ASU Energy Policy Innovation Council

A summary of the Arizona Corporation Commission's decisions governing APS and TEP's 2013 renewable energy distributed generation incentives

The Essentials

- On January 23, 2013, the newly-elected Arizona Corporation Commission (ACC) unanimously voted to end all photovoltaic (PV) rooftop incentives for commercial/non-residential entities for both APS and TEP.

- They also voted unanimously to reduce APS's combined residential photovoltaic (PV) rooftop and solar water heater (SWH) incentives to $4.48 million. TEP's combined residential PV rooftop and SWH incentives budget was set at $744,486. Commissioner Pierce stated 2013 will likely be the last year that regulated utilities will offer residential incentives

- The ACC stated incentives are no longer necessary to continue the commercial solar distributed generation markets. The Solar Energy Industries Association predicts a serious market contraction in the wake of the Commission's decision.

Details

On January 23, 2013, the Arizona Corporation Commission (ACC) addressed the subject of how much of a monetary incentive APS, TEP, and other ACC-regulated utilities and cooperatives will provide to residential and commercial customers to install distributed generation solar photovoltaics (PV), solar water heaters (SWH) and other non-PV technologies throughout 2013 to meet the Renewable Energy Standard and Tariff (REST). APS and TEP had submitted their proposals in June 2012, and the Commission Staff made their recommendations for APS's and TEP's incentives in October 2012.

The Commission voted unanimously on both APS's and TEP's incentive structures. See Figs. 1 and 2 for infographics of the APS and TEP incentives decisions. (Click to enlarge).

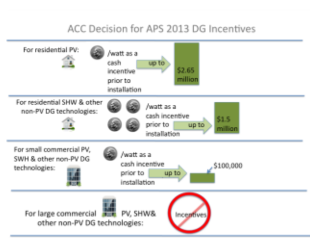

Fig. 1

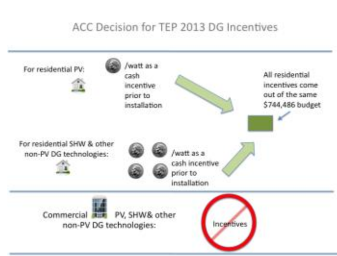

Fig. 2

Reasoning behind the decisions to significantly decrease residential incentives and end commercial incentives for DG:

APS requested ending their incentives programs because with current online and approved projects, they are projected to be in compliance with the REST for both non-residential and residential DG throughout 2013. APS argued that incentives are not necessary for them to meet their goal, [and the Commission agreed](#) (See Fig. 3 on the left; click to enlarge).[1] APS is required to budget $29.5 million for lifetime performance-based incentives to school districts, however.

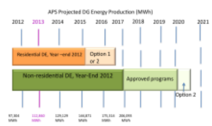

Fig. 3. Year-End Compliance Requirements

Similarly, during the 2012 compliance year, TEP exceeded their commercial DG requirement. (See Fig. 4 on the right; click to enlarge)[2]. Staff's proposed order noted the success of the commercial DG market and recommended decreasing the incentives; instead, the [Commission decided to end TEP's commercial budget](#).

Fig. 4. TEP DG Residential and Non-Residential Requirements & Actual/Banked DG Production in 2012

The Commissioners stated the incentives budgets were calculated to prevent a potential sharp increase in the tariff on utility customers' bills. However, solar advocates argue that rates would not increase excessively under the Staff proposals and that the Commission should not have so abruptly ended the commercial program.

What are the expected market impacts?

Members of the solar industry said they expect a sharp contraction in its residential markets and an end to the commercial markets due to the ACC's decisions. Arizona State University, Intel Corp., the U.S. Department of Defense and predicted that such leaders in distributed generation infrastructure development will likely be unable to continue further solar installations.

Learn more

Watch the Jan. 23rd Open Meeting video (scroll down to the Archived Videos, click on Open Meetings tab)

APS eDocket: E-01345A-12-0290

TEP eDocket: E-01933A-12-0296

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[1] Adapted from http://www.aps.com/_files/solarRenewable/2013RESImplementationPlan.pdf

[2] Data sourced from ACC Staff Proposed Order, Docket E-01933A-12-0296 Document #0000140086, p.3