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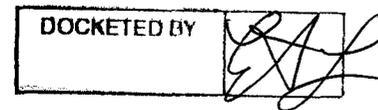
August 7, 2014

Bob Stump, Chairman
Gary Pierce, Commissioner
Brenda Burns, Commissioner
Bob Burns, Commissioner
Susan Bitter Smith, Commissioner
Docket Control
Arizona Corporation Commission
1200 W Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

AUG 07 2014



Re: Docket No. E-01345A-13-0248 - In the Matter of Arizona Public Service Company's Application for Approval of Net Metering Cost Shift Solution

In recent letters, Chairman Bob Stump (July 25, 2014), Commissioner Robert L. Burns (July 29, 2014), Commissioner Brenda Burns (July 30, 2014 and August 6, 2014), and Commissioner Susan Bitter Smith (July 30, 2014) have posed several questions in this docket related to ongoing discussions regarding the Commission's consideration of rate design issues in other open dockets on related topics (Value and Cost of Distributed Generation and Emerging Technologies). Arizona Public Service Company ("APS") is providing its responses to these questions generically by topic as noted below.

I. Modification to Decision No. 74202 to remove the requirement that APS file its next rate case in June 2015.

On July 22, 2014, Commissioners voted to reopen Decision No. 74202 for purposes of considering modifying Commission Decision No. 74202 pursuant to A.R.S 40-252 to remove the requirement that APS files its next rate case in June 2015. APS supports this action. The current rate case filing date should be removed to provide APS and stakeholders ample opportunities for discussion and collaboration.

Chairman Stump raised a question about the timing of rate case filings, and asked why the Commission would require a utility to file a rate case in the absence of any concern regarding over or under earning. APS believes that is an important consideration. There is no present concern of APS over-earning and APS has not asserted a need to file a rate case in 2015 to address under-earning. As a result, requiring APS to file a rate case in June 2015 will only result in that rate case either being completely misaligned with the generic rate design evaluation, or provide inadequate time for APS to consider and incorporate rate design principles from that generic proceeding into a rate case filing.

II. Appropriate Docket to Address a Rate Design Proceeding.

Commissioners have raised the question as to what docket is the appropriate venue for a generic rate design discussion to take place. It is APS's opinion that rate design issues are broader than net metering and rooftop solar. There has been significant discussion on rate design in both of the existing workshop series, and APS believes workshops on rate design issues could be conducted in either of the existing dockets or in a new docket as suggested in Commissioner Bitter Smith's July 30, 2014 letter.

III. Goals and Process for Statewide Rate Design Discussions.

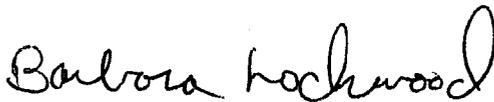
APS believes that a Commission-led discussion and workshop process on rate design will be beneficial to the Commission, utilities, and other stakeholders as a means of developing updated utility rate structures. APS agrees with and supports the workshop concept and topics suggested by the Residential Utility Consumer Office ("RUCO") in its August 1, 2014 comments in this docket.

The primary goals of the discussion and workshop proceeding would be to align on a set of "guiding principles" with key stakeholders and develop a "consensus" document outlining those principles. Those principles having been acknowledged or approved by the Commission would then be used as part of a future APS-specific proceeding.

APS appreciates the consideration of rate design that several Commissioners have addressed in recent discussions and filings at the Commission. APS believes the joint statement on mutually agreed to rate design principles filed on behalf of Tucson Electric Power, RUCO, Arizona Solar Deployment Alliance, and Arizona Solar Energy Industries Association on June 20, 2014, reflects the growing interest in a broader discussion of rate design concepts that reflect the difference between the electric service that utilities provide and the energy product that our customers consume.

As the future of the electric system changes, modernized rate design will play an important role in building a smarter grid and integrating new technologies without impairing safe and reliable electricity service.

Sincerely,



Barbara D. Lockwood

LM/sb

cc: Parties of Record
Steve Olea
Terri Ford

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