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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY – APPROVAL OF ITS 2012 RENEWABLE ENERGY STANDARD IMPLEMENTATION FOR RESET OF RENEWABLE ENERGY ADJUSTOR

DOCKET NO. E-01345A-11-0264
DECISION NO. 73576
ORDER
APPLICATION TO MODIFY RESIDENTIAL INCENTIVES

Open Meeting
November 7 and 8, 2012
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 (“Commission”).
2. On October 16, 2012, APS filed an application with the Commission to modify its residential Renewable Energy Standard and Tariff (“REST”) incentives.
3. APS indicated that it has seen an unprecedented interest in its residential Distributed Energy (“DE”) program this year. The incentive for residential photovoltaic (“PV”) systems has gone from \$0.75 per Watt to \$0.20 per Watt in 2012 alone.
4. APS recently received 160 applications for incentives at \$0.20 per Watt in a single day. This number is more than the weekly average at the beginning of 2012, when the incentive was \$0.75 per Watt.

1 5. As of October 12, 2012, approximately \$370,000 remained in the residential PV
2 budget. At the same time, about \$1.9 million remained in the non-PV budget. APS projects that
3 the residential PV incentive will be fully allocated in the month of October. APS requested that
4 the Commission do the following:

- 5 • Shift \$650,000 from APS' current non-PV incentive budget to its residential PV
6 incentive budget; and
- 7 • Offer cash incentives at \$0.10/Watt for residential grid-tied PV until the re-
8 allocated funding is exhausted or the remainder of 2012, whichever occurs
9 sooner.

9 6. The APS proposal would leave the non-PV budget with over \$1.2 million for 2012
10 incentives.

11 7. Staff agrees that the residential grid-tied PV up-front incentive ("UFI") should be
12 reduced from \$0.20 per Watt to \$0.10 per Watt for re-allocated funds. Staff recommends that all
13 other incentive levels should stay at current levels.

14 8. Staff disagrees with the APS proposal to re-allocate \$650,000 from the current
15 residential non-PV incentive budget to the current residential grid-tied PV incentive budget. Staff
16 recommends instead that half of the non-PV budget remaining as of November 1, 2012, be re-
17 allocated to the residential grid-tied PV incentive budget.

18 9. Staff's recommendation is consistent with the Staff Report on the APS 2013 REST
19 Implementation Plan (Docket No. E-01345A-12-0290) that was docketed on October 18, 2012.
20 Briefly, in that report, Staff describes how APS claims to have already met its non-residential
21 REST DE requirements through 2020 and its residential REST DE requirements through 2015.
22 Staff argues that since APS has already met key requirements, the focus of APS' efforts should
23 shift to procuring the "least-cost renewable kWh" in order to meet the overall REST requirement
24 of 15 percent by 2025.

25 10. Staff argues that the current residential PV incentive of \$0.20 per Watt delivers
26 renewable kWh to meet the REST requirements at \$0.0115 per kWh. If the incentive is lowered to
27 \$0.10 per Watt as recommended by both APS and Staff, the resulting cost per kWh will be
28 \$0.00575 per kWh. Staff contends that this half-penny per kWh cost is a bargain compared to the

1 ten to 12 cents per kWh incentives being recommended by some parties for future schools and
2 government programs or the six to seven cents per kWh suggested by some stakeholders for non-
3 residential PV production-based incentives (“PBIs”).

4 11. Staff is proposing that the re-allocated remaining non-PV budget be allocated
5 according to the following schedule:

- 6 • 50% of funds go to residential PV UFIs
- 7 • 16% of funds go to non-residential UFIs
- 8 • 14% of funds go to non-residential PBIs
- 9 • 10% of funds go to residential non-PV
- 10 • 10% of funds go to Schools and Government

11 12. Staff further recommends that if a Commission decision is issued on this matter
12 after all of the current residential grid-tied PV incentive funding is exhausted, any application
13 received after such funding is exhausted shall be eligible, retroactively, for the \$0.10 per Watt
14 incentive of the re-allocated funds. If such decision is issued before the current residential grid-
15 tied PV incentive funding is exhausted, once the current funding at \$0.20 per Watt is exhausted, all
16 applicants will be placed in a queue for the \$0.10 per Watt re-allocated funding. Once all of the
17 2012 re-allocated funding is committed, those remaining on the list will become part of a waiting
18 list for incentives under the approved APS 2013 REST Plan, if any incentives for 2013 are
19 authorized by the Commission.

