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DEBORAH R. SCOTT
Senior Regulatory Attorney
Telephone: (602) 250-5508
Facsimile: (602) 250-3393
E-mail: deb.scott@pinnaclewest.com

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November 9, 2010

Kristin K. Mayes, Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**Re: 2011 REST Implementation Plans; Request for additional information
in advance of November workshop; Docket Nos. E-01345A-10-0166 and
E-01345A-10-0262**

Dear Chairman Mayes:

This letter is Arizona Public Service Company's ("APS" or "Company") response to your October 21, 2010 request ("October Letter") for additional information in advance of the November workshop regarding the Renewable Energy Standard ("RES") Implementation Plans of the various electric utilities.

APS's 2011 RES Implementation Plan ("2011 Plan") enhances current key programs and offers customers additional opportunities to further extend the reach of APS's RES programs. The surge in adoption of renewable energy since the approval of the Company's 2010 RES Implementation Plan has demonstrated that to meet the high customer demand, APS must both provide predictability and expand opportunities for all customers. In its 2011 Plan, APS has proposed to continue offering renewable energy deployment incentives to customers and to achieve more renewable capacity through innovative programs with a modest increase in the total program budget. In addition, APS continues to recognize the need for program transparency by offering customers additional information and tools to make informed decisions regarding investment in renewable energy resources.

APS • APS Energy Services • SunCor • El Dorado

Law Department, 400 North Fifth Street, Mail Station 8695, Phoenix, AZ 85004-3992
Phone: (602) 250-3630 • Facsimile (602) 250-3393

Distributed Energy Programs

i. Incentive Reductions

In your October Letter, you note that APS has proposed a step-down of incentive levels for its residential distributed energy ("DE") program. You have questioned whether factors other than a particular megawatt ("MW") achievement should be taken into consideration when determining the trigger for reducing incentives. Under APS's proposal, the residential incentive payment would decrease once a certain number of customer reservations has been issued. APS recognizes that should the program fail to accomplish the desired results due to market changes, the incentive reductions may need to be reevaluated accordingly in future years.

APS recognizes that customers who have made a commitment to install solar are most interested in knowing when they can have their system installed, and when the incentive funding for their system will be available. APS's current process of using capacity thresholds¹ as the mechanism for triggering the next funding level modification has caused some confusion with customers who simply want to know where they are in the incentive queue. Based on the Company's experience with administering the residential incentive program, APS has observed that reservations made for 1,200 customer applications for grid-tied photovoltaic ("PV") solar consistently results in approximately 8 MW of capacity, based on an average residential system size of 7 kilowatts ("kW"). APS believes that its proposal in the 2011 Plan for tracking customer reservations in numerical order and triggering subsequent incentive level step-downs based on the commitment of funding to 1,200 applications will allow for improved customer understanding of the availability of their incentive funding and provide greater predictability for installers.²

APS does not believe that the incentive step-downs should be further complicated by the consideration of conditions beyond the volume of applications received. APS agrees that it is important to review system costs and customer expenses, including payback periods and out of pocket expenses, when establishing an incentive level. However, APS believes that the selection of a single, market-based trigger is appropriate for the maturation of the incentive, as indicated by the various other successful incentive programs across the country that are based on single-factor incentive reductions.

ii. Rapid Reservation

As noted in your October Letter, APS has proposed a "Rapid Reservation" for those customers who are willing to invest in residential grid-tied PV systems at a reduced incentive level. Under

¹ Decision No. 71686 (April 30, 2010) granted APS one-time approval for an incentive reduction to occur after 3 MW of capacity was received at \$2.15 per watt.

² It is important to note that in APS's proposed 2011 Plan, Funding Cycle Four of each program year will not be limited by the number of reservation commitments and will instead utilize remaining residential grid-tied PV funds to fund projects. Similarly, all "Rapid Reservation" requests received during the year will be applied against Funding Cycle 4 so as to not count these commitments against the reservation caps of Funding Cycles 1-3.

this proposal, customers can bypass the incentive queue if they request incentives of \$1.00 per watt or less.

