

Arizona Corporation Commission Offers Clues to Renewables Development in Recent APS Order--Arizona Public Services

Article By:

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Each public service corporation serving retail electric load in Arizona files for review and approval with the Arizona Corporation Commission (Commission) a plan that describes how it intends to comply with ***Renewable Energy Standard and Tariff (REST)*** rules for the next calendar year. On December 31, 2014, the Commission approved the Arizona Public Service Company ("APS") renewable plan for 2015. [Decision No. 74883](#). The Commission approved most of the APS proposed plan, which had been filed on July 1, 2014, but notably denied funding for a proposed battery storage research, development and demonstration project.

APS proposed a *new battery-solar photovoltaic (PV)* integration demonstration research program (the Battery Program) and requested \$2 million to conduct the Program. APS would purchase and install a battery storage system that would be integrated into the APS distribution system. The system would be monitored and managed by APS. APS contends that the Battery Program will increase the hands-on technical capabilities of APS employees and will increase APS's understanding of the impacts of storage. This knowledge will allow APS to better integrate storage technology into the system.

Along with the Battery Program, APS proposed some changes to the rate design for the adjustor charge to commercial and industrial customers. The adjustor charge is added to the customer's regular bill and helps fund renewable projects (the "REST adjustor"). APS also proposed allocating \$500,000 for incentives for solar water heating and proposed to extend its Green Choice Program. The revenues collected in the Green Choice Program are used to offset the amount of budget funds that need to be collected to fund the renewable plan. Green Choice, in other words, allows customers to agree to pay a higher rate to help fund renewable energy.

APS requested a 2015 REST budget of \$153.8 million. These commitments include power purchase agreements, production-based incentives, legacy payments, and the AZ Sun Program, among others. APS had collected more in adjustor generated revenue than needed in the prior year, so APS proposed to apply the over collected amount as a budget offset that will be used to reduce the amount that APS will collect through the adjustors for 2015. After the offsets, APS will collect \$123.8 million through the REST adjustors.

After reviewing APS' REST proposal, Commission Staff issued its report on November 3, 2014,

recommending Commission approval of the APS proposal.

At a December Open Meeting, the Commission approved the APS proposal with two changes. First, while the Commission approved funding for solar water heating incentives, stakeholders were put on notice that the program appears to be under-subscribed and is unlikely to be funded in future REST plans. The Commission suggested that APS consider proposing solar water heating as an energy efficiency measure.

The second and more significant change was that the Commission denied funding for the Battery Program. The Commission did allow APS to file in its 2016 implementation plan a feasibility study of potential large scale distributed generation facilities located within the utility grid. This study will include a comparison of company-owned and customer-owned distributed generation options. The denial of the Battery Program and the suggested comparison of company-owned vs. customer-owned distributed generation indicates that the Commission still has questions about how best to regulate the development of renewable energy.

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