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1 Thomas A. Loquvam
2 Deborah R. Scott
3 Pinnacle West Capital Corporation
4 400 North 5th Street, MS 8695
5 Phoenix, Arizona 85004
6 Tel: (602) 250-3616
7 Fax: (602) 250-3393
8 E-Mail: Thomas.Loquvam@pinnaclewest.com
9 Deb.Scott@pinnaclewest.com

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Arizona Corporation Commission

DOCKETED

NOV 10 2014

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6 Attorneys for Arizona Public Service Company

8 **BEFORE THE ARIZONA CORPORATION COMMISSION**

9 COMMISSIONERS

10 BOB STUMP, Chairman
11 GARY PIERCE
12 BRENDA BURNS
13 ROBERT L. BURNS
14 SUSAN BITTER SMITH

ORIGINAL

13 PROPOSED RULEMAKING TO MODIFY
14 THE RENEWABLE ENERGY STANDARD
15 RULES IN ACCORDANCE WITH ACC
16 DECISION NO. 74365.

DOCKET NO. RE-00000C-14-0112

COMMENTS OF ARIZONA
PUBLIC SERVICE COMPANY

17 Arizona Public Service Company (APS or Company) supports the proposed
18 modifications to the Renewable Energy Standard and Tariff (REST) Rules¹ that the
19 Arizona Corporation Commission (Commission) filed in its Notice of Proposed
20 Rulemaking (NOPR)² as they provide an effective solution to a lingering issue –
21 compliance within an evolving renewable environment. APS is currently analyzing
22 Staff’s comments filed November 3, 2014, and will respond to those comments, if
23 necessary, in its responsive comments on November 14, 2014.

24 In its 2013 Renewable Energy Standard Implementation Plan (filed June 29,
25 2012),³ APS asked how the Company would meet the requirements of the REST Rules

27 ¹ A.A.C. R14-2-1801 to -1816.

28 ² 20 Ariz. Admin. Reg. 2749 (October 10, 2014).

³ A.C.C. Docket No. E-01345A-12-0290.

1 when it no longer offered direct cash incentives. Specifically, the Company sought
2 guidance from the Commission on how to demonstrate compliance with the Distributed
3 Energy (DE) requirements when the Company no longer purchased DE RECs with
4 direct cash incentives.

5 As described in detail in the NOPR, the Commission, utility companies,
6 renewable energy companies and other stakeholders have been addressing these matters
7 for two years, including an evidentiary hearing on related issues.⁴ As a result of those
8 efforts, the Commission determined that certain revisions to the REST rules were
9 appropriate and necessary. The Commission adopted Staff's proposed rule
10 modifications and ordered Staff to file a Notice of Proposed Rulemaking with the
11 Secretary of State for publication in the Arizona Administrative Register.⁵ Staff's
12 proposed revisions provide a reasonable framework for considering utility compliance
13 during a time in which direct cash incentives (and the Renewable Energy Credits, or
14 RECs, associated with those incentives) are no longer available.

15 The proposed rule changes would require a utility to track, record, and report (on
16 an annual basis) all renewable kilowatt hours generated in its service territory,
17 distinguishing between the kilowatt hours for which the utility owns the associated
18 RECs and those where the associated RECs are not utility-owned. Under the proposed
19 rules, the Commission would acknowledge the non-utility owned kilowatt hours of
20 renewable energy generated. In determining compliance with the REST rules, the
21 Commission would not count RECs or measure the amount of renewable energy, but
22 instead consider all available information, which could presumably include the pace of
23 renewable installations, the number of customers with renewable facilities, the amount
24 of renewable capacity, and other relevant facts.

25 APS supports the proposed rule changes because they provide a reasonable post-
26 incentive path to compliance, preserve the existing REST overall 15% renewable energy

27 ⁴ A hearing was held in June 2013, resulting in Decision No. 74365 (February 26, 2014).

