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March 2, 2010

Chairman Kristin K. Mayes
Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra D. Kennedy
Commissioner Bob Stump

Arizona Corporation Commission
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ARIZONA CORPORATION COMMISSION
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Docket No. E-01345A-09-0227

Draft: Community Power Project: Flagstaff Pilot

Dear Commissioners,

AriSEIA thanks the Commission for this opportunity to comment on the Community Power Project: Flagstaff Pilot that has been proposed by Arizona Public Service.

AriSEIA has supported the efforts to develop a sustainable market in Arizona for solar and renewable energy systems. We have patiently worked through the process at both the Commission and at the Legislature since these efforts began many years ago. We are pleased to see that the programs initiated by the Arizona Corporation Commission are bringing to Arizona the economic development and environmental benefits that solar energy can provide.

AriSEIA also applauds the efforts of Arizona Public Service to implement a program under the REST rule that has been a driving force in the APS service territory for the development of the solar industry in Arizona.

Arizona's solar industry has grown dramatically. Not only are new companies being formed to provide solar energy systems to residential and commercial end users, but many Arizona companies are expanding to offer these services and products. Also, many companies from other states are opening Arizona offices, hiring locally and providing economic growth to Arizona.

Arizona Public Service is seeking approval of a distributed generation (DG) pilot program, the 'Community Power Project, which will supplement its 2010 RES Implementation Plan (docket no. E-01345A-09-0227). As indicated in the filing by Arizona Public Service, the purpose of this project is to maximize the value of distributed energy resources through a high penetration of DG systems in a localized area in order to study the effects on the grid. Since the days of the Solar Portfolio Standard, AriSEIA had promoted the benefits to the grid as a reason the Commission should support the development of renewable energy technologies and we support this project as a pilot. We feel that this project will provide the valuable data that will demonstrate that programs such as the REST are a valuable tool ease constraints on the grid.

We also feel that there are additional benefits to this program. We particularly support the inclusion of low income customers into the program and recognize that this program will act as a hedge against rising utility costs and from the rising cost of delivering energy to Arizona neighborhoods.

However, AriSEIA does have serious concerns about widespread utility participation in the markets for distributed solar energy systems and utility ownership of DG in Arizona. Many members of the industry are opposed to this entire program due to the fact that it appears to be the beginning of competition from APS.

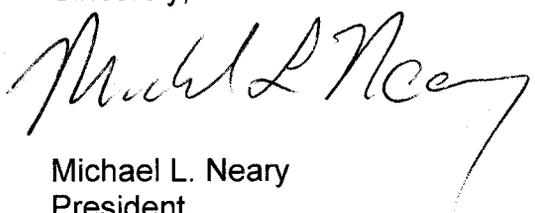
As a regulated utility, APS has an advantage over the many small businesses that are entering the solar industry in Arizona today. It would be difficult to compete against a monopoly with a decisive advantage in the market. These are the same small businesses that are bringing high wage jobs to Arizona and competition from a large regulated utility would be counterproductive to that goal. Additionally, we feel that under no circumstance should utility owned assets under any utility program count as a distributed generation resource under the REST.

Also under the Flagstaff Pilot Program, the CMPW-01 tariff would allow for a fixed amount of energy at a price that is not directly linked to the cost of the on-site system. The price is structured so as to "ensure customer cost neutrality at the time of enrollment." APS can do this because its status as a monopoly allows it to spread its risk across a large pool of ratepayers. A Solar Service Agreement (SSA) provider does not have this advantage and must structure pricing to provide a profit from each installation. This would place companies offering SSA's at a competitive disadvantage.

Companies that offer SSA's are a growing segment of the new entrants into the Arizona market.

While we support this initial program because of the information that it can provide, we understand the concerns of those who oppose this program and have serious reservations regarding any regulated utility entering the distributed solar market. We feel that it would be a bad precedent to allow such an entity to use its status as a public utility and their size and power to compete with the many small businesses that are doing business in our state. It may also prevent the creation of other business that wish to market and install renewable energy systems and reduce jobs creation opportunities.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Neary". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Michael L. Neary
President