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MEMORANDUM

Arizona Corporation Commission

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TO: THE COMMISSION

DOCKETED

FROM: Utilities Division

MAR 15 2011

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DATE: March 15, 2010

DOCKETED BY

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

RE: ARIZONA PUBLIC SERVICE COMPANY- APPLICATION FOR APPROVAL OF ITS RENEWABLE ENERGY STANDARD AND TARIFF IMPLEMENTATION PLAN FOR 2010 – SMALL GENERATOR STANDARD OFFER PROGRAM (DOCKET NO. E-01345A-09-0338)

Background

On January 14, 2011, Arizona Public Service Company (“APS” or “Company”) provided information regarding two small renewable energy projects for the Commission’s review and consideration, in compliance with Commission Decision No. 71459. These projects were selected as part of APS’ approved Small Generator Standard Offer Program. With this filing, APS is seeking a finding from the Commission that these projects comply with Decision No. 71459, and are consistent with the Small Generator Standard Offer Program approved in APS’ 2011 Implementation Plan.

In 2009, APS implemented a one-year Small Generation Pilot Program and Request for Proposal (“RFP”) for renewable energy projects that would produce less than 35,000 megawatt-hours per year. There was significant market response to the RFP with more than 100 respondents, and ultimately 30 bidders. Decision No. 71459 ordered APS to do further competitive solicitation and bring additional projects to the Commission for review and consideration. This application is a result of that Commission directive.

In April 2010, APS issued a Small Generation RFP, the first in a series of solicitations through the Company’s Small Generator Standard Offer Program. APS’ Small Generator Standard Offer Program, including the solicitation method and the projected budget, were approved as part of APS’ 2011 Renewable Energy Standard and Tariff (“REST”) Implementation Plan (Decision Nos. 72022 and 72174). The program is intended to facilitate the development of renewable generation projects ranging from two to fifteen megawatts (“MW”). This smaller project scale is intended to expedite bringing projects into commercial operation.

Results of the 2010 Small Generator Solicitation

APS received 91 project proposals from 42 respondents to the April 2010 Small Generation RFP. After completing an evaluation of the proposals and completing contract negotiations, APS executed Small Generation Renewable Energy Purchase and Sale Agreements (“Agreements”) with two small generation developers.

The first project (“Surprise”) is a 3.2 MW landfill gas project, which would be located in Surprise, Arizona. The landfill gas project, which is expected to be operational by June 2012,

would provide APS with all the energy produced by the plant for a period of 20 years with pricing set forth in the Purchase and Sale Agreement.

The second project ("Tonapah") is a 15 MW photovoltaic project that would be located in Tonopah, Arizona. APS would purchase all of the solar energy from the project with pricing set forth in the Purchase and Sale Agreement. The commercial operation date is expected to be December 2012, and the term of the Agreement is 30 years.

The Agreements were executed on December 30, 2010 and January 14, 2011, respectively. A more detailed summary of each of these projects is provided in APS' application.

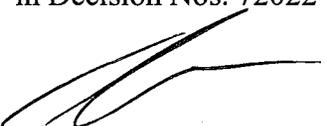
### **APS Requests**

APS believes that both of the Small Generation projects described in this filing comply with the Small Generator Standard Offer Program that has been approved by the Commission as part of the Company's 2011 Implementation Plan. In addition, APS believes that this filing fulfills the obligation to bring additional projects for Commission review and consideration, as required by Decision No. 71459. In future years, APS intends to report on the outcome of its Small Generator Standard Offer Program in its annual REST reports, which are filed in compliance with the REST Rules.

APS has requested that the Commission make a finding that the Surprise and Tonapah projects comply with Decision No. 71459; are consistent with the Small Generator Standard Offer Program approved in Decision No. 72022; and that no further action on the Small Generator contracts is required. In addition, APS has requested that the Commission make this finding no later than March 31, 2011, because the Agreements will automatically terminate on that date if the Commission has not acted.

### **Recommendations**

Staff's opinion is that these projects comply with Decision Nos. 71459, 72022, and 72174, and that no further Commission action on these Small Generator contracts is required. Staff recommends that the Commission find that APS' Surprise and Tonapah Projects comply with Decision No. 71459 and are consistent with the Small Generator Standard Offer Program approved in Decision Nos. 72022 and 72174.



Steven M. Olea  
Director  
Utilities Division

SMO:JJP:lhm\WVC

Originator: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF ARIZONA PUBLIC SERVICE )  
COMPANY FOR APPROVAL OF ITS )  
RENEWABLE ENERGY STANDARD AND )  
TARIFF IMPLEMENTATION PLAN FOR )  
2010 – SMALL GENERATOR STANDARD )  
OFFER PROGRAM. )

DOCKET NO. E-01345A-09-0338  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
March 29 and 30, 2011  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company (“APS” or “Company”) is engaged in providing electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

Background

2. On January 14, 2011, APS provided information regarding two small renewable energy projects for the Commission’s review and consideration, in compliance with Commission Decision No. 71459. These projects were selected as part of APS’ approved Small Generator Standard Offer Program. With this filing, APS is seeking a finding from the Commission that these projects comply with Decision No. 71459, and are consistent with the Small Generator Standard Offer Program approved in APS’ 2011 Implementation Plan.

