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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY'S REQUEST FOR AUTHORIZATION FOR INCREASE IN RECOVERY GUARANTEE FOR PRODUCTION BASED INCENTIVES FOR DISTRIBUTED RENEWABLE GENERATION PROJECTS (BIFURCATED SUPPLEMENTAL REQUEST BY APS TO TREAT SCHOOL DISTRIBUTED ENERGY PROJECTS AS RESIDENTIAL PROJECTS)

DOCKET NO. E-01345A-09-0263

DECISION NO. 71275

SUPPLEMENTAL ORDER

Open Meeting
September 9, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "the Company") is certificated to provide electricity as a public service corporation in the State of Arizona.

2. The Arizona Corporation Commission ("Commission") approved APS' 2009 Renewable Energy Standard and Tariff ("REST") Implementation Plan on December 18, 2008, in Decision No. 70654. As part of that Decision, the Commission approved the recovery of the costs of Production Based Incentives ("PBI") paid to non-residential customers with distributed renewable energy projects.

3. The Commission approved cost recovery for all PBI contracts entered into with APS customers, up to a maximum dollar amount of \$77 million over the lifetime of the contracts.

1 4. On May 26, 2009, APS requested that the Commission increase the PBI recovery
2 guarantee to \$220 million in order to fund the increasing demand for PBI incentives.

3 5. On July 30, 2009, APS filed a supplemental filing in this docket. APS stated in its
4 filing that it would like to pursue non-residential distributed energy beyond the REST compliance
5 requirements. APS indicated that there is increased interest in PBI reservation requests from
6 schools at the same time that residential distributed project interest is lagging.

7 6. APS proposes that school projects be classified as residential distributed energy
8 projects, which would allow schools to receive up-front incentives paid by REST funding that had
9 been allocated for residential projects. The energy derived by the school systems would apply to
10 the residential distributed energy REST requirement. APS contends that it will not be able to fund
11 the anticipated influx of school projects without this reallocation of funding and redefinition of
12 residential distributed energy projects.

13 7. On August 26, 2009, the Commission voted to bifurcate the docket to consider
14 APS' request for authorization for an increase in PBI recovery guarantees separately from APS'
15 July 30, 2009 supplemental request related to school distributed energy projects. The Commission
16 voted to approve the APS request for \$220 million in recovery guarantees. The Commission
17 declined to vote on the issues raised in the APS July 30, 2009 supplemental filing, and instead, set
18 the matter over to a subsequent Open Meeting for further consideration.

19 Background

20 8. The APS REST Implementation Plan offers two types of incentives: one-time Up-
21 Front Incentives ("UFI") and quarterly Production Based Incentives.

22 9. The UFI incentives are currently offered only to residential and small-sized non-
23 residential renewable energy systems.

24 10. On August 7, 2009, SunRun, Inc. ("SunRun") filed comments in the docket.
25 SunRun also filed a request to intervene in the docket. SunRun recommended that the
26 Commission reject the APS request to reclassify school projects as residential. SunRun further
27 recommended against the transfer of residential funding to non-residential programs. SunRun
28 ...

1 pointed out that residential solar sales in the second half of the year are typically about 50 percent
2 higher than the first half of the year.

3 11. On August 10, 2009, the Solar Alliance docketed a letter with comments
4 concerning the APS filing of supplemental comments. The primary concern of the Solar Alliance
5 is that too much of the residential funding would be diverted to schools, which would cause a
6 shortage of residential project funds at the end of the year. The Solar Alliance recommends that,
7 should the Commission decide to re-allocate funds, the re-allocation should be limited to \$10
8 million. The Solar Alliance also recommends that the Renewable Energy Credits ("RECs") from
9 schools not be counted toward the REST residential requirements. In addition, the Solar Alliance
10 recommends that such a re-allocation should be done on a temporary, one-time basis without
11 permanent reclassification of schools as residential. Finally, the Solar Alliance recommends that,
12 to increase activity in the residential market, the Commission should increase the incentive cap for
13 Up-Front Incentives from the current 50 percent of total system cost to 60 percent of total system
14 cost.

