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CHAIRMAN STUMP'S PROPOSED AMENDMENT #1

RECEIVED

DATE PREPARED: December 17, 2014

COMPANY: Arizona Public Service Company

AGENDA ITEM NO.: 10

2014 DEC 17 P 3:06

DOCKET NO: E-01345A-13-0140 & E-01345A-13-0141 ON OPEN MEETING DATE: December 18 - 19, 2014
Arizona Corporation Commission
DOCKET CONTROL

DOCKETED

DEC 17 2014

DELETE page 4, line 11 through page 11, line 23.

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On page 12, line 3, INSERT the following findings of fact:

42. The Commission agrees with Staff that APS's proposed 20 MW of AZ Sun may not be needed to meet the requirements of the 2009 settlement agreement.

43. APS continues to urge the approval of a utility-owned distributed generation program—albeit on a much smaller scale. Since the filing of Staff's recommendations, APS has proposed a 10 MW pilot program, which would be subject to a cap of \$28.5 million in costs.

44. APS's description of its subsequent proposal focuses upon system benefits. Under this smaller 10 MW utility-owned distributed generation project, APS would strategically install rooftop solar in order to provide grid benefits. The program would enable APS to study the grid benefits of such strategic installations and to assess the benefits of orienting solar panels toward the southwest and the west to maximize production during system peak periods.

45. The research objectives of this 10 MW pilot program should include (but not be limited to) the following: understanding feeder capacity benefits, ascertaining distribution effects of solar penetration, discovering ways to enhance grid flexibility, and understanding the capabilities of inverter controls.

46. APS also states that the pilot program can be used to address solar availability to underserved customers. APS believes that there are customers who cannot qualify to enter solar purchase or lease agreements with third-party providers. These customers may be willing to allow APS to place solar panels on their roofs for compensation.

47. The Commission has received comments in opposition to the concept of utility-owned residential distributed generation. Most of these objections allege that APS's program is not needed and that APS should not be permitted to own residential distributed generation assets.

48. APS does not need our permission to acquire generation assets. Typically, public service corporations decide what type of generation assets to acquire for their resource portfolios. They then build and/or acquire those assets, and the Commission evaluates the prudence of those decisions in subsequent rate cases.

THIS AMENDMENT:			
_____ Passed _____	_____ Passed as amended by _____		
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____	

49 Nor does APS generally need our permission to negotiate arrangements for the placement of its generation facilities. APS is not required to seek our approval of the terms and conditions that it negotiates in order to acquire the real property upon which to place its various generation assets. Although such arrangements will be subject to our prudence review in a rate case, and although the siting statutes may apply in some instances, APS's real property acquisitions—whether through purchase or lease—are generally not subject to our pre-approval.

50. Nor does this case present a request for cost recovery in rates. At this time, APS's scaled-down pilot proposal does not seek cost recovery through either the REST surcharge or through base rates. In short, APS is not presently seeking rate treatment.

51. We do not believe that it is necessary for APS to obtain our preapproval before moving forward with its pilot program at this time. All of the program elements would appear to fall within the scope of activities that APS may undertake as part of its ongoing operations as a public service corporation.

52. We recognize the rapidly evolving environment in which APS—as well as all electric distribution companies—must now operate. The onset of distributed generation has significantly impacted the electric distribution function, and we think it likely that the pace of technology necessarily requires electric distribution utilities to make creative adaptations to their business models.

53. Although we will not specifically approve APS's pilot program at this time, neither do we prohibit it. Any subsequent requests for cost recovery in rates will, however, be subject to our review.

54. APS has not asked for—and we will not make—a prudence determination in this case. We will determine whether APS may recover these costs in rates in APS's next rate case.

On page 12, DELETE Finding of Fact No. 41.

On page 12, line 16, INSERT the following conclusions of law:

4. Although we do not specifically approve APS's pilot program at this time, neither do we prohibit APS from electing to pursue it.

5. Any requests for cost recovery related to APS's pilot program will be subject to our ratemaking review and approval.

RENUMBER TO CONFORM, ADD APPROPRIATE ORDERING PARAGRAPHS, AND MAKE ALL OTHER CONFORMING CHANGES.

THIS AMENDMENT:			
_____ Passed _____	Passed as amended by _____		
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____	