



The PV Installation Specialists **RECEIVED**

August 25, 2010

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AUG 25 2010

DOCKETED BY *[Signature]*

RE: Docket NO. E-01345A-09-0338

Dear Commissioners:

American Solar Electric (ASE) appreciates the opportunity to address the Arizona Corporation Commission (ACC) regarding ARIZONA PUBLIC SERVICE (APS) COMPANY'S REQUEST FOR CLARIFICATION AND MODIFICATION OF RESIDENTIAL INCENTIVE (DOCKET NO. E-01345A-09-0338).

On behalf of the 100 Arizona-based employees of American Solar Electric (ASE), we would like to commend the ACC and APS for the time they have taken to make the residential solar market successful. APS's backlog of projects indicates that customers continue to respond to the solar value proposition in the APS service territory, but we believe a slowdown has been underway for several weeks, if not months. Additionally, ASE believes a solution is needed to move the 892 systems identified by APS as "received," "logged," or "wait list," to a status of "reserved." As one of many installers supporting the APS distributed energy market, we support the concept of moving these 892 systems forward to construction; however we have significant concerns with the APS proposal.

**Reservations Received by August 2**

In the 2011 REST Plan docketed by APS on July 1, 2010 they state "In the 2011 Plan, APS is proposing a continuance of the current approach where requests **received** in the last quarter of the year for residential incentives are paid from the following year's budget ("Incentive Accounting Year"). APS believes that the proposed Incentive Accounting Year approach will provide program stability<sup>1</sup>." This is the program structure ASE supports. However, in the filing currently being discussed, APS is proposing to reserve 600 systems received before August 2, 2010 using their proposed 2011 residential incentive budget. These two proposals contradict each other.

ASE would like to recommend the following short-term actions be taken to alleviate the back-log which will then allow the industry and Commission time to fully review the 2011 REST Plan.

- As recommended by APS, allocate the \$4 million dollars in additional funding and reserve the first 285 systems at \$1.95 per watt.
- Allocate the \$3.2 million in uncommitted funds from 2009 to reserve another round of systems.<sup>2</sup>
- Review the ability to reallocate uncommitted PBI funding, by month, in Q4-2010 and reserve additional systems.
- Review Decision No. 71275. Has the full \$20 million been allocated to schools? APS had permission to allocate additional residential funds at the end of the year if additional school projects needed funding. As stated above,

<sup>1</sup> Page 6 of Docket No: E-01345A-10-0262  
<sup>2</sup> 2011 REST Plan E-01345A-10-0262

there was \$3.9 million left in the 2009 budget. Is it possible then that there could be unspent funds from the \$20 million transfer?

### **Reservations Received between August 2 and September 30**

Within the "Request for Clarification and Modification of Residential Incentive" filing APS would like the ACC to consider funding reservation requests received before the last quarter of the year with 2011 funds. ASE believes this could create a precedent that could be harmful to the industry. As stated above, even APS does not believe this is how the current program has been established – see, for example, their comment: "In the 2011 Plan, APS is proposing a continuance of the current approach where requests **received** in the last quarter of the year for residential incentives are paid from the following year's budget ("Incentive Accounting Year"). APS believes that the proposed Incentive Accounting Year approach will provide program stability."

We have attached Table A which shows a reservation slowdown in the APS program. APS is now reporting 1MW has been requested since they filed the document currently under review. Since we will not know how many systems will be requested from August 2, the date of APS's filing, and the day of the Open Meeting to discuss this docket, it is very difficult for ASE to provide suggestions on how to handle the requests during this timeframe. Our hope is that the ways suggested above will identify funds and possibly another\* review of APS's budget will uncover unspent funds.

\* On June 4, 2010, Pinnacle West, Law Department, responded to Chairman Mayes letter to Don Robinson where she requested the Company to examine its Renewable Energy Standard ("RES") budget projections to look for opportunities to support continued customer demand for distributed energy ("DE") incentives above the Company's 2010 budget. Is it possible to ask Pinnacle West to audit their program one more time?

### **Incentive Reduction Proposal**

APS has proposed lowering the incentive level to \$1.75; ASE is concerned that lowering the incentive now will "cool" the market too much which could result in APS not meeting compliance in 2011. Table A shows APS's weekly program details/reservation request rates since data began appearing on their web site; note that reservations request rates have slowed dramatically since the May/June time period, with an average of .33 MW requested/week in August so far. The slowdown that is occurring is surprising to ASE given that summer months have historically been the busiest for our company over the past few years. The slowdown may suggest that either reduced incentive levels, uncertainty about incentive levels or the wait list mode of APS's program – or all three – have had a major impact on the uptake of solar in APS's service territory. Last, you will see in the document provided that the cost for modules have actually hit a plateau and now are climbing a bit higher in cost. ASE has always been in support of lowering incentives but we are unable to support a decline when variables in the industry are not declining in costs. ASE believes more conversation about incentive reductions should occur while reviewing APS's 2011 REST filing.