APS views the Rapid Reservation option as an opportunity to gauge the market regarding installed system costs, and the industry's ability to sustain with reduced incentives. In evaluating the cost offered as part of this program, APS attempted to balance both the current incentive level at the time of the 2011 Plan filing (\$1.75 per watt) and the expected incentive cost reduction trajectories given both customer participation and findings from the Vermont Energy Investment Corporation ("VEIC") study, which conducted an analysis of APS's incentive levels and made recommendations on modifications for incentives.³ The \$1 per watt price was identified to be appropriate given the current incentive level and the expectation that incentives will ultimately decrease to zero over time. The Rapid Reservation incentive level would provide insight into customer participation that could be adjusted should the volume of requests be too high or low. It should be noted that another Arizona utility has successfully implemented this approach. On October 4, 2010, Salt River Project implemented a \$1 per watt incentive for residential PV systems, and by November 1, 2010, more than 30 customers have signed up for this option. APS encourages the implementation of a Rapid Reservation option and is amenable to having further discussions to determine the most appropriate incentive for this option.

iii. Status of Commercial Production Based Incentive ("PBI") Program

In response to your request, the Company is providing the following detailed assessment of the status of APS's commercial PBI program and an update on the Schools Program.

- a. *Commercial PBI Program.* Since the REST Rules went into effect in August 2007, there have been 213 non-residential DE systems installed with a total capacity of 12,100 kW.

APS reported the following in its 2009 annual compliance report regarding commercial PBI installations:⁴

- 8,200 kW of capacity;
- 91 commercial installations in 2009; and
- 18,158 MWh (2009 non-residential DE requirement was 42,260 MWh).

APS's actual installations for 2010 (as of Quarter 3 2010) are:

- 13,000 kW of capacity;
- 99 commercial installations in 2010; and
- 26,377 MWh (2010 non-residential DE requirement is 70,653 MWhs).

Currently, APS has a total of 131 reserved PBI commercial projects. Of these 131 reservations, 26 reservations have been in the queue for 180 days or less and have

³ *Arizona Public Service: Incentives for Photovoltaic Distributed Generation*, Vermont Energy Investment Corporation, March 30, 2010. The VEIC study was filed in Docket No. E-01345A-09-0338 on March 31, 2010.

⁴ The capacity and production includes systems that were installed prior to the effective date of the RES Rules.

met the necessary milestones to date. The remaining 105 reservations, which have been reserved for 180 days or longer, continue to meet the milestones defined in APS's Credit Purchase Agreement. APS has granted time extensions to certain projects that have demonstrated substantial progress.

It is important to note that one of the key factors that contributed to the slower than desired deployment of commercial PBI projects from July 2009 until July 2010 was the uncertainty of the role of Solar Service Agreements and other related issues. These issues were addressed in an adjudication action that was brought by SolarCity and determined by the Commission following an evidentiary hearing.⁵ While the SolarCity case progressed through the regulatory process, a large number of developers and installers chose to delay their activities related to commercial PBI projects until this issue was resolved. Since the issuance of the Commission's decision in the SolarCity matter, the market has seen a surge in activity with over 30 projects now expected to be completed by year end.

APS continues to manage the commercial PBI program consistent with the stated principles in its Distributed Energy Administration Plan, including the prompt cancellation of projects that miss project milestones, thereby allowing incentive funding to be made available for other projects. Approximately 20 projects have been cancelled as a result of the failure to accomplish project milestones. Several other projects have received notification of cancellation, for which APS is awaiting final confirmation of project status from those customers. While APS would prefer to have all projects for which funding is committed succeed, the Company is committed to responsible management and administration of program funds to maximize the participation of viable projects.

- b. *Status of Schools Program.* Through its 2009 Schools Program, APS contracted for 12 school projects with PV installations totaling 7,207 kW with a total commitment of approximately \$16 million. Of these 12 projects, seven have been installed, with an estimated production of 3,889 kW. The remaining five projects are currently within the interconnection/commissioning process, and are expected to be operational by the fourth quarter of 2010.