20 13. Staff recommends that APS be directed to make interconnections available to all
21 customers, whether incentive funds are available or not.

22 14. Finally, Staff recommends that the Commission order APS to provide to applicants
23 a written notice, either in hard copy or electronically, identifying the level of incentives available
24 at the time the applicants apply and stating that there is no guarantee of the level of future
25 incentives or even whether any future incentive will be available.

26 15. We appreciate Staff’s evaluation of APS’ application, and we recognize that Staff’s
27 recommendations in Findings of Fact Nos. 8, 9, 10, and 11 are consistent with its
28 recommendations in APS’ 2013 REST implementation plan. However, both APS and AriSEIA
29 have filed comments expressing concerns with portions of Staff’s recommendation in Findings of

1 Fact No. 8, 9, 10 and 11 and have suggested a more careful analysis of those recommendations is
2 needful. Accordingly, we believe it is prudent to decline to adopt those specific recommendations
3 today. We will consider them more fully in our evaluation of APS' 2013 REST implementation
4 plan. Therefore, we approve APS' application as filed, including Staff's recommendations in
5 Findings of Fact Nos. 1 through 7 and 12 through 14.

6 CONCLUSIONS OF LAW

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

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

11 3. The Commission, having reviewed the application and Staff's Memorandum dated
12 October 24, 2012, concludes that it is in the public interest to approve Arizona Public Service
13 Company's proposed modification of incentives and re-allocation of funding, as modified herein.

14 ORDER

15 IT IS THEREFORE ORDERED that \$650,000 shall be transferred from the non-PV
16 budget to the residential grid-tied PV incentive budget.

17 IT IS FURTHER ORDERED that the residential grid-tied PV incentive for the re-allocated
18 funds shall be \$0.10 per Watt and all other incentive levels shall remain at current levels.

19 IT IS FURTHER ORDERED that once the current funding at \$0.20 per Watt is exhausted,
20 all applicants will be placed in a queue for the \$0.10 per Watt re-allocated funding.

21 IT IS FURTHER ORDERED that once all of the 2012 re-allocated funding is committed,
22 those remaining on the list shall become part of a waiting list for incentives under the approved
23 APS 2013 REST Plan, if any incentives for 2013 are authorized by the Commission.

24 IT IS FURTHER ORDERED that Arizona Public Service Company shall make
25 interconnections available to all customers, whether incentive funds are available or not.

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27 ...

28 ...

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide to
 2 applicants a written notice, either in hard copy or electronically, identifying the level of incentives
 3 available at the time the applicants apply and stating that there is no guarantee of the level of future
 4 incentives or even whether any future incentive will be available

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

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

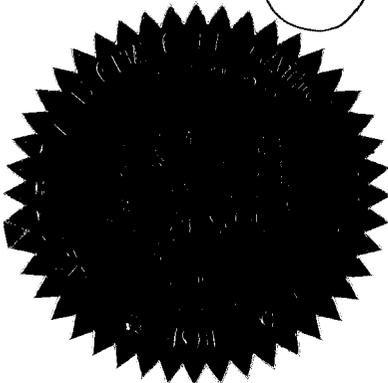
Gary J. Quinn
 CHAIRMAN

Paul G.
 COMMISSIONER

Andrew J. Grunick
 COMMISSIONER

EXCUSED
 COMM. NEWMAN
 COMMISSIONER

Ronnie Brown
 COMMISSIONER



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 21st day of November, 2012.

Ernest G. Johnson
 ERNEST G. JOHNSON
 EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RTW:lhmlJFW

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