOCKET CONTROL

Copies of the Foregoing mailed or emailed  
This 31<sup>st</sup> day of July, 2009 to:

Timothy Hogan  
202 E. McDowell Rd. - 153  
Phoenix, AZ 85004

Michael Patten  
Roshka DeWulf & Patten, PLC  
400 E. Van Buren St. - 800  
Phoenix, AZ 85004

Scott Wakefield  
201 N. Central Ave., Suite 3300  
Phoenix, AZ 85004

Bradley Carroll  
400 E. Van Buren St.  
Phoenix, AZ 85004

Kenneth Sundlof, Jr.  
Jennings Strouss & Salmon, P.L.C.  
201 E. Washington Street, 11th Floor  
Phoenix, AZ 85004

Phoenix Elementary District  
1817 N. 7th St.  
Phoenix, AZ 85006

Arizona State Board for Charter Schools  
1700 W. Washington St. - 164  
Phoenix, AZ 85007

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

Daniel Pozefsky  
RUCO  
1110 West Washington, Suite 220  
Phoenix, AZ 85007

Arizona Department of Education  
1535 E. Jefferson St.  
Phoenix, AZ 85007

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

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

Balsz Elementary District  
4825 E. Roosevelt  
Phoenix, AZ 85008

Wilson Elementary District  
3025 E. Fillmore St  
Phoenix, AZ 85008

Murphy Elementary District  
2615 W. Buckeye Rd  
Phoenix, AZ 85009

Isaac Elementary District  
3348 W. McDowell Rd  
Phoenix, AZ 85009

Phoenix Union High School District  
4502 N. Central Ave  
Phoenix, AZ 85012

Christopher Verde School District  
4041 N. Central Ave., Suite 1100  
Phoenix, AZ 85012

C. Webb Crockett  
3003 N. Central Ave, Suite 2600  
Phoenix, AZ 85012

Michael Curtis  
501 East Thomas Road  
Phoenix, AZ 85012

Osborn Elementary District  
1226 W. Osborn Rd  
Phoenix, AZ 85013

Madison Elementary District  
5601 N. 16th Street  
Phoenix, AZ 85016

Creighton Elementary District  
2702 E. Flower St  
Phoenix, AZ 85016

Michael Grant  
2575 E. Camelback Road  
Phoenix, AZ 85016

Scottsdale Unified District  
3811 N. 44th Street  
Phoenix, AZ 85018

Alhambra Elementary District  
4510 N. 37th Ave  
Phoenix, AZ 85019

Arizona Charter Schools Association  
7500 N. Dreamy Draw Dr. #220  
Phoenix, AZ 85020

Deer Valley Unified District  
20402 N. 15th Ave  
Phoenix, AZ 85027

Paradise Valley Unified District  
15002 N. 32nd Street  
Phoenix, AZ 85032

Cartwright Elementary District  
3401 N. 67th Ave  
Phoenix, AZ 85033

Pendergast Elementary District  
3802 N. 91st Ave  
Phoenix, AZ 85037

Roosevelt Elementary District  
6000 S. 7th Street  
Phoenix, AZ 85042

Riverside Elementary District  
1414 S. 51st Ave  
Phoenix, AZ 85043

Fowler Elementary District  
1617 S. 67th Ave  
Phoenix, AZ 85043

Kelly Barr  
SRP  
PO Box 52025, MS PAB221  
Phoenix, AZ 85072

Jana Brandt  
SRP  
PO Box 52025, MS PAB221  
Phoenix, AZ 85072

Kenneth Saline  
160 N. Pasadena #101  
Mesa, AZ 85201

Mesa Unified District  
63 East Main Street  
Mesa, AZ 85201

Apache Junction Unified District  
1575 W. Southern Ave. #3  
Apache Junction, AZ 85220

Casa Grande Union High School District  
1362 N. Casa Grande Ave  
Casa Grande, AZ 85222

