



0000159166

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission

DOCKETED

DEC 31 2014

DOCKETED BY 

IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN FOR RESET OF RENEWABLE ENERGY ADJUSTOR

DOCKET NO. E-01345A-13-0140

IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS 2015 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN FOR RESET OF RENEWABLE ENERGY ADJUSTOR

DOCKET NO. E-01345A-14-0250

DECISION NO. 74883

ORDER

Open Meeting  
December 18 and 19, 2014  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On July 1, 2014, APS filed its 2015-2019 Renewable Energy Standard and Tariff ("REST") Plan.
3. In the 2015 REST Plan, APS requests funding for existing commitments and programs, including the incentive program for solar water heating that was approved by the Arizona Corporation Commission ("Commission") in 2014. APS requests approval of a new battery-solar photovoltaic ("PV") integration research and development program.

1           4.        APS proposes a change to the monthly RES adjustor caps to address concerns of small  
2 and extra small commercial and industrial customers. This change was requested by the Commission  
3 during the proceedings on the 2014 REST Plan.

4           5.        The 2015 REST Plan requests approval of a budget of approximately \$154 million for  
5 2015. This would include approximately \$124 million that APS would collect through the APS REST  
6 adjustor in 2015.

7           6.        APS projects that, by the end of 2015, it will have 1,250 megawatts of installed  
8 renewable capacity in its service territory.

9           7.        APS proposes to continue all of its existing authorized programs and commitments in  
10 the 2015 REST Plan program. APS proposes allocating \$500,000 for incentives for solar water  
11 heating, just as was approved for 2014.

12           8.        APS also proposes to extend, for the 2015 year, its Green Choice Program and the  
13 associated Green Power Rate Schedules GPS-1, GPS-2, and GPS-3. The revenues collected in the  
14 Green Choice Program are to be used to offset the amount of budget funds that need to be collected  
15 through the RES adjustor.

16           9.        APS will be continuing the deployment of two AZ Sun projects in 2015. The two  
17 projects are the 10 MW project at the City of Phoenix and the 10 MW project at Luke Air Force Base.

18           10.       On April 15, 2014, APS filed a request to build a 20 MW AZ Sun single-axis tracking  
19 PV project at the APS Redhawk facility. On July 28, 2014, APS filed an alternative proposal to fund  
20 20 MW of APS-owned distributed generation ("DG") systems. Either the Redhawk proposal or the  
21 APS-owned DG system proposal could be selected to meet the renewable requirements in the APS  
22 2009 settlement agreement, if needed.

23           11.       APS is proposing a new battery-solar PV integration demonstration research program.  
24 APS is requesting \$2 million to conduct this battery storage program. APS would purchase and install  
25 the battery storage systems that would be integrated into the APS distribution system. These systems  
26 would be monitored and managed by APS. APS asserts that the project will increase the hands-on  
27 technical capabilities of APS employees and will increase APS's understanding of the impacts of  
28 storage. This knowledge will allow APS to better integrate storage technology into its system.

12. In the 2014 REST Plan, the Commission required APS to expand the REST customer categories from three to five and authorized new monthly payment caps for each category of customer. The current customer categories are: residential, small commercial, medium commercial, large commercial, and industrial. The small commercial category includes both extra small and small classes.

13. REST Adjustor charges are applied based on kWh usage and there is an adjustor cap for each of the categories. Customers who receive a direct cash incentive for their solar system are required to pay the average cap for the relevant customer classification.

14. During the proceedings for the 2014 REST Plan, the Commission required APS to submit a proposal that would add a sixth customer category. This category would address concerns regarding small and extra small commercial and industrial customers.

**Table 1:** RES Adjustor Examples (From Figure A in the APS REST Plan)

Example 1: Continue five customer classes without extra small/small commercial cap floors						
Small Commercial						
	Residential	Extra Small Commercial	Small Commercial	Medium Commercial	Large Commercial	Industrial
RES Budget (in \$M)\$	123.8					
\$/kWh	\$ 0.011270	\$ 0.011270	\$ 0.011270	\$ 0.011270	\$ 0.011270	\$ 0.011270
Cap	4.51	167.44	167.44	281.75	563.50	3,662.00
Average	4.07	25.60	25.60	246.00	542.03	3,662.00
Example 2: Six customer classes with extra small/small commercial cap floors						
Small Commercial						
	Residential	Extra Small Commercial	Small Commercial	Medium Commercial	Large Commercial	Industrial
RES Budget (in \$M)\$	123.8					
\$/kWh	\$ 0.011241	\$ 0.011241	\$ 0.011241	\$ 0.011241	\$ 0.011241	\$ 0.011241
Cap	4.50	167.01	167.01	281.03	562.05	3,652.00
Average Cap	4.06	n/a	n/a	245.37	540.64	3,652.00
Cap Floor ("Minimum")	--	9.55	46.93	--	--	--

15. APS proposes a "bifurcated cap and floor structure" that would be used only for Small and Extra Small Commercial and Industrial customers. The usage for the Small or Extra Small customers would be evaluated each month to determine whether they fall into the Extra Small (20 kW or less per month) or into the Small category (between 21 and 100 kW per month).

