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ARIZONA CORPORATION COMMISSION

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September 5, 2008

Mr. Ernest Johnson
Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: **APS 2009 Renewable Energy Standard Implementation Plan; Proposed Approval Process for Funding Research and Development Projects and Potential for Additional Funding for Research and Development; Docket No. E-01345A-08-0331.**

Dear Mr. Johnson:

I write to request that Staff consider the proper approval process for research, development, commercialization and integration ("RDCI") funds proposed in the Arizona Public Service Company ("APS") 2009 Renewable Energy Standard ("RES") Implementation Plan. I am concerned that the current proposal leaves sole approval authority for how these dollars are spent with APS and accordingly would not represent the broader spectrum of renewable energy interests, and might not be used in ways that further the goals of the state's RES. Additionally, I am interested in considering whether the amount of funding proposed by APS for renewable energy Research and Development ("R&D") by the state's Universities should be increased.

Under APS' RDCI proposal, APS would allocate funds for R&D aimed at advancing the role of renewable energy in APS' resource mix. APS' RES plan specifically contemplates close coordination with Arizona Universities to utilize their resources and leverage their existing R&D efforts.

I would like Staff to consider whether a panel, composed of representatives of APS, Arizona State University, Northern Arizona University¹ and the renewable energy industry would better represent the variety of interests and in turn better direct research efforts that would be designed to support the goals and aspirations of the RES.

Finally, I am interested in knowing whether the amount of funding proposed by APS for new renewable energy R&D is adequate. APS has proposed \$500,000. I would like Staff to consider whether a higher amount – perhaps as much as \$1 million – should be approved by the Commission to be disbursed for research by the two Universities within APS' service territory. I

¹ I suggest ASU and NAU as these are the two state universities in APS' service territory. I will suggest a similar panel including the University of Arizona to review R&D funding that may result from Tucson Electric Power Company's 2009 Renewable Energy Standard Implementation Plan.

would like to determine whether this level of R&D could be accomplished without impinging on the actual deployment of renewable energy projects and rooftop systems in Arizona. In other words, I would like Staff to consider an amount greater than \$500,000 that would stand in addition to the funding proposed by APS to meet its 2009 RES requirements.

Both ASU and NAU are actively pursuing important renewable energy research. For instance, ASU recently announced the formation of the nation's first ever School of Sustainability, as well as a Solar Laboratory directed by one of the pre-eminent photovoltaic researchers in the country. Additionally, I understand that ASU's Decision Theater could be utilized to model renewable energy benefits over time, as well as the proper reliance on renewable energy considering the likelihood of costs associated with probable future regulations on coal-fired electricity, such as a cap and trade program or a carbon tax. Similarly, NAU's Sustainable Energy Solutions group is researching improvements to the design and operation of wind turbines and is engaged in precise mapping of wind resources in Arizona. This research serves broad purposes closely associated with the RES and will be beneficial to the state's utilities, policymakers and renewable energy industry.

As you analyze the 2009 APS RES Implementation Plan, I would like you to consider structuring the approval process for distribution of R&D funds such that it supports renewable energy research initiatives and consider an increase in the amount of R&D funding provided to the Universities through the RES.

Thank you for your consideration of these matters.

Sincerely,



Kris Mayes
Commissioner

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Michael Crow, President, Arizona State University
John Haeger, President, Northern Arizona University
Brian McNeil
Ernest Johnson
Rebecca Wilder