Casa Grande Elementary District  
220 W. Korsten Road  
Casa Grande, AZ 85222

Chandler Unified District  
1525 W. Frye Rd  
Chandler, AZ 85224

Coolidge Unified District  
221 W. Central Ave  
Coolidge, AZ 85228

Eloy Elementary District  
1011 Sunshine Blvd  
Eloy, AZ 85231

Santa Cruz Valley Union High School District  
900 N. Main St  
Eloy, AZ 85231

Toltec Elementary District  
3315 N. Toltec Road  
Eloy, AZ 85231

Florence Unified School District  
P.O. Box 2850  
Florence, AZ 85232

Ray Unified District  
P.O. Box 427  
Kearny, AZ 85237

Mobile Elementary District  
42798 S. 99th Ave  
Maricopa, AZ 85239

Maricopa Unified School District  
45012 W. Honeycutt Ave  
Maricopa, AZ 85239

J O Combs Unified School District  
301 E. Combs Rd  
Queen Creek, AZ 85240

Picacho Elementary District  
P.O. Box 8  
Picacho, AZ 85241

Queen Creek Unified District  
20740 S. Ellsworth Rd  
Queen Creek, AZ 85242

Red Rock Elementary District  
P.O. Box 1010  
Red Rock, AZ 85245

Sacaton Elementary District  
P.O. Box 98  
Sacaton, AZ 85247

Jordan Rose  
SolarCity Corporation  
6613 N. Scottsdale Rd., Suite 200  
Scottsdale, AZ 85250

David berry  
P.O. Box 1064  
Scottsdale, AZ 85252

Fountain Hills Unified District  
16000 E. Palisades Blvd  
Fountain Hills, AZ 85268

Stanfield Elementary District  
515 S. Stanfield Rd  
Stanfield, AZ 85282

Superior Unified School District  
1500 Sunset Drive 101  
Superior, AZ 85273

Tempe Union High School District  
500 W. Guadalupe Rd  
Tempe, AZ 85283

Kyrene Elementary District  
8700 S. Kyrene Road  
Tempe, AZ 85284

Tempe School District  
P.O. Box 27708  
Tempe, AZ 85285

Hayden-Winkelman Unified District  
P.O. Box 409  
Winkelman, AZ 85292

Gilbert Unified District  
140 S. Gilbert Rd  
Gilbert, AZ 85296

Higley Unified School District  
2935 S. Recker Road  
Gilbert, AZ 85297

Glendale Elementary District  
7301 N. 58th Ave  
Glendale, AZ 85301

Glendale Union High School District  
7650 N. 43rd Ave  
Glendale, AZ 85301

Washington Elementary School District  
4650 W. Sweetwater  
Glendale, AZ 85304

Aqua Fria Union High School District  
750 E. Riley Dr  
Avondale, AZ 85320

Aguila Elementary District  
P.O. Box 218  
Aguila, AZ 85320

Arlington Elementary District  
9410 S. 355th Ave  
Arlington, AZ 85322

Littleton Elementary District  
1252 S. Avondale Blvd  
Avondale, AZ 85323

Liberty Elementary District  
19871 W. Fremont Rd  
Buckeye, AZ 85326

Buckeye Union High School District  
902 E. Eason Ave  
Buckeye, AZ 85326

Buckeye Elementary District  
25555 West Durango St  
Buckeye, AZ 85326

Cave Creek Unified District  
P.O. Box 426  
Cave Creek, AZ 85327

Congress Elementary District  
P.O. Box 68  
Congress, AZ 85332

Hyder Elementary District  
P.O. Box 3001  
Dateland, AZ 85333

Sentinel Elementary District  
HC-1 Box 57  
Dateland, AZ 85333

Quartzsite Elementary District  
P.O. Box 130  
Ehrenberg, AZ 85334

Paloma School District  
38739 W. I-8  
Gila Bend, AZ 85337

Gila Bend unified District  
P.O. Box V  
Gila Bend, AZ 85337

Laveen Elementary District  
P.O. Box 29  
Laveen, AZ 85339

Litchfield Elementary District  
553 Plaza Circle Suite A  
Litchfield Park, AZ 85340

