

ORIGINAL
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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: September 8, 2010

DOCKETED BY	<i>[Signature]</i>
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RE: ARIZONA PUBLIC SERVICE COMPANY – REQUEST FOR CLARIFICATION AND MODIFICATION OF RESIDENTIAL INCENTIVE (DOCKET NO. E-01345A-09-0338)

On August 2, 2010, Arizona Public Service Company (“APS” or “Company”) filed an application asking for clarification of certain provisions in Decision No. 71686, dated April 30, 2010. That decision authorized APS to approve reservations for residential photovoltaic (“PV”) installations during the last quarter of 2010, but those reservations would be paid for with 2011 incentive funds in 2011.

Decision No. 71686 did not provide any limitations on the amount of 2011 funds that APS could commit during 2010. The two major issues raised in this docket by APS are the amount of 2011 residential incentive funds that should be committed during the last quarter of 2010 and the amount of the residential PV incentive.

In Decision No. 71686, the Commission established three funding cycles for remainder of 2010. Funding Cycle 1 of 2010 was from April 1 to July 1, 2010. Funding Cycle 2 is from July 2 through October 1, 2010. Funding Cycle 3 is from October 2 through December 31, 2010.

APS requests approval of the use by APS of a proposal set forth in the APS 2011 RES Implementation Plan that was submitted on July 1, 2010. If approved, this proposal would be applied during Funding Cycle 3 of 2010.

The APS proposal is to implement a reduction in its residential incentive for grid-tied PV systems to \$1.75 per watt at the time that the Company begins to commit its 2011 residential incentive funding. APS is requesting that the Commission limit the number of reservations, using 2011 funding, that can be initiated in the last quarter of 2010 to 600 reservations. APS also asked for approval that each Funding Cycle of 2011 be capped at 600 applications. APS contends that this would allow the Company to maintain a stable residential incentive program, and would allow customers and installers to plan effectively. To assure transparency now and into 2011, while the Commission’s review and determination of the APS 2011 REST Plan is pending, APS intends to notify customers of incentive levels consistent with those proposed in the 2011 Implementation Plan.

This proposal would establish the residential PV incentive at \$1.75 in the fourth quarter of 2010 with market-driven triggers for future incentive decreases. In this APS "tranche/step-down method", these triggers would activate a reduction in the residential PV incentive at each 8 MW of reservation commitments by APS. The first three automatic incentive reductions would be \$0.15 per watt followed by \$0.10 per watt step-downs in later years. Details of the market-driven trigger mechanism are included in Exhibit A of the Arizona Public Service Renewable Energy Standard Implementation Plan, 2011 to 2015, on Pages 17-19, copies of which are included in Appendix A of this Memorandum.

In addition to the proposed market-driven trigger, APS proposed the initiation of a "rapid reservation" mechanism and the removal of the customer incentive payment cap of 50 percent of the total system cost. In the rapid reservation offering, APS would, throughout a funding cycle, confirm all grid-tied residential PV applications that request a \$1.00 per watt incentive, which would put them ahead of all others in the reservation queue.

APS believes that approximately \$4 million of additional funding might become available, due to project delays or cancellations, in Funding Cycle 3 of 2010. APS proposes that any additional 2010 funding that becomes available be paid at the \$1.95/watt incentive level. APS stated that an additional \$4 million in funding would provide enough incentives for approximately 285 new reservations.

APS is concerned that if the funding allocated in the 2010 Funding Cycle 3 is not handled well, there could be a strain on the 2011 funding.

APS is requesting that the strategy for residential DE incentives proposed in the Company's 2011 RES Implementation Plan be adopted for the 2010 Funding Cycle 3, where Funding Cycle 3 of 2010 effectively becomes Funding Cycle 1 of 2011, with a cap of 600 reservations for 2011 Funding Cycles.

APS, in its 2011 REST Plan filing, requested approval that the first Funding Cycle of each Plan year would occur during the final quarter of the preceding calendar year. In other words, APS would repeat the final quarter funding mechanism that it is requesting for 2010 in the fourth quarter of 2011. This pattern would be repeated in future years.

On August 16, 2010, APS sent Staff updated figures on requests for Funding Cycle 3 incentives. APS had received close to 1,000 requests for incentives of \$1.95 as of August 16, 2010. Details of those requests as well as a summary of 2010 reservations and incentive payments are included in Table 1.

