

**ORIGINAL  
OPEN MEETING**



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**MEMORANDUM**  
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Arizona Corporation Commission  
**DOCKETED**

DEC 8 2010

TO: THE COMMISSION 2010 DEC -8 A 10: 03

FROM: Utilities Division  
AZ CORP COMMISSION  
DOCKET CONTROL

DATE: December 7, 2010

DOCKETED BY

RE: ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR APPROVAL OF ARIZONA WIND POWER PURCHASE AGREEMENT (DOCKET NO. E-01345A-10-0314)

**Introduction**

On July 26, 2010, Arizona Public Service Company ("APS") filed an application with the Arizona Corporation Commission for approval of a Wind Purchase Power Agreement ("Perrin Ranch PPA" or "PPA"). A complete version of the PPA was provided to Staff under a confidentiality agreement. The proposed PPA would be established with Perrin Ranch Wind LLC ("Perrin Ranch") to purchase the full output of a proposed 99 megawatt ("MW") wind facility ("Perrin Ranch Wind Project" or "Project") over a 25 year period. Perrin Ranch would build, own, and operate the facility, and APS would contract with Perrin Ranch to purchase the energy produced by the facility and renewable energy credits ("RECs") associated with the generation.

Perrin Ranch is a subsidiary of NextEra Energy Resources LLC ("NextEra"). The application states that NextEra is the largest generator of renewable energy from wind and solar resources in North America, with approximately 90 facilities and more than 18,000 MW of renewable and conventional generation in operation. NextEra is one of two principal subsidiaries of NextEra Energy, Inc., along with Florida Power & Light.

The Perrin Ranch facility will be located approximately 13 miles north of Williams in Coconino County. The Project will use wind turbine generation to produce approximately 99 MW of renewable energy when producing at full capability. Energy will be generated by 62 wind turbine generators, located over approximately 20,000 acres. The Perrin Ranch Wind Project is forecast to provide approximately 282,000 megawatt-hours ("MWh") of renewable energy each year.

Power produced by the Perrin Ranch facility would help APS meet requirements in the Renewable Energy Standard and Tariff ("REST") rules. The REST rules require utilities to obtain certain portions of the total energy they supply from renewable resources such as wind. APS selected the Perrin Ranch project as a potential source of renewable energy following a competitive process that involved the issuance of a request for proposal ("RFP") and an analysis of bids. APS calculates that the price proposed for energy supplied by the Perrin Ranch Wind

Project would be approximately 16 percent greater than the cost of the conventional resource alternative, but is competitive with other renewable energy projects.

The PPA that APS proposes to establish with Perrin Ranch for purchase of the output from the wind facility includes safeguards in the form of penalty payments to APS should Perrin Ranch fail to deliver energy to APS according to certain requirements. These measures would mitigate risks to APS such as delay of the facility's construction or a shortfall in anticipated output from the facility.

### **APS' Request**

In its application, APS has specifically requested that the Commission make the following findings:

1. The Perrin Ranch Wind PPA was selected through a fair and competitive procurement process and fulfills the requirements of Section 15.2 of the Settlement Agreement;
2. The Perrin Ranch Wind Project is an eligible Renewable Energy Resource pursuant to RES Rule R14-2-1802, and the generation from the Project applies towards APS' obligation to acquire new renewable energy resources under Section 15.1 of the Settlement Agreement, as well as the Renewable Energy Standard;
3. All reasonable and prudent expenses incurred by APS for the Perrin Ranch Wind Project will be recoverable pursuant to Section 15.7 of the Settlement Agreement; and
4. In any subsequent inquiry into the prudence of the Perrin Ranch Wind PPA, the expense of renewable energy purchased under the PPA should not be deemed imprudent because the expense is greater than that of conventional generation, or because it exceeds the RES requirements.

### **REST Requirements**

The PPA would allow APS to procure the output of the Perrin Ranch facility. The energy obtained from the Perrin Ranch facility would meet certain requirements contained in the REST rules. The REST rules require that electric utilities procure energy from renewable resources such as solar, wind and geothermal generation. The following are excerpts from the rules that describe eligibility:

R14-2-1802(A)

*"Eligible Renewable Energy Resources" are applications of the following defined technologies that displace Conventional Energy Resources that would otherwise be used to provide electricity to an Affected Utility's Arizona Customers.*

R14-2-1802(A)(11)

*"Wind Generator" is a mechanical device that is driven by wind to produce electricity.*

The REST rules require that a portion of an electric utility's retail kilowatt-hour ("kWh") sales be generated from renewable resources. The rules allow utilities to meet the requirement through a combination of self generation, purchase of renewable energy, or purchase of RECs from other entities. The PPA that APS describes in this application would provide renewable energy to comply with the requirements of the REST rules. Since energy produced from the Project facility would be generated from wind and because wind resources are included as Eligible Renewable Energy Resources in the rules, Staff believes that the Perrin Ranch PPA is an Eligible Renewable Energy Resource pursuant to R14-2-1802.

