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The PV Installation Specialists RECEIVED

August 4, 2010

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Arizona Corporation Commission

Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

AZ CORP COMMISSION  
DOCKET CONTROL

DOCKETED

AUG 4 2010

RE: Docket NO. E-01933A-10-0278

DOCKETED BY

Dear Commissioners:

American Solar Electric (ASE) appreciates the opportunity to once again address the Arizona Corporation Commission (ACC) regarding TUCSON ELECTRIC POWER (TEP) COMPANY'S RES IMPLEMENTATION PLAN APPLICATION FOR APPROVAL OF NEW DISTRIBUTED ENERGY INCENTIVE (DOCKET NO. E-01933A-10-0278).

On July 28, 2010, ASE docketed comments based upon TEP's "Application for Modification of Residential Incentives" dated July 7, 2010. After reviewing ACC Staff's Recommended Order and Opinion (the "RO&O"), docketed on July 29, 2010, we have additional comments we would like the ACC to consider in this matter.

We commend TEP for identifying and Staff for allocating unspent 2009 residential funds, in the amount of \$4.5 million, to the 2010 residential program. While this will support market continuity and aid TEP in reaching REST compliance, ASE believes the market demand for residential solar in TEP service territory could outstrip this additional commitment. ASE recommends the ACC provide TEP additional guidance at this time to allow for market continuity in the event that the additional funds identified previously are not sufficient to allow project reservations to be approved through the remainder of 2010.

Additionally, ASE would like to note that TEP noticed installers on July 2, 2010 and formally requested on July 7, 2010, a reduction in their residential Up Front Incentive (UFI) to \$2.25/watt for the remainder of 2010 or until funding is fully reserved. Staff has recommended two different UFI levels and two funding cycles that differ from TEP's published request: \$2.00/watt for the first \$3.5 million of funds reserved after July 7, 2010, and \$1.75/watt for all remaining 2010 funds.

ASE supports reductions in the TEP UFI level and agrees with staff that lowering the final incentive to \$1.75/watt is prudent. However, we strongly encourage the ACC to consider a modification to Staff's RO&O as it relates to the \$2.00/watt recommendation. Upon receipt of TEP's notice to installers that a lower UFI (\$2.25/watt) would go into effect as of July 8, 2010, ASE began communicating the lower UFI to all new customers. As a result, new ASE customers have assumed the \$2.25/watt UFI would be available. If Staff's request for a \$2.00/watt UFI is granted for requests received after July 7, 2010, we expect some customers to cancel their contracts with ASE, which results in a financial loss to our company and establishes uncertainty around TEP's residential program.

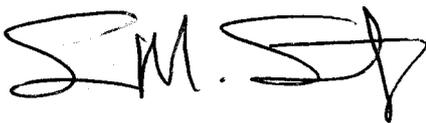
To address the UFI level discrepancy, we encourage the Commission to consider a similar amendment to the one offered by Chairman Mayes as part of the RO&O allowing Arizona Public Service to reduce its UFI in April, 2010, whereby a bifurcated incentive payment structure was approved.

ASE's Recommended Changes to the RO&O:

1. Should the Commission approve reallocation of 2009 residential funds, totaling \$4.5 million, to TEP's 2010 residential program and should those funds be fully reserved prior to the end of the calendar year 2010, allow TEP to approve UFI reservation applications in calendar year 2010 and assign the UFI funds reserved to TEP's 2011 REST Plan. This recommendation is similar to APS's recent request for modification to its residential incentive level and program cycle, filed on August 2, 2010 (Docket # E-01345A-09-0338).
2. Allow customers that submitted reservations to TEP on July 8, 2010 and up to the date of ACC approval of Staff's RO&O, to receive a \$2.00/watt UFI in 2010 and \$0.25/watt UFI in January, 2011.

Thank you again for working hard to create a sustainable and successful solar market for the residents of Arizona.

Sincerely,

A handwritten signature in black ink, appearing to read "S.M. Seitz". The signature is stylized with a large, sweeping "S" and "M" followed by a smaller "Seitz".

Sean M. Seitz  
*President*  
*American Solar Electric, Inc.*