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March 7, 2014

Arizona Corporation Commission  
DOCKETED

MAR 07 2014

Ray T. Williamson  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007-2927



RE: Arizona Public Service Company 2014 RES Implementation Plan  
Voluntary Solar Contributions Program  
Docket No. E-01345A-13-0140

Dear Mr. Williamson:

In response to your letter dated February 26, 2014, APS appreciates the opportunity to provide additional information regarding its proposed Voluntary Solar Contributions Program (VSCP). The VSCP was filed on February 7, 2014 in response to Decision No. 74237, which required APS to file a proposed plan or plans of administration establishing a program under which individuals could contribute to funding solar rooftop distributed generation projects.

Attached to this letter is a revised plan of administration (POA) for the proposed VSCP that includes certain changes in response to issues raised by your questions. Specific responses to the questions are provided below.

1. Will APS be establishing a "segregated" interest bearing account for the Voluntary Solar Contributions Program? Why or why not?

The VSCP, as proposed, does not contemplate the use of a "segregated" interest bearing account to collect and hold funds. Establishing a segregated account increases costs and administrative burden and is not necessary to separately account for or accrue interest on funds. That being said, a segregated account could be established; however, the same objective can be achieved through internal accounting procedures at less overall administrative cost.

2. How will the billing format be modified to allow for voluntary contributions from customers?

APS would create a separate line item on a customer's monthly bill (tentatively labeled "Voluntary Solar Contribution" or "VSCP") to show the amount that customer has agreed to contribute on a monthly basis. This clarification is included in the revised VSCP POA in paragraph 3.1.

3. What is the method by which persons and entities may make direct voluntary contributions without using the APS bill method? (Those persons and entities could be either APS customers or non-APS customers.)

APS proposes that the general public could contribute to the VSCP by check, either personal or certified, sent to a specific address within the Company. APS customers could also choose this option if the customer wishes to make a one-time-only contribution rather than an ongoing monthly contribution. This contribution method is outlined in the attached revised VSCP POA in Section 3.

4. Why are prepay customers excluded from making contributions?

The Company's prepay customers do not receive monthly bills and therefore could not make contributions through the APS monthly billing process. However, prepay customers may make a contribution by check as discussed above; therefore, APS has removed the prepay limitation in the Eligibility section of the attached revised VSCP POA.

5. The VSCP seems to exclude any person and/or entity that is not an APS customer. Is this correct? If yes, why should non-APS customers be excluded from making contributions?

As filed, the Company's VSCP contemplates contributions would be received from APS customers only. The revised proposed VSCP would allow any individual or entity to contribute by sending a check to an internal APS address as discussed above.

6. What is the purpose of paragraph 3.2?

The purpose of paragraph 3.2 (now paragraph 3.1.1 in the attached revised VSCP POA) is threefold. First, the paragraph notifies the customer that all bills, including the VSCP portion of a bill, will be treated the same way monthly bills are treated today. As an example, once a customer makes a commitment to contributing monthly to the VSCP, that customer's bill will be considered delinquent if the billing amount - including the VSCP - is not paid in full each month. Second, the paragraph assures the customer that any partial bill payment or overpayment will be first allotted to the non-VSCP portion of a bill. If the Company receives additional payments inadvertently or deliberately on the customer's part (for example, some customers prefer to pay a month early if they know they will be on vacation at the time the next monthly bill is due), the additional payment will not be considered a contribution to the VSCP.

Finally, the Company wishes to be clear that any contribution to the VSCP cannot be considered deductible for purposes of the customer's tax calculations, as APS is not a non-profit institution. This provision is now in paragraph 3.4 of the revised VSCP POA.

7. If there is no active Up-Front Incentive ("UFI") program and there are funds in the VSCP account, why would APS not request that a UFI program be approved by the Commission?

As discussed in Decision No. 74237, the proposed program is to be targeted to funding rooftop solar distributed generation. The Commission has determined that direct cash incentives are not necessary to encourage rooftop solar installations today.

If the Commission determines that, as a matter of policy, incentives are again in the public interest for the continuation of the rooftop solar market or if APS determines they are needed to achieve compliance with the RES, APS will recommend a new incentive program as part of the Company's annual RES Implementation Plan process. APS believes the appropriate forum to consider any incentive program is within the Implementation Plan proceedings where budgets, program parameters, compliance, and other critical issues can be discussed in conjunction with ongoing programs and costs as part of an overall RES strategy. APS also believes that a minimum level of funding would be necessary to reinstitute a UFI program (please see the Company's response to Question 9).

If a new solar rooftop incentive program is approved by the Commission, APS will distribute funds collected through the VSCP to that approved incentive program as described in the VSCP POA.

