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AZ CORP COMMISSION  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

9 BOB STUMP, Chairman  
10 GARY PIERCE  
11 BRENDA BURNS  
12 ROBERT L. BURNS  
13 SUSAN BITTER-SMITH

Arizona Corporation Commission

DOCKETED

JAN 22 2013

DOCKETED BY *JM*

12 IN THE MATTER OF ARIZONA PUBLIC  
13 SERVICE COMPANY – APPROVAL OF  
14 UPDATED GREEN POWER RATE  
15 SCHEDULE GPS-1, GPS-2 AND GPS-3

DOCKET NO. E-01345A-10-0394

15 IN THE MATTER OF THE APPLICATION  
16 OF ARIZONA PUBLIC SERVICE  
17 COMPANY FOR APPROVAL OF ITS 2013  
18 RENEWABLE ENERGY STANDARD  
19 IMPLEMENTATION FOR RESET OF  
20 RENEWABLE ENERGY ADJUSTOR

DOCKET NO. E-01345A-12-0290

**REPLY COMMENTS**

19 APS thanks Staff for its hard work throughout this docket and Staff’s thoughtful  
20 January 17, 2013 Response to APS’s earlier Comments. APS submits this Reply to offer  
21 an amendment addressing Staff’s prior “paradigm shift” and to address concerns  
22 regarding Staff’s proposed 2013 RES adjustor and budget.

**I. The Attached Amendment Will Implement Staff’s Suspension of the Paradigm Shift and Approval of APS’s Technical Conference.**

23 In its Response, Staff recommends that the Commission approve of APS’s  
24 technical conference. Staff agrees that the issues surrounding Staff’s “paradigm shift”  
25 are complex, and that a technical conference offers the best mechanism to consider those  
26 issues. Accordingly, APS attaches as Exhibit 1 to these Reply Comments a proposed  
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1 amendment that would implement Staff's recommendation. Specifically, the attached  
2 amendment (i) declines to adopt Staff's "paradigm shift"; and (ii) endorses the technical  
3 conference that APS announced in its November 15, 2012 Comments.

4 **II. Staff's Proposed 2013 Adjustor and DE Budget May Cause a Shortfall.**

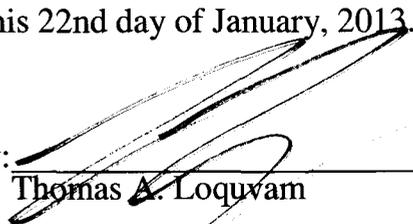
5 In its January 17 Response, Staff proposes a REST surcharge of \$0.009588 per  
6 kWh and certain customer class caps. APS is concerned, however, that this surcharge  
7 will result in a shortfall. This may occur, at least in part, because the 2013 RES adjustor  
8 will not be reset until after Open Meeting on January 23, 2013, and collections from  
9 January 1 through January 23, 2013 have occurred at the 2012 RES adjustor. In addition,  
10 it is not clear that the funds identified by Staff, including the proposed increases on the  
11 industrial customer caps, are sufficient to supply Staff's proposed 2013 DE budget.

12 APS is in the process of verifying its calculations regarding Staff's proposed  
13 budget. APS will be prepared to provide its assessment of Staff's proposed RES adjustor  
14 and 2013 DE budget during Open Meeting on January 23, 2013.

15 **III. Conclusion**

16 APS thanks the Staff again for its hard work, and thanks the Commission for the  
17 opportunity to comment. APS looks forward to answering any questions the  
18 Commission might have during Open Meeting.

19 RESPECTFULLY SUBMITTED this 22nd day of January, 2013.

20  
21 By:   
22 Thomas A. Loquvam  
23 Attorney for Arizona Public Service Company

24 ORIGINAL and thirteen (13) copies  
25 of the foregoing filed this 22nd day of  
26 January, 2013, with:

26 Docket Control  
27 ARIZONA CORPORATION COMMISSION  
28 1200 West Washington Street  
Phoenix, Arizona 85007

1 COPY of the foregoing mailed/delivered this  
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# Exhibit 1

**EXHIBIT 1**

**PROPOSED AMENDMENT**

**COMPANY:** Arizona Public Service Company  
**DOCKET NO(s):** APS Docket No. E-01345A-10-0394 and E-01345A-12-0290  
Approval of Updated Green Power Rates and Renewable  
Energy Standard 2013 Implementation Plan  
**OPEN MEETING DATE:** 1/23/2013

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Page 12 Line 13

**INSERT New Finding of Fact:**

However, the Commission believes that Staff's proposed paradigm shift, and reallocating RES funds based upon this paradigm shift, is premature. As noted by APS, all costs, including those beyond the RES adjustor, should be evaluated in determining what constitutes the least-cost kWh—not the least of which is the cost of RES-related programs imposed on those customers who do not participate in a renewable incentive program. We therefore decline to adopt Staff's paradigm shift and the related reallocation of RES funds. As an alternative to the paradigm shift, APS has announced a multi-series technical conference to address the costs and benefits associated with DE. APS has stated that the technical conference will be open to all stakeholders. APS has also stated that the technical conference shall be completed in the first part of 2013 and will culminate in APS filing either a jointly-developed solution on behalf of the technical conference participants, or an individual application related to DE if a consensus does not emerge during the technical conference. We endorse this approach and the consideration of the costs and benefits associated with DE in APS's technical conference.

Page 23 Line 3

**INSERT New Finding of Fact:**

However, because we decline to adopt Staff's paradigm shift and the related reallocation of RES funds, funds will not be reallocated according to Staff's recommended schedule.

Page 25

**DELETE** Ordering Paragraphs Line 10 through Line 20.

**INSERT** New Ordering Paragraph at Line 10:

**IT IS FURTHER ORDERED** that the Commission endorses the multi-session technical conference announced by Arizona Public Service Company as described in this Order.

Make all conforming changes.