



TO: The Arizona Corporation Commission
FROM: The Solar Alliance
DATE: September 20, 2010
DOCKET No.: E-01345A-09-0338

ORIGINAL RECEIVED

2010 SEP 20 A 9:38

AZ CORP COM
DOCKET NO. E-01345A-09-0338

The Solar Alliance appreciates this opportunity to address the Arizona Corporation Commission on the matter of "ARIZONA PUBLIC SERVICE COMPANY – REQUEST FOR CLARIFICATION AND MODIFICATION OF RESIDENTIAL INCENTIVE (DOCKET NO. E-01345A-09-0338)

The Solar Alliance (Alliance) commends the Arizona Corporation Commission (ACC) and Arizona Public Service Company (APS) for what has become an extremely successful residential distributed renewable energy program. The exponential growth in demand for residential renewable energy systems offers strong evidence that Arizona utility customers are ready to adopt renewable energy technologies on a scale capable of meeting the future residential Distributed Generation (DG) goals as set forth in the Commission's Renewable Energy Standard (RES).

The Alliance supports policies that build a foundation for long term, sustainable solar markets. To that end, the Alliance has specific recommendations for the Commission to consider that we believe will strengthen APS's residential programs going forward.

Concerns and Analysis

Incentive Levels

By far the most serious concern with the Staff report docketed on September 8, 2010, is the recommendation to fund all incentive requests submitted before the day of the Open Meeting, September 22, at \$1.75/watt instead of \$1.95/watt. We are concerned that it will disrupt market stability and impede installer productivity. Our concerns are specific to the following recommendations made by Staff:

- # 1 For any commitments made by APS for 2011 residential DE funding in Funding Cycle 3 of 2010, the incentive level for residential grid-tied PV systems be \$1.75 per watt, payable in 2011.
- # 2 Funding Cycle 3 of 2010 (October 2 through December 31, 2010) effectively becomes part of Funding Cycle 1 of 2011, with a cap of 600 reservations for 2011 funding to be committed by APS for the 2010 Funding Cycle 3. This approval is a one-time approval only for 2010.
- # 3 For any additional 2010 funding that may become available in Funding Cycle 3 of 2010, the incentive level for residential grid-tied PV systems be \$1.75 per watt and APS be allowed to provide reservations for up to 300 applications for that funding.

Specifically regarding item #1, the Alliance recommends that the ACC identifies a specific payout date or timeframe. To say that APS must pay the incentives in 2011 could mean that the incentive payment could happen at any point during 2011. The Alliance recommends that the incentive be paid no later than January 31, 2011.

Arizona Corporation Commission

DOCKETED

SEP 20 2010

DOCKETED BY	
-------------	--

Specifically regarding item # 2 and # 3, the Alliance strongly encourages the ACC to allow APS to reserve all incentive requests received before September 22, 2010 at \$1.95/watt. Below is a snapshot of the cost difference between \$1.95 and \$1.75; note the investment will be approximately \$1.2 million to fund all 900 systems at \$1.95 per watt.

600 Systems funded from 2011 budget = 4.06 MW
 @ \$1.75/w = \$7.11 million
 @ \$1.95/w = \$7.92 million

300 Systems funded from 2010 budget = 2.03 MW
 @ \$1.75/w = \$3.55 Million
 @ \$1.95/w = \$3.96 Million

The Alliance recommends that the ACC allow APS to fund customers at the incentive level of \$1.95 per watt for two reasons: one, market stability and two, installer productivity. Market stability is imperative for the long-term success of the APS program. When a customer decides to invest in a solar system, they need to be able to trust that the program will not change from the moment they request an incentive to the day their system is commissioned. If utility customers begin to think their incentive level or another program variable could change, customers may start to lose support for the renewable energy program. As for installer productivity, when the incentive level is changed after a customer is under contract with an installer, the installer has to amend the contract with the customer. Depending upon the customer, it may take the installer at least 2- 6 hours per contract to make the necessary changes. Below are the steps an installer may have to take due to an incentive change:

- 1) Customer receives notice of lower incentives and launches into re-negotiations on their contracts
- 2) To keep their business, installer will likely have several rounds of discussions
- 3) Installer agrees to add equipment and/or lower the contract price OR customer decides to downsize their system to accommodate the higher out-of-pocket cost for a system
- 4) In both of the scenarios in # 3 above, installer has to re-figure invoices, billings, contract price and, depending on the timing of the contract changes, provide customer with a 2nd customer manual and warranty packet for their systems
- 5) Depending upon the timing of changes, a second set of invoices/billings, etc., might need to be issued to the customer as well, and refunds/payments recalculated
- 6) Depending upon where customers were in the installation process, the PV project might even have to be re-designed and re-permitted, at a cost typically paid for by installer
- 7) Installer has to change utility paperwork to match new system equipment and/or pricing
- 8) Installer has to issue, obtain signatures for, scan, and document contract/system size/pricing changes in our various databases

For the reasons stated above, the Alliance strongly encourages the ACC to allow APS to reserve all incentive requests received before September 22, 2010 at \$1.95/watt.

Rapid Reservation

The Alliance does not support the following Staff recommendation:

- The rapid reservation system proposed by APS should be approved for Funding Cycle 3 of 2010.

We believe this program needs further review and discussion during the APS 2011 REST Plan docket before a decision is made. APS did not even include this item in their August 2, 2010 filing; Staff included this item in their docket on September 8, 2010. The Alliance member companies are still digesting this new idea and have not had sufficient amount of time to agree to its implementation as early as Funding Cycle 3.

Installation Cap

The Alliance supports Staff's recommendation of:

- The APS request for approval of a 600-application installation cap for the remaining Funding Cycles of 2011 should be denied in this application and be considered later this year in the APS 2011 REST Plan docket.

Similarly, it is a brand new proposal. The Alliance would appreciate the opportunity to review the proposal with our member companies and comment before the ACC makes a decision on this program change.

Conclusion

Thank you again for your time, we look forward to working with you on this matter.

Respectfully submitted on behalf of the Solar Alliance.

Joy Butler

State Lead for the Solar Alliance