1           16.     The Extra Small customers would pay a minimum (“cap floor”) charge of \$9.55 per  
2 month plus the cents per kWh charge for each kWh above 835 kWh, up to the cap for the Extra  
3 Small/Small category. Small Commercial customers would pay a higher minimum charge of \$46.93  
4 per month plus the cents per kWh charge for every kWh above 4,175 kWh up to the cap for the Extra  
5 Small/Small category. These are shown in Example 2 of Table 1.

6           17.     APS believes that it will need a 2015 RES budget of \$153.8 million in order for it to  
7 meet previously approved commitments. These commitments include Power Purchase Agreements  
8 (“PPAs”), Production-Based Incentives (“PBIs”), Legacy Payments, the AZ Sun Program, among  
9 other commitments, and the financial needs of newly-proposed programs. APS proposes to apply  
10 budget offsets that will be used to reduce the amount that APS will collect through the RES adjustor  
11 for 2015.

12           18.     After the offsets, APS proposes to collect \$123.8 million through the REST adjustor.  
13 There will be approximately \$30 million in offsets for 2015. These offsets will include \$6 million  
14 collected from base rates, production tax credits of approximately \$8.3 million, green choice revenue  
15 of approximately \$1.7 million, and \$14 million in reallocated program funds. There is a total of \$28  
16 million in available funds to be reallocated in future years.

17           19.     The additional \$14 million in carry-over funds will be available to be reallocated for  
18 future years. APS proposes that the additional \$14 million in carry-over funds be applied to offset the  
19 2016 RES budget.

20           20.     APS receives Production Tax Credits (“PTCs”) from the State of Arizona due to the  
21 APS ownership of the AZ Sun projects. APS expects to receive approximately \$8.3 million in PTCs  
22 from AZ Sun projects in 2015. This \$8.3 million in PTCs will be used to reduce the amount to be  
23 collected through the RES adjustor.

24 ...  
25 ...  
26 ...  
27 ...  
28 ...

Table 2: APS Proposed Budget from 2015 APS REST Plan (Exhibit 3A)

Line No.		2015
1	<b>Renewable Generation</b>	
2	<i>Renewable Generation Contracts, O&amp;M</i>	
3	Purchases and Generation <sup>1,2</sup>	\$ 98.1
4	Administration	0.2
5	Implementation	1.3
6	<b>Total Renewable Generation</b>	<b>\$ 99.6</b>
7		
8		
9	<b>Customer Sited Distributed Energy</b>	
10	<i>Existing Contracts and Commitments</i>	
11	Flagstaff Community Power Project	\$ 0.2
12	DE RFP	5.8
13	Production-based Incentives	26.5
14	Schools and Government Program Incentives <sup>3</sup>	8.6
15	APS Schools and Government Program <sup>1,4</sup>	4.9
16	<b>Total Existing Contracts and Commitments</b>	<b>\$ 46.0</b>
17		
18	<i>Proposed Programs</i>	
19	Solar Water Heater Incentives	\$ 0.5
20	<b>Total Proposed Programs</b>	<b>\$ 0.5</b>
21		
22	<i>Non-Energy Distributed Energy Costs</i>	
23	Administration	\$ 0.3
24	Implementation <sup>5</sup>	5.2
25	Battery Integration Intelligence R&D <sup>6</sup>	2.0
26	Information Technology	0.5
27	Educational Outreach: Non-Incentive Costs	0.1
28	<b>Total Non-Incentive DE Costs</b>	<b>\$ 7.7</b>
29		
30	<b>Total Customer Sited DE (line 16 + line 20)</b>	<b>\$ 54.2</b>
31		
32	<b>TOTAL RES BUDGET<sup>5</sup> (line 6 + line 30)</b>	<b>\$ 153.8</b>
33		
34	<b>Offsets to Base Budget</b>	
35	Base Rates	\$ (6.0)
36	Production Tax Credits	(8.3)
37	Estimated Green Choice Revenue Credit	(1.7)
38	Previous Years Rollover Funds and Other Credits	(14.0)
39	<b>RE Surcharge Collection<sup>2</sup></b>	<b>\$ 123.8</b>