### **Requirements of Settlement Agreement**

Under the Settlement Agreement approved by Decision No. 71448, APS is required to obtain additional renewable energy resources, over and above the requirements of the REST Rules. Specifically, Section 15.1 of the Settlement Agreement requires APS to "...make its best efforts to acquire new renewable energy resources with annual generation or savings of 1,700,000 MWh to be in-service by December 31, 2015,..." These new resources shall be in addition to existing resources or commitments as of the end of 2008..." In addition, Section 15.2 of the Settlement Agreement requires APS "...to issue a new request for proposals for in-state wind generation within 90 days of Commission approval of the Agreement. After evaluating potential projects, APS will file a request for Commission approval of one or more projects, within 180 days of issuance of the RFP."

### **APS' Implementation of Settlement Agreement Requirements**

The Settlement Agreement was approved by the Commission on December 30, 2009. APS issued a request for proposal ("RFP") for Arizona Wind Generation Resources on January 27, 2010, well within the Commission's 90-day time frame requirement. A total of seven different entities submitted responses which included 11 distinct projects / sites and 33 options. APS evaluated the responses to the RFP and selected the Perrin Ranch proposal as a finalist for further consideration. APS completed negotiations with the Perrin Ranch developers and subsequently submitted the project for Commission approval on July 26, 2010.

Merrimack Energy Group, Inc. ("Merrimack") was hired by APS as an Independent Monitor of the RFP and bidder selection processes. Merrimack's involvement began during the development of the RFP and continued through the final selection of the preferred resources. In its report detailing its oversight of APS' procurement process, Merrimack concluded that "...the bid evaluation and selection process was undertaken by APS in a fair, consistent and comprehensive manner. The implementation of the solicitation process was effectively managed

by APS, was conducted in conformance to the schedule outlined in the RFP, and should lead to benefits by consumers”.

Based on Staff’s review of the RFP, the Merrimack report, discussions with APS, and the quantitative and qualitative results of the selection process provided to Staff, Staff believes that the Perrin Ranch PPA was selected through a competitive bid procurement process. Staff concludes, based on this review, that considering the alternative proposals available to APS, the Perrin Ranch PPA is a reasonable means of meeting APS’ REST requirements, as well as the requirements of the Settlement Agreement.

**Detailed Description of Proposed Facility**

The Perrin Ranch facility will be developed on an approximate 20,000-acre (31.25 square miles) site located in Coconino County, Arizona, approximately 13 miles north of the City of Williams. Approximately 60 percent of the site is under private ownership (Perrin Ranch, LLC) with the remaining 40 percent owned by the Arizona State Land Department. The project developer will lease the site from the owners for the life of the project, except for the proposed switchyard property that will be purchased. The site is presently used for cattle grazing and ranching, which uses will continue during construction and during operation of the facility.

The Project will deploy 62 General Electric wind turbine generators along hilltop ridges across the site. The turbines will capture wind resources and generate electricity which will be gathered at a new substation to be constructed at the central point of the wind turbine array. From this new substation, electrical energy will be conducted along a new 230 kilovolt ("kV") generation tie transmission line (“Gen Tie Line”). The approximate 3.5-mile long Gen Tie Line will terminate at a new 230/500 kV switchyard adjacent to the existing Navajo 500 kV Moenkopi/Yavapai transmission line. The wind generator array has a nameplate rating of 99.2 MW, with an annual output of approximately 282,000 MWh.

[REDACTED]

[REDACTED]

The significant presence of wind generation in APS’ resource mix adds supply diversity to APS’ generation portfolio. Constraints to other fuels or to fossil fuels in general can be mitigated by the added generation the Perrin Ranch facility would supply. Staff notes that fuel stock for the Perrin Ranch facility, the wind’s energy, would not be purchased from either foreign or domestic vendors, will not deplete, is not subject to supply or transportation

constraints other than atmospheric conditions, and produces no waste product that is taxed or requires disposal.

