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The **Solar Alliance**

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TO: Arizona Corporation Commission
FROM: The Solar Alliance
DATE: 08-010-09
DOCKET NO. E-01345A-09-0263

2009 AUG 10 A 11: 54

AZ CORP COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY'S REQUEST FOR AUTHORIZATION FOR INCREASE IN RECOVERY GUARANTEE FOR PRODUCTION BASED INCENTIVES FOR DISTRIBUTED RENEWABLE GENERATION PROJECTS.

The Solar Alliance and The Vote Solar Initiative appreciate the opportunity to again address the Arizona Corporation Commission (Commission) regarding the above referenced docket.

On July 30th 2009 Arizona Public Service (APS) filed supplemental comments to this docket requesting several substantial changes to the Renewable Energy Standard and Tariff (REST) compliance rules. The Alliance has concerns with two of these changes. The first of these requests asks that Distributed Generation (DG) systems installed on schools be classified as "residential" projects and accordingly that the renewable energy credits produced by these systems count towards the residential DG requirement in the REST. The second area of concern is the proposal to divert \$20 million in residential DG funding towards incentives for these newly categorized school projects.

Our reasons for concern with the proposal are as follows:

- Our primary concern is that if too much money is diverted from the residential program to schools, there may not be enough funding for residential projects at the end of the year. According to one of the largest solar installers in the state, residential sales in the second half of the year are typically about 50% higher than the first half.¹
- This is the first full year of REST implementation, and drawing conclusions about the residential market after only six months of data (in this brutal economy, no less) is highly premature. The 2009 APS Renewable Energy Incentive Program Quarterly Update from June 30th, 2009 shows the residential PV program is on track in 2009 to triple the amount of watts installed when compared to 2008. APS should be commended for this tremendous growth and the substantial success of the residential PV program. If growth of the residential PV market continues at this pace, the Alliance believes that future-year residential DG goals will be met, but only if funds are rolled over from year-to-year and full funding is maintained.
- Reclassifying schools as residences is counterintuitive and we object to this approach. While we are not opposed to making adjustments to the REST program, any permanent changes should be done with better data, full consideration of long-term policy implications, and the participation of all the stakeholders. The best venue for permanent

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¹ Residential Sales for American Solar were 52% higher in the second half of 2007 and 45% higher in the second half of 2008, when new home construction was at an all time low.

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changes would be in the course of a review of utilities' implementation plans or a docketed REST program overhaul.

- The proposal states that more funding is needed to leverage State Energy Program (SEP) stimulus money for solar on schools. However, \$10 million of this ARRA SEP funding is going toward the Distributed Energy Leadership program. Some of this money could be used for residential projects, in which case REST program dollars will be needed to help leverage increased residential demand.
- Frequent changes in the program make it difficult for those in the solar industry to engage in crucial long-term planning. To maximize the potential program success, the rules should be consistent and modified only to address critical issues. Incentives should be adjusted to meet target goals.

Our proposed solutions are as follows:

- Due to the speculative nature of APS's request, the Solar Alliance believes that a large percentage of the school projects APS expects may not be placed in service until 2010 due to the project development cycle of non-residential projects. Allocate projects receiving incentives in 2010 to the 2010 APS non-residential budget and increase the non-residential budget accordingly through adjustments to APS's 2010 REST implementation plan currently before the Commission (Docket # E-01345A-09-0338).
- If the Commission chooses to re-allocate some 2009 funds from APS's residential program to schools, we suggest that the funds be limited to \$10 million, and released in a manner that insures that funding for residential applications will not fall short.
- If funding budgeted for the residential program is used for solar projects on schools, the Renewable Energy Credits these projects create should *not* count toward the residential requirement.
- Any such re-allocation should be done on a temporary, one-time basis. There is certainly no need to permanently reclassify schools as residences.

We are happy to discuss proposals to address APS's concerns about increasing activity in the residential market. We offer the following initial suggestion:

- Change the 50% cap of total system cost on residential UFIs to 60% for the balance of 2009. This would make the APS cap the same as the TEP residential UFI cap.

We look forward to working with Commission Staff and APS to provide any information that might be required.

Respectfully submitted on behalf of the Solar Alliance and the Vote Solar Initiative,

Thomas J. Alston

Tom Alston

Arizona State Lead for the Solar Alliance
tom.alston@americanpv.com

Adam Browning

Adam Browning

Executive Director, Vote Solar