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**ARIZONA CORPORATION COMMISSION**

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November 8, 2013

RE: Arizona Public Service Company ('APS') – Application for Approval of Net Metering Cost Shift Solution (Docket No. E-01345A-13-0248) and Pierce Letter to the Docket on October 17, 2013

Parties to the Docket:

My letter of October 17, 2013 in this docket asked for inputs relative to the Staff Recommended Opinion and Order ("ROO"), Staff Alternative #2. I specifically asked for opinions as to the most realistic values for Assumed Retail Rate and Assumed Utility Scale PPA Rate that could then be plugged into Staff's formula to calculate a DG Premium.

I would like to thank all those that took the time to respond to my letter. Although some of the responses chose not to answer the questions, I appreciate their reasoned and logical approach to advocating their position in relation to the Staff #2 alternative. Of those that did answer one or both questions, I am grateful for the insight that their answers provide. All responses will be helpful to me as I consider the pros and cons of each alternative offered in this docket.

Attached is a spreadsheet that compares the various inputs that were received so that we can compare to the original Staff ROO which is shown in the first column. The only variables are line "D" Assumed Customer Retail Rate and line "F" Assumed Utility Scale PPA Rate. As you can see the results varied from a low DG Premium calculation of \$-10.68/month to a high of \$56.89/month.

Please note the SEIA column and related footnote. Their response to my letter argued against using Staff Alternative #2 and did not provide any inputs. However, SEIA did file comments and exceptions to the Staff ROO in Docket No. E-01345A-13-0140 (APS 2014 Renewable Energy Standard Implementation Plan) where on page 3 line 17 thru page 5 line 5 they advocate for 25 MW Wholesale PPA projects that would consist of projects ranging from 2 – 15 MW and cost about \$2.10 per watt. Pricing out 25 MW at \$2.10/watt for a 20 year PPA resulted in the \$.064 Assumed Utility Scale PPA Rate shown in the SEIA column.

Sincerely,

Gary Pierce
Commissioner

Arizona Corporation Commission
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DG Premium Alternatives

	First					Western Resource Advocates			
	Staff (1)	TEP/UNS	APS	Solar (2)	SEIA (3)	IREC	IREC	(4)	
A Customer DG System Size (kW)	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
B Assumed Annual Rate of Production (kWh/kW)	1641	1641	1641	1641	1641	1641	1641	1641	1641
C Calculated Annual Production (kW)	10502	10502	10502	10502	10502	10502	10502	10502	10502
D Assumed Customer Retail Rate (per kWh)	\$ 0.125	\$ 0.110	\$ 0.135	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.115	\$ 0.108	\$ 0.108
E Annual Retail Cost of Production	\$ 1,313	\$ 1,155	\$ 1,418	\$ 1,313	\$ 1,313	\$ 1,313	\$ 1,208	\$ 1,132	\$ 1,132
F Assumed Utility Scale PPA Rate (per kWh)	\$ 0.100	\$ 0.082	\$ 0.070	\$ 0.070	\$ 0.064	\$ 0.100	\$ 0.100	\$ 0.090	\$ 0.120
G Annual PPA Cost of Production	\$ 1,050	\$ 861	\$ 735	\$ 735	\$ 672	\$ 1,050	\$ 1,050	\$ 945	\$ 1,260
H Annual DG Premium	\$ 262.56	\$ 294.07	\$ 682.66	\$ 577.63	\$ 640.65	\$ 262.56	\$ 157.54	\$ 186.94	\$ (128.13)
I Monthly DG Premium	\$ 21.88	\$ 24.51	\$ 56.89	\$ 48.14	\$ 53.39	\$ 21.88	\$ 13.13	\$ 15.58	\$ (10.68)
J LFCR DG Premium per kW	\$ 3.42	\$ 3.83	\$ 8.89	\$ 7.52	\$ 8.34	\$ 3.42	\$ 2.05	\$ 2.43	\$ (1.67)

(1) - per Staff report using "conservative values"

(2) - PPA rate is high end of First Solar range.

Customer retail rate same as Staff.

(3) - From SEIA Exceptions to Staff's ROO on APS 2014 REST Plan re-25 MW Wholesale PPA @ \$2.10 per watt assuming a 20 year PPA this calculates to a PPA rate of \$.064, the retail rate used is same as Staff. (Note: SEIA filed a separate letter objecting to Staff Alternative #2 and choosing not to respond to the Pierce questions.)

(4) - Western Resource Advocates indicated that somewhere between a \$.10 and \$.12 PPA would be the average for small projects.