Champie Elementary District  
HCR 1 Castle Hot Springs  
Morristown, AZ 85342

Morristown Elementary District  
P.O. Box 98  
Morristown, AZ 85342

Palo Verde Elementary District  
P.O. Box 108  
Palo Verde, AZ 85383

Parker Unified School District  
P.O. Box 1090  
Parker, AZ 85344

Mohawk Valley Elementary District  
5151 S. Ave 39E  
Roll, AZ 85347

Salome Consolidated Elementary District  
P.O. Box 339  
Salome, AZ 85348

Gadsden Elementary District  
P.O. Box 6870  
San Luis, AZ 85349

Somerton Elementary District  
P.O. Box 3200  
Somerton, AZ 85350

Union Elementary District  
3834 S. 91st Ave  
Tolleson, AZ 85353

Tolleson Elementary District  
9261 W. Van Buren  
Tolleson, AZ 85353

Tolleson Union High School District  
9801 W. Van Buren Street  
Tolleson, AZ 85353

Saddle Mountain Unified School District  
38201 W. Indian School Road  
Tonopah, AZ 85354

Antelope Union High School District  
9168 Ave 36 E  
Wellton, AZ 85356

Wellton Elementary District  
P.O. Box 517  
Wellton, AZ 85356

Wenden Elementary District  
P.O. Box 8  
Wenden, AZ 85357

Owens-Whitney Elementary District  
P.O. Box 38  
Wikieup, AZ 85360

Nadaburg Unified School District  
32919 Center St  
Wittmann, AZ 85361

Yarnell Elementary District  
P.O. Box 575  
Yarnell, AZ 85362

Yuma Elementary District  
450 West 6th Street  
Yuma, AZ 85364

Crane Elementary District  
4250 W. 16th Street  
Yuma, AZ 85364

Dysart Unified District  
15802 N. Parkview Place  
Surprise, AZ 85374

Peoria Unified School District  
P.O. Box 39  
Peoria, AZ 85380

Wickenburg Unified District  
40 West Yavapai St  
Wickenburg, AZ 85390

Globe Unified District  
455 N. Willow  
Globe, AZ 85501

Eagle Elementary District  
P.O. Box 1566  
Clifton, AZ 85533

Clifton Unified District  
P.O. Box 1567  
Clifton, AZ 85533

Duncan Unified District  
P.O. Box 710  
Duncan, AZ 85534

Ft Thomas Unified District  
P.O. Box 300  
Fort Thomas, AZ 85536

Miami Unified District  
P.O. Drawer H  
Miami, AZ 85539

Morenci Unified District  
P.O. Box 1060  
Morenci, AZ 85540

Payson Unified District  
P.O. Box 919  
Payson, AZ 85541

Pima Unified District  
P.O. Box 429  
Pima, AZ 85543

Pine Strawberry Elementary District  
P.O. Box 1150  
Pine, AZ 85544

Safford Unified District  
734 11th Street  
Safford, AZ 85546

Klondyke Elementary District  
921 Thatcher Blvd  
Safford, AZ 85546

San Carlos Unified District  
P.O. Box 207  
San Carlos, AZ 85550

Solomon Elementary District  
P.O. Box 167  
Solomon, AZ 85551

Thatcher Unified District  
P.O. Box 610  
Thatcher, AZ 85552

Tonto Bason Elementary District  
P.O. Box 337  
Tonto Basin, AZ 85553

Young Elementary District  
P.O. Box 3890  
Young, AZ 85554

