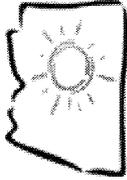




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AriSEIA
Arizona Solar Energy
Industries Association

ORIGINAL

111 West Renee Dr.
Phoenix, AZ 85027
Tel: 623-587-6432
Cell 602-708-1497

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To: The Arizona Corporation Commission
Date: October 7, 2010
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

RE: ARIZONA PUBLIC SERVICE COMPANY - APPLICATION FOR
APPROVAL OF
A SOLAR ELECTRICAL SUPPLY AGREEMENT (DOCKET NO. E-01345A-
10-0113)

Arizona Corporation Commission
DOCKETED
OCT 8 2010

Dear Commissioners,

DOCKETED BY

AriSEIA thanks the Commission for this opportunity to comment on the APS/Freeport-McMoran Docket for the approval of a solar electric supply agreement. We also appreciate the fact that the Commission was willing to postpone a decision on this matter until the industry had more time to review the docket.

As the Commission is aware, AriSEIA supports the REST and has been an active stakeholder in this process since its inception. As the solar industry trade association for the state of Arizona, AriSEIA supports the development of all viable solar projects that advance the objectives of the REST.

The project in question has significant implications for the development of distributed generation programs in Arizona primarily due to its size, relative to the

entire DG portion of the REST. The concern over large "DG" projects such as this, taking up a disproportionate share of program funds has been voiced in the past, leading to a modification of APS' current "large DG project" [PBI] incentives

such that a 2MW cap has been established. This question was even debated during the development of the REST due to the fact that the Tucson Electric Power's Springerville plant was counted as distributed generation under the old Environmental Portfolio Standard (EPS). This project is approximately three times larger than TEP's Springerville Solar Power Plant.

AriSEIA also understands that this project was introduced under prior APS implementation plans approved by the Commission, at a time when the market was not as active as it is today. We simply wish to point out that this project has been brought before the Commission at a time when the REST programs on the DG side are suffering from an acute shortage of funds and AriSEIA, along with the Commission and the utilities, is working to correct the perception among some in the industry and the general public that the utilities have been holding back funds that could otherwise be used to enable additional DG projects.

While the definition of "distributed generation" under the REST is broad enough for this, and many other projects to qualify as "DG", AriSEIA believes that this project is not consistent with the spirit of the DG carve-out as originally envisioned.

To be completely clear, AriSEIA is not opposed to the development of the project in question. However, we are concerned about any precedents this may set related to the fact that it is being categorized as "distributed", particularly in light of current circumstances.

AriSEIA has always supported efforts to develop a sustainable market in Arizona for solar and renewable energy systems, and we appreciate the efforts of APS to develop programs under the REST that work to bring more solar to Arizona, along with the Commission and other stakeholders. We understand that APS has not violated any rules by introducing this project, based on the way the REST has been written and implemented thus far. However, if the Commission sees fit to approve this project under the DG carve-out, we urge the Commission to insure that in the future, projects such as this don't compete with the smaller projects that are truly of a distributed nature.

In light of the above, AriSEIA is supportive of Commissioner Mayes' amendment to require APS to notify the Commission of any non residential DG projects that would be precluded due to the approval of this project and to request additional REST funding for those projects.

It is our hope that in the future, non residential ratepayers who wish to install solar energy systems and who have made a proportionately greater contribution towards the REST funds than the beneficiary of the project in question will have the opportunity to do so, and that the Commission will take measures to insure

that all projects that are in reality "wholesale" generation are not counted on the distributed generation side of the REST.

Respectfully submitted

A handwritten signature in black ink, appearing to read "Michael L. Neary". The signature is fluid and cursive, with a long, sweeping tail that extends to the right and then curves downwards.

Michael L. Neary
Executive Director

On behalf of
Lee Feliciano
President
Arizona Solar Energy Industries Association