E.01345A.09.0338

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ORIGINAL

ARIZONA CORPORATION COMMIS

UTILITY COMPLAINT FORM

Investigator: Trish Meeter **Phone:** **Fax**

Priority: Respond Within Five Days

Opinion **No.** 2010 86747 **Date:** 5/5/2010

Complaint Description: 08A Rate Case Items - Opposed
09Z Rates/Tarriffs - Other

	First:	Last:	
Complaint By:	**Tom**	**Broderick**	
Account Name:	Tom Broderick		**Home**
Street:			**Work:**
City:	Flagstaff		**CBR:**
State:	AZ **Zip:** 86004		**is:**

Arizona Corporation Commission
DOCKETED
MAY - 6 2010
DOCKETED BY

Utility Company. **Arizona Public Service Company**

Division: Electric

Contact Name: For assignment **Contact Phone:** 6

Nature of Complaint:

Rec'vd thru Chairman Mayes' Office Docket No. E-01345A-09-0338

RECEIVED
2010 MAY -6 A 11:43
AZ CORP COMMISSION
DOCKET CONTROL

From: Tom Broderick [mailto:t
Sent: Friday, April 09, 2010 12:44 PM
To: Mayes-WebEmail; Pierce-Web; Newman-Web; Kennedy-Web; Stump-Web
Subject: APS solar rebate reduction; Docket E-01345A-09-0338
Importance: High

Chairman Mayes and Commissioners:

Attached is a letter describing why I think the APS incentives for PV and solar hot water should not be reduced as outlined by APS and, unfortunately ACC Staff. I am advocating a more balanced approach of a small reduction in the rebate, which has built in reductions as written now, since it cannot be for more than 50% of the cost, and also a sensible restructuring of the surcharge to raise enough revenue to maintain the surcharges at nearly their current level and continue the robust growth of renewable energy installations that Commission policy has been key in stimulating.

ARIZONA CORPORATION COMMISSION

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I think there should be discussion, in an orderly way over time this year, about the future level of the rebates, but to rush to just cut them because demand is larger than forecast is counter to the goal the Commission had at the time the rebates were established: to encourage a robust industry and awareness leading to installation of PV and solar hot water systems. This is working well, perhaps better than expected, but we need to be thoughtful about how these changes should occur, because they can undo the industry progress stimulated by the Commission's vision. Panicky action over less than a two week period may not be conducive to well-considered action.

As I say in the letter, I will be out of town for the hearing, or I would likely come to the hearing on 4/13. I see on the website that the other negative comments are coming in, and from Chairman Mayes' letter to APS that some hard questions are being posed. Please do not take action that undoes or hinders the further growth of the renewable industry here in Arizona.

Tom Broderick

Flagstaff, AZ 86004

attachment :

April 8, 2010

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

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

Dear Chair Mayes and Commissioners:

I am writing to urge that the incentive reduction for solar electric and hot water proposed by APS not be approved, and that alternative, more balanced approaches that they mention, but did not chose in their filing, be implemented instead. I am in favor of:

1) a modest reduction in the incentive, say to $2.85, not the 28% reduction to $2.15 proposed, recognizing that the incentives are needed to overcome economic barriers still in place,
2) having this reduction be immediate and retroactive, for the reasons provided by APS,
3) raising funding through a restructuring of the surcharge and its caps,
4) supporting the goals and successes relative to these goals, not just considering the current financial shortfall brought on by these successes, nor based on a survey of situations in other states,
5) recognizing that while the demand is exceeding program plans, the use of solar electric by APS customers is still quite modest, even at the current run rate,
6) using a similar approach for the solar hot water incentives,
7) having consideration by the parties of how, how much, and when incentives should be reduced over time, but over a longer time and with more input than the 13 days from filing to hearing in this case.

Unfortunately, I have commitments in Chicago on the day of the hearing, so I am unable to be present to participate, as I very much would like to.

Both the vision by the ACC and implementation by APS are to be commended for the success of the incentives be appropriate, since the kwh usage ranges over a factor of over 10,000. A single surcharge amount could be used, with total amount caps changing for the different groupings. With access to the customer distributions over these groupings, as APS has in the aggregate, it should be straightforward to determine in a week or so how to generate the additional funding needed to support the demand with slightly lower incentive levels.

Another suggestion for raising funds for this program is the renewable energy program where customers voluntarily pay extra for renewable energy procured by APS, under tariffs GPS-1 and 2. When I signed up a year or so ago, it was $.01/kwh. It was recently dropped to $.004/kwh. This is a voluntary program, so move it back to $.01/kwh or more and use those funds to not only procure renewables by APS, but support this renewable incentive program for solar electric by its customers.

There are many more issues at stake in this question than just whether the program will have a shortfall, due to the success of both the ACC vision and the APS implementation. That shortfall should be dealt with in a balanced approach that preserves the intent of this program, while also addressing the urgent financial issues identified by APS.