### Detailed Description of the PPA

APS has entered into a 25-year PPA with Perrin Ranch. Perrin Ranch will construct, own, and operate the Perrin Ranch facility in order to generate electric energy to deliver under terms of the PPA. APS will receive the energy produced by the Perrin Ranch facility at the high side of the step-up transformer on the APS 500 kV system located between the 500 kV Yavapai substation and the 500 kV Moenkopi substation. The price of the energy (with associated RECs) will be fixed for the 25-year life of the PPA. [REDACTED]

Under terms of the PPA, APS anticipates receiving 282,000 MWh of electric energy per year. This annual production quantity is based on the facility's nameplate rating multiplied by the number of hours in a year multiplied by the facility's anticipated capacity factor. [REDACTED]

[REDACTED] The capacity factor is a measure of the expected energy production by the facility over the course of an entire year. Capacity factor is the annual expected total energy production from the facility divided by the energy that would be produced should the facility run at full output over the year. Capacity factor for a wind energy facility is primarily an indication of how robust the wind resource at the site is expected to be. [REDACTED]

The PPA contains several contractual provisions, including security provisions and performance guarantees, designed to mitigate APS' risks. [REDACTED]

The PPA defines the minimum amount of electric energy the Project must deliver to APS and provides for payment of monetary damages to APS for any production shortfall. APS has the right to terminate the PPA should the production shortfall continue beyond a prescribed date. [REDACTED]

The PPA defines an overall Project schedule with specific dates for the achievement of certain Project Milestones. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Staff recommends that, at any time APS collects or pays damage payments pursuant to the terms of the PPA, that it include in the next annual REST implementation plan filing information describing the amount collected or paid, cause for the collection or payment, and how the amount was calculated. The filing should also make a recommendation for the disposition of the proceeds, and if applicable inform the Commission of the measures APS intends to take in order to comply with REST requirements in light of the existing circumstances. Information deemed competitively confidential may be redacted in the filing. Staff makes this recommendation in order to ensure proper use of such proceeds and to ensure that the Commission is sufficiently informed of the disposition of the Perrin Ranch PPA and APS' efforts to comply with the requirements of the REST rules.

### **Energy Cost Analysis**

APS conducted an analysis of the PPA to estimate the value of the PPA compared to APS' projected cost of energy for a conventional resource alternative. This analysis concluded

that Perrin Ranch-generated energy is approximately 16 percent more costly than the conventional resource alternative (assuming a 1/1/2012 Commercial Operation Date).

National carbon tax legislation has been proposed that would place a tax on fuels that produce carbon dioxide when used. Generation of energy from fuels such as coal, natural gas and other fossil fuels that produce carbon dioxide would become more costly should such a tax be implemented. Cap-and-Trade legislation has also been proposed which would place limitations on the emission of a variety of greenhouse gases including carbon dioxide. Cap-and-trade legislation would make generation of electricity more expensive for generators needing to purchase credits in order to exceed emission caps. Overall, such measures would make generation of energy from fossil fuels more costly. The Perrin Ranch facility would not produce carbon dioxide or other greenhouse gasses as a byproduct of generation of electricity. Implementation of carbon taxes or cap-and-trade measures if implemented would raise the cost of generation avoided by Perrin Ranch generated energy. APS estimates that the energy procured by the PPA will help to avoid carbon dioxide emissions by an average of approximately 148,200 metric tons per year.

### **Typical Bill Analysis**

The instant application contained billing impact calculations for the various APS rate classes. Billing impact calculations were provided for both a January 1, 2012, and a January 1, 2013, Commercial Operation Date. Under both operation date scenarios, billing impact information was provided for the year the wind facility first comes online, and for the fifth and tenth years of operation. The following Table 1 summarizes these billing impacts.