Benson Unified School District  
360 S. Patagonia St  
Benson, AZ 85602

Bisbee Unified District  
100 Old Douglas Rd  
Bisbee, AZ 85603

Bowie Unified District  
P.O. Box 157  
Bowie, AZ 85605

Cochise Elementary District  
P.O. Box 1088  
Cochise, AZ 85606

Douglas Unified District  
1132 12th Street  
Douglas, AZ 85607

Valley Union High School District  
P.O. Box 158  
Elfrida, AZ 85610

Elfrida Elementary District  
P.O. Box 328  
Elfrida, AZ 85610

Rucker Elementary District  
P.O. Box 618  
Elfrida, AZ 85610

Sonoita Elementary District  
HC 1 Box 36  
Elgin, AZ 85611

Palominas Elementary District  
P.O. Box 38  
Hereford, AZ 85615

Forrest Elementary District  
P.O. Box 122  
McNeal, AZ 85617

McNeal Elementary District  
P.O. Box 8  
McNeal, AZ 85617

Double Adobe Elementary District  
7081 N. Central Hwy.  
McNeal, AZ 85617

Naco Elementary District  
P.O. Box 397  
Naco, AZ 85620

Santa Cruz Elementary District  
HC2 Box 50  
Nogales, AZ 85621

Nogales Unified District  
310 W. Plum St  
Nogales, AZ 85621

Continental Elementary District  
P.O. Box 547  
Green Valley, AZ 85622

Oracle Elementary District  
725 N. Carpenter Drive  
Oracle, AZ 85623

Patagonia Union High School District  
P.O. Box 254  
Patagonia, AZ 85624

Patagonia Elementary District  
P.O. Box 254  
Patagonia, AZ 85624

Ash Creek Elementary District  
6460 E. Hwy 181  
Pearce, AZ 85625

Pearce Elementary District  
1487 E. School Rd  
Pearce, AZ 85625

Pomerene Elementary District  
P.O. Box 7  
Pomerene, AZ 85627

Sahuarita Unified District  
350 W. Sahuarita Rd  
Sahuarita, AZ 85629

St. David Unified District  
P.O. Box 70  
St David, AZ 85630

Mammoth-San Manuel Unified District  
P.O. Box 406  
San Manuel, AZ 85631

San Simon Unified District  
P.O. Box 38  
San Simon, AZ 85632

San Fernando Elementary District  
P.O. Box 80  
Sasabe, AZ 85633

Indian Oasis-Baboquivari Unified District  
P.O. Box 248  
Sells, AZ 85634

Sierra Vista Unified District  
3555 Fry Blvd  
Sierra Vista, AZ 85635

Empire Elementary District  
HC1 Box 1100  
Sonoita, AZ 85637

Tombstone Unified District  
P.O. Box 1000  
Tombstone, AZ 85638

Vail Unified District  
P.O. Box 800  
Vail, AZ 85641

Bonita Elementary District  
18008 S. Ft Grand Rd  
Bonita, AZ 85643

Wilcox Unified District  
480 N. Bisbee  
Wilcox, AZ 85643

Lawrence Robertson, Jr  
P.O. Box 1448  
Tubac, AZ 85646

Santa Cruz Valley Unified District  
1374 W. Frontage Rd  
Rio Rico, AZ 85641

Marana Unified District  
11279 W. Grier Rd., Suite 115A  
Marana, AZ 85653

Redington Elementary District  
130 W. Congress St., 4th Floor  
Tucson, AZ 85701

Philip Dion  
Unisource Energy Corporation  
One South Church Ave, Suite 200  
Tucson, AZ 85701

