



0000063727

November 13, 2006

**ORIGINAL
RECEIVED**

do

Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

2006 NOV 20 P 4: 42

RE: AZ CORP COMMISSION
 Docket No. E-01933A-06-00473
 IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER
 COMPANY TO EXTEND AND MODIFY ITS GREENWATTS™ SUNSHARE
 PROGRAM

American Solar Electric, Inc., the Vote Solar Initiative, the Greater Tucson Coalition for Solar Energy ("GTCSE") and SunEdison, LLC are pleased to offer the following comments concerning Tucson Electric Power Company's ("TEP") proposed changes to its GreenWatts™ SunShare Program (the "Program").

We would like to address the following:

1. Extension of the Program.
2. Elimination of Option 2.
3. Change in Option 3 incentive.
4. Program limits.
5. Rights to Electricity
6. Cost per Credit.

Arizona Corporation Commission
DOCKETED

NOV 20 2006

DOCKETED BY	nr
-------------	----

1. Extension of the Program.

We are concerned that Staff's recommendation to move the expiration date to December 31, 2008 will create an environment of complacency regarding the speedy and effective implementation of the recently approved Renewable Energy Standard and Tariff and the related Uniform Credit Purchase Program.

While the SunShare program is adequate for current needs, and we share the concern of Staff that continuity should be ensured for the optimal development of the market, we feel that a full remaining year is adequate to resolve outstanding issues within REST / UCPP, and that doing so in this timeframe will be critical to meeting the aggressive goals laid out in the REST.

We therefore recommend retaining the original date of December 31, 2007.

2. Elimination of Option 2.

We strongly concur with Staff's recommendations in this area; TEP's overwhelming market advantage as applied through the Option 2 program had the unintended effect of severely impairing local industry development, and we look forward to more robust development of a market for competitive solar supply in the absence of this distortion.

3. Change in Option 3 incentive.

We are pleased to see the Option 3 incentive more appropriately priced in alignment with the critical objective of establishing uniformity and consistency in the market for environmental credits in the Arizona market.

We concur with Staff's recommendations.

4. Program limits.

The Program currently limits customer systems to "at least 800 watts AC and no more than 10,000 watts AC at noon as corrected to PTC for temperature and solar insolation over a one year cycle." (Section 1 of the proposed "Application Process, Attachment A, System Qualifications.")

While adequate and appropriate for a program directed only to residential customers, this limitation effectively excludes all non-residential opportunities.

We feel that this limitation hinders deployment of larger projects in TEP's service area. While TEP indicates that it is open to negotiating Credit Purchase Payments for larger systems, the failure to provide a transparent and open offer to its customers is not favorable for project development and limits market acceptance.

Experience in other states conclusively demonstrates that larger systems are cheaper. TEP has on several occasions expressed concerns about the amount of funding available in relation to TEP's ability to meet the REST goals. In light of this, approving a program that does not open the door to more cost-effective projects is counter to TEP's argument and the goals of the Commission.

We recommend that the 10 kW limit be supplemented with an additional segment for non-residential system incentives. We propose that the incentives be provided for systems of any size, but limited to the first 200 kW-STC at a rate of \$2.50 / Watt-STC. This move would give TEP and its installation partners in the service area an opportunity to move towards a standard of incentives that is uniform throughout Arizona while the UCPP, as part of the REST, is developed and implemented.

5. Rights to the Electricity.

We are concerned about TEP's proposal to require solar system owners receiving ratepayer incentives to sign an agreement assigning rights to the electrical output of the system to TEP. We believe that this requirement is unnecessary for compliance purposes, unjustified, and would add transaction costs.

The REST clearly states that compliance for distributed generation can be met by acquisition of customer RECs. Utility ownership of the actual electrons is not listed as a requirement.

We also note that the solar system owner will have contributed significant funds towards the purchase of the system, and an effort to unilaterally assign all ownership rights to the electricity to the utility may not be legally justified. In any event, we believe that concern over this element may

significantly increase transaction time and costs. For these reasons among others, similar programs in other states do not have this requirement. TEP's proposal, to the best of our knowledge, is unprecedented.

We question the perceived need to deliver the energy produced from distributed energy systems to the utility and then back to the customer. In physical reality, the energy produced by the distributed energy systems will be consumed first behind the meter in a means "invisible" to the utility and having no discernible difference from efficiency measures.

We are concerned that the proposed notional transfer and immediate retransfer of electricity may prejudice some outcomes of the net metering decisions currently before the Commission in multiple proceedings.

Absent further explanation of the purpose and rationale for developing this theoretical instantaneous transaction, we request that this provision be deleted from the program proposal.

6. Cost per Credit.

The discussion and recommendations by Staff suggest that cost per credit is highly dependent upon the timing regarding payment for credits and the term during which credits are transferred. As we move toward an increasingly Performance Based incentive world, we note that it is important that terms and costs are set on an equivalent basis to reflect the time value of money and future obligations.

Thank you for this opportunity to comment and for the leadership the Commission has shown in supporting balanced and renewable energy development for our community.

Regards,

Valerie Rauluk, GTCSE
Thomas Alston, American Solar Electric, Inc.
Adam Browning, Vote Solar Initiative
Colin Murchie, SunEdison, LLC