

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Implementation and Administration of
California Renewables Portfolio Standard
Program

Rulemaking 11-05-005

(Filed May 5, 2011)

**OPENING COMMENTS OF ARIZONA PUBLIC SERVICE COMPANY
IN RESPONSE TO RULING REQUESTING COMMENTS ON
IMPLEMENTATION OF NEW PORTFOLIO CONTENT CATEGORIES FOR THE
RENEWABLES PORTFOLIO STANDARD PROGRAM ISSUED JULY 12, 2011**

August 8, 2011

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Pursuant to Administrative Law Judge Anne Simon's *Ruling Requesting comments on Implementation of New Portfolio Content Categories for the Renewables Portfolio Standard program* issued July 12, 2011 ("ALJ's Ruling"), Arizona Public Service Company ("APS") hereby submits these comments in accordance with the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure. APS submits these Opening Comments along with its Motion to Become a Party.

I. INTRODUCTION

APS, a wholly-owned subsidiary of Pinnacle West Capital Corporation, is a vertically integrated public utility incorporated in the state of Arizona. APS is engaged in the business of generating, transmitting, and distributing electricity in eleven of Arizona's fifteen counties. APS operates under a Federal Energy Regulatory Commission-approved open access transmission tariff ("OATT") and owns and operates facilities used for the sale of transmission of electric energy in interstate commerce. These transmission facilities currently include the Palo Verde to North Gila transmission line, which connects the Palo Verde market to the Yuma area and Imperial Valley system in

California and the Four Corners to Moenkopi transmission line which currently is leased to Southern California Edison, and is operated by the California ISO.

APS strongly supports regional solutions for both renewable and conventional generation in the Southwestern United States. For example, the Palo Verde Nuclear Generating Station, operated by APS, provides cost-effective carbon-free energy and capacity to California, Arizona, New Mexico and Texas. APS also purchases wind generation from New Mexico and geothermal power from California. APS is taking proactive steps to create transmission solutions for renewable energy generators who choose to develop projects in Arizona to export in the Southwest region. For example, APS has proposed to the Arizona Corporation Commission that APS develop several transmission projects in Arizona that would provide renewable generators with added certainty of interconnection and accelerate their development timeline. The cost for these projects would be reflected in APS's OATT and paid for by APS transmission customers. APS is also interested in developing appropriate Arizona projects through the California ISO's transmission planning process that could provide direct interconnection to the California balancing authority.

Much of this activity reflects the simple fact that Arizona has abundant solar resources and a development environment that is very conducive to constructing solar generation. In Arizona, solar resources can often be developed more quickly and at lower cost than comparable resources in California. For example, one city in Arizona has adopted an expedited permitting process for solar generation that has allowed solar photovoltaic projects to move from a contractual notice to proceed from their counterparty to construction within one month. APS believes that full use of these

resources will help promote the goals of the California Renewable Portfolio Standard goal of procuring the least-cost and best-fit eligible renewable energy resources that meet project viability principles. Accordingly, APS strongly supports interpretations of provisions within new section 399.16 of the Public Utilities Code that accommodate the delivery of generation located outside a California balancing area authority.

II. DISCUSSION

A. Question No. 2

APS agrees that the first sentence of § 399.16(b)(1)(A) should be interpreted as meaning: “The RPS-eligible generation facility producing the electricity has a first point of interconnection with a California balancing authority, or has as first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or the electricity produced by the RPS-eligible generation facility is scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source.” APS does not think there is any other feasible interpretation of the relevant language.

B. Question No. 4

APS believes that the phrase in new § 399.16(b)(1)(A) “. . . scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source” should be interpreted to mean electricity that is dynamically scheduled into a California balancing authority. APS strongly encourages the Commission to adopt an interpretation that is consistent with the CAISO’s recent tariff filings regarding dynamic transfers for purposes of regulatory consistency.

C. Question No. 7

One example of the situation described in the second sentence of § 399.16(b)(1)(A) [“the use of another source to provide real-time ancillary services required to maintain an hourly or sub-hourly import scheduled into a California balancing authority...”] involves using gas-fired generation to balance the schedule that also includes generation from a solar facility. The solar facility owner would meter the output of the facility, and only the generation recorded on that meter would count towards the generation necessary to satisfy the relevant RPS content category. The output attributed to the gas-fired generation would not be considered in meeting the RPS requirement.

D. Question No. 8

APS agrees that § 399.16(b)(1)(B) should be interpreted as meaning: “The RPS-eligible generation facility producing the electricity has an agreement to dynamically transfer electricity to a California balancing authority.” There is no logical alternative interpretation.

E. Question No. 9

APS agrees that the phrase “unbundled renewable energy credit” (REC) should be interpreted as meaning: “a renewable energy credit [as defined in new § 399.12(h) that is procured separately from the RPS-eligible energy with which the REC is associated.”

F. Question No. 10

APS believes that § 399.16(b)(1) does *not* include any transactions that transfer only RECs but not the RPS-eligible energy with which the RECs are associated. The portfolio content category in § 399.16(b)(1) is reserved for transactions under which the

eligible energy is physically delivered or dynamically transferred to a California balancing authority.

G. Questions Nos. 12 and 13

APS does not believe it is appropriate to draw a clear distinction between electricity products that are “firmed” and those that are “shaped.” When taken together, “firmed and shaped” means: when gas-fired generation, or other dispatchable generation with low intermittency, is used to make up the difference between the actual output of the eligible intermittent renewable resource and the schedule, thereby compensating for the variable output of the renewable resource.

H. Question No. 15

APS agrees that § 399.16(b)(2) should be interpreted to refer only to energy generated outside the boundaries of a California balancing authority. The word “into” as used in this provision suggest that the energy was not generated within the boundaries of a California balancing area. APS takes no position at this time regarding the remainder of Question No. 15.

I. Question No. 16

APS believes that the requirement in § 399.16(b)(1)(A) that the generation must be “scheduled from the eligible renewable resource into a California balancing authority without substituting electricity from another source” should be interpreted to mean that no firmed and shaped electricity *from resources that are not RPS-eligible* may be considered as meeting the requirements of § 399.16(b)(1)(A). This interpretation fits logically with the proposed interpretation of the second sentence of § 399.16(b)(1)(A), as described in APS’s comments to Question No. 7, above.

III. CONCLUSION

APS appreciates the opportunity to provide these comments to the Commission and looks forward to further involvement in this rulemaking.

Respectfully submitted,

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VERIFICATION
(Rule 1.11)

I am an officer of Arizona Public Service Company, and am authorized to make this verification on its behalf. The statements in the foregoing **OPENING COMMENTS OF ARIZONA PUBLIC SERVICE COMPANY TO RULING REQUESTING COMMENTS ON IMPLEMENTATION OF NEW PORTFOLIO CONTENT CATEGORIES FOR THE RENEWABLES PORTFOLIO STANDARD PROGRAM ISSUED JULY 12, 2011** are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on August 8, 2011 in Phoenix, Arizona.

Respectfully submitted,

/s/ JEFF GULDNER

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