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RECEIVED

1 FENNEMORE CRAIG, P.C.
 2 A Professional Corporation
 3 C. Webb Crockett (No. 001361)
 4 Patrick J. Black (No. 017141)
 5 3003 North Central Avenue, Suite 2600
 6 Phoenix, Arizona 85012
 7 Telephone (602) 916-5000
 8 Email: wcrocket@fclaw.com
 9 Email: pblack@fclaw.com

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Attorneys for Freeport-McMoRan Copper & Gold Inc.
and Arizonans for Electric Choice and Competition

BEFORE THE ARIZONA CORPORATION COMMISSION

9 IN THE MATTER OF ARIZONA PUBLIC
10 SERVICE COMPANY REQUEST FOR
11 APPROVAL OF UPDATED GREEN
12 POWER RATE SCHEDULE GPS-1, GPS-2,
13 AND GPS-3

DOCKET NO. E-01345A-10-0394

13 IN THE MATTER OF THE
14 APPLICATION OF ARIZONA PUBLIC
15 SERVICE COMPANY FOR APPROVAL OF
16 ITS 2013 RENEWABLE ENERGY
STANDARD IMPLEMENTATION FOR
ADJUSTOR

DOCKET NO. E-01345A-12-0290

**FREEPORT-MCMORAN COPPER &
GOLD INC. AND ARIZONANS FOR
ELECTRIC CHOICE AND
COMPETITION COMMENTS ON
STAFF'S MEMORANDUM AND
PROPOSED ORDER**

17
18 Freeport-McMoRan Copper & Gold Inc. ("Freeport-McMoRan") and Arizonans
19 for Electric Choice and Competition (AECC) (collectively "AECC") hereby submit these
20 Comments on Staff's Memorandum and Proposed Order ("Memorandum") dated October
21 18, 2012, concerning Arizona Public Service Company's 2013 REST (Docket No.E-
22 01345A-12-0290).

INTRODUCTION

23
24 In its Memorandum, Staff addresses the two renewable energy budget options
25 presented by Arizona Public Service Company ("APS"), as well as a third budget option
26 recommended by Staff. Of the three budget options presented, AECC recommends

1 adoption of APS Option 1, which results in the lowest REST charges to customers, while
2 still allowing APS to meet the aggressive target of double the amount of renewable energy
3 required by the REST Rules in 2015, consistent with the provisions of the Settlement
4 Agreement approved in Decision No. 71448.

5 At the same time, AECC supports the policy objective advanced by Staff in its
6 Memorandum to emphasize using the most cost-effective renewable energy technologies
7 to meet REST requirements, so long as it does not increase the overall budget parameters
8 of APS Option 1. AECC further recommends that as part of any paradigm shift, APS be
9 required to measure cost effectiveness of renewable energy options using the Ratepayer
10 Impact Measure test, which measures the rate impact on non-participants.

11 DISCUSSION

12 **I. Of the Three Budget Options Addressed by Staff, APS Option 1 Provides the** 13 **Smallest and Most Reasonable Level of Expenditure on Renewable Energy**

14 In accordance with Section 15.1 of the Settlement Agreement approved in Docket
15 No. E-01345A-08-0172, APS is obligated to make best efforts to attain a level of
16 renewable generation equivalent to twice the amount required by the REST rules in 2015.
17 AECC is signatory to that Settlement Agreement and recognizes that APS must have
18 sufficient funding to meet that commitment. At the same time, we ask the Commission to
19 recognize the substantial cost of APS's renewable programs and to limit the REST budget
20 to the minimum necessary to meet this aggressive target. AECC does not believe it is
21 reasonable for customers to fund renewable energy subsidies in excess of that amount.
22 APS Option 1, with a budget of \$86.8 million recovered from the REAC-1 according to
23 the Staff Memorandum, is the least cost of the three options addressed by Staff and for
24 that reason should be the preferred alternative.

25 APS Option 1 also has the advantage of retaining essentially the same REAC rates
26 as were in effect on January 1, 2012. Thus, of the rate options being considered, it is the

1 least impactful on customers.

2 Table 14 on page 8 of Staff's Memorandum (replicated below) presents a summary
3 of proposed APS renewable energy program budgets. To produce the total 2013 budget
4 of \$92.8 million for APS Option 1, Staff added REAC-1 funding of \$86.8 million (shown
5 in Staff Table 12) to \$6 million in renewable energy expenditures already in base rates
6 (shown in Staff Table 13). Staff derived the 2013 budget for APS Option 2 of \$102.4
7 million using the same approach. These budget totals are compared in Staff Table 14 with
8 the \$93 million in APS's 2012 renewable energy budget. According to this comparison,
9 the 2013 budget under APS Option 1 is nearly identical to the 2012 budget and APS
10 Option 2 represents an increase of 10.1% over 2012.

11 **Staff Table 14**

12 **Total Collection (REAC-1 plus Base Rates)**

	2012 Budget	2013 APS Option 1	2013 APS Option 2
13 Residential	\$45,754,025.65	\$45,915,994.14	\$50,718,762.28
14 Small Commercial	\$46,032,196.43	\$45,640,747.76	\$50,376,374.16
15 Large Commercial	\$1,213,777.92	\$1,243,258.10	\$1,304,863.56
<i>Total</i>	\$93,000,000.00	\$92,800,000.00	\$102,400,000.00

16 However, Table 14 fails to recognize \$36.8 million in annual REST program costs
17 that were shifted into base rates in mid-2012 as a result of the Settlement Agreement
18 approved in Docket No. E-01345A-11-0224 (Decision No. 73183). These dollars are
19 shown in AECC Table 1 and are spread among customer classes in the same proportions
20 as the \$6 million of renewable energy costs recovered in base rates shown in Staff Table
21 13. When the additional \$36.8 million in renewable energy expenditures are properly
22 included in the totals, as shown in AECC Table 2 below, it shows that 2013 renewable
23 energy expenditures are actually \$129.6 million if APS Option 1 is adopted and \$139.2
24 million if APS Option 2 is adopted. This means that under APS Option 1, renewable
25 energy expenditures are actually up 39.4% relative to the 2012 budget, and under APS
26 Option 2, renewable energy expenditures are actually up 49.7%. Moreover, including

1 these base rate expenditures in the total budget shows that the funding of renewable
 2 energy programs across customer classes is actually more proportionate to load than
 3 appears when this base-rate funding is excluded from the analysis.

