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SOLAR HAWK ENERGY



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Solar Energy Incentives using the Solar Hawk Energy™ KISS method.

Keep it transparent for all companies to ensure confidence in the incentives for solar energy investments.

It is easy to navigate the process to ensure 'shovel-ready' jobs are prioritized above all others.

Simple to allow the 'shovel-ready' demand to earn the maximum allotted incentives without the limitations imposed by earmarks or reservations that effectively skew the current process.

And

Straightforward is the best framework; the ACC should require its regulated utilities to abide by this principle and thus effectively bypass the confusion evidenced by the current situation in Arizona and with the derailing of the California solar energy market.

The Problem: *Companies paying for Arizona-generated electricity should not be turned away because some integrators 'game' the REST Program.*

Currently TEP and APS are VERY oversubscribed for their renewable energy budgets, but where are the solar energy assets being installed? It is difficult to believe that there are so many reservations for projects with no hope of taking off and being implemented. Additionally, it is difficult to believe that a handful of firms can effectively reserve the total available renewable energy funds for distributed energy projects. These regulated utilities will see the same companies frequently failing the reservation process as these integrators try to push clients into a sale without having done the necessary due diligence.

If so many of these projects are valid, why haven't the news organizations been covering the explosion of solar in Arizona? The solar energy sector is being gamed by some companies with a strategy to choke the other solar energy providers by making the incentive money seemingly unavailable. If APS and other utilities realized 50% of its current reservations, then it would make AZ the largest solar energy player in the country in 2009....something that is out of reach and not realistic with this flawed system.

Arizona Public Service Commission
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Solar Hawk Energy™ Suggestions:

1. Make the reservation period limited to 30 days without a 10% down signed contract.
2. The reservation should only be valid for 30 days more (60 days total) by mandating the commencement of design and engineering to be within the next 30 days. Meaning, if an integrator gets a contract and 10% down, then the integrator will have made a major fault if it cannot start the project as determined
3. APS should penalize only the integrator for making false reservations. A certified letter from the PV supplier should be a minimum requirement in order for APS or another regulated utility to pass on penalizing the integrator for causing this hassle. APS and TEP pay a lot of money to run their reservation program with its human needs, and this is wasted if integrators effectively tie up funds for valid solar energy plants by over-reserving for fictitious projects. It is unfathomable to penalize the customer when the entity is really only as smart as its integrator's advice.

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4. A use-it-or-lose-it clause for the different coffers/buckets of incentive money available for residential and non-residential projects....a general renewable energy fund could accept any unused money for projects needing the incentives when the specific bucket is completely depleted. The solar energy sector should be willing to chance that residential solar is a fairly small market and already fulfilled with first adopters owning systems, or if the residential solar energy market proves to be the gorilla in the room, then it should be able to draw funds to ensure adequate incentives for 'shovel-ready' work.
5. Limit the system size to 500kW installed per year per customer's location. If the ACC lets a few companies absorb all the money then you will have many APS/TEP clients who paid their parts for the REST and yet do not get to participate. SRP has managed its program effectively by limiting system sizes to ensure reservations for unrealistic projects do not clog its funding systems.
6. Large-scale solar (greater than 500 kW) must be incentivized from the larger utility-scale renewable energy fund, approximately 70% of all money earned by ratepayer fees. There is no reason why paying customers should be pushed to the sideline because overly optimistic energy developers have reserved monies for unrealistic projects. Some firms have effectively scaled their projects to a utility-scale power plant (greater than 500 kW), and this effectively ties up the incentives for real companies headquartered and operating in Arizona. In effect, the current system limits the ability of 100 kW to 500 kW power plants from going forward with the innuendo that the current incentive process now perpetuates! (90% of companies have roofs that fall within this range)
7. If APS cannot get the utility-scale projects started with third-party developers, then some of these funds should also go into the general renewable energy fund for distributed energy projects (currently 30%) as needed to ensure commercial-scale solar energy needs are completely funded.
8. Reserving money for projects in the past and future Distributed Energy RFPs should not come out of the Commercial-distributed energy budget (15%), but rather the utility-scale side (70%) unless the project is less than 500 kW.
9. APS needs a rate plan for the commercial-scale solar energy plant owner that more closely mimics the cost of energy over the course of the year. The best solution is a Time-Of-Use (TOU) framework that pays more for energy production during the summer months and effectively lowers bills and helps the utilities from suffering losses with third party merchant plants only in business to supply \$0.15 or higher kWh during peak demand times. SRP and TEP have very similar models and offer a solid program for solar energy integrators to sell the benefits of nearing net-zero bills.
10. If the ACC opts to continue along the same path as it has by allowing its regulated utilities to confuse local Arizona solar energy businesses, then the solar energy program and local enterprise will suffer. It is time for the ACC to set a level playing field for firms with 'shovel-ready' work.

APS could realize serious gains in its solar energy portfolio by actively managing its renewable energy program to accommodate only the shovel-ready projects.

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| Total APS Budget 2009 | Available Funding for Solar at \$0.25 per kWh for 10 years |
| \$77,000,000 | 20 Megawatts * |

■ 10° tilt to south
 ■ 1,547 kWh per year per kW installed

■ \$0.25 per kWh PBI for 10 years
 ■ REC ownership with APS for lifetime of REC

* Output varies ± 15% from 0° to 33° south orientation