



NOV 22 2010

MAYES PROPOSED AMENDMENT 5

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TIME/DATE PREPARED: November 22, 2010

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COMPANY: Arizona Public Service Company

AZ CORP COMMISSION
 DOCKET CONTROL

AGENDA ITEM NO. U-27

DOCKET NO. E-01345A-10-0166
 E-01345A-10-0262

OPEN MEETING DATE: Nov. 22, 2010

Page 12, Line 19, DELETE through Page 13, Line 23.

REPLACE WITH:

"Realignment of the calendar year and incentive year is an important part of providing customers and installers with a clear and readily understandable communication regarding annual activity. To accomplish this realignment APS shall deduct \$8.2 million committed to residential customer installations as part of the fourth quarter of 2010, equivalent to 600 customer reservations, from the residential incentive budget approved as part for the 2011 Implementation Plan. Those funds shall be paid to customers upon successful completion of the reserved installation. The remaining funds shall be divided as described in Table 1.

Table 1 – Residential Photovoltaic Incentive Funding Cycles and Incentive Reduction Triggers

| | Funding Cycle 1 Jan 1 – Mar 31 | Funding Cycle 2 Apr 1 – Jun 30 | Funding Cycle 3 Jul 1 – Sept 30 | Funding Cycle 4 Oct 1 – Dec 31 |
|---|---|-----------------------------------|---|---|
| Percent allocation of annual RES residential incentive budget | 25% | 25% | 25% | 25% |
| Incentive Step trigger | 50% of annual budget on or before June 31 | | 75% of annual budget on or before Sept 31 | 100% of annual budget on or before Dec 31 |

Incentive reductions remain an important part of the long-term success of the distributed energy program. Since many market forces will ultimately affect the costs and economics of residential photovoltaic systems, caution must be used in driving down the incentives available to customers. Incentive reductions should only occur if demand exceeds available funding during or beyond a particular funding period. If demand falters no incentive reduction should be triggered. Incentive reduction triggers are identified in Table 1. Incentive Steps are defined in Table 2. Funding Cycle of 2010 shall begin in Step 1 as described in Table 2, or \$1.75 per watt.

Table 2 – Photovoltaic Incentive Declination Steps

| APS Photovoltaic Incentive Reduction Steps (\$/watt) | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Step 1 | Step 2 | Step 3 | Step 4 | Step 5 | Step 6 | Step 7 | Step 8 | Step 9 | Step 10 |
| \$1.75 | \$1.60 | \$1.45 | \$1.30 | \$1.20 | \$1.10 | \$1.00 | \$0.95 | \$0.90 | \$0.85 |

To assist with communicating with customers, Incentive Reductions will be posted on the www.aps.com and www.arizonagoessolar.org websites in terms of the number of applications remaining in each Funding Cycle that is currently receiving applications. APS will be required to communicate the pending incentive reductions in terms of both available budget and the approximate number of available applications, which will be derived from the predetermined budget available for each incentive level. In this way, the budget will define the funding cycle thresholds, but APS will also communicate the Funding Cycle in terms of “available applications.” ”

| | | |
|------------------------|----------------------------|-----------------------|
| THIS AMENDMENT: | | |
| _____ Passed _____ | Passed as amended by _____ | |
| _____ Failed _____ | _____ Not Offered _____ | _____ Withdrawn _____ |