4 **AECC Table 1**

Estimated Collection from Base Rates per Decision No. 73183			
Customer Class	2012	2013	2013
Residential	*	\$17,576,085	\$17,576,085
Small Commercial	*	\$15,133,916	\$15,133,916
Large Commercial	*	\$4,096,999	\$4,096,999
<i>Total</i>	*	\$36,807,000	\$36,807,000

9 *\$36.8 million (annually) was transferred from the RES adjustor into base rates on July 1, 2012.
 10 However, AECC believes this amount is already reflected in the 2012 Budget in Staff's Table 14.

11 **AECC Table 2**

Total Collections (REAC-1 plus Base Rates incl. Shift from Decision No. 73183)			
Customer Class	2012 Budget	2013 APS Option 1	2013 APS Option 2
Residential	\$45,754,025.65	\$63,492,079.14	\$68,294,847.28
Small Commercial	\$46,032,196.43	\$60,774,663.76	\$65,510,290.16
Large Commercial	\$1,213,777.92	\$5,340,257.10	\$5,401,862.56
<i>Total</i>	\$93,000,000.00	\$129,607,000.00	\$139,207,000.00

16 When this dramatic growth in actual renewable energy funding is taken into
 17 account, proposals to increase funding beyond APS Option 1 should not be considered.
 18 Indeed, if the commitments made in Docket No. E-01345A-08-0172 can be achieved with
 19 less funding than proposed in APS Option 1, then such a lower-cost option should be
 20 adopted.

21 **II. AECC Supports Staff's Recommendations to Emphasize the Most Cost-**
 22 **Effective Renewable Technologies.**

23 In accordance with Section 15.1 of the Settlement Agreement approved in Docket
 24 No. E-01345A-08-0172, APS is obligated to make best efforts to attain a level of
 25 renewable generation equivalent to twice the amount required by the REST rules in 2015.
 26 AECC is signatory to that Settlement Agreement and recognizes that APS must have

1 sufficient funding to meet that commitment. At the same time, we ask the Commission to
 2 recognize the substantial cost of APS's renewable programs and to limit the REST budget
 3 to the minimum necessary to meet this aggressive target. AECC does not believe it is
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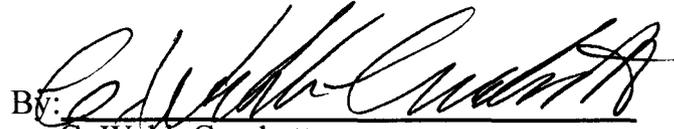
1 Indeed, if the commitments made in Docket No. E-01345A-08-0172 can be achieved with
2 less funding than proposed in APS Option 1, then such a lower-cost option should be
3 adopted.

4 **III. AECC Supports Staff's Recommendations to Emphasize the Most Cost-**
5 **Effective Renewable Technologies.**

6 In its Memorandum, Staff recommends a "paradigm shift" that would emphasize
7 using the most cost-effective renewable energy technologies to meet REST requirements.
8 AECC supports this principle so long as it does not increase REAC rates beyond the
9 levels proposed for APS Option 1. AECC further recommends that as part of any
10 paradigm shift, APS be required to measure cost effectiveness of renewable energy
11 options using the Ratepayer Impact Measure ("RIM") test. The RIM test is a well-
12 established evaluation tool described in the California Standard Practice Manual that
13 evaluates the rate impact of a utility program on non-participants. If certain renewable
14 energy technologies are to be advanced on the grounds of cost-effectiveness, the cost-
15 effectiveness to non-participants should be taken into account and given weight.

16 RESPECTFULLY SUBMITTED this 15th day of November, 2012.

17 FENNEMORE CRAIG, P.C.

18
19 BY: 
20 C. Webb Crockett
21 Patrick J. Black
22 Attorneys for Freeport-McMoRan Copper
& Gold Inc. and Arizonans for Electric
Choice and Competition

23 **ORIGINAL** and 13 copies filed
24 this 15th day of November, 2012 with:

25 Docket Control
26 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 **COPY** of the foregoing hand-delivered/mailed
this 15th day of November, 2012 to:

2 Teena Jibilian
3 Administrative Law Judge
4 Hearing Division
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, Arizona 85007

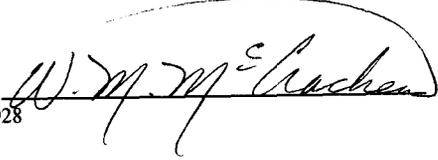
8 Janice Alward
9 Chief Counsel Legal Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Steve Olea, Director
14 Utilities Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Thomas A. Loquvam
19 PINNACLE WEST CAPITAL CORPORATION
20 400 North 5th Street, MS 8695
21 Phoenix, Arizona 85004

22 Court S. Rich
23 ROSE LAW GROUP, PC
24 613 N. Scottsdale Road, Suite 200
25 Scottsdale, Arizona 5250

26 Greg Patterson
MUNGER CHADWICK
2398 E. Camelback Road, Suite 240
Phoenix, Arizona 85016

By: 
7594928