APS's current 2010 Schools Program has resulted in nine reservations for PV projects totaling 2,709 kW. These nine projects are within the timeframes set forth by the 2010 PBI guidelines and/or milestones, and these projects are expected to be online by the first quarter of 2011. See Attachment A for a table that describes the location of participating schools,⁶ system sizes, and project status.

⁵ See Decision No. 71795 (July 12, 2010), Docket No. E-020690A-09-0346.

⁶ APS has not identified specific schools because APS is prohibited from publically disclosing customer-specific information under A.A.C. R14-2-203(A)(2).

iv. Potential Actions to Address Residential Incentive Shortfalls.

In your October Letter, you have identified potential courses of action to address the demand for residential incentives that exceeds RES targets for that segment, including budget flexibility, an increase to the RES adjustor, and allowing DE projects to meet an increased portion of the RES requirement created by the potential failure of a utility-scale project.

- a. *Budget Flexibility.* Historically, the Commission has provided APS budget flexibility. In Decision No. 70313,⁷ the Commission authorized APS to reallocate up to 20 percent of incentive funds in the DE budget in order to match customer demand. The Commission subsequently authorized APS, on a one-time basis, to allocate up to \$20 million of the 2009 residential DE funding to the funding of school projects, dependent ultimately on residential demand for incentives.⁸ APS believes the authority for budget reallocations that was approved in these decisions is appropriate and meaningful.

During the course of 2010, APS has reallocated nearly \$11.9 million within its DE programs from the following sources as funds have been made available:

- Transferring cancelled 2009 Up Front Incentive (“UFI”) funding commitments into the residential and non-residential UFI programs;
- Applying unused PBI funds from non-residential UFI projects to supplement residential and non-residential incentive budgets;
- Reallocating unused funds from the 2008 DE Request for Proposal (“RFP”) budget to residential and non-residential UFI programs;
- Reallocating uncommitted renewable generation funding from 2009 to fund residential UFIs in 2010.⁹

While APS has been able to reallocate \$11.9 million to DE programs in 2010, it is now anticipating a shortfall in RES adjustor collections of approximately \$4.2 million by year end.¹⁰ This will result in the absence of any unused funds for additional reallocations in 2010.

- b. *Increase to RES Adjustor.* As of October 29, 2010, there are 957 residential PV applications eligible to receive incentive funds through the Company’s 2011 Program. By the end of 2010, APS anticipates this number growing to nearly 2,000. The chart below summarizes the RES funding requirements that would be necessary to reduce the backlog by various percentages, in an effort to begin the 2011 program year with an adjusted backlog.

⁷ Issued April 28, 2008, Docket No. E-01345A-07-0468.

⁸ See Decision No. 71275 (Sept. 17, 2009), Docket No. E-01345A-09-0623.

⁹ APS previously proposed to use the \$3.2 million of rollover funds from the 2009 program year to offset the costs of renewable generation contract costs in 2011. The Commission recently ordered that these funds be applied towards residential incentives in 2010, so the total 2010 residential budget was increased from \$44 million to \$55.3 million (see Decision No. 71913 (Sept. 28, 2010), Docket No. E-01345A-09-0338).

¹⁰ See letter from APS dated October 14, 2010, filed in Docket No. E-01345A-09-0338.

| Backlog Reduction (%) | Resulting Funded Applications | Resulting Backlog of Applications | Residential Incentive Budget Increase¹ | Resulting Residential RES Adjustor Increase (above that currently proposed) |
|------------------------------|--------------------------------------|--|--|--|
| 100% | 2,000 | 0 | \$26,147,108 | \$1.17 |
| 75% | 1,500 | 500 | \$20,022,108 | \$0.90 |
| 50% | 1,000 | 1,000 | \$13,897,108 | \$0.63 |
| 25% | 500 | 1,500 | \$ 8,010,783 | \$0.36 |

¹ Assumed incentive level of \$1.95 per watt for all applications received through September 20, 2010, and an incentive level of \$1.75 per watt for applications received thereafter.