Table 1: Residential PV Reservations & Incentives

Funding Cycle	Reservations or Applications	Incentive Payments (millions)	MW/MWh Reserved or Requested
1st Quarter 2010	2,524	\$33.0	7.17 MW
Funding Cycle 1 (April 1 – July 1, 2010)	296	\$4.985	2.23 MW
Funding Cycle 2 (July 2 – October 1, 2010)	465	\$7.60	3.4 MW
Funding Cycle 3 (October 2 – December 31, 2010)	991	\$13.23	6.71 MW
TOTAL	4,276	\$58.8	19.51 MW or 33,076 MWh
Annual Projections in 2010 RES	n/a	\$44.10	~29,440 MWh

On August 25, 2010, American Solar Electric (“ASE”) filed comments on the APS application. ASE expressed “significant” concerns with the APS proposal. ASE recommended that “short-term actions be taken” to reduce the back-log in residential PV systems in order to allow additional time for review of the APS 2011 REST Plan.

ASE recommended:

- Allocate the \$4 million in additional 2010 funding and reserve the first 285 systems at an incentive of \$1.95.
- Allocate \$3.2 million in uncommitted funds from 2009 for additional reservations.
- Review the ability to reallocate uncommitted Production Based Incentive (“PBI”) funds, by month, in Funding Cycle 3.
- Reallocate any unspent funds from the \$20 million school funding program.

ASE believes that funding 2010 applications with 2011 funds “could create a precedent that could be harmful to the industry.”

ASE provided a table showing a recent slowdown in reservation requests. ASE also provided a graph that showed that PV module prices hit a plateau and have risen slightly this summer.

Staff has reviewed the application by APS and the proposed strategy for residential DE incentives in the APS 2011 REST Implementation Plan.

Staff has reviewed APS' request for a \$1.75 per watt residential PV incentive for Funding Cycle 3. The fact that APS has received almost 1,000 requests for incentives at \$1.95 shows that the \$1.95 incentive is seen by homeowners as a very valuable incentive. In order to incent as many PV projects as the funding will allow, Staff believes that the APS proposed \$1.75 incentive is a reasonable reduction. In fact, APS may well receive hundreds if not another 1,000 applications in the last four months of 2010 at the \$1.75 level. Staff believes that setting the Funding Cycle 3 incentive at \$1.75 is a prudent step toward avoiding the "rush" for lucrative incentives that APS and many other utilities experienced in late 2009 and early 2010.

Staff agrees with APS in its request to fund the final quarter of 2010 with funds of the first quarter of 2011, due to the problems experienced in early 2010 with residential PV incentive funding. Staff does not agree that this tactic is necessarily appropriate to be repeated in future years. Such a decision should be made as part of the deliberations on the APS 2011 REST Plan. Staff recommends that APS' request to repeat the movement of first Funding Cycle of each Plan year to the fourth quarter of the previous calendar year be denied.

Staff recommends that APS be allowed to reserve a maximum of 600 applications during Funding Cycle 3 using funding from 2011 at a \$1.75 per watt incentive level. These 2011 funds would be payable no sooner than January 2, 2011. Staff also recommends that APS be allowed to reserve up to 300 additional applications at the \$1.75 per watt incentive level in Funding Cycle 3 using additional 2010 funding that may become available during Funding Cycle 3. These additional 2010 funds would be payable in 2010 or 2011, depending on system installation date and start-up.

Staff recommends against approval of the proposal that each of the remaining Funding Cycles for 2011 be capped at 600 reservations. APS' request for this approval goes beyond the scope of this application, which clearly focuses only on Funding Cycle 3 of 2010. Staff believes this issue should be discussed and decided in the APS 2011 REST Plan docket later this year.

Staff believes that the APS tranche/step-down proposed for residential PV incentives is an excellent way to respond to market forces and automatically adjust incentives in a way that the solar industry and its customers can see clear signals about future incentive changes. Staff believes that this APS approach is appropriate for use in the Third Funding Cycle of 2010 (October 2, 2010 – December 31, 2010).

Staff believes that this type of automatic "trigger" mechanism may be appropriate for other utilities to consider for addition to their individual 2011 REST Plans.

Staff believes that the "rapid reservation" system proposed by APS will allow customers willing to accept a \$1.00 per watt incentive to receive priority consideration, allowing the customer to avoid a long queue and helping to spread the limited incentive funds over more PV systems. Similarly, Staff believes that other utilities could benefit from adding such a "rapid reservation" system to their 2011 REST Plans.