### **Other Items Suggested by APS**

APS has suggested one more major program change in this document, namely that they would like to cap the number of reservations to 600 per Funding Cycle, with four Funding Cycles in an "Incentive Accounting Year." We believe this recommendation should be reviewed, discussed and decided within the APS 2011 REST Plan. Initially one concern is what if 300 of the 600 systems are less than the average size the APS service territory residential retrofit market has seen over the past two years (approximately 6 kW)? In a scenario where smaller systems (1-2 kW) become easier to implement due to changing technology or sales channels, this "cap" could create a situation where APS may not meet

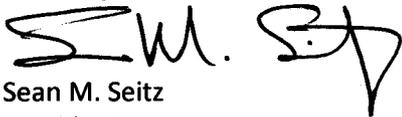
compliance targets as the total MW installed in a quarter dramatically declines. With the advent of the micro-inverter and distribution and sales of AC solar modules through home improvement centers, this scenario is highly probable.

### Conclusion

It has been difficult to file comments on this docket because there are a number of major decisions that could be made before the industry has had an opportunity to review and comment on the 2011 REST Plan filed by APS (E-01345A-10-0262). Furthermore, APS has scheduled a "2011 Renewable Energy Standard (RES) Implementation Plan stakeholder meeting" for August 31<sup>3</sup>. We believe that APS is still reviewing their initial 2011 filing and there is a possibility that changes could be made. Items such as lowering the incentive level or creating an "application cap per Funding Cycle" should be discussed further in the 2011 REST Plan docket and no decision should be made until that happens.

In closing, we would like to emphasize that maintaining continuity in APS's residential program is essential to attaining future-year compliance targets and the dialog we have now will help to create that continuity into the future.

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 more fluid "Seitz".

Sean M. Seitz

*President*

*American Solar Electric, Inc.*

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<sup>3</sup> Email notification received on August 19, 2010 from APS

## TABLE A

### APS Reservation Rates for PV\*

"as of" Date (printed date)	MW Capacity Requested at \$1.95/w	Change from Previous Report
May 6th	2.1	-
May 6th	4.2	2.1
May 14th	5.8	1.6
May 28th	5.3	-0.5
June 3rd	5.7	0.4
June 10th	6.1	0.4
June 17th	6.8	0.7
July 2nd	7.7	0.9
July 9th	8.1	0.4
July 16th	8.9	0.8
July 23rd	9.4	0.5
July 30th	9.9	0.5
Aug 6th	10.2	0.3
Aug 13th	10.6	0.4

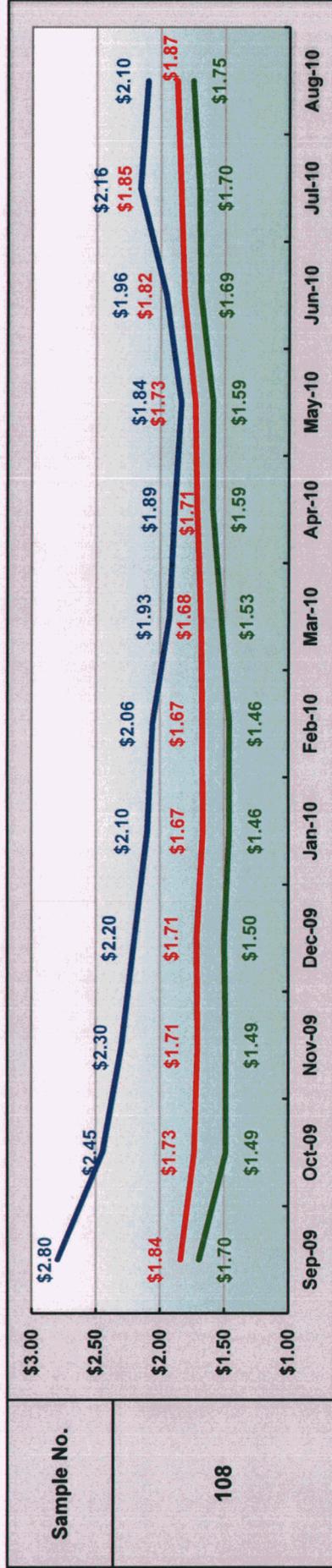
\* [http://www.aps.com/main/green/choice/solar/funding\\_1.html](http://www.aps.com/main/green/choice/solar/funding_1.html)  
(copies of actual web pages are available from ASE upon request)

## Market Price Changes (Adjusted)

(Prices adjusted using current month's exchange rate)

— Highest Price — Wtd Average Price — Lowest Price

Crystalline Certified - Average price is tracked by each company's 2010 production



Crystalline Certified - Price Range

