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AriSEIA

Arizona Solar Energy
Industries Association

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AZ CORP COMMISSION
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ORIGINAL

TO: The Arizona Corporation Commission
FROM: The Arizona Solar Energy Industries Association
DATE: April 12, 2010
DOCKET No.: E-01345A-09-0338

Arizona Corporation Commission

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RE: IN THE MATTER OF THE ARIZONA PUBLIC SERVICE COMPANY'S
APPLICATION FOR MODIFICATION TO THE RESIDENTIAL DISTRIBUTED
ENERGY INCENTIVE (DOCKET NO. E-01345A-09-0338)

The Arizona Solar Energy Industries Association (AriSEIA) would like to thank the Commission for this opportunity to comment on the request by Arizona Public Service for a reduction in the incentive rate for 2010. AriSEIA is the Arizona Chapter of the Solar Energy Industries Association, in Washington DC, and promotes the development of all solar technologies. Our membership, which has grown dramatically over the past year, is primarily composed of companies marketing photovoltaic and solar thermal systems at both the residential and commercial level.

The Arizona's Renewable Energy Standard and Tariff (REST) is unique and the Commission is to be commended for seeking to promote all renewable technologies through incentive programs under the REST. In fact, the REST has led to the development of solar incentive programs that have become a model for other states seeking to develop a solar energy industry and to reduce the use of fossil fuels by producing clean energy for homes and businesses. AriSEIA is pleased that Arizona Public Service has become a recognized national leader in the development of solar and renewable energy within their service territory. We have worked closely with APS and other stakeholders to insure that programs are fair and equitable and we will continue to do so.

The rapid growth in the market for residential solar energy systems has been truly remarkable and somewhat unexpected; however this growth has

demonstrated the fact that residential ratepayers support this program and are willing to invest their own money in solar energy systems. It appears that APS is well on their way to meeting their REST goals.

AriSEIA has always advocated for the sustainable development of Arizona's solar industry through the implementation of programs that would provide maximum benefits to Arizona's economy and environment. Sustainable, predictable, and uninterrupted markets are necessary for any industry to grow and thrive. The recent rapid growth of the market has put a strain on program funding and indicates that action must be taken in order to insure that the market remains uninterrupted. While we do not disagree that the incentive needs to be adjusted, we would like to point out that its effect will be felt by the new entrants into the market as well as long term industry members.

AriSEIA and many of its members played a significant role in the Uniform Credit Purchase Program Working Group (UCPP), where the model for the APS Implementation Plan was developed. AriSEIA has, in the past recommended that the Commission reconvene the UCPP Working Group to take a fresh look at the model used by most Arizona utilities to design their REST Implementation Plans. We feel that it is now more important than ever to reconvene this working group to look into a variety of issues, including the best way to develop a sustainable program for Arizona.

The working group could bring stakeholders together to discuss a variety of issues including, incentive levels, mechanisms for incentive reductions, program funding needs, program administration costs, and other measures that could be taken to develop a sustainable program. We have commented in the past that there should be greater program transparency, which is an additional item that the Working Group could deal with. Greater program transparency, in this case, may have helped avoid the sudden changes to the program that will have an effect on many of our member companies.

We understand that this is not an immediate solution to the current problem, but this process would be beneficial to the overall program and could lead to a uniform statewide program.

The UCPP Working Group Report did call for a reduction in the incentives at a scheduled rate for photovoltaic systems and we supported that reduction. However, it does appear that we have now reached the need to rapidly reduce the incentive in order to sustain the market. It is unfortunate that the industry was caught off guard by the APS filing and it has created a hardship for most companies in the industry, as well as creating confusion and concern with homeowners who contracted for solar energy systems.

We do have concerns with both the APS filing and the staff proposal. With both proposals, it is likely that the funds will run out before the end of the year creating a gap that will be difficult for many companies to withstand. We do see a need for additional funding in conjunction with the incentive reductions in order to avoid

program interruptions. We also understand that increasing the burden on the rate payer at his time is a difficult step to take. We urge the Commission to monitor funding and incentive levels for APS on a regular basis to reduce the possibility of program gaps, which will be detrimental to the industry.

The distributed generation portion of the REST is vital to the growth of Arizona's solar industry and an investment in Arizona's energy future. A sustainable and predictable program is necessary for the health of the solar industry and a healthy solar industry is vital to the continued success of the REST in the coming years. We urge the Commission to work with APS and the solar industry to insure that a sustainable program exists for the benefit of all of Arizona.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Neary". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

Michael L. Neary
President