Staff believes that it is premature for APS to remove the current incentive caps for residential projects. This issue should be discussed this fall as the APS 2011 REST Plan is considered by the Commission. APS' request to remove incentive caps comes at a time when many other utilities and cooperatives are proposing just the opposite: to lower their incentive caps. No other utility has requested removal of incentive caps.

Staff agrees with ASE's comments that maximum effort should be made to fund 2010 residential PV incentives with 2010 funds. Table 1 shows the APS commitment for residential incentives in 2010 will have increased from \$44.1 million to around \$58.8 million if this application is approved by the Commission. Staff believes that it is appropriate to use funds from 2011 to meet excess residential demand in 2010, while lowering the incentive to \$1.75.

Staff recommends that any additional 2010 funding, from cancellations or other reallocations, in Funding Cycle 3 be allocated at the \$1.75 incentive level rather than the \$1.95 level proposed by APS. Having one consistent PV incentive level during Funding Cycle 3 will avoid confusion among vendors and customers.

In summary, Staff makes the following recommendations:

- Funding Cycle 3 of 2010 (October 2 through December 31, 2010) effectively becomes part of Funding Cycle 1 of 2011, with a cap of 600 reservations for 2011 funding to be committed by APS for the 2010 Funding Cycle 3. This approval is a one-time approval only for 2010.
- APS' request, in its 2011 REST Plan, that the first Funding Cycle of each Plan year be allowed to occur during the final quarter of the preceding calendar year be denied in this application, but should be discussed when the whole APS 2011 REST Plan is considered by the Commission this year.
- For any commitments made by APS for 2011 residential DE funding in Funding Cycle 3 of 2010, the incentive level for residential grid-tied PV systems be \$1.75 per watt, payable in 2011.
- For any additional 2010 funding that may become available in Funding Cycle 3 of 2010, the incentive level for residential grid-tied PV systems be \$1.75 per watt and APS be allowed to provide reservations for up to 300 applications from that funding.
- The rapid reservation system proposed by APS be approved for Funding Cycle 3 of 2010.
- The APS tranche/step-down method for residential PV incentives should be approved for Funding Cycle 3 of 2010.

- The APS request to remove the caps on incentives be denied.
- The APS request for approval of a 600 installation cap for the remaining Funding Cycles of 2011 be denied in this application and be considered later this year in the APS 2011 REST Plan docket.



Steven M. Olea
Director
Utilities Division

SMO:RTW:lhm\WVC

ORIGINATOR: Ray T. Williamson

APS Renewable Energy Standard
Implementation Plan for 2011-2015 dated July 1, 2010

B. Incentive Budgets

The proposed DE incentive budget for the five-year planning window is described in Exhibit 4A and is designed to result in sufficient residential and non-residential DE installations to incrementally exceed the annual RES targets.³³ Annual changes in program budget are designed to accommodate an increase in the DE energy target, both as an increasing fraction of the total RES requirement and as the requirement itself increases based on total APS retail sales.

1. *Up-Front Incentives*

Program Overview

Interest in APS's DE programs has increased over the past year, with the most noticeable gain occurring in the residential sector beginning in the fourth quarter of 2009 and continuing through 2010. APS recognizes that residential customer demand might exceed available funding, as evidenced by 2010 program participation. Therefore, the Company has proposed increasing the residential DE funding beyond that which is necessary to achieve compliance.

At the incentive levels approved as part of the 2010 Plan, residential demand through the first half of 2010 exceeded the incentive budget. APS believes this is strong evidence that incentive levels were no longer aligned with the cost of PV resources. In an effort to preserve funding for residential installations beyond the first half of 2010, APS requested and received approval from the Commission to reduce the residential grid-tied PV incentive from \$3.00 per watt to \$2.15 per watt for the first three megawatts of reserved capacity, followed by a \$0.20 reduction to \$1.95 per watt for all subsequent 2010 reservations. Additionally, the Commission approved a reduction from \$0.75 to \$0.50 per first year kWh savings for residential solar water heaters.³⁴

For 2011, planning models, implementation strategies, and budgeting for the DE programs included in this Plan were all designed with specific consideration for the insight from stakeholder input from APS's continued dialogue with key industry stakeholders and the UCPP working group. This included a series of Implementation Plan development work sessions on key issues, such as the residential incentive program redesign, removal of the 50 percent incentive cap, and the introduction of an incentive budget allocation for non-PV technologies.