28 ⁵ Decision No. 74793 (September 15, 2014).

1 compliance requirement and the 30% DE carve-out requirement, and resolve perceived
2 "double-counting" of RECs – without imposing additional and unnecessary costs on
3 customers.

4 Additionally, APS believes that any attempt to factor in the impacts of the
5 Environmental Protection Agency's (EPA) proposed rule 111(d) on the REST Rules is
6 premature.⁶ The EPA has not yet finalized a rule, and the federal rulemaking process
7 may take an extended period of time (particularly if the final rule is challenged in
8 litigation). And the final 111(d) rule may look significantly different than EPA's initial
9 draft proposal and may not involve RECs at all.

10 For these reasons, APS urges the Commission to resolve the current outstanding
11 Arizona issues and adopt the proposed modifications to the REST rules without delay.

12 RESPECTFULLY SUBMITTED this 10th day of November, 2014.

13
14 By: 
15 Thomas A. Loquvam
16 Deborah R. Scott

17 Attorneys for Arizona Public Service Company

18 ORIGINAL and thirteen (13) copies
19 of the foregoing filed this 10th day of
20 November, 2014, with:

21 Docket Control
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 COPIES of the foregoing sent via email/mail
26 this 10th day of November, 2014, to:

27 Janice Alward
28 Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steven Olea
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

⁶ Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units, 79 Fed. Reg. 34830 (proposed June 18, 2014) (to be codified at 40 C.F.R. pt. 60).

1 Garry D. Hays
Law Offices of Garry D. Hays, PC
1702 East Highland Avenue, Suite 204
2 Phoenix, Arizona 85016

3 Michael A. Curtis
William P. Sullivan
4 Curtis, Goodwin, Sullivan, Udall &
Schwab, PLC
5 501 East Thomas Road
Phoenix, Arizona 85012

6 Tyler Carlson
7 Chief Operative Officer
Mohave Electric Cooperative, Inc.
8 Post Office Box 1045
Bullhead City, Arizona 86430

9 Court S. Rich
10 Rose Law Group PC
7144 East Stetson Drive, Suite 300
11 Scottsdale, Arizona 85251

12 Bradley Carroll
13 Tucson Electric Power
88 East Broadway Boulevard
14 MS HQE910
Tucson, Arizona 85702

15 Anna Lands
16 Cascabel Working Group
6520 Cascabel Road
17 Benson, Arizona 85602

18 Edward Burgess
Kris Mayes Law Firm
19 1 East Camelback Road, Suite 550
Phoenix, Arizona 85012

20 Creden Huber
21 Sulphur Springs Valley Electric
Cooperative
22 350 North Haskell Avenue
Willcox, Arizona 85643

23 Karen Cathers
24 Trico Electric Cooperative, Inc.
Post Office Box 930
25 Marana, Arizona 85653-0930

26

27

28

John Wallace
GCSECA
2210 South Priest Drive
Tempe, Arizona 85282

Peggy Gillman
Manager of Public Affairs and Energy
Services
Mohave Electric Cooperative, Inc.
Post Office Box 1045
Bullhead City, Arizona 86430

Charles Moore
Navopache Electric Cooperative, Inc.
1878 West White Mountain Boulevard
Lakeside, Arizona 85929

C. Webb Crockett
Patrick J. Black
Fennemore Craig, PC
2394 East Camelback Road, Suite 600
Phoenix, Arizona 85016

Michael W. Patten
Roshka DeWulf & Patten, PLC
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Lawrence V. Robertson, Jr.
Post Office Box 1448
Tubac, Arizona 85646

Ruel Rogers
The Morenci Water & Electric Company
Post Office Box 68
Morenci, Arizona 85540

Kirk Gray
Graham County Electric Cooperative
Post Office Drawer B
Pima, Arizona 85543

