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CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

Arizona Corporation Commission

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NOV 02 2012



14 IN THE MATTER OF THE APPLICATION
 15 OF ARIZONA PUBLIC SERVICE
 16 COMPANY FOR APPROVAL OF ITS 2012
 17 RENEWABLE ENERGY STANDARD
 18 IMPLEMENTATION FOR RESET OF
 19 RENEWABLE ENERGY ADJUSTOR

DOCKET NO. E-01345A-11-0264

**COMMENTS TO STAFF'S
RECOMMENDED ORDER RE:
APPLICATION TO MODIFY
RESIDENTIAL INCENTIVES**

20 APS thanks Staff for the October 24, 2012 Recommended Order and appreciates
 21 the opportunity to submit these comments. Staff recommends a paradigm shift in DE
 22 policy predicated on the assumption that DE is the least cost means for APS to acquire
 23 RECs. APS, however, disagrees that DE is the least cost renewable resource. Further,
 24 APS believes that adopting a new incentive budget reallocation model at the end of
 25 APS's 2012 RES Plan is inappropriate and qualitatively beyond the scope of APS's
 26 Application.

27 The Application before the Commission proposes a discrete shift in incentive
 28 funds to bridge the gap between the end of the 2012 incentive year and the
 Commission's decision regarding residential incentives in the 2013 RES Plan. Two
 industry groups—AriSEIA and SEIA—affirmatively support APS's Application. APS
 urges the Commission to approve APS's original application and defer consideration of
 Staff's paradigm shift, and the costs associated with DE, to APS's 2013 Plan.

1 **I. STAFF’S PROPOSAL DOES NOT ADDRESS ALL COSTS**
2 **ASSOCIATED WITH DE.**

3 Staff states that residential PV is a “bargain” and references Staff’s Report on
4 APS’s 2013 RES Implementation Plan.¹ According to Staff, the initial upfront incentive
5 paid to residential PV customers results in a low per kWh cost of solar. And in the 2013
6 Plan, Staff characterizes residential PV as the least cost means for APS to acquire
7 RECs.² Staff relies on this “least cost” assertion to support both its paradigm shift in the
8 2013 Plan and the proposed reallocation of 2012 incentive money. Staff’s conclusion,
9 however, does not account for all subsidies or costs associated with DE.

10 To accurately and comprehensively assess the cost of DE to customers, all cost
11 components must be considered. For example, staff ignores net metering impacts in
12 their “least cost” calculation. Customers enrolled in net metering avoid paying certain
13 costs for electric service they receive. Meanwhile, customers not enrolled in net
14 metering ultimately pay these costs for everyone. In effect, customers without net
15 metering subsidize customers with net metering.

16 The concerns underlying this subsidy are not limited to APS, or even Arizona.
17 Numerous utilities through the country are discussing net metering policy as they
18 grapple with the dilemma of redistributing costs from one customer segment to all other
19 customers. This issue is critically important and APS will begin discussing net metering
20 in comments to the 2013 RES Staff Report that will be filed on November 15. But this
21 Application does not present the best opportunity to assess the solar subsidy between
22 APS customers. Measuring the costs of DE is complicated and nuanced. Such an
23 assessment should not begin in the context of a relatively narrow Application regarding
24 2012 incentives.

25 ...
26 ...

27 ¹ See Staff’s Recommended Order and Opinion, Docket No. E-01345A-12-0290, p. 2 (October 24,
28 2012).

28 ² See Staff’s Recommended Order and Opinion, Docket Nos. E-01345A-10-0394 and E-01345A-12-
0290, p. 9 (October 18, 2012).

1 of the foregoing filed this 2nd day of
November, 2012, with:

2 Docket Control
3 ARIZONA CORPORATION COMMISSION
4 1200 West Washington Street
Phoenix, Arizona 85007

5 COPY of the foregoing mailed/delivered this
2nd day of November, 2012 to:

6 All Parties of Record.

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