2011-2015 Program Modifications

As a result of these discussions, APS proposes the residential PV grid-tied incentive begin at \$1.75 with market-driven triggers for future incentive decreases.³⁵ APS believes the incentive thresholds and proposed method for ongoing incentive reductions are

³³ A.A.C. R14-2-1805(D).

³⁴ Decision No. 71686 (April 30, 2010)

³⁵ This incentive level would begin with the first funding cycle of 2011 (in 2010). See Section 6.2 of the DEAP for Funding Cycle details.

**APS Renewable Energy Standard
Implementation Plan for 2011-2015 dated July 1, 2010**

appropriate to meet the residential RES target and support the increased levels of customer participation in the program.

The Company's proposed residential incentive reductions are modeled after modifications made to the Company's 2010 program and include predictable incentive declines based on installed capacity and managed by volume of reservations. The proposed incentive step-downs occur after the reservation of 1,200 grid-tied PV applications ("tranche"). APS forecasts each tranche to result in approximately 8 MW of capacity.

Following the reservation of the first tranche at \$1.75 per watt, the Company proposes the residential grid-tied PV incentive decrease by \$0.15 per watt to \$1.60 per watt, reaching \$1.45 per watt by the end of 2011. The first three tranches will have step downs of \$0.15 per watt, followed by three tranches with \$0.10 per watt step-downs in future years. Beyond those six tranches, each additional tranche will step-down \$0.05 per watt, as described in the table below. The incentive matrices are incorporated as part of the DEAP (Exhibit B). Also, as a result of the dynamic nature of the declining incentive and the selection of an appropriate fixed incentive level for solar water heaters ("SWH"), the Company no longer feels it is necessary to cap customer incentive payments at 50 percent of the total system cost, or require a minimum of 15 percent customer contribution for SWH, and thereby proposes the elimination of these caps.

Residential PV Incentives 2011 - 2015

Tranche	1	2	3	4	5	6	7	8	9
Incentive Level	\$1.75	\$1.60	\$1.45	\$1.30	\$1.20	\$1.10	\$1.00	\$0.95	\$0.90
Anticipated Cumulative Capacity	8 MW	16 MW	24 MW	32 MW	40 MW	48 MW	56 MW	64 MW	72 MW
Anticipated Program Year	2011	2011	2011/2012	2012	2012/2013	2013	2014	2014/2015	2015

All other residential DE technologies will receive the previously planned incentive reduction in 2011. Those planned reductions were designed by the UCPP working group and modified based on program performance in an attempt to reflect the anticipation that DE technologies will decline in cost as market penetration and product availability increase. The proposed 2011 UFI budget for residential DE systems is \$34 million.

Further, within each available funding cycle, residential customers will be eligible for a "rapid reservation." Throughout a funding cycle, APS will confirm all grid-tied PV applications that request \$1.00 per watt, effectively foregoing placement in the reservation queue. The Company believes a rapid reservation offering is an important indicator of market pricing, and demonstrates the market's ability to handle future incentive reductions. The Company recognizes that the \$1.00 per watt incentive level might need to be re-evaluated and decreased accordingly in future years of the program.

APS Renewable Energy Standard
Implementation Plan for 2011-2015 dated July 1, 2010

Allowing the market to dictate the timing of incentive level reductions is one component of creating a residential DE program that can sustain year-long participation. In addition, the Company has learned through its non-residential program that the creation of funding cycles is also useful in eliminating peaks and valleys in funding requests, thereby creating a stable incentive market. For this reason, APS will introduce quarterly funding cycles into the residential DE program for grid-tied PV projects. The Funding Cycles are defined in Exhibit B. For the purposes of this Plan, the first Funding Cycle of each Plan year occurs during the final quarter of the preceeding calendar year (e.g., Funding Cycle One of 2011 begins in October 2010).

Residential UFIs are available for PV systems up to 30 kWdc. Residential non-PV technologies are eligible for UFIs up to a total of \$50,000 for each installation. Larger residential DE systems may be installed by the customer consistent with other program limitations, but will not be eligible for incentives for the fraction above the UFI incentive limit.

Continuing the Company's 2010 non-residential UFI strategy, the Company proposes an annual funding of \$2 million, equally divided into bi-monthly funding cycles and awarded to the projects with the lowest score as determined by the ranking calculator described in the DEAP. Non-residential UFIs were developed for technologies where the average project is less than 30 kW or the average project size results in a total incentive less than or equal to \$50,000.

