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BEFORE THE ARIZONA CORPORATION COMMISSION

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2009 DEC 11 P 3:40
 AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION
 OF ARIZONA PUBLIC SERVICE
 COMPANY FOR APPROVAL OF ITS 2010
 RENEWABLE ENERGY STANDARD
 IMPLEMENTATION PLAN AND
 DISTRIBUTED ENERGY
 ADMINISTRATIVE PLAN AND
 REQUEST FOR RESET OF RENEWABLE
 ENERGY ADJUSTOR

DOCKET NO. E-01345A-09-0338

COMMENTS ON STAFF'S RECOMMENDATIONS

Arizona Corporation Commission
DOCKETED
 DEC 11 2009

DOCKETED BY [Signature]

Arizona Public Service Company ("APS" or "Company") supports the recommendation of Commission Staff regarding the APS 2010 Renewable Energy Standard ("RES") Implementation Plan, as set forth in the Staff Report filed December 2, 2009. In addition, APS is providing an update to the Commission regarding the status of customer participation in the Distributed Energy ("DE") residential and non-residential incentive programs, the anticipated outcome of this increased participation on customer incentives in 2010, and potential options the Commission may wish to consider in this docket.

Comments on Staff Report

APS supports Staff's recommendation that the 2010 RES Implementation Plan be approved, and Staff's acknowledgement that APS's proposed funding for residential DE systems is projected to meet customer demand through 2010. In the event that funding for residential incentives is exhausted in 2010, the Company intends to make a filing with the Commission so that it can determine whether additional funding should be allocated for

1 residential DE systems.¹ APS would also note that, although listed in the discussion of
2 Distributed Energy programs in the Staff Report, the AZ Sun program is primarily a utility-
3 scale photovoltaic ownership program.

4 **Distributed Energy Update**

5 During 2009, APS has experienced a substantial increase in the number of applications
6 under its DE Incentive Program. In the final months of this year, both residential and non-
7 residential customer participation has grown significantly. To respond to rising customer
8 interest, APS is issuing a portion of the unallocated 2008 funding to meet this increased
9 customer demand.²

10 The Company's 2010 RES Implementation Plan proposes a budget of \$2 million for
11 its non-residential Up-Front Incentive ("UFI") program. Based on the current customer
12 applications and the expected interest in the program in 2010, the demand for funding under
13 this program will likely exceed the \$2 million budget. APS recognizes that should the
14 funding be exhausted in 2010, the Company could file for additional funding for customer
15 incentives at that time. However, because of the significant recent uptake in the DE
16 programs, APS believes that such a filing will likely need to be made in the early months of
17 2010.

18 For that reason, APS is noting the following options, should the Commission decide to
19 address this issue in this docket. Those options include:

- 20 1. allocating funding for the non-residential UFI program through a competitive
21 process, similar to that of the Production-Based Incentive program;
- 22 2. increasing incentive funding for the non-residential UFI program to meet
23 customer demand; or

24 _____
25 ¹ Decision No. 71275 (September 17, 2009), authorized a one-time allocation of some residential incentive
26 funds in 2009 to apply to school projects. The capacity represented by the transfer may ultimately be required
27 to fully achieve the RES residential DE requirement in 2010.

28 ² In APS's Revised 2010 RES Implementation Plan, which was filed October 16, 2009, the Company had
allocated \$1.8 million of the remaining 2008 funds for the research and development (R&D") of energy
storage. While customer demand has caused the Company to reallocate that funding for customer incentives,
APS remains committed the R&D of energy storage capabilities and will continue to explore options to fund
the effort.

1 ORIGINAL and thirteen (13) copies
of the foregoing filed this 11th day of
2 December, 2009, with:

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

6 COPIES of the foregoing hand-delivered,
7 emailed and/or mailed this 11th day of
December, 2009, to:

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9 *See attached list of parties.*

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Copies of the foregoing hand delivered or emailed
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