Amphitheater Unified District  
701 W. Wetmore  
Tucson, AZ 85705

Flowing Wells Unified District  
1556 W. Prince Rd  
Tucson, AZ 85705

Sunnyside Unified District  
2238 E. Ginter Rd  
Tucson, AZ 85706

Russell Jones  
5210 E. Williams Circle Suite 800  
Tucson, AZ 85711

Catalina Foothills Unified District  
2101 E. River Rd  
Tucson, AZ 85718

Tucson Unified District  
1010 E. 10th Street  
Tucson, AZ 85719

Tanque Verde Unified District  
11150 E. Tanque Verde Rd  
Tucson, AZ 85749

Show Low Unified District  
500 W. Old Linden Rd  
Show Low, AZ 85901

Concho Elementary District  
P.O. Box 200  
Concho, AZ 85924

Heber-Over Unified District  
P.O. Box 547  
Heber, AZ 85928

Blue Ridge Unified District  
1200 W. White Mountain Blvd  
Lakeside, AZ 85929

McNary Elementary District  
P.O. Box 598  
McNary, AZ 85930

Chevelon Butte School District  
P.O. Box 1574  
Forest Lakes, AZ 85931

St Johns Unified District  
P.O. Box 3030  
St Johns, AZ 85936

Snowflake Unified District  
682 School Bus LN.  
Snowflake, AZ 85937

Round Valley Unified District  
P.O. Box 610  
Springerville, AZ 85938

Vernon Elementary District  
P.O. Box 89  
Vernon, AZ 85940

Whiteriver Unified District  
P.O. Box 190  
Whiteriver, AZ 85941

Flagstaff Unified District  
3285 E. Sparrow  
Flagstaff, AZ 86004

Maine Consolidated School District  
P.O. Box 50010  
Parks, AZ 86018

Colorado City Unified District  
P.O. Box 309  
Colorado City, AZ 86021

Fredonia-Moccasin Unified District  
P.O. Box 214  
Fredonia, AZ 86022

Grand Canyon Unified District  
P.O. Box 519  
Grand Canyon, AZ 86023

Holbrook Unified District  
P.O. Box 640  
Holbrook, AZ 86025

Joseph City Unified District  
P.O. Box 8  
Joseph City, AZ 86032

Kayenta Unified District  
P.O. Box 337  
Kayenta, AZ 86033

Cedar Unified District  
P.O. Box 367  
Keams Canyon, AZ 86034

Page Unified District  
P.O. Box 1927  
Page, AZ 86040

Tuba City Unified District  
P.O. Box 67  
Tuba City, AZ 86045

Williams Unified District  
P.O. Box 427  
Williams, AZ 86046

Winslow Unified District  
P.O. Box 580  
Winslow, AZ 86047

Prescott Unified District  
146 S. Granite St  
Prescott, AZ 86303

Williams Valley Elementary School District  
7295 N. Bridle Path  
Prescott, AZ 86305

Humboldt Unified District  
8766 E. Hwy 69  
Prescott Valley, AZ 86314

Bagdad Unified District  
P.O. Box 427  
Bagdad, AZ 86321

Hillside Elementary District  
HC 01 Box 3056  
Bagdad, AZ 86321

Camp Verde Unified District  
410 Camp Lincoln  
Camp Verde, AZ 86322

Chino Valley Unified District  
P.O. Box 225  
Chino Valley, AZ 86323

Clarkdale-Jerome Elementary District  
P.O. Box 248  
Clarkdale, AZ 86324

Mingus Union High School District  
1801 E. First  
Cottonwood, AZ 86326

Cottonwood - Oak Creek Elementary District  
One North Willard St  
Cottonwood, AZ 86326

Kirkland Elementary District  
P.O. Box 120  
Kirkland, AZ 86332

Walnut Grove Elementary District  
P.O. Box 912  
Kirkland, AZ 86332

Mayer Unified School District  
P.O. Box 1059  
Mayer, AZ 86333

Beaver Creek Elementary District  
4810 E. Beaver Creek Rd  
Rimrock, AZ 86335

Sedona-Oak Creek JUSD #9  
221 Brewer Rd., Suite 100  
Sedona, AZ 86336

Seligman Unified District  
P.O. Box 650  
Seligman, AZ 86337

Skull Valley Elementary District  
P.O. Box 127  
Skull Valley, AZ 86338

Crown King Elementary District  
P.O. Box 188  
Crown King, AZ 86343

Hackberry School District  
HC 30 Box 300  
Kingman, AZ 86401

Kingman Unified School District  
3033 MacDonald Ave  
Kingman, AZ 86401

Lake Havasu Unified District  
2200 Havasupai Blvd  
Lake Havasu City, AZ 86403

Littlefield Unified District  
P.O. Box 730  
Beaver Dam, AZ 86432

Peach Springs Unified District  
P.O. Box 360  
Peach Springs, AZ 86434

Valentine Elementary District  
HC 35 Box 50  
Peach Springs, AZ 86535

Topock Elementary District  
P.O. Box 370  
Topock, AZ 86436

Yucca Elementary District  
P.O. Box 128  
Yucca, AZ 86438

Colorado River Union High School District  
P.O. Box 21479  
Bullhead City, AZ 86439

