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C.H. HUCKELBERRY
County Administrator

March 25, 2010

E-01933A-09-0340

The Honorable Chairwoman Kristin Mayes
and Commissioners
Arizona Corporation Commission
Commissioners Wing
1200 West Washington – Second Floor
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED
MAR 26 2010

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Re: **TEP 2010 REST Plan Docket #09-0340**

Dear Chairwoman Mayes and Commissioners:

I am writing to request that you support Tucson Electric Power's (TEP) request to allow it to use Renewable Energy Surcharge (RES) revenues to subsidize commercial and residential Distributed Renewable Energy (DRE) projects consistent with actual demand. I understand that the Pima Association of Governments Solar Partnership has communicated a similar request to the Commission.

I understand that the current rules require a hard allocation of the funds available for DRE: 50 percent to commercial projects and 50 percent to residential projects. Although the rule is well-intentioned, at the time of its adoption it would have been impossible to project actual market demand and trends. As a result, the application of the rule's hard allocation formula today is restricting the delivery of intended benefits. A significant amount of the residential funds remain unused; \$6 million from 2008 and \$6 million from 2009, resulting in about \$22 million of funds available for 2010 residential projects. By contrast, there is only \$1.6 million available for commercial projects, which falls far short of the approximately \$10 million in applications TEP has received.

Although federal, state and local subsidies provide about 80 percent of the cost of a residential system, local demand for residential systems is much less than for commercial systems because of their high costs relative to our local economy and available discretionary income. The promotion of commercial-scale solar systems will enable significant cost reductions which will decrease the cost of residential systems and enable more participation in the future.

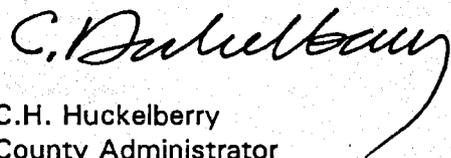
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In closing, rather than having millions in residential DRE funds remain unproductive, I encourage you to reconsider your initial decision to reject TEP's request and to modify the RES allocation rules to allow TEP to allocate and use the RES funds to satisfy actual demand, be that residential or commercial.

Alternatively, please consider reducing the hard residential system allocation from 50 percent to 25 percent of the total DRE funds which should be sufficient to satisfy historical and future demands for many years, until our local economy improves.

Thank you, in advance, for your thoughtful review and consideration.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/dr

c: Terry Finefrock, Chief Contracts & Procurement Manager
Tedra Fox, Sustainability/Federal Stimulus Manager
Marc Lynn, Energy Program Manager