15 12. On August 10, 2009, the Rose Law Group, PC filed comments on behalf of
16 SolarCity Corporation in support of APS' request for the re-allocation of residential funds to
17 school projects. On August 14, 2009, Michele Reagan, State Representative for Arizona District
18 8, filed a letter in support of the APS funding transfer request. On August 19, 2009, BP Solar filed
19 comments supporting APS' request and asked for consideration for additional funding for non-
20 residential projects in the next year's budget.

21 13. On August 19, 2009, APS filed comments on Staff's report. APS again encouraged
22 Commission approval of the transfer of residential funds to school projects and for those projects
23 to count as residential projects in compliance with the REST Rules for 2009. APS said that
24 without the funding, school projects may not be funded. APS noted that as of August 18, 2009, the
25 residential funding had \$31.4 million remaining out of the 2009 budget of \$49.3 million.

26 14. On August 20, 2009, the Solar Alliance filed comments on Staff's proposed order.
27 The Solar Alliance mentioned that when Salt River Project lowered its residential incentive by 30
28 cents per watt, there was a 400 percent surge in residential applications. The Solar Alliance

1 suggests that the prospect of funds running out would have a similar effect on the APS residential
2 program. The Solar Alliance is firmly against reclassifying RECs from schools as residential. The
3 Solar Alliance is concerned about the precedent-setting potential of the reclassification of schools
4 to residential applications. The Solar Alliance proposed to increase the residential cap to 60
5 percent so that parity is reached between the residential and non-residential sectors.

6 15. Between August 19 and August 21, 2009, a number of school districts filed
7 comments supporting the APS request to transfer the residential funds to school projects.
8 Commenters included Apache Junction Unified School District, Tempe School District No. 3,
9 Murphy Elementary School District No. 21, Glendale Union High School District No. 98, Paradise
10 Valley Unified School District, Agua Fria Union High School District, Buckeye Elementary
11 School District, Buckeye Union High School District, Chandler Unified School District, Gilbert
12 Public Schools, Isaac School District, Littleton Elementary School District, Madison School
13 District, Peoria Unified School District, Phoenix Elementary School District, Queen Creek School
14 District, Roosevelt Elementary School District, and Scottsdale Unified School District.

15 16. On August 21, 2009, the Arizona Center for Law in the Public Interest filed
16 comments on behalf of the Arizona School Board Association and the Arizona Association of
17 School Business officials. These Associations support a one-time transfer of unused residential
18 funds to school projects, but do not support the re-definition of schools as "residential" for the
19 purposes of the REST Rules.

20 17. On August 24, 2009, SunRun, Inc. filed comments. SunRun believes that some
21 residential funds should be shifted to schools, but only PBI incentives should be offered. SunRun
22 recommends that RECs from schools not be counted as residential.

23 18. On August 24, 2009, the Residential Utility Consumer Office filed a letter in
24 support of the APS funds transfer request and reclassification of schools to meet REST residential
25 requirements. On August 25, 2009, Arizona State University ("ASU") filed comments in support
26 of incentives to encourage projects such as those of ASU. On August 25, 2009, the Solar Division
27 of Progressive Roofing filed comments stating that up-front incentives are crucial to the successful

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1 completion of school solar projects and that delays in approving the APS request could jeopardize
2 the completion of the projects.

3 19. On August 25, 2009, SOLID Energy filed comments in favor of Chairman Mayes'
4 Proposed Amendment No. 3. On August 25, 2009, APS filed comments in response to questions
5 by Commissioner Pierce. Included were attachments showing renewable projects by location and
6 zip code. On August 26, 2009, Charles Provine filed comments about the procedures used to
7 administer and accept reservations in the APS incentive program. Comments from Karen
8 Austermilller were filed on August 21 and 26, 2009. She expressed concern about APS' proposed
9 transfer of residential funds and how that might cause the denial of her application.

10 History of Distributed Renewable Energy Requirements and Incentives

11 20. As the REST Rules were being developed, it was determined that a significant
12 portion of the REST requirement should come from Distributed Renewable Energy Resources.
13 The Commission determined that half of the Distributed Renewable Energy Requirement should
14 come from residential systems and half should come from non-residential systems.

15 21. The utilities learned from customers and the renewable industry that residential
16 customers are primarily motivated to buy a renewable system by a one-time, up-front incentive,
17 while non-residential customers can be motivated by a production based incentive. This is why all
18 residential systems receive UFI incentives and most non-residential systems receive a PBI
19 incentive.

