

ORIGINAL



0000117958

RECEIVED

September 2, 2010

2010 SEP -3 P 3: 32

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKET CONTROL DOCKETED

SEP 3 2010

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

DOCKETED BY *[Signature]*

Dear Commissioners:

On behalf of Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc., I appreciate the opportunity to provide comments regarding Arizona Public Service (APS) Company's Request for Clarification and Modification of Residential Incentive (Docket No. E-01345A-09-0338), as docketed August 2, 2010.

Mainstream Energy Corp. is the parent company of REC Solar, an industry-leading solar provider specializing in grid-tied residential and commercial installations, and AEE Solar, one of the country's largest distributors of renewable energy systems and equipment. With a local presence in all major solar markets and millions of watts installed, REC Solar and AEE Solar are committed to lowering the cost of clean solar energy through efficient processes, innovative products and outstanding customer service. Together, our companies currently employ more than 550 people, and are committed to a robust and sustainable solar market in Arizona and throughout the nation.

While we understand the challenges faced by the demand for APS residential incentives, and the need to address these challenges in a meaningful and proactive fashion, our family of companies has significant concerns regarding certain components of the APS request, as follows:

Proposal for 2010 Funding Cycle 3

Within APS's proposal for Funding Cycle 3, the company suggests reserving certain residential incentive applications currently in the queue at a level of \$1.75 per watt (reduced from \$1.95 per watt). As outlined within the proposal, customers would be notified directly by APS, as well as through their installer, and offered an addendum that would provide them an opportunity to accept or decline the incentive at the \$1.75 per watt level.

We object to this proposal. Applying a reduction to the incentive level for an application already submitted and queued will damage the credibility of the installer and APS in the eyes of the customer, negatively impact the financial viability of these projects, and is contrary to the long-term best interest of the solar industry, where matters of stability and long-term viability are paramount. Moreover, retroactive residential incentive reductions are not in keeping with the practices of other states facing similar budgetary constraints in renewable/solar rebate programs, including California and New Mexico. We strongly encourage the Commission not to permit such an incentive reduction for applications submitted prior to a full hearing and approval by the Commission of this APS proposal.

Our companies would propose the following short-term actions to alleviate current budget constraints and permit the reservation of additional applications at a level of \$1.95 per watt. Please note that these suggestions are similar to those docketed by American Solar Electric and possibly others:

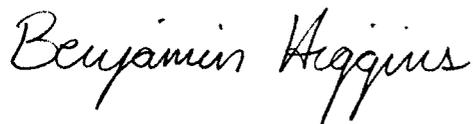
- As recommended by APS, allocate the \$4 million dollars anticipated via application withdrawals and reserve the first 285 systems at a level of \$1.95 per watt.
- Allocate the \$3.2 million in uncommitted funds from 2009 (as described in the APS 2011 REST Plan) to reserve additional applications at a level of \$1.95 per watt.
- Evaluate the ability to reallocate additional uncommitted funding, by month, in Q4 2010 and reserve the remaining queued applications at a level of \$1.95 per watt. This uncommitted funding may include that within the current performance-based incentive budget, or that which was transferred from the residential incentive budget to the non-residential budget pursuant to ACC Decision No. 71275 (September 17, 2009) to accommodate the K-12 public schools program.

Evaluation in Context of APS 2011 REST Plan

APS has requested expedited consideration of their Request for Clarification and Modification of Residential Incentive. We object to the expedited consideration of the components of this docket which will have significant long-term bearing – especially the residential incentive reduction and cap of 600 reservations per Funding Cycle – before the industry has had an opportunity to review and comment on the APS 2011 REST Plan (Docket No. E-01345A-10-0262). We see no reason why these two matters in particular should not be considered in the broader context of the APS 2011 REST Plan, which APS recently held a stakeholder meeting, and which will be considered by the Commission in the near future.

Again, Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc. appreciate the opportunity to submit these comments, and we look forward to working with the Commission and APS to allow the company to meet compliance targets while building a robust and sustainable solar market in Arizona. Thank you for your consideration, and should you or your staff have any questions regarding these matters, please do not hesitate to contact me at (916) 281-8699.

Sincerely,



Benjamin L. Higgins
Director of Government Affairs