...

1           3.       In 2009, APS implemented a one-year Small Generation Pilot Program and Request  
2 for Proposal ("RFP") for renewable energy projects that would produce less than 35,000  
3 megawatt-hours per year. There was significant market response to the RFP with more than 100  
4 respondents, and ultimately 30 bidders. Decision No. 71459 ordered APS to do further  
5 competitive solicitation and bring additional projects to the Commission for review and  
6 consideration. This application is a result of that Commission directive.

7           4.       In April 2010, APS issued a Small Generation RFP, the first in a series of  
8 solicitations through the Company's Small Generator Standard Offer Program. APS' Small  
9 Generator Standard Offer Program, including the solicitation method and the projected budget,  
10 were approved as part of APS' 2011 Renewable Energy Standard and Tariff ("REST")  
11 Implementation Plan (Decision Nos. 72022 and 72174). The program is intended to facilitate the  
12 development of renewable generation projects ranging from two to fifteen megawatts ("MW").  
13 This smaller project scale is intended to expedite bringing projects into commercial operation.

14 **Results of the 2010 Small Generator Solicitation**

15           5.       APS received 91 project proposals from 42 respondents to the April 2010 Small  
16 Generation RFP. After completing an evaluation of the proposals and completing contract  
17 negotiations, APS executed Small Generation Renewable Energy Purchase and Sale Agreements  
18 ("Agreements") with two small generation developers.

19           6.       The first project ("Surprise") is a 3.2 MW landfill gas project, which would be  
20 located in Surprise, Arizona. The landfill gas project, which is expected to be operational by June  
21 2012, would provide APS with all the energy produced by the plant for a period of 20 years with  
22 pricing set forth in the Purchase and Sale Agreement.

23           7.       The second project ("Tonopah") is a 15 MW photovoltaic project that would be  
24 located in Tonopah, Arizona. APS would purchase all of the solar energy from the project with  
25 pricing set forth in the Purchase and Sale Agreement. The commercial operation date is expected  
26 to be December 2012, and the term of the Agreement is 30 years.

27           8.       The Agreements were executed on December 30, 2010 and January 14, 2011,  
28 respectively. A more detailed summary of each of these projects is provided in APS' application.

1 **APS Requests**

2 9. APS believes that both of the Small Generation projects described in this filing  
3 comply with the Small Generator Standard Offer Program that has been approved by the  
4 Commission as part of the Company's 2011 Implementation Plan. In addition, APS believes that  
5 this filing fulfills the obligation to bring additional projects for Commission review and  
6 consideration, as required by Decision No. 71459. In future years, APS intends to report on the  
7 outcome of its Small Generator Standard Offer Program in its annual REST reports, which are  
8 filed in compliance with the REST Rules.

9 10. APS has requested that the Commission make a finding that the Surprise and  
10 Tonopah projects comply with Decision No. 71459; are consistent with the Small Generator  
11 Standard Offer Program approved in Decision No. 72022; and that no further action on the Small  
12 Generator contracts is required. In addition, APS has requested that the Commission make this  
13 finding no later than March 31, 2011, because the Agreements will automatically terminate on that  
14 date if the Commission has not acted.

15 **Staff Recommendations**

16 11. Staff's opinion is that these projects comply with Decision Nos. 71459, 72022, and  
17 72174, and that no further Commission action on these Small Generator contracts is required. Staff  
18 recommends that the Commission find that APS' Surprise and Tonopah Projects comply with  
19 Decision No. 71459 and are consistent with the Small Generator Standard Offer Program approved  
20 in Decision Nos. 72022 and 72174.

21 **CONCLUSIONS OF LAW**

22 1. APS is an Arizona public service corporation within the meaning of Article XV,  
23 Section 2, of the Arizona Constitution.

24 2. The Commission has jurisdiction over APS and over the subject matter of the  
25 application.

26 3. The Commission, having reviewed the application and Staff's Memorandum dated  
27 March 15, 2011, concludes that two small renewable energy projects that were selected as part of

28 ...

1 APS' approved Small Generator Standard Offer Program comply with Decisions No. 71459 and  
2 72022 and are consistent with the Small Generator Standard Offer Program.

3 ORDER

4 IT IS THEREFORE ORDERED that the Surprise and Tonopah projects comply with  
5 Decision No. 71459 and are consistent with the Small Generator Standard Offer Program  
6 approved in Decision Nos. 72022 and 72174.

7 IT IS FURTHER ORDERED that this Decision is not intended to address approval of  
8 the Agreements.

9 IT IS FURTHER ORDERED that this Decision does not address the prudence of the  
10 Agreements or their ratemaking treatment.

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

12 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

13  
14 CHAIRMAN

COMMISSIONER

15  
16 COMMISSIONER

COMMISSIONER

COMMISSIONER

17  
18 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
19 Executive Director of the Arizona Corporation Commission,  
20 have hereunto, set my hand and caused the official seal of  
21 this Commission to be affixed at the Capitol, in the City of  
22 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

23 \_\_\_\_\_  
24 ERNEST G. JOHNSON  
25 EXECUTIVE DIRECTOR

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

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

28 SMO:JJP:lhmm\WVC

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