Bullhead City School District  
1004 Hancock Rd  
Bullhead City, AZ 86442

Mohave Valley Elementary District  
P.O. Box 5070  
Mohave Valley, AZ 86446

Chinle Unified District  
P.O. Box 587  
Chinle, AZ 86503

Window Rock Unified District  
P.O. Box 559  
Fort Defiance, AZ 86504

Ganado Unified School District  
P.O. Box 1757  
Ganado, AZ 86505

Pinon Unified District  
P.O. Box 839  
Pinon, AZ 86510

Sanders Unified District  
P.O. Box 250  
Sanders, AZ 86512

Red Mesa Unified District  
HC 61 Box 40  
Teec Nos Pos, AZ 86514

Kevin Fox  
Keyes & Fox LLP  
5727 Keith Avenue  
Oakland, CA 94618

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

RECEIVED

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman  
4 GARY PIERCE  
5 PAUL NEWMAN  
6 SANDRA D. KENNEDY  
7 BOB STUMP

2009 JUL 30 A 9:05

RECEIVED

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

JUL 30 2009

AZ CORP COMM  
Director Utilities

8 IN THE MATTER OF ARIZONA PUBLIC  
9 SERVICE COMPANY'S REQUEST FOR  
10 AUTHORIZATION FOR INCREASE IN  
11 RECOVERY GUARANTEE FOR  
12 PRODUCTION BASED INCENTIVES FOR  
13 DISTRIBUTED RENEWABLE  
14 GENERATION PROJECTS

DOCKET NO. E-01345A-09-0263

**ARIZONA PUBLIC SERVICE  
COMPANY'S SUPPLEMENTAL  
FILING**

15 In this Supplemental Filing, Arizona Public Service Company ("APS" or "Company")  
16 is providing the Arizona Corporation Commission ("Commission") an update on the number  
17 of requests the Company has received for payment of Production Based Incentives ("PBIs")  
18 for non-residential distributed renewable energy installations and proposing another funding  
19 option for renewable energy projects for schools.

20 As of the end of June, APS has received requests resulting in \$254.5 million in total  
21 PBI program funding commitments, which exceeds the current authorization of \$77 million  
22 and the Company's requested authorization of \$220 million. Even though these requests  
23 exceed the current and requested authorizations, APS is not seeking to increase the  
24 Company's request at this time because \$220 million should allow APS to comply with the  
25 non-residential distributed energy portion of the Renewable Energy Standard ("RES") Rules<sup>1</sup>  
26 through 2010. APS is interested in pursuing non-residential distributed energy beyond  
27 compliance and has proposed a specific plan in its 2010 RES Implementation Plan<sup>2</sup> that is  
28 currently pending before the Commission.

<sup>1</sup> A.A.C. R14-2-1801 *et seq.*

<sup>2</sup> Docket No. E-01345A-09-0338.

1           However, APS is aware that a number of reservation requests from schools will be  
2 received in the coming months that will likely not be funded, due in part to the overwhelming  
3 interest in the PBI program. In addition, APS's residential distributed energy program  
4 currently is not receiving requests for incentives at a sufficient pace to commit all funds that  
5 have been allocated for that purpose in 2009. As such, APS believes it is appropriate to  
6 provide schools with an option in addition to the traditional PBI approach. APS is proposing  
7 that school projects be classified as residential distributed energy projects, allowing schools to  
8 receive up-front incentives paid by RES funding that has been allocated for residential  
9 projects, and that the energy resulting from the school installations be applicable to the  
10 residential distributed energy requirement.

