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Green Choice Solar

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Chairman Kristin Mayes
Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Paul Newman
Commissioner Bob Stump
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: APS 2010 REST Implementation Plan (Docket No. E-01345A-09-0338)
~~TEP 2010 REST Implementation Plan (Docket No. E-01933A-09-0340)~~

Dear Madam Chair and Commissioners:

Green Choice Solar ("GCS") was launched this summer in Scottsdale, Arizona as a developer, designer and integrator of solar-distributed energy. GCS is focused on solar photovoltaic (PV) installations for larger-scale homes in Arizona and the non-residential market. As a new entrant into Arizona's burgeoning solar PV arena, the viability of our business is greatly affected by the pending approvals of APS' and TEP's 2010 REST Implementation Plans. In particular, we have several concerns about the availability, predictability and transparency of funding streams for non-residential distributed energy (DE) projects.

As you know, the Phoenix and Tucson metropolitan areas offer abundant opportunities for the installation of solar PV systems. Potential sites include distribution centers, warehouses, light industrial buildings, big-box retailers, schools, office buildings, and corporate campuses. Solar-distributed generation is an excellent way to provide peaking power in the load pockets, with the benefit of no carbon emissions. More importantly, it requires no water use, a vital consideration in the Desert Southwest. In areas of high growth, the deployment of solar PV systems can offset the need for the incumbent utility provider to construct additional infrastructure, which is very costly and time-consuming.

GCS, like other solar developers, has experienced a number of serious glitches affecting the timely installations of systems for our customers. Because UFI and PBI funding for non-residential projects has dried up for the remainder of 2009, we have over 1.2 MW under contract, but only 200 kW worth of systems installed. During this year,

we have had little information about the funding availability for non-residential projects. With no incentives left for 2009 and the potential that funding will be used up by the middle of next year, we are unable to expand our business or market our systems with any degree of certitude. As a consequence, our customers will have to wait indefinitely to begin enjoying cost savings on their monthly electric bills.

The reservation and nomination process could also be improved. Right now, any person can lock up a reservation if the project scores well based on the utilities' ranking methodologies. Inherent flaws exist in assessing and ranking projects, as various factors can be manipulated to obtain reservation numbers for projects that have no possibility of being built. For example, the estimated energy production may be overstated, while the requested incentive amount may be understated. In addition, we have encountered "consultants" shopping their clients' reservation numbers to us, hoping to score large "finders' fees."

GCS believes the following changes can improve the non-residential DE programs for both APS and TEP:

- Require the utilities to post up-to-date information on their websites regarding how much funding has been reserved and used for the residential and non-residential DE categories. Knowing the availability of incentive funding is especially crucial in this business. In other words, we need timely and accurate funding information when we make marketing decisions, execute contracts for systems with our customers, and hire work crews to install systems.
- Require a reservation fee. We think it is reasonable for solar developers to pay a reservation fee on behalf of their customers when requesting incentive funding. The amount could be based on a small percentage of the total project cost (perhaps 2.5%) and would be refunded once the utility makes a funding determination. With a reservation fee, only serious applications will be submitted and any potential "gaming" of the process will be mitigated. As a result, more realistic projects will come to fruition, and legitimate solar developers will be rewarded for honest behavior.
- Eliminate the nomination process for all categories of PBIs. To applicants, the present nomination process is convoluted and murky. Oftentimes, solar developers do not clearly understand the underlying rationale for the rejection of their projects. APS and TEP ought to establish explicit guidelines for project approval (i.e., lower kWh prices and verifiable energy production). As long as the applicant meets the utilities' defined criteria, PBI funding should be awarded on a first-come, first-served basis.

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If the Commission does not adopt the previous recommendation, then GCS proposes the following:

- Increase the number of nomination periods for APS' proposed Large Projects category from two to six. APS' proposal seeks to establish a new category for PV systems rated higher than 100 kW or having a lifetime incentive commitment greater than \$2.5 million. However, having only two nomination periods will result in a "feast or famine" regimen for many solar developers and their customers. GCS targets larger commercial projects but will have great difficulty in serving this niche if the number of nomination periods are not increased.
- Eliminate UFIs for non-residential projects. Making all non-residential incentives performance-based allows for the installation of better engineered and more economically feasible projects. In addition, this change would stretch the funds further to enable the installation of more PV systems.
- Lower the per kWh rates for PBIs. This change also would stretch the funds further to enable the installation of more systems. As you know, the price of panels is declining, and these cost savings are easily passed on to consumers.
- Accelerate the utility process for ranking projects and notifying customers of reservations, as well as commissioning solar PV systems once the customer meets the required milestones. In general, the process to award PBIs is cumbersome and lengthy. These changes would shorten the process by a matter of weeks on both the front and back ends.

We also support Chairman Mayes' efforts to establish a statewide feed-in tariff for solar PV systems. I am very familiar with the success of Germany's feed-in tariff and would be glad to share my first-hand experience with the Commission as it moves forward with the Notice of Inquiry and series of workshops.

GCS believes these suggested changes will provide easily-realized benefits. The reservation process will become more transparent to solar developers; the incentive programs will become more predictable and sustainable; and more non-residential DE projects will be deployed. Thank you for your consideration in this matter.

Yours truly,



Herbert Abel
Chief Executive Officer