Thank you for your consideration of these thoughts.

Sincerely,
Thomas Broderick

Flagstaff, AZ 86004

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

5/5 Docketed

5/5/10

Your email regarding Arizona Public Service Co. ("APS") docket No. E-01345A-09-0338 has been received through the Office of Chairman Mayes. It will be placed on file with the Docket Control Section of the Arizona Corporation Commission ("Commission") and made a part of the record.

Staff appreciates your comments and the interest taken in this matter.
Updates can be found on our website at www.azcc.gov in eDocket.

Sincerely,

Trish Meeter
Arizona Corporation Commission
Consumer Analyst
Utilities Division

End of Comments

Date Completed: 5/5/2010

Opinion No. **2010 - 86747**

for solar electric systems in stimulating the current demand. As accurately described by APS in their filing, this demand has been grown due to lower installed costs for solar electric systems from lower material costs, larger number of businesses doing installations, improved Federal tax credits and a growing commitment among the public to the environmental benefits of solar electric. All these developments, other than the Federal tax credits, were key goals of the incentive program to begin with. However, this is not the time to solve the problem of demand exceeding available funding by only reducing the incentives. A more balanced approach of the options outlined in the APS filing is far preferable for the following reasons:

1) The economics of solar electric systems, while much improved, are still barriers to implementation. These systems require outlays of $5-8,000 out of pocket, require incomes above around $50,000 to be able to use the critically important tax credits in the early years after the outlay, and take 8-10 years to payback the customer outlay. By no means is this an economic "no-brainer", but the economic barriers have become modest enough that the environmental and energy security benefits can overcome these economic barriers for a growing number of Arizonans. Reducing the incentive to the $2.15/watt level proposed by APS adds $3400 to the cost, $2400 when the Federal tax credits are considered. This raises the out of pocket costs for consumers, and increases the payback another 3-5 years to 11-15 years, and raises the income level needed to make solar electric attractive, both due to the higher initial outlays and to be able to qualify for the Federal tax credit in the early years. This will push many consumers over the tipping point to have to NOT install solar electric systems.

2) Caution is needed to not "brown out" the exciting cost reductions being provided by the industry, in both materials and installations. This was a key goal of the program, which is being attained in dramatic fashion, and a sudden, retroactive, and significant incentive reduction risks derailing this trend.

3) While the demand is well over the projected goals, in the larger context, it is really quite small. Applications of 110/week means 5700 customers a year. That is about .5% of APS customers. Than means in 100 years we would have about 50-60% of today's APS customers would have solar electric systems. In 10 years, there would be 57,000 customers or 5-6%. In sunny Arizona, with the growing urgency of renewable energy, this is a very modest saturation.

4) A more gradual, steady, carefully considered schedule for incentive reductions is needed. A 28% reduction in the incentive all at once is definitely too much, too fast. Gradualism is a concept discussed in every rate proceeding at the ACC and it is well-established as a regulatory practice. In fact, the incentive is 50% of system cost, up to $3/watt, so the incentive already has and will continue to automatically be reduced, as system prices drop. So since APS indicates that the costs are below $6/watt now (confirmed by 3 quotes I received this week), the incentive is already effectively below $3 now. APS also indicates the importance of program stability, so incentives can be counted on by both customers and the industry, and I agree this is critical. The reason for this sudden action I suggest is not so much policy driven, as it is that they are simply going to run out of money very soon. This is a good reason to take action, but the action to take should much more carefully consider the broader policy issues that drove this entire program to begin with, and not just respond to an immediate financial shortfall by simply adjusting the incentive. That approach may be the easiest, but it is also one that risks significant damage to the success of the policy considerations that lead to the incentives in the first place.

5) A more balanced approach that includes increasing funding, rather than just cut incentives, should be used. There are many areas where additional funding for this program can be found by changing the limits and structure of the caps on the RES surcharges. The current structure with caps does not really apply the surcharge to many kwhs. That is because larger customers in each category (residential, non-residential, large non-residential) have the surcharge apply to only a very small portion of their usage due to the caps. A lower surcharge amount per kwh, with higher caps applied much more broadly would still protect lower users, while raising considerably more funds. While a $3.46 cap makes sense for low residential users (300-400 kwh per month), does it for someone with a 2500 kwh month, with a $250-300 bill? Likewise, the non residential users range from a few thousand kwh per month up to 72,000,000 from the examples in order 71459 of December, 2009. Does a cap of $128 and $386 make sense across that entire range? A 72 million kwh customer probably has a bill around $3.5 to $4.5 million per month. Is $386 (.01%) all they can contribute?

While putting limits on the costs for customers is a good idea, I think segmenting the customers differently could allow much more funding to be raised, while keeping the impacts to each customer limited. I would suggest that using segments of residential and non-residential makes sense, with maybe 2-3 groupings of number of kwh in residential for determining the caps makes sense, while for non-residential, probably several groupings would