8. APS has proposed only annual reporting for the VSCP program, while Decision No. 74237 requests semi-annual reporting concerning the funds received, the interest reinvested, the expenditures, and balance in the VSCP account. Why has APS not proposed semi-annual reporting?

APS proposed annual reporting to correspond with its RES compliance filings. APS has revised its VSCP POA to provide for reports every six months containing information regarding funds received, number of contributors, interest accrued, expenditures, balances in the VSCP account, and effectiveness of the program in promoting solar rooftop distributed generation. A report, specific to the VSCP, would be provided on October 1<sup>st</sup> of each year while the April 1<sup>st</sup> report would be included within the Company's annual RES Compliance Report. The attached revised VSCP POA reflects this additional reporting requirement.

9. What level of funds in the VSCP account would APS consider to be sufficient to implement UFIs?

APS believes the minimum amount necessary to support and implement a meaningful up-front incentive program is \$1,000,000. Based on recent market activity, and assuming an incentive level of 10 cents/watt, this funding amount would provide approximately 10 MW of solar rooftop distributed generation and would be available for only three to six months before funding would be exhausted.

10. What would APS recommend as the appropriate levels of UFIs for each type of distributed generation ("DG") installation once sufficient funds are available in the VSCP account?

The most recent incentive program for solar rooftop distributed generation ended at 10 cents/watt, and APS would not recommend an incentive lower than that due to the costs necessary to administer an incentive program. However, the appropriate incentive level for any program would depend on many factors including market

penetration of solar at the time the program is implemented and the total amount of funding available.

11. How and when would the UFIs from the VSCP program be made available?

As described in Section 4 of the Company's VSCP POA, once an active solar rooftop UFI incentive program is established by the Commission, the Company will distribute funds collected through the VSCP on an annual basis to the incentive program to augment the UFI budget approved by the Commission in the implementation plan. If no active solar rooftop incentive program exists, the Company would distribute the funds annually to a different active incentive program approved by the Commission (such as a solar thermal program). If no active incentive program has been approved by the Commission at all, the Company will hold the funds in the VSCP account until the monthly contributions reach \$50,000, at which time APS will recommend to the Commission how the funds could be used.

12. How will APS promote/advertise the VSCP to its customers and to the general public (i.e., non-customers)?

At the current time, APS does not have available funding for marketing the VSCP program; therefore, the Company would explore low-cost and no-cost methods of promoting the program including promotional participation by the solar industry. Should funding become available, APS would contemplate promotional and marketing efforts such as bill messages, bill inserts, and radio advertisements. The type and depth of marketing efforts will be directly related to the amount of funding made available.

13. How often would APS report to the Commission on its efforts to promote and advertise the VSCP program to ratepayers, stakeholders, the general public, and other entities?

APS would report on promotional and advertising efforts and budgets as part of the six-month VSCP reports described in the Company's response to Question 8.

14. How and when would APS provide reports on the effectiveness of the VSCP program in promoting DG programs?

APS would report on the effectiveness of the program in promoting solar rooftop distributed generation as part of the six-month VSCP reports described in the Company's response to Question 8.

APS anticipates that the preferred contribution method for APS customers will be the monthly bill contribution. That method requires reprogramming of the Company's customer information system and call center software, training for the call center associates, testing the accuracy of the reprogrammed bill and scheduling the implementation of the system changes. These steps will require a minimum of six months to implement and the initial cost of this project is expected to be approximately \$750,000. Annual costs of approximately \$25,000 will be required for software maintenance and continuing call center training to maintain this contribution method. As noted in the Company's initial filing, APS remains concerned that the cost of the VSCP may exceed any reasonable expectation of VSCP funding.

If the Commission desires a potentially less costly alternative for the Company's ratepayers, other options could be explored. For example, a third-party non-profit organization may be able to receive and disburse funds to specific projects as identified by the utilities, stakeholders, and the Commission. Or, the Commission could consider a funding pool into which any and all Arizona utility customers as well as the general public could contribute, thereby increasing the funds available for a particular project or broadly based incentive program. APS would be happy to discuss possible alternative programs with you and Commissioners.

APS hopes that this information helps clarify the intent of the Company's proposed VSCP and addresses some of your concerns regarding the program. If you have additional questions, please call Greg Bernosky at 602-250-4849 or contact him at [Gregory.Bernosky@aps.com](mailto:Gregory.Bernosky@aps.com).