**Table I. Billing Impact Summary**

January 1, 2012 COD	Average Monthly Bill Impact		
	2012	2017	2022
Residential (Average - All Rates)	\$0.54	\$ 0.29	\$ 0.07
	0.398%	0.214%	0.052%
Commercial (Rate E-32, 0-20 kW)	\$1.82	\$ 0.97	\$ 0.22
	0.899%	0.478%	0.109%
Commercial (Rate E-32, >20 kW)	\$ 19.90	\$ 10.59	\$ 2.41
	0.280%	0.149%	0.034%
Industrial (Rate E-34/35)	\$ 59.71	\$ 31.76	\$ 7.24
	0.022%	0.012%	0.003%
<b>January 1, 2013 COD</b>	<b>2013</b>	<b>2018</b>	<b>2023</b>
Residential (Average - All Rates)	\$ 0.33	\$ 0.08	\$ 0.02
	0.243%	0.059%	0.015%
Commercial (Rate E-32, 0-20kW)	\$ 1.10	\$ 0.26	\$ 0.06
	0.545%	0.128%	0.031%
Commercial (Rate E-32, >20kW)	\$ 12.07	\$ 2.84	\$ 0.69
	0.170%	0.040%	0.010%
Industrial (Rate E-34/35)	\$ 36.21	\$ 8.53	\$ 2.06
	0.013%	0.003%	0.001%

**Other Regulatory Matters**

In addition to Commission approval of the subject application, the Perrin Ranch project must also obtain a Certificate of Environmental Compatability (“CEC”) from the Commission for the 3.5-mile 230 kV Gen Tie Line.

**Staff Findings and Recommendations**

Staff’s findings and recommendations in this matter are as follows:

1. Based on Staff’s review of the information provided by APS, the RFP, a report on the matter issued by Merrimack Energy Group, Inc., discussions with APS, the quantitative and qualitative results of the selection process, and considering the alternative proposals available to APS, the Perrin Ranch Wind PPA was selected through a fair and competitive procurement process and fulfills the requirements of Section 15.2 of the Settlement Agreement.
2. The energy provided through the Perrin Ranch project is an application of “Wind Generation” as that term is used in the REST Rules. The Perrin Ranch project, as

described in the PPA, would displace conventional energy resources that would otherwise be used to provide electricity to APS' customers. Under these circumstances, the Perrin Ranch proposal would meet the requirements of an Eligible Renewable Energy Resource pursuant to R14-2-1802 and the generation from the Project applies toward APS' obligation to acquire new renewable energy resources under Section 15.1 of the Settlement Agreement, as well as the Renewable Energy Standard.

3. Staff's recommendations in this matter do not address the prudence of the PPA or otherwise address its ratemaking treatment, except that all reasonable and prudent expenses incurred by APS for the Perrin Ranch Wind Project should be recoverable pursuant to Section 15.7 of the Settlement Agreement.
4. In any subsequent inquiry into the prudence of the Perrin Ranch Wind PPA, the expense of renewable energy purchased under the PPA should not be deemed imprudent only because the expense is greater than that of conventional generation, or because it exceeds the REST requirements.
5. Staff recommends that, at any time APS collects damage payments pursuant to the terms of the PPA, it include in the annual REST implementation plan filing information describing the amount collected, cause for the collection, and how the amount was calculated. The filing should also make a recommendation for the disposition of the proceeds, and if applicable inform the Commission of the measures APS intends to take in order to comply with REST requirements in light of the existing circumstances.



Steven M. Olea  
Director  
Utilities Division

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ORIGINATOR: Rick Lloyd

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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 ARIZONA PUBLIC  
SERVICE COMPANY - APPLICATION  
FOR APPROVAL OF ARIZONA WIND  
POWER PURCHASE AGREEMENT

DOCKET NO. E-01345A-10-0314  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
December 14 and 15, 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 July 26, 2010, APS filed an application with the Arizona Corporation Commission for approval of a Wind Purchase Power Agreement ("Perrin Ranch PPA" or "PPA"). A complete version of the PPA was provided to Staff under a confidentiality agreement. The proposed PPA would be established with Perrin Ranch Wind LLC ("Perrin Ranch") to purchase the full output of a proposed 99 megawatt ("MW") wind facility ("Perrin Ranch Wind Project" or "Project") over a 25 year period. Perrin Ranch would build, own, and operate the facility, and APS would contract with Perrin Ranch to purchase the energy produced by the facility and renewable energy credits ("RECs") associated with the generation.
3. Perrin Ranch is a subsidiary of NextEra Energy Resources LLC ("NextEra"). The application states that NextEra is the largest generator of renewable energy from wind and solar resources in North America, with approximately 90 facilities and more than 18,000 MW of

1 renewable and conventional generation in operation. NextEra is one of two principal subsidiaries  
2 of NextEra Energy, Inc., along with Florida Power & Light.