2. *Production Based Incentives*

As part of this Plan, APS continues its expansion of its non-residential DE program around an annually increasing lifetime PBI authorization. Specifically, in each year of the Plan, APS proposes new lifetime PBI commitments of \$100 million for non-residential DE projects. This reflects the approach approved by the Commission in APS's 2010 Plan.³⁶ APS anticipates that the increased funding under the lifetime PBI commitment will result in a growing number of increasingly cost-effective customer DE installations.

Projects resulting from the DE RFP are substantially the same as commitments under the PBI program and, as a result, the Company includes those commitments in its calculation of lifetime PBI authorization. In 2011, the lifetime PBI authorization necessary to implement the non-residential PBI projects as described in this Plan is \$670 million. Details of the requested PBI lifetime commitment authorization for all of the years described in this Plan are included in Exhibit 4C.

With specific experience from APS's REIP and based upon dialogue with customers and other stakeholders,³⁷ the expanded non-residential program will allocate the annual \$100

³⁶ Decision No. 71459 (January 29, 2010).

³⁷ On June 9, 2009, APS held a 2010 Renewable Energy Standard Implementation Plan stakeholder meeting focused on the status of the non-residential DE program. APS informed stakeholders that participation in the non-

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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

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY – REQUEST FOR
CLARIFICATION AND MODIFICATION
OF RESIDENTIAL INCENTIVE

DOCKET NO. E-01345A-09-0338
DECISION NO. _____
ORDER

Open Meeting
September 21 and 22, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company (“APS”) is certificated to provide electric service as a public service corporation in the State of Arizona.
 2. On August 2, 2010, Arizona Public Service Company (“APS” or “Company”) filed an application asking for clarification of certain provisions in Decision No. 71686, dated April 30, 2010. That decision authorized APS to approve reservations for residential photovoltaic (“PV”) installations during the last quarter of 2010, but those reservations would be paid for with 2011 incentive funds in 2011.
 3. Decision No. 71686 did not provide any limitations on the amount of 2011 funds that APS could commit during 2010. The two major issues raised in this docket by APS are the amount of 2011 residential incentive funds that should be committed during the last quarter of 2010 and the amount of the residential PV incentive.
- ...

1 4. In Decision No. 71686, the Commission established three funding cycles for
2 remainder of 2010. Funding Cycle 1 of 2010 was from April 1 to July 1, 2010. Funding Cycle 2
3 is from July 2 through October 1, 2010. Funding Cycle 3 is from October 2 through December 31,
4 2010.

5 5. APS requests approval of the use by APS of a proposal set forth in the APS 2011
6 RES Implementation Plan that was submitted on July 1, 2010. If approved, this proposal would be
7 applied during Funding Cycle 3 of 2010.

8 6. The APS proposal is to implement a reduction in its residential incentive for grid-
9 tied PV systems to \$1.75 per watt at the time that the Company begins to commit its 2011
10 residential incentive funding.

11 7. APS is requesting that the Commission limit the number of reservations, using 2011
12 funding, that can be initiated in the last quarter of 2010 to 600 reservations. APS also asked for
13 approval that each Funding Cycle of 2011 be capped at 600 applications. APS contends that this
14 would allow the Company to maintain a stable residential incentive program, and would allow
15 customers and installers to plan effectively.

16 8. To assure transparency now and into 2011, while the Commission's review and
17 determination of the APS 2011 REST Plan is pending, APS intends to notify customers of
18 incentive levels consistent with those proposed in the 2011 Implementation Plan.

19 9. This proposal would establish the residential PV incentive at \$1.75 in the fourth
20 quarter of 2010 with market-driven triggers for future incentive decreases. In this APS
21 "tranch/step-down method", these triggers would activate a reduction in the residential PV
22 incentive at each 8 MW of reservation commitments by APS. The first three automatic incentive
23 reductions would be \$0.15 per watt followed by \$0.10 per watt step-downs in later years. Details
24 of the market-driven trigger mechanism are included in Exhibit A of the Arizona Public Service
25 Renewable Energy Standard Implementation Plan, 2011 to 2015, on Pages 17-19, copies of which
26 are included in Appendix A of the Memorandum.

27 10. In addition to the proposed market-driven trigger, APS proposed the initiation of a
28 "rapid reservation" mechanism and the removal of the customer incentive payment cap of 50

1 percent of the total system cost. In the rapid reservation offering, APS would, throughout a
 2 funding cycle, confirm all grid-tied residential PV applications that request a \$1.00 per watt
 3 incentive, which would put them ahead of all others in the reservation queue.