Sincerely,



Lisa Malagon

LM/bgs

c: Docket Control  
Chairman Bob Stump  
Commissioner Gary Pierce  
Commissioner Brenda Burns  
Commissioner Bob Burns  
Commissioner Susan Bitter Smith  
Terri Ford  
Steve Olea



1. GENERAL DESCRIPTION:

This document describes the administration of the Voluntary Solar Contribution Program (VSCP) approved for Arizona Public Service Company (APS or Company) by the Arizona Corporation Commission (Commission) in Decision No. \_\_\_\_\_. The VSCP provides a way for individuals and entities to support solar rooftop distributed energy projects by voluntarily contributing funds over and above those collected through the Commission's mandatory Renewable Energy Standard adjustor mechanism. All funds collected through the VSCP will be utilized to augment renewable energy programs authorized by the Commission and as defined in the Company's annual Renewable Energy Standard Implementation Plan (RES IP).

2. ELIGIBILITY:

Any individual, customer, ratepayer, stakeholder, entity, or member of the general public may make voluntary contributions to the VSCP as described in this Plan of Administration. Participation is not limited to APS customers.

3. BILLING AND COLLECTION OF FUNDS:

3.1 A customer of record (as defined in the Company's Service Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services) may make voluntary contributions to the VSCP through recurring charges on the customer's monthly APS bill in a dollar amount specified by the customer. The VSCP contribution will show as a separate line item on the monthly bill. Customers may participate in the VSCP by placing a call to the Company's customer service representatives at 602-371-7171 or toll-free at 800-253-9405.

3.1.1 Customer billing, including delinquencies, will be subject to the Company's Service Schedule 1. Any partial bill payment made by a customer participating in the VSCP will be allocated first to the rate portion of the bill, while any overpayment will be allocated to the rate portion of the customer's subsequent monthly bill.

3.1.2 Customers may discontinue monthly contributions to the VSCP at any time without penalty through a call to the Company's customer service representatives.

3.2 Members of the general public, or APS customers wishing to make a one-time-only contribution, may participate in the VSCP by sending a check (personal or certified) to APS at:



**VOLUNTARY SOLAR CONTRIBUTION PROGRAM  
PLAN OF ADMINISTRATION  
DRAFT REVISED 3/7/2014**

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Arizona Public Service VSCP  
Mail Station 9649  
P.O. Box 53999  
Phoenix, Arizona 85072-3999

Checks should be drafted to Arizona Public Service VSCP.

- 3.3 Funds collected through the VSCP will be accounted for as follows:
  - 3.3.1 Funds collected from participating residential customers will be separately accounted for and designated for use in an active residential solar rooftop distributed generation UFI program as approved by the Commission in the Company's annual RES IPs.
  - 3.3.2 Funds collected from participating non-residential customers will be separately accounted for and designated for use in an active non-residential solar rooftop distributed generation UFI program as approved by the Commission in the Company's annual RES IPs.
- 3.4 Contributions to the VSCP are not tax deductible.
- 4. DISTRIBUTION OF FUNDS:
  - 4.1 Funds collected through the VSCP will be distributed annually in accordance with the APS Distributed Energy Administration Plan at grid-tied solar photovoltaic UFI levels authorized by the Commission in the Company's annual RES IPs.
    - 4.1.1 Funds collected from residential customers will be distributed to residential incentive programs only.
    - 4.1.2 Funds collected from non-residential customers will be distributed to non-residential incentive programs only.
  - 4.2 In the event the Company has no active approved solar rooftop distributed generation UFI programs during the time the VSCP is in effect, the Company may annually distribute the funds through a different active UFI program approved by the Commission (such as a solar thermal program).
  - 4.3 If no UFI program is active, funds collected through the VSCP will be held by the Company and will accrue interest until the accounts collectively reach \$50,000.



**VOLUNTARY SOLAR CONTRIBUTION PROGRAM  
PLAN OF ADMINISTRATION  
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- 4.3.1 Interest will accrue at a rate equal to the one-year Nominal Treasury Maturities rate from the Federal Reserve H-15 or its successor publication, adjusted annually on the first business day of the calendar year.
- 4.3.2 If, once the VSCP funding collectively reaches \$50,000 the Company continues to have no active UFI program, APS will propose to the Commission an alternative use for the funds in an active renewable program or will propose to continue the VSCP program and hold accrued funds for a future use.
- 4.4 If, after administering the VSCP for a period of time, the Company believes in good faith that the funding through the VSCP will not reach \$50,000, APS will apply to the Commission to discontinue the program and to release any funds remaining in the VSCP accounts as directed by the Commission.

**5. REPORTING:**

The Company will provide a status report of the VSCP every six months. Reports will be provided to the Commission on October 1 (as a stand-alone status report) and on April 1 (in the annual RES Compliance Report). The report will contain information regarding the number of participating customers, funds collected in the reporting period, total funds held with any applicable interest accrued, expenses associated with the VSCP, and the effectiveness of the VSCP in promoting solar rooftop distributed generation.

Should the Company determine the VSCP is no longer effective and request the Commission to close the program and release any funds collected, any such request will be made within the Company's annual RES IP.