

# EXCEPTION

OPEN MEETING AGENDA ITEM



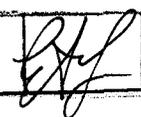
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Arizona Corporation Commission  
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6 Attorneys for Arizona Public Service Company

## BEFORE THE ARIZONA CORPORATION COMMISSION

### COMMISSIONERS

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

# ORIGINAL

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

DOCKET NO. RE-00000C-14-0112

**APS EXCEPTIONS TO THE  
RECOMMENDED OPINION AND  
ORDER**

17 The Recommended Opinion and Order (ROO) in the above docket (issued  
 18 December 5, 2014) sets forth the consideration of an issue brought to the Commission's  
 19 attention by Arizona Public Service Company (APS or the Company) over two years  
 20 ago: how to demonstrate compliance with the Distributed Energy (DE) requirements of  
 21 the Renewable Energy Standard Tariff (REST) Rules without purchasing Renewable  
 22 Energy Credits (RECs) through direct cash incentives. However, because the ROO  
 23 recommends the adoption of Commission Staff's amendments as proposed in the Staff  
 24 Comments filed November 3, 2014 (November 3<sup>rd</sup> Comments), the purpose of this  
 25 proceeding—which APS believes to have been undertaken in order to establish a means  
 26 for the Commission to determine compliance with the REST Rules<sup>1</sup> such that utilities

27  
 28 <sup>1</sup> A.A.C. R14-2-1801 to -1816.

1 would not have to purchase RECs in a time when incentives are not needed to spur  
2 adoption of renewable generation—has not been met. In fact, the Notice of Proposed  
3 Rulemaking (NOPR) as modified by the ROO simply reduces the revisions to the REST  
4 Rules to nothing more than additional reporting requirements for Affected Utilities – an  
5 outcome that could have been accomplished without a rulemaking process.

6 As APS indicated in its comments filed on November 10, 2014, and again in its  
7 responsive comments (November 14, 2014), the Company supports the proposed  
8 modifications to the REST Rules that the Commission filed in its original NOPR.<sup>2</sup> APS  
9 believes that the recommended language contained in the NOPR provides a framework  
10 in which the Commission can consider utility compliance with the REST Rules without  
11 requiring Affected Utilities (and by extension their customers) to incur significant  
12 additional cost to acquire RECs. The rule modifications proposed in the NOPR provide  
13 flexibility for the Commission in determining compliance under the REST, allowing for  
14 any number of factors to be considered. This flexibility in determining compliance is  
15 the basis for APS's support of the original NOPR.

16 By adopting the November 3<sup>rd</sup> Comments, the ROO eliminates the Commission's  
17 ability to consider all available information in determining compliance with the REST  
18 Rules. Under the ROO, the Commission cannot consider such information as the total  
19 amount of renewable energy installed in a utility's service territory, the declining cost of  
20 solar panels, the maturity of the renewable market, and the pace of renewable adoption  
21 in an Affected Utility's service territory. With the November 3<sup>rd</sup> Comments, it appears  
22 that all that is left for the Commission to determine compliance is whether the utility has  
23 sufficient utility-owned RECs to meet the REST's annual quantitative requirements –  
24 which is exactly how the REST Rules require compliance to be determined today.

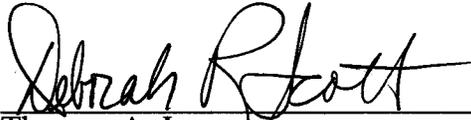
25 If this is the case, the ultimate result would be that utilities may have to purchase  
26 RECs from third parties, which would have a direct and negative impact on customers.

27  
28 <sup>2</sup> 20 Ariz. Admin. Reg. 2749 (October 10, 2014).

1 They will be the ones who will be paying for purchasing RECs as a cost of service. In  
2 the alternative, to protect customers from incurring additional costs year after year, the  
3 utilities may choose to request waivers on an annual basis instead – an outcome that  
4 challenges the very purpose of the REST Rules (and an option that is already available  
5 to Affected Utilities today).

6 If the ROO is adopted by the Commission as written, no progress will have been  
7 made in considering how an Affected Utility could demonstrate compliance with the  
8 REST Rules without future significant cost outlay. APS therefore urges the Commission  
9 to reject the ROO and adopt the REST rule modifications as set forth in the original  
10 NOPR.

11 RESPECTFULLY SUBMITTED this 15<sup>th</sup> day of December, 2014.

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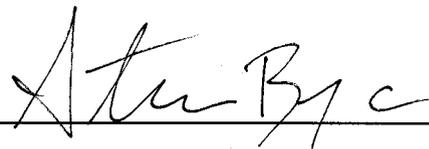
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