20 Staff Analysis

21 22. Staff has reviewed APS' supplemental filing and agrees with APS that a one-time
22 allocation of funding to include schools will allow for more distributed energy projects to be
23 installed in 2009 and 2010. Staff does not believe that schools should be classified as residential.
24 However, Staff believes the RECs produced from this one-time allocation should be counted as
25 residential.

26 23. Staff has reviewed SunRun's comments. Staff points out that according to reports
27 on the APS website, only 23 percent of the residential incentive budget for 2009 had been spent or
28 reserved by June 30, 2009. That amount is \$11,416,626 of the residential budget of \$49,300,000.

1 24. Staff points out that, using SunRun's comments about the second half of the year
2 being 50 percent higher than the first, the historical trend suggests that only \$17-18 million in
3 additional residential projects will be reserved in the second half of 2009. If one subtracts \$18
4 million from the remaining \$37,883,284, the amount likely to be unused at the end of 2009 is
5 approximately \$19.8 million. Even if the residential sales **doubled** in the second half (to
6 \$22,833,253), there would likely be \$15 million of unused residential funding on December 31.

7 25. Staff has reviewed the comments of the Solar Alliance. Staff agrees that a
8 mechanism to ensure that residential funding does not run out before year end might be
9 comforting. There are many possible solutions to this dilemma. One solution would be for the
10 Commission to allocate \$10 million to schools at the September Open Meeting. This would leave
11 approximately \$27 million for residential projects in the second half of 2009. Then on October 1,
12 2009, APS could be allowed to allocate up to 40 percent of the unreserved residential funds to
13 schools. Finally, on December 1, 2009, APS could be allowed to allocate 40 percent of the still
14 unreserved funds to schools. However, Staff believes this is unnecessary due to the large balance
15 remaining in the residential incentive budget. As of August 21, 2009, over \$31 million of the
16 residential funds were left unreserved.

17 26. Staff agrees with the Solar Alliance that this allocation should be on a temporary,
18 one-time basis. Any school projects funded through the allocation of 2009 funds would be
19 counted toward the residential requirements for the life of each school project. This procedure
20 would not be repeated again in the future without Commission approval.

21 27. Staff's analysis of the Solar Alliance's recommended incentive cap increase shows
22 that such an increase would have the opposite effect of what the Solar Alliance intends. Instead of
23 **increasing** the number of residential solar systems installed, it would actually **reduce** the number
24 of systems installed. An illustrative example shows this unintended consequence:

25 If there is \$10 million available for residential projects, and the average total system
26 cost is \$10,000, the incentive with the current 50 percent cap will be \$5,000 per
27 system. However, under the Solar Alliance's proposed 60 percent cap, that same
28 system will receive a \$6,000 incentive. So, for \$10 million under the 50 percent
cap, APS will fund 2,000 solar systems (\$10 million / \$5,000 per system).

1 However, under the proposed 60 percent cap, APS will only be able to fund 1,666
2 systems, a **reduction** of 334 systems.

3 This is only an illustrative example. If the funding were \$20 million or \$31 million, the
4 end result would be the same: for each dollar amount, the higher cap would fund fewer systems
5 per dollar, because the average incentive would increase.

6 28. Staff has reviewed the August 20, 2009 comments of the Solar Alliance. In relation
7 to the Solar Alliance's recommendation of parity between the residential cap and the non-
8 residential cap, Staff has a completely different approach. Rather than raising the residential cap
9 from 50 percent to 60 percent, Staff believes that another approach would be to consider, in future
10 implementation plans, very gradually and carefully, over a number of years, lowering the non-
11 residential cap from 60 percent down to 50 percent. As the Solar Alliance pointed out in one of its
12 filings, merely lowering the cents per kWh incentive just lengthens the time it takes to reach the 60
13 percent cap, resulting in no cost savings to the ratepayers paying the REST surcharge.

14 29. Staff has reviewed the August 24, 2009 comments of SunRun, Inc. SunRun's
15 suggestion that the residential funds transferred to schools be used only for PBI contracts is self-
16 defeating. As numerous public comments stated at the August 26, 2009 Open Meeting, the
17 financial institutions will not loan schools funds for PBI projects. They will, however, loan funds
18 for projects with UFIs.