4 11. APS believes that approximately \$4 million of additional funding might become
 5 available, due to project delays or cancellations, in Funding Cycle 3 of 2010. APS proposes that
 6 any additional 2010 funding that becomes available be paid at the \$1.95/watt incentive level. APS
 7 stated that an additional \$4 million in funding would provide enough incentives for approximately
 8 285 new reservations.

9 12. APS is requesting that the strategy for residential DE incentives proposed in the
 10 Company's 2011 RES Implementation Plan be adopted for the 2010 Funding Cycle 3, where
 11 Funding Cycle 3 of 2010 effectively becomes Funding Cycle 1 of 2011, with a cap of 600
 12 reservations for 2011 Funding Cycles.

13 13. APS, in its 2011 REST Plan filing, requested approval that the first Funding Cycle
 14 of each Plan year would occur during the final quarter of the proceeding calendar year. In other
 15 words, APS would repeat the final quarter funding mechanism that it is requesting for 2010 in the
 16 fourth quarter of 2011. This pattern would be repeated in future years.

17 14. On August 16, 2010, APS sent Staff updated figures on requests for Funding Cycle
 18 3 incentives. APS had received close to 1,000 requests for incentives of \$1.95 as of August 16,
 19 2010. Details of those requests as well as a summary of 2010 reservations and incentive payments
 20 are included in Table 1.

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27 TOTAL	4,276	\$58.8	19.51 MW or 33,076 MWh
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1 15. On August 25, 2010, American Solar Electric (“ASE”) filed comments on the APS
2 application. ASE expressed “significant” concerns with the APS proposal. ASE recommended
3 that “short-term actions be taken” to reduce the back-log in residential PV systems in order to
4 allow additional time for review of the APS 2011 REST Plan.

5 16. ASE recommended the following:

- 6 • Allocate the \$4 million in additional 2010 funding and reserve the first 285
7 systems at an incentive of \$1.95.
- 8 • Allocate \$3.2 million in uncommitted funds from 2009 for additional
9 reservations.
- 10 • Review the ability to reallocate uncommitted Production Based Incentive
11 (“PBI”) funds, by month, in Funding Cycle 3.
- 12 • Reallocate any unspent funds from the \$20 million school funding program.

13 17. ASE believes that funding 2010 applications with 2011 funds “could create a
14 precedent that could be harmful to the industry.”

15 18. Staff has reviewed the application by APS and the proposed strategy for residential
16 DE incentives in the APS 2011 REST Implementation Plan.

17 19. Staff has reviewed APS’ request for a \$1.75 per watt residential PV incentive for
18 Funding Cycle 3. The fact that APS has received almost 1,000 requests for incentives at \$1.95
19 shows that the \$1.95 incentive is seen by homeowners as a very valuable incentive. In order to
20 incent as many PV projects as the funding will allow, Staff believes that the APS proposed \$1.75
21 incentive is a reasonable reduction. In fact, APS may well receive hundreds if not another 1,000
22 applications in the last four months of 2010 at the \$1.75 level. Staff believes that setting the
23 Funding Cycle 3 incentive at \$1.75 is a prudent step toward avoiding the “rush” for lucrative
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25 20. Staff agrees with APS in its request to fund the final quarter of 2010 with funds of
26 the first quarter of 2011, due to the problems experienced in early 2010 with residential PV
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28 future years. Such a decision should be made as part of the deliberations on the APS 2011 REST

1 Plan. Staff recommends that APS' request to repeat the movement of first Funding Cycle of each
2 Plan year to the fourth quarter of the previous calendar year be denied.

3 21. Staff has recommended that APS be allowed to reserve a maximum of 600
4 applications during Funding Cycle 3 using funding from 2011 at a \$1.75 per watt incentive level.
5 These 2011 funds would be payable no sooner than January 2, 2011. Staff also recommends that
6 APS be allowed to reserve up to 300 additional applications at the \$1.75 per watt incentive level in
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11 Funding Cycles for 2011 be capped at 600 reservations. APS' request for this approval goes
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IT IS FURTHER ORDERED that the rapid reservation system proposed by Arizona Public Service Company is approved for Funding Cycle 3 of 2010.

IT IS FURTHER ORDERED that the Arizona Public Service Company tranche/step-down method for residential PV incentives is approved for Funding Cycle 3 of 2010.

IT IS FURTHER ORDERED that this Decision become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RTW:lh\WVC

1 SERVICE LIST FOR: Arizona Public Service Company
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