**Notes:**<sup>1</sup>Assumes rate case adjudication in July 2016.<sup>2</sup>Includes RES costs totaling approximately \$0.2M for Sexton (Glendale Landfill) for 2014-2017.<sup>3</sup>Third-party owned portion of the current 2011, 2012 an expanded Schools and Government Programs.<sup>4</sup>APS-owned portion of the 2011 and 2012 School and Government Programs.<sup>5</sup>Includes revenue requirements for production metering as required by Decision No. 72737.<sup>6</sup>Details on the Battery Integration Intelligence project can be found on pg 5 of Exhibit 1 of the 2015 RES Implementation Plan.**Staff's Recommendations**

21. Staff has reviewed the APS 2015 REST Plan and the APS responses to Staff's data requests. Staff has the following recommendations:

1 AZ Sun Proposals

2 22. APS has proposed to utilize 20 MW of tracking PV systems at its Redhawk plant or 20  
3 MW of APS-owned DG systems in homes throughout its service territory in order to meet its  
4 renewable obligations under the 2009 Rate Case Settlement Agreement. Staff's analysis and  
5 recommendations regarding this issue are included in a separate Staff Report that was docketed in  
6 Docket No. E-01345A-13-0140 on November 3, 2014.

7 23. In summary, Staff's analysis has shown that APS may be able to satisfy its 2009  
8 Settlement Agreement obligations without additional capacity from either the Redhawk plant or the  
9 APS-owned DG alternative. APS is presently approximately 25 MW short of the capacity it needs  
10 under the Settlement Agreement. However, APS customers have installed 18.1 MW of residential DG  
11 in the first three quarters of 2014, and Staff believes it is reasonable to assume comparable amounts of  
12 DG capacity in 2015.

13 Changes in Monthly RES Adjustor Caps

14 24. Staff agrees with the proposed changes to the customer categories and the changes in  
15 the monthly RES adjustor caps as proposed by APS in its "bifurcated cap and floor structure"  
16 outlined in the 2015 REST Plan. Staff believes that the minimum charges and new caps appear to  
17 collect the RES charges in a fair manner. Staff recommends Commission approval of the addition of  
18 a sixth customer category for extra small commercial customers and the revised monthly RES caps  
19 and cap floors.

20 Solar Water Heating Incentive Program

21 25. Staff agrees with the APS proposal to fund solar water heating incentives at a level of  
22 \$500,000. The current solar water heating program in 2014 appears to be successful in encouraging  
23 APS customers to adopt the use of solar water heating systems, which will contribute to meeting the  
24 APS REST requirements. Staff recommends approval of the \$500,000 funding level for the solar  
25 water heating incentive program.

26 Battery-Solar Integration Research Program

27 26. Staff has reviewed the APS proposal to integrate battery storage with PV arrays in the  
28 APS distribution system. Staff believes that such a research, development, and demonstration

1 program will be helpful to APS planners as they calculate how to combine solar electricity with  
2 appropriate storage measures. Staff recommends approval of the proposed \$2 million battery-solar  
3 integration research program.

#### 4 Extension of the Green Choice Program and the Associated Green Power Rate Schedules

5 27. Since the revenues collected in the Green Choice Program are used to offset the  
6 budget funds that must be collected through the RES adjustor, this program has a double positive  
7 effect. It allows those who choose to contribute to green energy programs to meet their individual  
8 environmental goals and objectives while reducing the funds needed to be collected through the RES  
9 adjustor from other rate payers. Staff recommends the extension of the Green Choice Program and  
10 the associated Green Power Rate Schedules.

#### 11 Large Scale, Utility-Owned DG Facilities

12 28. Staff has had discussions with Tucson Electric Power Company about large scale  
13 distributed generation facilities located within a utility's grid, consisting of 1 MW or more of utility-  
14 owned DG systems, which could provide most of the benefits of rooftop DG at a reduced rate.

15 29. Staff believes that this option, or a purchased power agreement for such a facility, is  
16 worthy of further exploration and recommends that APS, as part of its 2016 REST Plan filing, include  
17 a report on the feasibility, costs, benefits, and other aspects of this option and if APS wishes, an  
18 implementation proposal, as part of APS's REST activities. APS's analysis should include a  
19 comparison of this option with company-owned and customer-owned distributed generation options.

#### 20 Summary of Staff's Recommendations

21 30. Staff recommends that the Commission approve the monthly RES adjustor caps and  
22 cap floors and the new extra small customer category as proposed by APS in Figure A, Example 2 in  
23 the 2015 APS REST Plan.