11 **Background**

12           On December 18, 2008, the Commission issued Decision No. 70654, which approved  
13 APS's 2009 RES Implementation Plan. As part of that Decision, the Commission approved  
14 recovery of the costs for incentive payments that the Company will incur to meet APS's  
15 obligation for PBIs for non-residential distributed renewable energy projects, up to a  
16 maximum of \$77 million over the lifetime of the contracts.<sup>3</sup>

17           On May 26, 2009, APS filed an Application requesting that the Commission increase  
18 the \$77 million PBI amount by \$143 million, for a total authorization of \$220 million for the  
19 lifetime commitment of these contracts. The requested increase should allow APS to make  
20 sufficient commitments to comply with the non-residential distributed energy requirement  
21 through 2010, and allow for a significant number of reservations for additional projects to be  
22 accepted this year.

23 **Update on Status of Customer Requests**

24           The customer interest for non-residential distributed energy incentives continues to be  
25 strong and has already exceeded the Company's request for PBI authorization of \$220  
26

27

28 <sup>3</sup> When paying PBI incentives, the Company makes payments to the non-residential customer for a period of  
between 10 and 20 years, depending on the terms of the Credit Purchase Agreement.

1 million. Through the close of the May-June nomination period,<sup>4</sup> APS has received  
2 reservation requests totaling \$254.5 million for the lifetime of the contracts. It is significant  
3 to note that the current amount of reservation requests is not a static number; these numbers  
4 may increase or decrease through the end of 2009, due to some customers withdrawing  
5 requests and other customers submitting new requests.

6 Based on the Company's discussions with representatives of the renewable energy  
7 industry, it is likely that there will be numerous requests for reservations from school districts  
8 in the next few months, in addition to the several that have already submitted reservation  
9 requests. This also was discussed in the July 16, 2009 procedural conference in the SolarCity  
10 matter.<sup>5</sup> Many of the school district projects are awaiting the outcome of the SolarCity  
11 proceeding. A recent SolarCity Procedural Order allows the school district contracts with  
12 solar providers to be processed by the Commission as special contracts on an expedited  
13 basis.<sup>6</sup> However, if the funding issue remains unaddressed, it is APS's understanding that  
14 these school installations will not be completed in 2009.

15 The current PBI reservation requests of \$254.5 million include only a few of the  
16 anticipated applications from the school districts. If such requests were received today, APS  
17 would not be able to accept the reservations because the \$77 million for PBIs authorized by  
18 the Commission has been depleted. Furthermore, even if the Commission were to approve  
19 the additional \$143 million lifetime authorization the Company has requested in this docket  
20 [for a total lifetime authorization of \$220 million for PBIs], it is uncertain if the school  
21 requests would be funded. It would be dependent upon the incentive amounts requested, the  
22 requested PBI contract terms, and, ultimately on the results of the Distributed Energy  
23 Administration Plans prioritization process. (See Footnote no. 4.)

24 \_\_\_\_\_  
25 <sup>4</sup> There are six nomination periods in a year. At the close of each nomination period, APS analyzes the  
26 requests for reservations and determines which projects are the most cost-effective (those that make the best  
27 use of RES funds). APS prioritizes projects based on the Rank Calculator described in APS's Distributed  
28 Energy Administration Plan (made available on [www.aps.com](http://www.aps.com)), and accepts reservations for the most  
29 economical projects. This process has been approved by the Commission as part of APS's previous  
30 Implementation Plan.

<sup>5</sup> Docket No. E-20690A-09-0346.

<sup>6</sup> See Procedural Order dated July 23, 2009, Docket No. E-020690A-09-0346.

1 **Schools as Residential**

2 Schools are assets of the residential community and are supported by property taxes of  
3 residential homeowners. Schools educate the next generation of Arizonans who will in turn  
4 become homeowners. The RES Rules do not provide a definition of either "residential" or  
5 "non-residential" applications. APS believes that it is reasonable and appropriate to define  
6 schools as residential for compliance and funding purposes. By allowing schools to qualify  
7 as residential applications and by providing access to residential funding allocated toward  
8 residential installation, the schools would have additional funding available for these projects,  
9 which in turn should facilitate the construction of additional projects.