Additionally, the table below summarizes the impact a 5 percent and 10 percent increase to APS's proposed 2011 REIP budget¹¹ would have on reducing the residential PV backlog.

| Budget Increase | Resulting Additional RES Residential Funds (millions) | Resulting Applications Funded | Estimated Resulting Backlog of Applications (Through Year End 2010) |
|------------------------|--|--------------------------------------|--|
| 10% | \$9.25 | 606 | 1,400 |
| 5% | \$4.63 | 293 | 1,707 |

- c. *Alternate Plan to Address Potential Utility-Scale Project Failures.* You have asked whether commercial and residential DE projects should fill a portion of the gap that may occur if a utility-scale project should fail. While APS believes DE plays an important role, substituting DE for utility-scale projects would have the effect of increasing the RES adjustor. Furthermore, APS has developed a diversified strategy for the acquisition of utility-scale renewable resources throughout the five-year planning window of the 2011 Plan. This strategy primarily includes the procurement of in-state wind resources and a variety of solar resources through its Small Generator Standard Offer and AZ Sun programs. The APS 2011 Plan accommodates exceeding the RES requirements in each year of the Plan. It also includes sufficient procurement initiatives to allow for the identification of multiple renewable generation projects should some projects not develop as planned.

Distributed Energy Small Generation

APS currently has two programs that count towards its non-residential DE requirements: the projects that resulted from the Distributed Energy Request for Proposal ("DE RFP"), and its non-

¹¹ APS proposed 2011 REIP budget is \$92.5 million (see October 14, 2010 Supplemental Filing to Docket No. E-01345A-10-0262).

residential UFI and PBI incentives. In response to your request for specific data regarding large distributed commercial projects, APS provides the following:

As a result of proposals received in response to APS's DE RFP, the Company executed two agreements that contribute significantly to meeting the overall DE requirements. The first was for the Bagdad Solar 1 facility, which is a 15 MW PV project under the Renewable Energy Credits ("REC") and Energy Contract Model that was approved by the Commission in Decision No. 71459.¹² The second contract was executed with SunPower for a specified amount of DE under the Customer Aggregation Contract Model, which was also approved in Decision No. 71459. This is a transactional model where the developer will phase-in commercial DE projects over several years at different customer locations. The developer will determine the optimal mix of installations, sizes, timing and technologies needed to meet the pre-determined, fixed REC price in accordance with the contract. The benefits to the APS program include reduced REC costs, contractual controls over system and installation performance, and increased implementation efficiency. APS has no plans to pursue additional projects under these contractual models.

Between 2009 and 2010, the Company has reserved funds for 15 PBI projects over 1 MW. Of these 15 PBI projects, only three exceed APS's current 2 MW large project PBI cap, which was approved as part of APS's 2010 Implementation Plan. Those three projects pre-dated the introduction of the 2010 limitation. Of these 15 projects, four projects were reserved in 2009 for a lifetime commitment of almost \$40 million, and a total production of approximately 14,614 MWh or 35 percent of APS's 2009 non-residential DE requirement.¹³ To date, 11 projects have been reserved in 2010 for a lifetime commitment of \$61 million, and a total production of approximately 32,878 MWh or 47 percent of APS's 2010 non-residential DE requirement.¹⁴ All 15 projects are on the customer's side of the meter.

Viability and Security Deposits

You had raised concerns about the financial viability of bidders who respond to competitive solicitations for renewable energy projects, and have inquired whether there should be a mandatory security deposit for all projects that bid into RFPs or that are short-listed under RFPs. APS recognizes there is merit in requiring security deposits, and that the amount and timing of those deposits is a policy decision. APS currently requires RFP participants to post a non-refundable bidder's fee.¹⁵ This fee helps recover the administrative costs of the RFP process and ensures that bidders are serious developers.

In addition, bidders responding to APS's 2010 PV RFP and 2010 Arizona Wind RFP were required to provide development security for the projects selected, upon execution of the agreements. APS believes that this development security is generally in line with other utilities

¹² Issued January 29, 2010, Docket No. E-01345A-09-0308.

¹³ APS's 2009 non-residential DE requirement was 42,260 MWh.

¹⁴ APS's 2010 non-residential DE requirement is 70,653 MWh.