24 31. Staff further recommends that the Commission approve the continuation of the solar  
25 water heating incentive program funding of \$500,000 for 2015.

26 32. Staff further recommends that the Commission approve the APS-proposed Battery-  
27 Solar Integration Research Program at a funding level of \$2 million for 2015.

28 ...

1           33.     Staff further recommends that the Commission approve the extension of the Green  
2 Choice Program and the associated Green Power Rate Schedules.

3           34.     Staff further recommends that the Commission approve the proposed APS REST  
4 budget of \$153.8 million, consisting of \$123.8 million in Renewable Energy Surcharge funds and \$30  
5 million from base rates, production tax credits, Green Choice revenues and previous years' rollover  
6 funds, and other credits.

7     Commission Changes to the APS Proposed Budget

8           35.     The Commission has reviewed APS's budget request for \$500,000 in solar water  
9 heating incentives as shown in the APS proposed budget included in Table 2 on Line 19 of this Order.  
10 The Commission approves funding for solar water heating incentives at this time, but all stakeholders  
11 are put on notice that this program appears to be under-subscribed and is unlikely to be funded in  
12 future REST plans. APS should consider proposing solar water heating as an energy efficiency  
13 measure.

14           36.     The Commission has reviewed APS's budget request for a \$2 million research,  
15 development and demonstration program to study battery storage and PV integration. The  
16 Commission denies funding for the Battery Integration Intelligence R&D program included on Line  
17 25 of Table 2 of this Order.

18                                     CONCLUSIONS OF LAW

19           1.     Arizona Public Service Company is an Arizona public service corporation within  
20 the meaning of Article XV, Section 2, of the Arizona constitution.

21           2.     The Commission has jurisdiction over Arizona Public Service Company and over  
22 the subject matter of the application.

23           3.     The Commission, having reviewed Arizona Public Service Company's application and  
24 Staff's Memorandum dated November 3, 2014, concludes that it is in the public interest to approve  
25 Arizona Public Service Company's 2015 REST Plan, the REST Plan budget, and funding for the new  
26 Customer DG Incentive Program as discussed herein.

27     ...

28     ...

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

ORDER

IT IS THEREFORE ORDERED that the solar water heating incentive program funding of \$500,000 for 2015 is approved.

IT IS FURTHER ORDERED that the extension of the Green Choice Program and the associated Green Power Rate Schedules are hereby approved.

IT IS FURTHER ORDERED that the 2015 Arizona Public Service Company plan budget of \$151.8 million is hereby approved.

IT IS FURTHER ORDERED that Arizona Public Service Company is authorized to collect \$121 .8 million through the Renewable Energy Surcharge to pay for a portion of the 2015 REST Plan budget.

IT IS FURTHER ORDERED that the remaining \$30 million in the 2015 REST Plan budget shall come from carry-forward funds from base rates, production tax credits, Green Choice revenues, and previous years' rollover funds and other credits.

IT IS FURTHER ORDERED that for residential customers the monthly surcharge shall be \$0.01106 per kWh up to a monthly cap of \$4.42 or, for customers who received a direct cash incentive, up to an average of \$3.99.

IT IS FURTHER ORDERED that for extra small commercial customers the monthly surcharge shall be \$0.01106 per kWh for each kWh above 835 kWh plus a minimum cap floor charge of \$9.40 per month up to the cap of \$164.32.

...  
...  
...  
...  
...  
...

1 IT IS FURTHER ORDERED that for small commercial customers the monthly surcharge  
2 shall be \$0.01106 per kWh for each kWh above 4,175 plus a minimum cap floor charge of \$46.18 per  
3 month, up to the cap of \$164.32.

4 IT IS FURTHER ORDERED that for medium commercial customers the monthly surcharge  
5 shall be \$0.01106 per kWh up to a monthly cap of \$276.50 or, for customers who received a direct  
6 cash incentive, up to an average of \$241.42.

7 IT IS FURTHER ORDERED that for large commercial customers the monthly surcharge  
8 shall be \$0.01106 per kWh up to a monthly cap of \$553.00 or, for customers who received a direct  
9 cash incentive, up to an average of \$531.93.

10 IT IS FURTHER ORDERED that for industrial customers the monthly surcharge shall be  
11 \$0.01106 per kWh up to a monthly cap of \$3,594.00 or, for customers who received a direct cash  
12 incentive, up to an average of \$3,594.00.

13 IT IS FURTHER ORDERED that Arizona Public Service Company, as part of its 2016  
14 REST Plan filing, shall include a report on the feasibility, costs, benefits, and other aspects of this  
15 option  
16 and if Arizona Public Service Company wishes, an implementation proposal, as part of Arizona Public  
17 Service Company's REST activities. Arizona Public Service Company's analysis should include a  
18 comparison of this option with company-owned and customer-owned distributed generation options.

