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ORIGINAL

ARIZONA CORPORATION COMMISSION  
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9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 COMMISSIONERS

11 BOB STUMP, Chairman

12 GARY PIERCE

13 BRENDA BURNS

14 ROBERT L. BURNS

15 SUSAN BITTER SMITH

Arizona Corporation Commission

DOCKETED

APR 28 2014

DOCKETED BY

16 PROPOSED RULEMAKING TO MODIFY  
17 THE RENEWABLE ENERGY STANDARD  
18 RULES IN ACCORDANCE WITH ACC  
19 DECISION NO. 74365.

DOCKET NO. RE-00000C-14-0112

**REBUTTAL COMMENTS**

20 APS submits these rebuttal comments on three discreet issues that emerge from  
21 the parties' submissions.

22 **A. RUCO's modified "Track and Monitor" merits serious consideration.**

23 RUCO's proposal would preserve RECs by not requiring utilities to retire RECs  
24 in order to establish compliance. In addition, it would recognize the fact of all DG, even  
25 if it is customers, not utilities, installing that DG. And the proposal would provide  
26 certainty to utilities by permitting prospective waivers of the DG carve out if sufficient  
27 capacity is installed. With prospective waivers, utilities know in advance whether they  
28 have grounds to seek a waiver, or need to propose additional programs in their annual  
REST filings to stimulate additional DG market activity. Finally (and most importantly),  
RUCO's modified Track and Monitor would avoid imposing additional costs on  
customers. APS supports RUCO's proposal as a cost effective means for utilities to  
achieve compliance.

1       **B. SEIA's proposals would only impose additional costs onto customers that**  
2       **could otherwise be avoided.**

3       SEIA's primary proposal would permit waivers of the DG carve out if  
4       unincentivized DG were installed, but would then replace the waived carve out with a  
5       requirement that utilities back fill any waived compliance with utility-scale RECs. In  
6       other words, unincentivized DG would not be recognized in anyway and customers  
7       would incur additional costs they could otherwise avoid by paying for the replacement  
8       RECs from utility-scale generation. APS does not support SEIA's primary proposal  
9       because it would increase costs on customers and ignore all unincentivized DG installed  
10      in APS's service territory.

11      Similarly, APS does not support SEIA's alternative proposal because it would  
12      also impose avoidable costs on customers. Under SEIA's alternative proposal, utilities  
13      would acquire DG RECs from customers by (i) separately purchasing RECs from a third  
14      party source; and (ii) providing those separately acquired RECs to customers that install  
15      DG in exchange for the customers' DG RECs. Because requiring utilities to separately  
16      procure RECs would impose avoidable costs on customers, APS does not support  
17      SEIA's alternative proposal.

18      **C. TASC's proposal would increase the DG carve out, increase uncertainty for**  
19      **utilities and shift more fixed costs onto customers without DG.**

20      TASC's proposal would increase the DG carve out by establishing market growth  
21      as the touchstone for whether the Commission grants a waiver of the DG carve out.  
22      Under TASC's proposal, a waiver would only be warranted if a current year's growth in  
23      market activity met or exceeded prior years' growth. Because recent years' DG market  
24      growth has greatly outpaced the DG carve out, however, this proposal would expand the  
25      DG carve out by requiring an ever-increasing rate of DG installations before utilities can  
26      seek a waiver of the DG carve out. The result would shift more and more costs onto  
27      customers without DG.

27      ...

28      ...

1           Moreover, TASC's proposal would increase uncertainty for utilities. Utilities  
2 could never know until after a year concludes whether the DG market grew enough to  
3 warrant a waiver. Thus, they would be in a position of either proactively advocating for  
4 up front incentives to ensure sufficient market growth for a waiver, or waiting until the  
5 end of the year without knowing if a waiver was available. The current DG carve out  
6 permits utilities to know ahead of time the amount of DG they need to install to achieve  
7 compliance and any resolution in this proceeding should similarly permit utilities to plan  
8 ahead.

9           Finally, the parties should be able to cross examine TASC's witness before  
10 TASC's proposal is adopted. TASC's proposal is new to this proceeding; no party  
11 advanced TASC's proposal during the evidentiary hearing or in any prior filings. It  
12 would be premature to adopt this proposal without an opportunity for each party to  
13 assess filed direct testimony from TASC and cross examine TASC's witness on the  
14 proposal. Because no party has had the opportunity to fully evaluate this proposal, the  
15 proposal would increase uncertainty for utilities, and would increase the amount of costs  
16 shifted onto customers without DG, TASC's proposal should be rejected.

17           **D. Conclusion**

18           APS continues to believe that Staff's Track and Monitor proposal offers the  
19 simplest and most cost effective means to resolve this proceeding. As an alternative,  
20 RUCO's modified Track and Monitor would similarly resolve this proceeding in a cost  
21 effective and simple manner.

22           RESPECTFULLY SUBMITTED this 28th day of April 2014

23  
24           By: \_\_\_\_\_

25           Thomas A. Loquvam

26           Attorney for Arizona Public Service Company

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3 April 2014, with:

4 Docket Control  
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