10 **Proposed Funding Approach**

11 Because APS projects that the current request for lifetime authorization should allow  
12 the Company to comply with the non-residential distributed energy requirements of the RES  
13 Rules through 2010,<sup>7</sup> APS is not seeking additional PBI authorization above the \$220 million  
14 previously requested.<sup>8</sup> However, APS recognizes the value of renewable energy systems for  
15 Arizona schools, and for that reason is recommending that energy produced by school  
16 installations be allowed to qualify as residential distributed energy for compliance and  
17 funding purposes. APS currently projects that significant residential funding will be unused  
18 in 2009. Based on the current requests from residential customers, the Company currently  
19 anticipates that there will be approximately \$20 to \$25 million of these funds remaining at  
20 year-end. Allowing school projects to qualify as residential applications with access to  
21 residential funding would enable the schools to proceed with their renewable projects this  
22 year.

23 As part of this proposal, several modifications must be made to the current  
24 administration of residential funds. APS is proposing the following for this special school  
25 allocation:

26 \_\_\_\_\_  
27 <sup>7</sup> A.A.C. R14-2-1805.

28 <sup>8</sup> In the Company's 2010 RES Implementation Plan, which is currently pending before the Commission, APS has proposed a specific plan to pursue non-residential distributed energy above and beyond the requirements of the RES Rules.

1       • Schools for purposes of this proposal would include publically-funded kindergarten  
2 through 12th grade schools, including charter schools.

3       • Up to \$20 million of the 2009 RES residential distributed energy funding would be  
4 made available for school projects. If school projects have exhausted the \$20 million  
5 allocation and additional residential funds remain unexpended and unreserved at the end of  
6 the year (12/31/2009), additional school projects may be funded up to the total residential  
7 funds remaining. (Residential requests for incentives will continue to be processed on a first-  
8 come, first-served basis up to the total amount of residential funds available, less any  
9 commitments made to schools.)

10       • School projects would be provided an up-front incentive of \$2.25 per watt on a  
11 first-come, first-reserved basis.<sup>9</sup>

12       • The current maximum up-front incentive cap of \$75,000 would be waived for  
13 schools.<sup>10</sup>

14       • The renewable energy and associated Renewable Energy Credits from school  
15 projects would be counted toward compliance with the RES residential distributed energy  
16 requirement.

17       APS believes that treating school projects as residential projects is an equitable  
18 approach that meets with the spirit of the RES Rules and addresses the growing customer  
19 demand for renewable energy. APS will provide a supplement to its pending 2010 RES  
20 Implementation Plan to address school funding in 2010.

21       For all of the above reasons, APS requests that the Commission adopt its proposal to  
22 deem schools' renewable energy projects as residential distributed energy for purposes of  
23 compliance with the RES Rules for 2009 and beyond, and approve the modifications  
24 described above.

25 ///

26

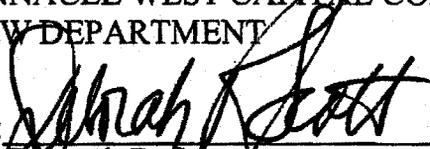
27 <sup>9</sup> Subject to derating, which is based on a photovoltaic systems orientation, tilt-angle and shading. This is  
28 consistent with programs rules in the most recently approved Distributed Energy Administration Plan. See  
Decision No. 70654 (December 18, 2008).

<sup>10</sup> The current \$75,000 cap was approved in Decision No. 70654.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

RESPECTFULLY SUBMITTED this 30th day of July, 2009.

PINNACLE WEST CAPITAL CORPORATION  
LAW DEPARTMENT

By:   
Deborah R. Scott  
Attorney for Arizona Public Service Company

ORIGINAL and thirteen (13) copies  
of the foregoing filed this 30th day of  
July, 2009, with:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing mailed and/or emailed  
this 30th day of July, 2009, to:

Lyn Farmer  
Administrative Law Judge  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Janice Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ernest G. Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