Roy Archer
Ajo Improvement Company
Post Office Drawer 9
Ajo, Arizona 85321

1 Steve Lunt
2 Duncan Valley Electric Cooperative
3 Post Office Box 440
4 Duncan, Arizona 85534

5 Timothy Hogan
6 Arizona Center for Law in the Public
7 Interest
8 202 East McDowell Road, Suite 153
9 Phoenix, Arizona 85004

10 David Berry
11 Western Resource Advocates
12 Post Office Box 1064
13 Scottsdale, Arizona 85252-1064

14 Daniel Pozefsky
15 Residential Utility Consumer Office
16 1110 West Washington, Suite 220
17 Phoenix, Arizona 85007

18 Craig Marks
19 Craig A. Marks, PLC
20 10645 North Tatum Boulevard]
21 Suite 200-676
22 Phoenix, Arizona 85028

23 Karen S. White
24 Staff Attorney
25 U.S. Air Force Utility Law Field Support
26 Center
27 AFLOA/JACL-ULFSC
28 139 Barnes Drive
Tyndall AFB, Florida 32403

Scott S. Wakefield
Ridenour, Hienton & Lewis PLLC
201 North Central Avenue, Suite 3300
Phoenix, Arizona 85004-1052

Robin Quarrier
Jennifer Martin
Center for Resource Solutions
1012 Torrey Avenue
San Francisco, California 94129

Annie Lappe
Rick Gilliam
The Vote Solar Initiative
1120 Pearl Street, Suite 200
Boulder, Colorado 80302

Giancarlo Estrada
Kamper, Estrada & Simmons
3030 North 3rd Street, Suite 200
Phoenix, Arizona 85012

Kevin Koch
612 North 7th Avenue
Tucson, Arizona 85705

Michael Neary
Arizona Solar Energy Industries
Association
111 West Renee Drive
Phoenix, Arizona 85027

Kyle J. Smith
General Attorney
Office of the Judge Advocate General
U.S. Army Legal Services
9275 Gunston Road
Fort Belvoir, Virginia 22060-5546

Christopher Thomas
Fred E. Breedlove, III
Squire Sanders (US) LLP
1 East Washington, 27th Floor
Phoenix, Arizona 85004

Rick Umoff
Solar Energy Industries Association
505 9th Street NW, Suite 800
Washington, DC 20004

Ken Baker
Wal-Mart Stores, Inc.
2011 S.E. 10th Street
Bentonville, Arkansas 72716-0550

1 Kerry Hattevik
Director of West Regulatory and Market
Affairs
2 NextEra Energy Resources, LLC
829 Arlington Boulevard
3 El Cerrito, California 94530

Douglas V. Gant
Law Offices of Douglas V. Fant
3655 West Anthem Way
Suite A-109, PMB 411
Anthem, Arizona 85086

4 Kevin C. Higgins
Energy Strategies, LLC
5 215 South State Street, Suite 200
Salt Lake City, Utah 84111

Maja Wessels
First Solar
350 West Washington Street
Tempe, Arizona 85281

6 Joe King
7 Arizona Electric Power Cooperative
Post Office Box 670
8 Benson, Arizona 85602

Christopher Martinez
900 North Gold Avenue
Post Office Box 631
Deming, New Mexico 88031-0631

9 LaDel Laub
Dixie Escalante Rural Electric Association
10 71 East Highway 56
Beryl, Utah 85714

Dan McClendon
Garkane Energy Cooperative
Post Office Box 465
Loa, Utah 84747

11 Greg Bass
12 Noble Americas Energy Solutions
401 West A Street, Suite 500
13 San Diego, California 92101-3017

Laura Palm Belmar
Morgan Stine
Green Earth Energy & Environmental, Inc.
2370 West SR 89A
Suite 11 PMB 430
Sedona, Arizona 86336

14
15 Patrick Serfass
Renewable Energy Markets Association
16 1211 Connecticut Avenue NW, Suite 600
Washington, DC 20036-2701

17
18
19 
20

21
22
23
24
25
26
27
28