

OPEN MEETING AGENDA ITEM



0000132732

ORIGINAL

RECEIVED

2011 DEC -8 P 4: 21

AZ CORP COMMISSION DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

DEC - 8 2011

DOCKETED BY

1 Deborah R. Scott, AZ Bar No. 012128  
 2 Thomas A. Loquvam, AZ Bar No. 024058  
 3 Pinnacle West Capital Corporation  
 400 North 5th Street, MS 8695  
 3 Phoenix, Arizona 85004  
 Tel: (602) 250-3616  
 4 Fax: (602) 250-3393  
 E-Mail: thomas.loquvam@pinnaclewest.com  
 5  
 6 Attorneys for Arizona Public Service Company

**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

9 GARY PIERCE, Chairman  
 10 BOB STUMP  
 SANDRA D. KENNEDY  
 11 PAUL NEWMAN  
 BRENDA BURNS

12  
 13 IN THE MATTER OF THE APPLICATION  
 OF ARIZONA PUBLIC SERVICE  
 14 COMPANY FOR APPROVAL OF ITS 2012  
 RENEWABLE ENERGY STANDARD  
 IMPLEMENTATION PLAN AND  
 15 REQUEST FOR RESET OF RENEWABLE  
 ENERGY ADJUSTOR.

DOCKET NO. E-01345A-11-0264

**ADDITIONAL STATUS UPDATE  
ON RES BUDGET FOR  
NOVEMBER 2011**

17  
 18 On November 4, 2011 Arizona Public Service Company updated the Commission  
 19 on the status of APS's 2011 Renewable Energy Standard budget and identified  
 20 approximately \$12 million in collected, but unspent, funds that were available for the  
 21 Commission to use at its discretion. APS has refined this number as end of the year  
 22 calculations bring clarity to final project budgets. As a result of its continued review,  
 23 the previously projected \$12 million is now projected to be \$19 million, and should be  
 24 available for use at the Commission's discretion. APS files this document to provide the  
 25 detail behind this amount.

26 ...  
 27 ...  
 28 ...

1       **I.     Update Regarding APS's 2011 RES Budget and Arizona Renewable**  
2       **Production Tax Credit.**

3           APS's November 2011 update identified approximately \$12 million in both tax  
4 credits and money that APS collected, but did not anticipate spending as a result of  
5 budget refinement and project developments. With changes in the timing of utility-scale  
6 project deployment, forecast production from renewable power purchase agreements,  
7 distributed energy project deployment and anticipated production, and other minor  
8 budget adjustments, the Company now forecasts that it will not spend \$9.3 million of  
9 collected 2011 RES dollars. In addition, APS continues to expect a total Renewable  
10 Energy Production Tax Credit (Credit) of approximately \$5.1 million from its AZ Sun  
11 projects. APS remains sufficiently confident in receiving this Credit that it believes  
12 these funds can be used to reduce the Company's RES budget in 2012.

13       **II.    Accounting Adjustments Will Reduce 2012 Revenue Requirements.**

14           The Company continues to review its accounting methods associated with the  
15 development of solar assets. Based upon current accounting rules and the characteristics  
16 of the AZ Sun projects, APS projects that it can use a lower cost of debt for project  
17 development. This will lower the revenue requirements for AZ Sun projects in 2012 by  
18 a total of \$1 million, reducing the total 2012 revenue requirement requested by the  
19 Company through the RES from \$44.2 million to \$43.2 million.<sup>1</sup>

20       **III.   Commission Staff Options A and B Adjustments Will Reduce 2012**  
21       **Revenue Requirements.**

22           In its Recommended Opinion and Order (ROO), Commission Staff proposed  
23 allocating 10 MW of the APS-proposed 25 megawatt (MW) expansion of Schools and  
24 Government to third-party development and financing. This recommendation would  
25 reduce APS financed projects to 15 MW. The Company continues to believe that a  
26 balanced portfolio favors the full 25 MW proposal be allocated to APS ownership;  
27 however, the Company understands and supports the intent of Staff's ROO. Following

28       

---

<sup>1</sup> If the Commission adopts Staff's proposal regarding the Chino Valley Project, this \$43.2 million number will drop to \$42.5 million.

1 Staff's recommendation would reduce APS's 2012 revenue requirement for this  
2 initiative by \$0.6 million.

3 **IV. APS Installed the Flagstaff Community Power Project at a Lower-Than-  
4 Forecasted Cost.**

5 Through its 2010 RES Implementation, APS requested that \$5.4 million of RES  
6 funds be allocated to developing the Flagstaff Community Power Project (CPP). Since  
7 that time, the Company deployed all of the residential solar installations and expects to  
8 complete the commercial solar system and Doney Park Renewable Energy Site in the  
9 first quarter of 2012. In addition, the company anticipates that all data collection  
10 devices and monitoring systems will be operational by February 2012.