19 30. Staff reviewed the comments of Ms. Karen Austermiller. Staff checked with APS
20 and APS verified that Ms. Austermiller has a confirmed reservation for a PV system. APS
21 indicated that they are awaiting another reservation request from Ms. Austermiller for a solar water
22 heater. APS has not received that reservation request as of the date of this report.

23 31. Several parties expressed concern that a transfer of funds from residential projects
24 to schools would set a precedent. However, Staff believes the wording of this order is clear that
25 this would be a one-time event.

26 32. Staff has looked at the request of APS to transfer \$20 million of residential funding
27 to school projects. First, this would result in more MW of solar than if the money were used for
28 residential. This is because the residential incentive (\$3 per Watt) is higher than the non-

1 residential incentive (\$2.50 per Watt). In the example below, we assume that both types of
2 systems have a 25 percent capacity factor (operating 2,190 hours per year).

3 Residential \$20 Million Scenario

4 \$20 million divided by \$3/Watt = 6.66 MW of residential solar systems
5 6.66 MW x 2,190 hours = 14,600,000 kWh

6 School \$20 Million Scenario

7 \$20 million divided by \$2.50/Watt = 8 MW of school solar systems
8 8 MW x 2,190 hours = 17,520,000 kWh

9 33. As shown above, if the \$20 million is used for school projects, an additional
10 2,920,000 kWh of annual renewable energy will be produced by the schools rather than the
11 residences.

12 34. Since most of the systems will not be installed until the very end of 2009, or in
13 some cases, in early 2010, an appropriate comparison will be to see the impact on the 2010
14 Distributed Renewable Energy requirements. In 2010, APS expects its Distributed Requirement to
15 be 146,880,000 kWh, half of which (73,440,000 kWh) would come from residential and half
16 would come from non-residential.

17 35. The increase in the residential REST requirement from 2009 to 2010 is estimated to
18 be 29,143,000 kWh (from 44,297,000 to 73,440,000 kWh). So, in 2010, the impact of the \$20
19 million transfer to schools on the residential market will be 11,623,000 kWh less than the growth
20 of the residential REST requirement (29,143,000 minus 17,520,000 kWh). In other words, there
21 will be a **net growth** of 11,623,000 kWh in the residential kWh requirement in 2010 even with the
22 school projects meeting some of the residential requirements. That 11,623,000 kWh net growth is
23 approximately the same as the number of residential systems installed or reserved in the first half
24 of 2009.

25 36. Based on Staff's analysis, Staff recommends that the Commission approve a one-
26 time transfer of up to \$20 million in funds from residential applications to schools. Staff
27 recommends that the RECs from school projects funded with this \$20 million be counted as part of
28 the APS residential REST requirement. Staff also recommends that the details discussed below,

1 requested by APS, be approved, including the use of up-front incentives and the removal of the
2 \$75,000 cap. These recommendations are being made for the following reasons:

- 3 • The \$20 million funding of school projects will result in 8 MW of new renewable
4 projects from schools compared to 6.66 MW of residential renewable projects. This
5 results in more delivered kWh from the school projects. In the first year, that will
6 result in 2,920,000 additional kWh. Over an assumed system life of 20 years, the
7 school systems will provide 58,400,000 more kWh than residential systems.
- 8 • Although the school projects would replace a small portion of the residential
9 requirement, the residential requirement is growing significantly more each year than
10 the school systems' will be providing. Therefore, the residential market will have net
11 gains in requirements in 2010 and 2011.
- 12 • The market interest in renewables in 2009 is increasing slowly for residential systems,
13 but is exploding for non-residential systems, including schools. Without the transfer of
14 funding to schools, many proposed school projects will not be funded. The APS
15 recovery guarantee of \$220 million does not include funding for the newly proposed
16 school projects. This transfer is truly a one-time opportunity that will allow schools to
17 take advantage of bonus depreciation and federal stimulus funding. It is doubtful that
18 this opportunity will ever appear again.
- 19 • If, as the solar industry contends, the residential market does greatly expand in 2010
20 and later years and APS is near to meeting the residential requirement (including the
21 schools kWh), the Commission could, if it so desired, require APS to request additional
22 funding to "make up" a portion of the money that was allocated in 2009.