3 4. The Perrin Ranch facility will be located approximately 13 miles north of Williams  
4 in Coconino County. The Project will use wind turbine generation to produce approximately 99  
5 MW of renewable energy when producing at full capability. Energy will be generated by 62 wind  
6 turbine generators, located over approximately 20,000 acres. The Perrin Ranch Wind Project is  
7 forecast to provide approximately 282,000 megawatt-hours ("MWh") of renewable energy each  
8 year.

9 5. Power produced by the Perrin Ranch facility would help APS meet requirements in  
10 the Renewable Energy Standard and Tariff ("REST") rules. The REST rules require utilities to  
11 obtain certain portions of the total energy they supply from renewable resources such as wind.  
12 APS selected the Perrin Ranch project as a potential source of renewable energy following a  
13 competitive process that involved the issuance of a request for proposal ("RFP") and an analysis of  
14 bids. APS calculates that the price proposed for energy supplied by the Perrin Ranch Wind Project  
15 would be approximately 16 percent greater than the cost of the conventional resource alternative,  
16 but is competitive with other renewable energy projects.

17 6. The PPA that APS proposes to establish with Perrin Ranch for purchase of the  
18 output from the wind facility includes safeguards in the form of penalty payments to APS should  
19 Perrin Ranch fail to deliver energy to APS according to certain requirements. These measures  
20 would mitigate risks to APS such as delay of the facility's construction or a shortfall in anticipated  
21 output from the facility.

## 22 **APS' Request**

23 7. In its application, APS has specifically requested that the Commission make the  
24 following findings:

25 a. The Perrin Ranch Wind PPA was selected through a fair and competitive  
26 procurement process and fulfills the requirements of Section 15.2 of the Settlement Agreement;

27 b. The Perrin Ranch Wind Project is an eligible Renewable Energy Resource pursuant  
28 to RES Rule R14-2-1802, and the generation from the Project applies towards APS' obligation to

1 acquire new renewable energy resources under Section 15.1 of the Settlement Agreement, as well  
2 as the Renewable Energy Standard;

3 c. All reasonable and prudent expenses incurred by APS for the Perrin Ranch Wind  
4 Project will be recoverable pursuant to Section 15.7 of the Settlement Agreement; and

5 d. In any subsequent inquiry into the prudence of the Perrin Ranch Wind PPA, the  
6 expense of renewable energy purchased under the PPA should not be deemed imprudent because  
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9 **REST Requirements**

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23 requirement through a combination of self generation, purchase of renewable energy, or purchase  
24 of RECs from other entities. The PPA that APS describes in this application would provide  
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...

1           13.     Based on Staff's review of the RFP, the Merrimack report, discussions with APS,  
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4 concludes, based on this review, that considering the alternative proposals available to APS, the  
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6 requirements of the Settlement Agreement.

7     **Detailed Description of Proposed Facility**

8           14.     The Perrin Ranch facility will be developed on an approximate 20,000-acre (31.25  
9 square miles) site located in Coconino County, Arizona, approximately 13 miles north of the City  
10 of Williams. Approximately 60 percent of the site is under private ownership (Perrin Ranch, LLC)  
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	2012	2017	2022
Residential (Average - All Rates)	\$0.54 0.398%	\$ 0.29 0.214%	\$ 0.07 0.052%
Commercial (Rate E-32, 0-20 kW)	\$1.82 0.899%	\$ 0.97 0.478%	\$ 0.22 0.109%
Commercial (Rate E-32, >20 kW)	\$19.90 0.280%	\$ 10.59 0.149%	\$ 2.41 0.034%
Industrial (Rate E-34/35)	\$59.71 0.022%	\$ 31.76 0.012%	\$ 7.24 0.003%
January 1, 2013 COD	2013	2018	2023
Residential (Average - All Rates)	\$ 0.33 0.243%	\$ 0.08 0.059%	\$ 0.02 0.015%
Commercial (Rate E-32, 0-20kW)	\$ 1.10 0.545%	\$ 0.26 0.128%	\$ 0.06 0.031%
Commercial (Rate E-32, >20kW)	\$12.07 0.170%	\$ 2.84 0.040%	\$ 0.69 0.010%
Industrial (Rate E-34/35)	\$36.21 0.013%	\$ 8.53 0.003%	\$ 2.06 0.001%

**Other Regulatory Matters**

26. In addition to Commission approval of the subject application, the Perrin Ranch project must also obtain a Certificate of Environmental Compatibility ("CEC") from the Commission for the 3.5-mile 230 kV Gen Tie Line.

