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Arizona Corporation Commission
DOCKETED

APR 29 2010

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

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY	
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RE: ARIZONA PUBLIC SERVICE COMPANY RATE SETTLEMENT
AGREEMENT § 15.3: APS'S PLAN FOR IMPLEMENTING A UTILITY
SCALE PHOTOVOLTAIC GENERATION PROJECT
DOCKET NO. E-01345A-08-0172

In Decision No. 71448, issued December 30, 2009 ("Decision"), the Arizona Corporation Commission ("ACC" or "Commission") approved Arizona Public Service Company's ("APS" or "Company") Rate Case Settlement Agreement ("Settlement Agreement"). Pursuant to Section 15.3 of the Settlement Agreement, APS is filing its plan for implementing a utility scale photovoltaic generation project.¹ Specifically, Section 15.3 requires the following:

APS shall, within 120 days of the Commission's Order approving the Agreement, file in this Docket for Commission consideration a plan for implementing a utility scale photovoltaic generation project, which shall have a construction initiation date not later than 18 months from the date of filing. This requirement is in addition to the Concentrated Solar Power ("CSP") projects already under consideration or previously approved by the Commission. In selecting a project for this filing, APS shall initiate a competitive procurement that complies with its certified Renewable Energy - Competitive Procurement Procedure dated April 10, 2007.² Any Signatory may file comments in response to APS' filing with the Commission. The Commission shall not be obligated to act on APS' filing. Any Commission inaction shall not indicate Commission approval of APS' proposal.

APS'S UTILITY SCALE PHOTOVOLTAIC PLAN

The three key components of APS's plan for implementing utility scale photovoltaic generation ("Utility Scale PV Plan") are 1) the AZ Sun Program³; 2) 25 MW procured from independent

¹ See Decision No. 71448 (December 30, 2009) at p. 14, and Exhibit A (Settlement Agreement) at section 15.3.

² The Renewable Energy Competitive Procurement Procedure is used to procure renewable energy through both request for proposal and bilateral purchase approaches. The procedure also identifies the scope of work for the independent auditor that is required under the RES Rules.

³ Approved in Decision No. 71502 (March 17, 2010).

power providers (“IPP”)⁴; and 3) APS’s 2010 Request for Proposal for Photovoltaic Generation Resources⁵ (“PV RFP”). More detailed information on each component follows.

1. AZ SUN PROGRAM

In Decision No. 71502, the Commission approved the AZ Sun Program, which authorized APS to develop and own 100 megawatts (“MW”) of photovoltaic generation with an investment of up to \$500 million between 2010 and 2014. APS will recover the costs of the revenue requirement for the first 50 MW through its Renewable Energy Standard (“RES”) adjustor until APS’s next rate case, where the costs will be recovered in base rates. The specifics of the cost recovery mechanism associated with the remaining 50 MW will be addressed in the Company’s next rate case, consistent with Section 15.7 of the Settlement Agreement. Should APS comply with the requirement for a utility scale PV project through the AZ Sun Program; the Company will utilize a competitive procurement process.

2. INDEPENDENT POWER PRODUCERS

Another component of APS’s Utility Scale PV Plan is the addition of 25 MW of solar generation from IPPs. In Decision No. 71502, the Commission directed APS to develop proposals to procure at least 25 MW from IPPs above and beyond the 100 MW authorized through the AZ Sun Program. The Company is required to file its proposal for this program as part of its 2011 RES Implementation Plan. APS believes that this solar generation from IPPs meets the Utility Scale PV Plan requirements called for in the Settlement Agreement.

3. PV RFP

To expedite deployment of APS’s Utility Scale PV Plan, and to ensure a solar generation project will begin construction within the required 18 months, APS issued its PV RFP on January 27, 2010. In that RFP, APS is targeting a total of approximately 220,000 megawatt hours (“MWh”) of annual energy from utility scale projects ranging in size from 15 MW to 50 MW. The PV RFP is designed to require bidders to propose purchase power agreements (“PPA”) and/or APS ownership (“turnkey”) options. An additional requirement within the PV RFP is that projects must be in-service no later than December 31, 2012.

APS received a combination of 83 qualifying PPAs and 50 turnkey proposals from various entities in early April 2010. The proposals include potential solar generation sites throughout the Southwest ranging from 15 MW to 50 MW. APS’s next step in the competitive solicitation process is to complete a quantitative and qualitative evaluation of the proposals to determine the most viable, efficient and cost effective projects. Both PPA proposals and turkey proposals will be considered. APS anticipates it will develop a “short list” of potential projects by the end of

⁴ See Decision No. 71502 (March 17, 2010), page 9, lines 1-5.

⁵ APS issued its PV RFP on January 27, 2010.

Letter to Docket Control
April 29, 2010
Page 3 of 3

May 2010 and begin contract negotiations with short listed entities soon thereafter. A final selection of projects is anticipated by the end of July 2010.

Based on APS's interactions with stakeholders and previous competitive solicitations issued by the Company, APS believes that through the AZ Sun Program, the 25 MW from IPPs and the Company's PV RFP, there is adequate market demand to satisfy the Utility Scale PV Plan requirement detailed in the Settlement Agreement.

If you have any questions regarding APS's Utility Scale PV Plan, please call Erinn Andreasen at (602) 250-3276.

Sincerely,

A handwritten signature in cursive script that reads "Susan Casady".

Susan Casady

SC/sl

cc: Parties of Record
Steve Olea
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this 29th day of April, 2010, to:

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