23 37. While the Commission is supportive of a one-time reallocation of residential
24 distributed generation funds for use by schools, we remain committed to residential distributed
25 generation and wish to make it clear that APS retains its obligation to meet its residential
26 distributed generation requirements under the REST. Therefore, if it becomes clear that any
27 requests for residential distributed generation funding may go unmet as a result of this Order, we
28 believe that APS should immediately notify the Commission of the potential for residential
29 projects to go unfunded and timely file an Application for additional funding of APS' REST
30 residential distributed generation program.

31 38. Further we are concerned that APS may be failing to adequately reach out to and
32 communicate with residential consumers regarding the availability of funding for distributed
33 residential solar systems. The REST contains an aggressive distributed generation requirement –
34 one of the most ambitious of its kind in the nation – and utility companies must work assiduously

1 to notify consumers of the various solar energy options available to them. Therefore, we will
2 require APS to file, as a supplement to its 2010 Implementation Plan, a marketing plan designed to
3 allow it to meet or exceed its residential distributed generation requirements under the REST. This
4 marketing plan could include, but is not limited to, a collaborative marketing and media outreach
5 effort between APS and other utilities in Arizona that is designed to make consumers statewide
6 aware of Arizona's unique solar energy program.

7 39. While we decline today to adopt the Solar Alliance's proposal for addressing the
8 under-utilization of the residential distributed generation funds, we agree that the program would
9 benefit from changes that would allow more homeowners to participate in the program. Just as
10 commercial distributed generation has benefitted tremendously from the introduction of the
11 Production Based Incentives, we believe the residential distributed generation program could be
12 propelled by a similar mechanism that allows homeowners to economically deploy solar energy on
13 their rooftops. Therefore, we believe that APS should present to the Commission, as a supplement
14 to its 2010 REST Implementation Plan, a proposal that is designed to improve the performance of
15 the residential distributed generation program. Such a proposal could include, but is not limited to:
16 a revolving loan fund that would assist homeowners in overcoming the barriers associated with the
17 up-front costs of residential solar, a community solar program, a targeted feed-in tariff or a
18 residential distributed energy production based incentive, or some combination of these programs.

19 40. It is clear from the record and public comment in this case that schools,
20 municipalities and other government institutions will be eligible for a significant amount of federal
21 stimulus funding in 2009 and 2010 for the installation of distributed solar energy systems.
22 Therefore, we believe it is in the public interest for APS to file, as a supplement to its 2010 REST
23 Implementation Plan, a proposal to create a separate category for these entities, with the funding
24 coming from the commercial portion of APS' distributed generation program. We believe this will
25 prevent schools and governmental institutions from being "crowded out" by other commercial
26 projects, as was apparently the case in 2009, and will ensure that these institutions are able to take
27 advantage of the unique circumstances presented by federal stimulus funding.

28 . . .

1 41. We are concerned that systems such as school solar systems and other municipal
2 and governmental solar energy systems, which distribute the benefits of distributed energy to large
3 swaths of people, are being crowded out by systems that more fully isolate the benefits of
4 distributed energy to a single ratepayer. There are many reasons why some ratepayers will not be
5 able to install distributed energy systems on their housetop. In addition to the economic barrier for
6 moderate and low-income ratepayers, other reasons why some ratepayers will not be able to install
7 distributed energy systems on their housetop include:

- 8 • the roof is the wrong orientation
- 9 • there is a lack of usable roof area
- 10 • the roof cannot structurally handle the dead or wind loads
- 11 • roof warranty/leaks/replacement
- 12 • shading issues
- 13 • architectural aesthetics or limitations
- 14 • unable to utilize the 30 percent investment tax credit (ITC)
- 15 • renters

16 42. One¹ of the advantages of solar systems on schools is that all ratepayers, whether
17 they can install solar energy systems on their own housetops or not, receive tangible benefits as
18 schools' utility bills decline.

19 43. For this reason, we believe it is in the public interest for APS to file, as a
20 supplement to its 2010 REST Implementation Plan, a proposal to create a separate category for
21 schools, municipalities, and other governmental entities. In 2009, APS' annual distributed
22 generation requirement is 15 percent of its renewable energy requirement. In 2010, it is 20
23 percent. APS should submit a plan which would reserve all funding for the incremental increase in
24 the distributed generation requirement (5%) in 2010 for schools, municipalities, and other
25 governmental entities.