¹⁵ The non-refundable bidder's fee for Small Generator Standard Offer RFPs is \$3,000 and all other RFPs are \$5,000.

in our region and strikes a proper balance in the level of development security required. A meaningful amount is warranted to ensure project developers have adequate incentive to pursue projects to completion; however, any amount should be considered and balanced against the objectives of the targeted market segment. Too large a requirement can add a significant level of cost to the project and may unduly restrict industry participants in the competitive process to only the large, highly capitalized entities.

In contrast, APS does not believe it is appropriate to require commercial PBI customers to post a separate security deposit. Currently, the Company has milestones embedded in its non-residential DE program that require customers seeking a PBI incentive to meet certain criteria within a specified timeframe. If these milestones are not met, a customer's application will be cancelled and the funding will be reallocated. Additionally, in assessing the advisability of security deposits in the PBI program, there should be clarification of whom APS would be requiring security deposit compensation (customer or third-party developer). For projects involving both an APS customer and a third-party developer, consideration should be given to scenarios in which the customer pays a deposit, but a project fails to advance as a result of a developer's action or vice versa.

Utility Scale Generation

In response to your question regarding the approach APS would take if a utility-scale project failed to reach completion, the Company believes that the issue has generally been addressed in its 2011 Plan. In the 2011 Plan, APS has detailed the existing and anticipated projects that are expected to support the Company's compliance with the RES requirements. It should be noted that since the inception of the RES, APS has successfully met its renewable generation requirements and is on target to continue to meet this requirement through 2015.

Additionally, APS provides the following alternative plan should a project needed for RES compliance fail. Under those circumstances, the Company would pursue the following actions:

1. The Company is aware that at any given time there are a number of developers with projects in the "advanced phase" of development. In many instances these projects have obtained critical permits, interconnection studies, and in some instances, may have secured certain key project-related equipment. APS would work with this pool of developers in a targeted manner to assess the stability and economics of those projects to the Company's need. This effort would be initiated within one month of the failed contract.
2. The renewable development industry continues to introduce new projects on a regular basis. APS believes it will be important to assess what options might have been introduced through these new project development opportunities through the competitive procurement process. Specifically, APS would issue an RFP for all renewable energy resources to determine the availability of cost effective options. The RFP would be issued within one month of the failed contract.

- In conjunction with the efforts described above, the Company would continue to assess the role of APS ownership to secure renewable project development. For a variety of reasons, renewable project developers continue to be challenged to secure financing for their projects, even with executed contracts. APS believes that in concert with the efforts described above, APS ownership of renewable assets would continue the Company's diversification efforts for resource acquisition; would work to efficiently capture the financial/tax attributes associated with renewable project development; and perhaps most importantly, would increase the certainty of renewable project development. The Company would bring any proposal for utility ownership to the Commission for consideration.

The status of APS's utility-scale projects and key milestones that remain to be met in the next two years is set forth in the table below. Some of the information in this table has been redacted to protect competitively confidential information. APS has provided complete information to the Commission under seal.

| Existing Contracts and APS Resources: | Capacity (MW) | Next Milestone | Anticipated Date | Commercial Operation Date |
|--|----------------------|-----------------------|-------------------------|----------------------------------|
| Solar: | | | | |
| APS-Owned PV | 5 | In operation | — | — |
| Saguaro CSP (APS-Owned) | 1 | In operation | — | — |
| Project 1 | | Rate Agreement | 12/31/2010 | 06/30/2011 |
| Project 2 | | Start of Construction | 12/14/2010 | 10/30/2011 |
| Project 3 | | Financial Close | 12/31/2010 | 09/30/2011 |
| Project 4 | | Start of Construction | 02/01/2011 | 11/15/2011 |
| Project 5 | | ACC Approval | 11/16/2010 | 11/30/2011 |
| Project 6 | | | | |
| Wind: | | | | |
| Aragonne Mesa | 90 | In operation | — | — |
| High Lonesome | 100 | In operation | — | — |
| Perrin Ranch | 99 | | | 12/31/2011 |
| Geothermal: | | | | |
| CE Turbo | 10 | In operation | — | — |
| Biomass/Biogas: | | | | |
| Snowflake White Mountain Power | 25 | In operation | — | — |
| Sexton City of Glendale Landfill | 3 | In operation | — | — |

Feed-in Tariff Proposals (Wholesale Distributed Generation)

In response to your questions whether the budgeted amount for the fixed-price Feed-in Tariff ("FIT") filed in the 2011 Plan should be increased, APS does not believe that it is appropriate to raise funding beyond that which is in APS's current proposal. APS's proposed FIT programs are

three year pilot programs totaling over 100 MW at full deployment. These programs are intended to allow APS to test and monitor the overall effectiveness of these programs through a gradual increase over the course of three years.