**Staff Findings and Recommendations**

27. Based on Staff's review of the information provided by APS, the RFP, a report on the matter issued by Merrimack Energy Group, Inc., discussions with APS, the quantitative and qualitative results of the selection process, and considering the alternative proposals available to APS, the Perrin Ranch Wind PPA was selected through a fair and competitive procurement process and fulfills the requirements of Section 15.2 of the Settlement Agreement.

28. The energy provided through the Perrin Ranch project is an application of "Wind Generation" as that term is used in the REST Rules. The Perrin Ranch project, as described in the PPA, would displace conventional energy resources that would otherwise be used to provide electricity to APS' customers. Under these circumstances, the Perrin Ranch proposal would meet the requirements of an Eligible Renewable Energy Resource pursuant to R14-2-1802 and the

1 generation from the Project applies toward APS' obligation to acquire new renewable energy  
2 resources under Section 15.1 of the Settlement Agreement, as well as the Renewable Energy  
3 Standard.

4 29. Staff's recommendations in this matter do not address the prudence of the PPA or  
5 otherwise address its ratemaking treatment, except that all reasonable and prudent expenses  
6 incurred by APS for the Perrin Ranch Wind Project should be recoverable pursuant to Section 15.7  
7 of the Settlement Agreement.

8 30. In any subsequent inquiry into the prudence of the Perrin Ranch Wind PPA, the  
9 expense of renewable energy purchased under the PPA should not be deemed imprudent only  
10 because the expense is greater than that of conventional generation, or because it exceeds the  
11 REST requirements.

12 31. Staff recommends that, at any time APS collects damage payments pursuant to the  
13 terms of the PPA, it include in the annual REST implementation plan filing information describing  
14 the amount collected, cause for the collection, and how the amount was calculated. The filing  
15 should also make a recommendation for the disposition of the proceeds, and if applicable inform  
16 the Commission of the measures APS intends to take in order to comply with REST requirements  
17 in light of the existing circumstances.

#### 18 CONCLUSIONS OF LAW

19 1. Arizona Public Service Company is an Arizona public service corporation within  
20 the meaning of Article XV, Section 2, of the Arizona Constitution.

21 2. The Commission has jurisdiction over Arizona Public Service Company and over  
22 the subject matter of the application.

23 3. The Commission, having reviewed the application and Staff's Memorandum dated  
24 December 7, 2010, concludes that it is in the public interest to adopt Staff's recommendations.

#### 25 ORDER

26 IT IS THEREFORE ORDERED that Perrin Ranch Wind PPA fulfills the requirements of  
27 Section 15.2 of the Settlement Agreement.

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1           IT IS FURTHER ORDERED that the energy provided through the Perrin Ranch project  
2 would meet the requirements of an Eligible Renewable Energy Resource pursuant to R14-2-1802  
3 and the generation from the Project applies toward APS' obligation to acquire new renewable  
4 energy resources under Section 15.1 of the Settlement Agreement, as well as the Renewable  
5 Energy Standard.

6           IT IS FURTHER ORDERED that this Decision does not address the prudence of the PPA  
7 or its ratemaking treatment, except that all reasonable and prudent expenses incurred by APS for  
8 the Perrin Ranch Wind Project shall be recoverable pursuant to Section 15.7 of the Settlement  
9 Agreement.

10           IT IS FURTHER ORDERED that in any subsequent inquiry into the prudence of the Perrin  
11 Ranch Wind PPA, the expense of renewable energy purchased under the PPA shall not be deemed  
12 imprudent only because the expense is greater than that of conventional generation, or because it  
13 exceeds the REST requirements.

14           IT IS FURTHER ORDERED that at any time APS collects damage payments pursuant to  
15 the terms of the PPA, it shall include in the next annual REST implementation plan filing  
16 information describing the amount collected, cause for the collection, and how the amount was  
17 calculated. The filing should also make a recommendation for the disposition of the proceeds, and  
18 if applicable inform the Commission of the measures APS intends to take in order to comply with  
19 REST requirements in light of the existing circumstances.

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1 IT IS FURTHER ORDERED that this Decision is not intended to address approval of the  
2 PPA.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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5 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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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.

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ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

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DISSENT: \_\_\_\_\_

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DISSENT: \_\_\_\_\_

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SMO:RBL:lh\CH

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1 SERVICE LIST FOR: Arizona Public Service Company  
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