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ARIZONA CORPORATION COMMISSION

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August 14, 2014

Thomas Loquvam & Melissa Krueger
Arizona Public Service
400 N. 5th Street, MS 8695
Phoenix, AZ 85004

Re: Docket No. E-01345A-13-0140
In the matter of the Application of Arizona Public Service Company for Approval of its 2015 Renewable Energy Standard Implementation Plan for Reset of Renewable Energy Adjustor.

Dear Mr. Loquvam and Ms. Krueger:

I have reviewed the APS "Supplemental Application (Utility-Owned DG)" filed on July 28, 2014 and have some questions regarding this proposal, which according to the filing is an alternative to the APS "Application and Response to Commission Inquiry in Decision 74237" that APS filed on April 15, 2014.

1. Does APS need 20 MW for its Arizona Sun program in order to meet its 2015 renewable energy requirement? As you know, in the APS 2014 REST plan, APS proposed a 30 MW Arizona Sun program of utility owned solar to be installed at Redhawk. In Decision 74237, the Commission declined to approve the final 30 MW of the Arizona Sun program and required APS to make a filing by April 15, 2014 regarding whether the program was necessary for compliance purposes and to discuss whether third party PPAs would be more cost effective than utility owned generation in completing the Arizona Sun program.

In the April 15, 2014 filing APS stated that is was approximately 92% of the way toward meeting its Settlement Agreement requirements to procure 1,700,0000 MWh of new renewable energy by the end of 2015, and requested approval to build only 20 MW for the Arizona Sun program.

2. What is the time line and process for the implementation of the proposed Utility-Owned DG program? I note that in April, APS asserted that it would take 15 months to develop and place online a new utility scale solar installation. In the July 28, 2014 filing for the Utility-Owned DG program, APS asserts that an aggressive RFP, customer solicitation and construction schedule was 15 months.
 - a. What are the plans for the customer solicitation? Will all customers receive notice regarding the program, or will the notice be targeted? If the latter, how will the targets be identified? What criteria will be used to identify targeted areas? Will this program be targeted in rural or urban areas? What criteria will be used to select customer participants?
 - b. Will this program be available to tenant based buildings or rentals?

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3. How does APS plan to select solar installers? APS asserts that it "would conduct a competitive RFP process with local solar installers." Will the RFP process be conducted by APS or by a third party contractor? How will APS develop the criteria for contractor selection?
4. What were the costs for the Flagstaff demonstration project?
5. What liabilities will APS and the rate payers undertake with the deployment of APS owned facilities on private rooftops? Will APS acquire liability insurance to protect against risks to private property?
6. Why should this Utility-Owned DG program be deployed through the regulated operations of APS and not via a non-regulated subsidiary such as your previous entity APS Energy Services?

I would appreciate answers to these questions by August 29, 2014. I look forward to your responses, which will assist in my future full consideration of your alternative application(s).

Sincerely,



Susan Bitter Smith
Commissioner

cc: Service List