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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR APPROVAL OF A DISTRIBUTIVE
ENERGY INITIATIVE: THE COMMUNITY
POWER PROJECT – FLAGSTAFF PILOT.

Docket No. E-01345A-09-0227

RUCO'S COMMENTS

The Residential Utility Consumer Office ("RUCO") files these comments in response to Staff's report on Arizona Public Service Company's ("APS") Application for approval of the Community Power Project – Flagstaff Pilot.

RUCO supports the approval of the Company's Community Power Project – Flagstaff Pilot ("Project"). The Project would provide residential customers solar facilities that would be located on their homes. The proposal would allow customers to lock in a rate – a "Solar Charge" - for twenty years. The Solar Charge would replicate the amount that the ratepayer would pay for the same amount of usage under today's rates. The design of the Solar Charge was specifically to achieve revenue neutrality.

The Program will also provide the Company with important research on the impacts of high penetrations of solar distributed resources in both commercial and residential

1 applications. In all, the Project is a win-win for both the ratepayers and the Company and
2 should further enhance the use of renewable resources going forward.

3 There are several matters raised in Staff's report on which RUCO would like to
4 comment. First, the Company is requesting a 30 day notice period to the Commission
5 should the Company need to modify or discontinue the Project. Staff is requesting that the
6 notice be at least 120 days before modifying or discontinuing the Project and that any such
7 notice provide a complete detailed discussion of the need for the modification or
8 discontinuance.

9 RUCO finds that Staff's 120-day request is reasonable. The Project is a significant
10 undertaking, and should the Project need to be discontinued or modified the Commission
11 needs sufficient time to analyze the request and make its own determination. Staff's
12 concern is highlighted by the fact that the Commission and its Staff are already facing
13 significant resource challenges due to the current budget. Even given the best of
14 circumstances, it is unlikely that the Commission could perform the required analysis in
15 such a short time period.

16 RUCO would further request that in addition to a showing of need the APS notice
17 contain a plan and/or explanation on exactly how the program would be dismantled or
18 modified. RUCO agrees that a shorter time period should be considered if the situation
19 presents a health or safety concern.

20 The second issue concerns the Company's request that the energy resulting from
21 the solar installations made at its customers' homes is counted toward APS' residential
22 distributed energy requirement. In the alternative, APS is requesting the Commission
23 allow a waiver of the Rules, and recognize the installations as distributed energy for
24 compliance with APS' annual distributed renewable energy requirements.

1 RUCO agrees with the legal analysis presented in APS' Supplemental filing of
2 October 29, 2009. A.A.C. R14-2-1801(E) defines "Distributed Generation" in relevant part
3 as

4 "...electric generation sited at a customer premises, providing
5 electric energy to the customer load on that site or providing wholesale
6 capacity and energy to the local Utility Distribution Company for use by
7 multiple customers in contiguous distribution substation service areas."
8

9 Under the RES Rules, Distributed Generation consists of two primary components: 1) the
10 electric generation must be sited at a customer premises; and 2) provide electric energy to
11 the customer load on that site or provide wholesale capacity and energy to the local utility
12 company for use by multiple customers in contiguous distribution substation service areas.
13 The RES Rules are silent regarding the issue of system ownership, including ownership by
14 a solar service provider or utility-ownership.

15 The only exception appears to concern wholesale distributed energy, where the
16 Rule specifies that the "non-utility owners" of renewable energy may deliver wholesale
17 power to a utility, if transmission lines greater than 69 kV are not required to deliver the
18 load. A.A.C. R14-2-1801(R). The Rules do not delineate who the owner of the installation
19 must be, only that the distributed renewable energy systems must be located on a
20 customer's premises, where the customer takes renewable power from the system.

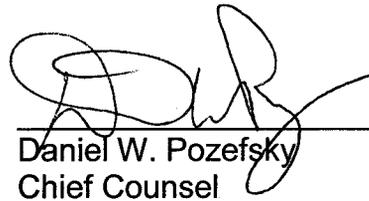
21 RUCO believes that APS has a duty to look for and promote the most energy
22 efficient projects, and most cost efficient projects. These projects must achieve the
23 maximum amount of energy output. The Company's proposed Flagstaff Project is
24 consistent with the Company's duty and will have the added benefit of providing important

1 research which will only enable APS to be even more energy and cost efficient.
2 Accordingly, RUCO believes that the project should be approved.

3 Finally, RUCO believes that the Solar Charge should parallel or be close to the rate
4 that third party installers are charging their customers for energy under current lease
5 agreements. On its face, the Solar Charges identified in Staff's report appear to be
6 consistent with those charges, but RUCO believes a study and/or further support should
7 be provided to the Commission to confirm that the proposed charges are at least
8 competitive. When establishing a fair and reasonable rate, regulation should emulate the
9 competitive market. It is not clear from the report how the rate was derived other than the
10 goal was revenue neutrality. Revenue neutrality is an admirable goal but it does not
11 necessarily equate to a competitive rate. RUCO would suggest that this issue be flushed
12 out some more before the Commission approves a rate.

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1 RESPECTFULLY SUBMITTED this 26th day of February, 2010.

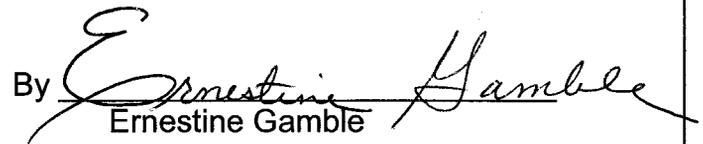
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5 Daniel W. Pozefsky
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6 AN ORIGINAL AND THIRTEEN COPIES
7 of the foregoing filed this 26th day
8 of February, 2010 with:

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