26 44. Section 9 of APS' Distributed Energy Administration Plan ("DEAP") that was
27 approved in connection with its 2009 REST Implementation Plan and Section 9 of its proposed

28 ¹ Another advantage, at least in this case, of funding school solar systems is that it will produce one MW and MWh of solar energy. In this case, spending \$20 million on school solar projects instead of spending it on residential solar projects, even assuming full utilization of the \$20 million on residential projects, will produce more than 1 MW and nearly 3,000,000 more kWhs of solar energy annually.

1 DEAP that will be considered in connection with its 2010 REST Implementation Plan, currently
2 provide as follows:

3 APS will report on the productivity of all distributed resource on an annual basis.
4 For PBI systems, APS will report on the actual metered production of each system
5 as reported by the Participant and confirmed by APS. For systems receiving a
6 UFI, APS will report on the total installed capacity and projected productivity....

7 On occasion, a DE system, which received a UFI, will be removed from the
8 Participant property prior to the end of its agreement term without the permission
9 of the utility. Also, on occasion, a DE system, which had received a UFI will be in
10 need of repair which the Participant does not plan to complete. If either situation
11 occurs, and if despite reasonable efforts on the part of the [sic] APS the Participant
12 will not reinstall or repair the DE system, then APS will continue to reflect in its
13 annual compliance reporting the annual historic energy production for the system
14 until the agreement term for the system has been completed.

15 45. Notwithstanding these provisions, and unless otherwise ordered by the Commission
16 upon consideration of any subsequently proposed DEAP, APS will monitor and report the actual
17 metered production of all school projects that receive an up-front incentive pursuant to this Order.
18 Moreover, if any of these school systems fail to provide the requisite energy during the life of the
19 REC purchase agreement envisioned through the payment of the up-front incentive, APS shall not
20 report phantom RECs. APS may only report RECs based on the actual metered production for
21 these systems.

22 CONCLUSIONS OF LAW

23 1. Arizona Public Service Company is a public service company within the meaning
24 of Article XV, Section 2 of the Arizona Constitution.

25 2. The Commission has jurisdiction over Arizona Public Service Company and the
26 subject matter of the joint application.

27 3. It is in the public interest to approve Arizona Public Service Company's
28 supplemental request, as discussed herein.

29 ORDER

30 IT IS THEREFORE ORDERED that Arizona Public Service Company is hereby
31 authorized, on this one-time basis, to allocate up to \$20 million of the 2009 Renewable Energy
32 Standard and Tariff residential distributed energy funding to the funding of school projects.

1 IT IS FURTHER ORDERED that residential requests for incentives will continue to be
2 processed on a first-come, first-served basis up to the total amount of residential funds available,
3 less any commitments made to schools.

4 IT IS FURTHER ORDERED that if residential requests for distributed generation funds
5 begin to pick up in 2009, and it appears as though any residential projects may go unfilled as a
6 result of this Order, Arizona Public Service Company shall immediately file an Application with
7 the Commission for additional funding of the Renewable Energy Standard and Tariff distributed
8 generation program.

9 IT IS FURTHER ORDERED that school projects funded with this \$20 million shall be
10 provided an up-front incentive of \$2.25 per watt on a first-come, first-served basis.

11 IT IS FURTHER ORDERED that the current maximum up-front incentive cap of \$75,000
12 is waived for schools funded with this \$20 million.

13 IT IS FURTHER ORDERED that Arizona Public Service Company shall modify the
14 Administration Section of its currently approved 2009 Renewable Energy Standard and Tariff Plan
15 to reflect the following changes for 2009 funds only:

- 16 • If school projects have exhausted the \$20 million allocation and additional
17 residential funds remain unexpended and unreserved at the end of the year
18 (December 31, 2009), additional school projects may be funded up to the total
19 residential funds remaining.
- 20 • Renewable energy and associated Renewable Energy Credits from school projects
21 at schools that are currently being served on a residential tariff shall be counted
22 toward compliance with the Renewable Energy Standard and Tariff residential
23 distributed energy requirement. Renewable energy and associated Renewable
24 Energy Credits from school projects being served under a commercial tariff shall be
25 counted toward compliance with the Renewable Energy Standard and Tariff
26 commercial distributed generation requirement.