Additionally, APS believes that it is too early to consider the expansion of this program. APS is proposing the Powerful Communities program with targeted customer participation, system sizes, and its current price offering in order to gauge the success of the program with these parameters. If limited program participation warranted an adjustment of the fixed price offering, the Commission could direct APS to do so in subsequent program years, based upon actual program experience.

In response to your inquiry regarding Arizona-manufactured solar equipment, APS realizes the economic reasons to support local businesses, particularly during the economic downturn the state is facing. However, APS also recognizes that the market has continued to develop and the costs have declined because this is a global market. It is APS's position that including a provision in the FIT program to require solar developers to make a good faith effort to utilize in-state equipment is a policy decision that is best addressed by the Commission; however, APS should not be required to obligate developers to use in-state equipment. In making its determination on this issue, the Commission should also consider whether focusing on in-state manufacturing might increase overall project costs by reducing competition.

As to your question whether the FIT proposals should count toward the DE requirements or the utility-scale RES requirements, APS believes that of its two proposed FIT programs, one appropriately should be counted as DE and the other as utility-scale generation. As filed in its 2011 Plan, APS proposed two programs aimed at different renewable energy market segments that embrace FIT principles: Powerful Communities, a wholesale DE FIT program that targets customer groups that to date have had limited participation in RES programs; and a Small Generator Standard Offer Program that would provide energy credited towards APS's renewable generation requirements. Projects resulting from the Small Generator Standard Offer Program would count towards the Company's utility-scale RES requirements and budgets; however, APS believes projects resulting from the Powerful Communities program meet the definition of wholesale DE resources described in the RES Rules.¹⁶

Research and Development Studies

You have indicated that there are a number of research and development ("R&D") studies that could be considered by the Commission. APS's position on those potential studies is outlined below.

i. Potential Cost/Benefit Study Regarding Increased RES.

You have indicated that the Commission would require additional data and information prior to addressing an increase to the RES standard, and asked for the utilities' opinions regarding such a study and the level of funding it would require. APS is not opposed to the commissioning of a

¹⁶ A.A.C. R14-2-1805(E).

study to evaluate the costs and benefits of increasing the RES; however, APS has already committed to the deployment of renewable resources over and above the RES standard. Further, the Company believes that this discussion is more appropriate within the resource planning process, as it is the proper mechanism to determine critical decisions regarding utilities' resource needs and the appropriate mix of different resource types to meet future needs.

ii. Potential Study Regarding Regulation of For-Profit Third-Party Renewable Energy Providers.

You have also asked whether it would be appropriate to utilize RES funding to conduct a study of issues surrounding the regulation of for-profit third-party renewable energy providers in advance of any future Commission action. APS believes that this issue warrants public policy consideration, and that the generic docket is the appropriate forum to hear the issues and provide the opportunity for all interested parties to participate. Likewise, the question of whether a study is necessary, and how it should be funded is best determined as part of the generic process.

iii. R&D Proposal for Energy Storage

You have expressed an interest in seeing an R&D proposal for battery or compressed air storage in the 2011 Implementation Plans. As part of the Company's 2011 Plan,¹⁷ APS intends to undertake an energy storage demonstration project. APS's technical staff is currently planning and developing a distribution level energy storage project to provide a better understanding of the issues encountered when operating and controlling an energy storage system connected to the electric grid. APS will deploy this demonstration project as part of the Community Power Project – Flagstaff Pilot.¹⁸