19 ...  
20 ...  
21 ...  
22 ...  
23 ...  
24 ...  
25 ...  
26 ...  
27 ...  
28 ...

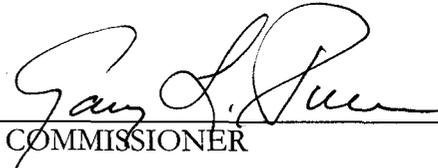
1 ...

2 IT IS FURTHER ORDERED that a waiver to the REST requirements contained in R14-2-  
 3 1804 and R14-2-1805 will be granted to Arizona Public Service Company if its forecasted Planning  
 4 Reserve Margin<sup>1</sup> is greater than or equal to eighteen percent (18%) each year for the next two years.  
 5 To obtain this waiver, Arizona Public Service Company must file with the Commission  
 6 documentation demonstrating that its forecasted Planning Reserve Margin exceeds eighteen percent  
 7 (18%) for at least the next two years and if obtained, the waiver shall apply for each year that the  
 8 forecasted Planning Reserve Margin exceeds eighteen percent (18%).

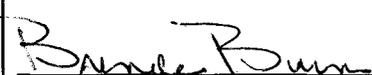
9 IT IS FURTHER ORDERED that this Order shall become effective immediately.

10 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

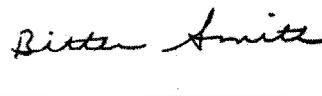
11   
 12 CHAIRMAN

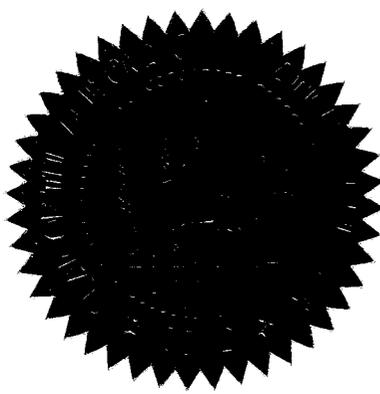
11   
 12 COMMISSIONER

13

14   
 15 COMMISSIONER

14   
 15 COMMISSIONER

14   
 15 COMMISSIONER



16 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
 17 Director of the Arizona Corporation Commission, have  
 18 hereunto, set my hand and caused the official seal of this  
 19 Commission to be affixed at the Capitol, in the City of  
 20 Phoenix, this 31<sup>st</sup> day of December, 2014.

20   
 21 JODI JERICH  
 22 EXECUTIVE DIRECTOR

23 DISSENT: \_\_\_\_\_

24 DISSENT: \_\_\_\_\_

25 \_\_\_\_\_

26 <sup>1</sup> As defined by North American Electric Reliability Corporation ("NERC"), Planning Reserve Margin equals the  
 27 difference in Deliverable or Prospective Resources and Net Internal Demand, divided by Net Internal Demand.  
 28 Deliverable Resources are calculated by the sum of Existing, Certain and Future, Planned Capacity Resources plus Net  
 Firm Transactions. Prospective Resources include Deliverable Resources and Existing, Other Resources. Net Internal  
 Demand equals Total Internal Demand less Dispatchable, Controllable Capacity Demand Response used to reduce  
 load.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28

SMO:RTW:lhм\CHH

1 SERVICE LIST FOR: Arizona Public Service Company  
2 DOCKET NO. E-01345A-13-0140

3 Mr. Daniel Pozefsky  
4 RUCO  
5 1110 West Washington Street, Suite 220  
6 Phoenix, Arizona 85007

7 Mr. Mark Holohan  
8 Arizona Solar Energy Industries Association  
9 2221 West Lone Cactus Drive, Suite 2  
10 Phoenix, Arizona 85027

11 Mr. C. Webb Crockett  
12 Fennemore Craig, P.C.  
13 2394 East Camelback Road, Suite 600  
14 Phoenix, Arizona 85016

15 Mr. Court Rich  
16 6613 North Scottsdale Road, Suite 200  
17 Scottsdale, Arizona 85250

18 Mr. Garry Hays  
19 The Law Offices of Garry D. Hays, PC  
20 1702 East Highland Avenue, Suite 204  
21 Phoenix, Arizona 85016

22 Mr. Thomas A. Loquvam  
23 Pinnacle West Capital Corporation  
24 400 North Fifth Street, MS 8695  
25 Phoenix, Arizona 85004

26 Mr. Steven M. Olea  
27 Director, Utilities Division  
28 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Janice M. Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007