11 APS has successfully accomplished these deployments at a lower-than-forecasted  
12 cost. This savings primarily resulted from two opportunities: (i) lower-than-forecasted  
13 system costs; and (ii) economies of scale resulting from installing a single commercial  
14 solar system at the Cromer School. Although APS will provide detailed project  
15 reporting in the Company's 2011 RES Compliance Report (to be filed in April 2012),  
16 APS projects that it will only need \$2.8 million of the originally allocated \$5.4 million  
17 to fully deploy the project through 2012. Therefore, the Company believes that it is  
18 appropriate to make \$2.6 million of previously collected RES funds available in 2012  
19 for the Commission to use at its discretion.

20 Additionally, the Company identified \$0.4 million in its 2012 Implementation  
21 Plan in operations and maintenance (O&M) for the Flagstaff project. Based on  
22 installation contracts and system warranties, however, the Company will not require that  
23 budget item in 2012. In the unlikely event that Flagstaff CPP project costs change, APS  
24 will adjust the 2013 RES budget as appropriate.

25 **V. Conclusion**

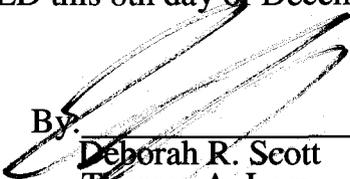
26 As described above, a total of \$19 million exists in connection with the 2012 RES  
27 for the Commission to use at its discretion. This amount comes from the following  
28 categories: (i) \$11.9 million in previously collected RES funds;<sup>2</sup> (ii) \$2.0 million of

---

<sup>2</sup> This sum represents \$9.3 million in 2011 current work plan adjustments and \$2.6 million in 2011 Flagstaff CPP funds.

1 reduced 2012 revenue requirements and Flagstaff CPP O&M;<sup>3</sup> and (iii) \$5.1 million in  
2 expected tax credits.

3 RESPECTFULLY SUBMITTED this 8th day of December, 2011.

4  
5 By: 

6 Deborah R. Scott  
7 Thomas A. Loquvam

8 Attorneys for Arizona Public Service Company

9 ORIGINAL and thirteen (13) copies  
10 of the foregoing filed this 8th day of  
December, 2011, with:

11 Docket Control  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
Phoenix, Arizona 85007

14 ...

15 ...

16 ...

17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27 <sup>3</sup> This sum represents a (i) \$1 million reduction to AZ Sun revenue requirements; (ii) \$.6 million  
28 reduction in revenue requirements for APS's School and Governments program; and (iii) \$.4 million  
reduction in projected Flagstaff CPP O&M.

1 COPY of the foregoing mailed/delivered this  
8th day of December, 2011 to:

2  
3 Steve Olea  
4 Utilities Division  
5 Arizona Corporation Commission  
6 1200 W. Washington  
7 Phoenix, Phoenix 85007

8 Janice Alward  
9 Legal Division  
10 Arizona Corporation Commission  
11 1200 W. Washington  
12 Phoenix, Phoenix 85007

13 Scott Wakefield  
14 Attorneys for The Solar Alliance  
15 Ridenour Hienton & Lewis, P.L.L.C.  
16 201 N. Central Ave, Suite 3300  
17 Phoenix, Phoenix 85004-1052

18 Lyn Farmer  
19 Chief Administrative Law Judge  
20 Arizona Corporation Commission  
21 1200 W. Washington  
22 Phoenix, Phoenix 85007

23 Daniel W. Pozefsky  
24 Chief Counsel  
25 RUCO  
26 1110 West Washington, Suite 220  
27 Phoenix, Phoenix 85007

C. Webb Crockett  
Attorneys for Freeport-McMoran and  
Arizonans for Electric Choice and  
Competition  
Fennemore Craig, P.C.  
3003 North Central Ave, Suite 2600  
Phoenix, Phoenix 85012-2913

Court Rich  
Attorney for SolarCity  
Rose Law Group P.C.  
6613 N. Scottsdale Rd, Suite 200  
Scottsdale, Scottsdale 85250

Timothy M. Hogan  
Attorney for Western Resource Advocates  
Arizona Center for Law in the Public  
Interest  
202 E. McDowell Rd, Suite 153  
Phoenix, Phoenix 85004

David Berry  
Western Resource Advocates  
P.O. Box 1064  
Scottsdale, Scottsdale 85252-1064

Ryan Hurley  
Attorney for AriSEIA  
Rose Law Group P.C.  
6613 N. Scottsdale Rd, Suite 200  
Phoenix, Phoenix 85250

28  