This effort is already underway. In April 2010, APS initiated a Request for Information for battery energy storage technologies, and in August 2010, APS issued an RFP for energy storage resources in Flagstaff, with the intent of implementing an energy storage facility installation in mid-2011. The primary goal of this demonstration project will be a better understanding of operating and controlling an energy storage system. This includes the potential to reduce the effect of short-term variability issues associated with solar PV generation by providing a means of regulation; the ability to store and shift energy delivery to facilitate a more constant load profile; and the cost, control and deferral opportunities provided by energy storage. APS intends to fund the integration and study requirements of this project from the 2011-2012 RDC&I budget at an estimated cost of \$1 million over the two year period.¹⁹

¹⁷ This is addressed in the Renewable Research, Development, Commercialization and Integration ("RDC&I") section of APS's 2011 Plan.

¹⁸ See Docket No. E-01345A-09-0227 for more details regarding the Community Power Project – Flagstaff Pilot.

¹⁹ The battery technology costs will be funded through other APS sources.

Kristin K. Mayes, Chairman

November 9, 2010

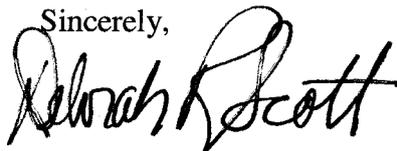
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iv. R&D Study Reports

As requested in the October Letter, APS intends to file a detailed written description of the current R&D projects that have received funding through the RES with the Commission prior to the Commission's vote on APS's 2011 Plan.

In closing, APS believes that the Company's 2011 Plan provides a comprehensive and balanced approach to the challenges in meeting the RES requirements in the coming year, and urges the Commission to approve the 2011 Plan as proposed. APS representatives will be available to further address related issues at both the Commission workshop and the Open Meeting where APS's 2011 Plan will be heard.

Sincerely,



Deborah R. Scott

DRS/jlj

Cc: Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Paul Newman
Commissioner Bob Stump
Ernest Johnson
Steve Olea
Janice Alward
Lyn Farmer
Ray Heyman
John Wallace
Jack Blair
Lyn Opalka
Vincent Nitido
C. Webb Crockett
Court Rich
Scott Wakefield

APS's Status of 2009 and 2010 Schools Program

| Project | Program Year | Project Size - kW (dc) | In service date* | Status |
|-------------------|--------------|------------------------|------------------|-----------|
| Sedona 1 | 2009 | 900 | 10/15/10 | Installed |
| Scottsdale 1 | 2009 | 968 | 08/31/10 | Installed |
| Scottsdale 2 | 2009 | 570 | 10/15/10 | Reserved |
| Aqua Fria 1 | 2009 | 708 | 09/10/10 | Installed |
| Aqua Fria 2 | 2009 | 386 | 07/12/10 | Installed |
| Paradise Valley 1 | 2009 | 940 | 09/30/10 | Reserved |
| Paradise Valley 2 | 2009 | 462 | 09/30/10 | Reserved |
| Paradise Valley 3 | 2009 | 972 | 09/30/10 | Reserved |
| Deer Valley 1 | 2009 | 142 | 07/02/10 | Installed |
| Scottsdale 3 | 2009 | 375 | 12/07/10 | Reserved |
| Scottsdale 4 | 2009 | 510 | 10/04/10 | Installed |
| Casa Grande 1 | 2009 | 275 | 10/15/10 | Installed |
| Phoenix 1 | 2010 | 359 | 08/30/10 | Reserved |
| Phoenix 2 | 2010 | 359 | 08/30/10 | Reserved |
| Phoenix 3 | 2010 | 349 | 08/30/10 | Reserved |
| Payson 1 | 2010 | 360 | 08/30/10 | Reserved |
| Arlington 1 | 2010 | 274 | 09/30/10 | Reserved |
| Santa Cruz 1 | 2010 | 235 | 09/30/10 | Reserved |
| Casa Grande 1 | 2010 | 345 | 11/26/10 | Reserved |
| Tempe 1 | 2010 | 75 | 08/30/10 | Reserved |
| Paradise Valley 4 | 2010 | 353 | 03/11/11 | Reserved |

*Actual in-service date is shown for installed projects. Estimated in-service date is shown for reserved projects.