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TIME/DATE PREPARED: 7:00AM, November 13, 2013

DOCKET NO(S). E-01345A-13-0248

OPEN MEETING DATE: November 13-14, 2013

The purpose of this Amendment is to provide for UFIs to balance and to minimize any adverse impact on solar installations. If Pierce Amendment No 1 passes, APS's Application for Approval of its 2014 Renewable Energy Standard Implementation Plan for Reset of Renewable Energy Adjustor (Docket No. E-01345A-13-0140) will need to be amended accordingly. The UFIs below are designed to achieve the same system payback as the current policy with an UFI set at zero.

INSERT new Section entitled Discussion on page 20, line 26 and new FOFs and renumber accordingly:

74. Staff finds through its analysis of APS's application that there is a cost shift from DG customers to non-DG customers currently occurring through the LFCR and that DG customers are not covering their share of costs APS incurs to provide service. RUCO has recently filed comments in the Docket which also recognize a cost shift from DG to non-DG customers. The evidence in the record to-date provides a range for the Commission to consider.

75. Of Staff's two alternatives, Staff Alternative 2 is probably closer to the actual cost shift that is occurring, but it is based on conservative inputs. When more realistic inputs are used, the actual cost shift is likely higher. According to APS's comments filed on November 4, 2013, more realistic inputs would result in a DG LFCR Adjustment of approximately \$8.89 per kW. And according to SEIA's exceptions filed in Docket No. E-01345A-13-0140 advocating for 25 MW of wholesale PPAs, a DG LFCR adjustment of approximately \$8.34 per kW can be calculated. The inputs from both APS and the solar industry are relatively close.

76. However, solar advocates argue that any DG LFCR Adjustment resulting from this Docket could have devastating consequences on the solar industry. In 2008, APS initially offered upfront incentives of \$3.00/watt to residential customers who installed solar DG systems. That incentive eventually went to \$0.10 at the beginning of 2013 and has now been completely eliminated. Even though the incentive has been eliminated, APS claims that solar installations continue at historic levels. That may change, if the solar advocates' predictions are correct.

77. APS notes that based on the expected level of residential rooftop solar installations it will see through year-end 2013, the Company estimates it would need 26 MW annually from 2014 through 2025 to remain in compliance with the residential component of the Distributed Energy portion of the REST Rules in 2025. The Commission believes that this amount of annual capacity should not be a cap for the amount of rooftop solar that can be installed in the APS service territory, but instead define the total UFI budget.

Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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PIERCE PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: 7:00AM, November 13, 2013

AGENDA ITEM NO. 10

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78. Listed below are several DG LFCR Adjustment breakpoints (with the associated per month charge based upon a 7kW system) contained within the record of this proceeding, an appropriate UFI offset to ensure that any adverse impact is minimized, and the associated REST Budget needed to fund 26 MW:

\$7.14 per kW (\$50.00 per month)	UFI of \$0.62 per watt	\$16,120,000 REST Budget Impact
\$5.71 per kW (\$40.00 per month)	UFI of \$0.49 per watt	\$12,740,000 REST Budget Impact
\$4.29 per kW (\$30.00 per month)	UFI of \$0.37 per watt	\$ 9,620,000 REST Budget Impact
\$2.86 per kW (\$20.00 per month)	UFI of \$0.25 per watt	\$ 6,500,000 REST Budget Impact
\$1.43 per kW (\$10.00 per month)	UFI of \$0.13 per watt	\$ 3,380,000 REST Budget Impact

79. We find for purposes of an interim adjustment, \$7.14 per kW (\$50.00 per month for a 7kW system) is an appropriate starting point within the range contained in the record of this case, until this matter is evaluated in APS's next rate case.

80. It is better to adopt a realistic interim DG LFCR Adjustment at the outset rather than adopting one that is not at all reflective of the actual cost shift that is occurring. However, to ensure that there is adequate incentive to install 26 MW of residential roof-top solar and to minimize incentives that may be required in the future when the Investment Tax Credit expires, we should adopt an appropriate UFI. It is important that this be done now on an interim basis, along with any interim DG LFCR Adjustment that is adopted. It appears that a UFI of \$0.62 per watt would provide a sufficient offset to balance a \$7.14 per kW interim DG LFCR Adjustment adopted herein.

81. However, the appropriate level of upfront incentive should be addressed in APS's 2014 REST Plan. APS states in comments to Staff's Report and Recommended Order that approximately \$35 million now exists in unallocated funding through the RES surcharge which could be allocated to fund up-front incentives for 2014. However, APS proposed and Staff agreed to allocate some of this excess (\$14 million) to reduce the 2014 budget and \$14 million to decrease the 2015 budget. If the \$14 million allocated to 2015 was instead used to fund UFIs plus the \$7 million in collected but unallocated funds due to the timing of the in-service date for the Solana Generating Station (as described in APS's November 4, 2013 filing), this would result in \$21 million in total unallocated funds. Therefore, if this \$21 million is used to fund UFIs, there would likely be no need to increase the 2014 REST Budget for this purpose.

82. APS shall be required to file monthly reports in this Docket which show the rate of residential rooftop solar installations and the impact upon its compliance requirements under the RES rules.

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INSERT the following sentence at the end of Conclusion of Law No. 3 on page 21, line 10:

However, on an interim basis, a DG LFCR Adjustment of \$7.14 per kW is an appropriate starting point within the range contained in the record of this case until this matter is evaluated at APS's next rate case.

DELETE the first Ordering Paragraph on page 21 and **INSERT** the following new Ordering Paragraphs on page 21 beginning at line 12:

IT IS THEREFORE ORDERED that the Commission shall adopt Staff Alternative 2, using more realistic assumptions that produce an interim DG LFCR Adjustment of \$7.14 per kW, until this matter is evaluated in APS's next rate case.

IT IS FURTHER ORDERED that a UFI of \$0.62 per watt shall be included in APS's 2014 RES Plan in Docket No. E-01345A-13-0140.

IT IS FURTHER ORDERED that by December 15, 2013, APS shall be required to file modifications to its LFCR Plan of Administration to account for the DG LFCR Adjustment of \$7.14 per KW per month established herein.

IT IS FURTHER ORDERED that APS shall file monthly reports in this Docket which show the rate of residential rooftop solar installations and the impact upon its compliance requirements under the RES rules.

****Please make all conforming changes**

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____