24 IT IS FURTHER ORDERED that Arizona Public Service Company shall make a
25 compliance filing within 15 days of the effective date of this decision which includes the
26 modification of the Arizona Public Service Company 2009 Renewable Energy Standard and Tariff
27 Plan and procedures as required herein.

28 ...

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall file, by
2 October 16, 2009, as a supplement to its 2010 Implementation Plan, a marketing plan designed to
3 allow it to meet or exceed its residential distributed generation requirements under the Renewable
4 Energy Standard and Tariff Rules. This marketing plan could include, but is not limited to, a
5 collaborative effort between Arizona Public Service Company and other utilities in Arizona
6 designed to make consumers statewide aware of Arizona's unique distributed solar energy
7 program.

8 IT IS FURTHER ORDERED that Arizona Public Service Company shall file by
9 October 16, 2009, as a supplement to its 2010 Renewable Energy Standard and Tariff
10 Implementation Plan, a proposal that is designed to improve the performance of the residential
11 distributed generation program. Such a proposal could include, but is not limited to: a revolving
12 loan fund that would assist homeowners in overcoming the barriers associated with the up-front
13 costs of residential solar systems, a community solar program, a targeted feed-in tariff or a
14 residential distributed energy production based incentive, or some combination of these programs.

15 IT IS FURTHER ORDERED that Arizona Public Service Company file by October 16,
16 2009, as a supplement to its 2010 Renewable Energy Standard and Tariff Implementation Plan, a
17 proposal to create a separate category for schools, municipalities, and other governmental entities,
18 with the funding for this category coming from the commercial portion of Arizona Public Service
19 Company's distributed generation program. We believe this will prevent schools and
20 governmental institutions from being "crowded out" by other commercial projects, as was
21 apparently the case in 2009, and will ensure that these institutions are able to take advantage of the
22 unique circumstances presented by the federal stimulus funding.

23 IT IS FURTHER ORDERED that Arizona Public Service Company shall file by
24 October 16, 2009, as a supplement to its 2010 Renewable Energy Standard and Tariff
25 Implementation Plan, a proposal to create a separate category for schools, municipalities, and other
26 governmental entities. The funding for this category shall come from that currently set aside for
27 the incremental increase of its distributed generation component (5%). We believe that this
28 supplemental proposal has the potential to increase the amount of renewable energy obtained in

1 2010, more equitably distribute renewable energy surcharge monies, and ensure that schools,
2 municipalities and governmental entities are able to take advantage of the unique circumstances
3 presented by the federal stimulus funding.

4 IT IS FURTHER ORDERED that a performance meter shall be installed at every school
5 project that receives an up-front incentive pursuant to this Order. Moreover, Arizona Public
6 Service Company shall monitor and report the actual metered production of these systems, not
7 their projected productivity. Arizona Public Service Company shall never report phantom
8 Renewable Energy Credits in connection with these systems.

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1 IT IS FURTHER ORDERED that the renewable energy and associated Renewable Energy
2 Credits from school projects funded with this \$20 million shall be counted toward compliance with
3 the Renewable Energy Standard and Tariff non-residential distributed energy requirement.

4 IT IS FURTHER ORDERED that this decision shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRMAN

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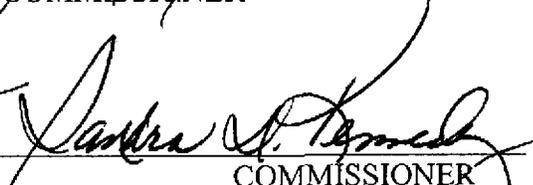
10 COMMISSIONER

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18 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
19 Executive Director of the Arizona Corporation Commission,
20 have hereunto, set my hand and caused the official seal of this
21 Commission to be affixed at the Capitol, in the City of Phoenix,
22 this 17th day of Sept., 2009.

23 

24 ERNEST G. JOHNSON
25 EXECUTIVE DIRECTOR

26 DISSENT: _____

27 DISSENT: _____

28 SMO:RTW:lh\CH

- 1 SERVICE LIST FOR: Arizona Public Service Company
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