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OPEN MEETING AGENDA ITEM

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From: jcsolar@aol.com  
Sent: Friday, April 02, 2010 8:01 AM  
To: Newman-Web  
Cc: Pierce-Web; Mayes-WebEmail; Kennedy-Web; Stump-Web  
Subject: Fwd: APS Solar Water Heating incentive changes

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ORIGINAL

AZ CORP COMMISSION  
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Arizona Corporation Commission

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APR - 7 2010

-----Original Message-----

From: jcsolar@aol.com  
To: Newman-web@acc.gov  
Cc: Pierce-web@acc.gov; Mayes-web@acc.gov; Kennedy-web@acc.gov; Stump-web@acc.gov  
Sent: Thu, Apr 1, 2010 5:04 pm  
Subject: APS Solar Water Heating incentive changes

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Dear Commissioners,

As you are aware APS has come to the commission to ask to have the incentive levels lowered in their Uniform Credit Purchase Program (UCPP); from \$3.00/watt to \$2.15/watt for Solar Electric/PhotoVoltaic (PV) and from \$.75 to \$.50/Kwh saved for Solar Water Heating (SWH). I am a SWH contractor and have been since 1982. I'm a founding member of ARISEIA, currently a board member, and a former three term president. I also served for three years on the SEIA's national board of directors and was on the UCPP working group which came up with the incentive recommendations. I feel, as do all others I've talked to in the SWH industry that these proposed changes are unfair to the SWH industry. Here is why.

Most obviously they are not equal percentages of reductions although they appear close. But the reality is that most PV companies don't get the \$3/watt incentive anyway because of the 50% cap on the entire incentive total. Most only get about \$2.50/watt so the reduction is less than it appears. That is not the same with SWH which typically gets the full incentive because of its' lower cost.

Also, PV already gets a much higher incentive relative to the electric it offsets from APS. For example, for a 3Kw PV system APS would pay out up to \$9,000.00. For a SWH system with a 3000Kwh/year saving APS pays only \$2,250.00. Under the new incentives APS would pay out \$6450 for the PV system but only \$1500 for the SWH system and both systems offset roughly the same amount of electricity.

And to begin with this is a regressive incentive in that every ratepayer pays the surcharge but very few can afford the PV system even after all the incentives. However, most ratepayers can afford the SWH system with the present incentive levels especially if their water heater is leaking or old and inefficient and in need of replacement anyway. With the lowered SWH incentive many of these people will not be able to afford it which makes it even more regressive.

When I was with the UCPP working group we decided that SWH was a mature industry with regard to manufacturing and that economies of scale would not lower the cost of the components which are mostly copper and steel. As such we agreed that the incentive would not be gradually lowered. PV on the other hand did feel that they would benefit from economies of scale and agreed to a progressive lowering of their incentives. I believe that they were correct and that PV costs have gone down. SWH costs have not and so will be more affected by the lowering of the incentives.

SRP was faced with a similar situation where they were running out of money for their incentive program and what they did was to lower their PV incentive and limited the size of the PV systems they gave incentives to but not the SWH incentive since they got so much more bang for their buck from SWH. PV gobbles up so much of the money for so much lower returns and that is why the fund is running out at APS.

What we of the SWH industry ask is that you don't lump us into the same barrel as PV and lower the incentives without individual consideration of each technology. We are not the same. Ours is much more cost effective and is available to just about all the ratepayers who have water heaters.

Thanks very much for your consideration and please contact me if you have any further questions in this regard. I would be more than happy to follow up on this issue.

Sincerely,  
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