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PIMA COUNTY

PROCUREMENT DEPARTMENT

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October 12, 2010

Chairman Mayes, Commissioners Kennedy, Newman, Pierce and Stump
ACC Docket Control
1200 W. Washington Street
Phoenix, AZ 85007

In Re: ACC Docket # **E-01933A-10-0266** Tucson Electric Power Company (TEP)
2011 REST Implementation Plan

I am writing to communicate several concerns and requested modifications to the 2011 REST Implementation Plan as proposed by TEP and clarified at their October 8th, 2010 Stakeholders Meeting (Tucson).

The \$380,000 proposed budget available for new Commercial PBI Applications is insufficient and TEP's recent practice of dividing the budget and making awards in monthly amounts (\$31,666) further diminishes the capacity to support large commercial scale solar electric projects. The proposed budget and award process is detrimental to Commercial scale *Customers(Ratepayers)* and to all ratepayers in general as it results in significantly higher subsidy costs per Distributed Renewable Energy(DRE) kilowatt-hour(kWh) and impedes the accelerated deployment of solar electric facilities and achievement of the REST.

For example, during 2011-2012 it should be possible to establish a new one-megawatt PV SAT solar facility in Tucson with a 6 c/kWh PBI Reservation; that

facility will generate on average about 1,900,000 kWh(REC) per year and require \$114,000/year PBI Award. Historically that PBI bid would be very competitive and often if not always be evaluated as "low bid" and awarded the PBI Reservation. However, with TEP's practice, the Applicant would need to "win" four (4) months of awards before they could contract and proceed with the project. Due to less kWh production and lower fixed cost absorption, smaller scale solar electric facilities have a greater **Price/kWh** and greater PBI Price/kWh but due to lower amounts of power production can remain within the monthly budget. This results in an imprudent, inefficient use and 'waste' of Ratepayer funds, delayed implementation of more DRE and deferred satisfaction of ACC objectives.

TEP commenced their practice to limit Commercial PBI awards to monthly amounts in 2010. At the Stakeholder's meeting TEP advised that during 2009 applications and awards for these Commercial systems exceeded the much greater 2009 budget and that they still have a significant amount of 2010 PBI funds not yet used. Pima County believes that there remains a significant demand for commercial scale solar systems in TEP territory and that the restrictive monthly allocation practice is a significant causal factor for the reduced demand.

At the Stakeholder meeting TEP also announced a new *Pilot* Feed-In Tariff (FIT) program budget of \$450,000 to purchase Renewable Energy at 16c/kWh; funded by approximately 9c/kWh PBI and 7c/kWh MCCCCG collected via other revenues.

Although Pima County does not oppose FIT, we contend that it is not a productive nor prudent use of Customer (Ratepayer) sourced funds when other DRE programs, such as UFI, PBI, and pending ANM whose use is restricted to local Utility Customers, can provide sufficient RE to achieve the REST mandate and at significantly less cost, especially when at least one of those programs, commercial PBI, will be significantly under-funded.

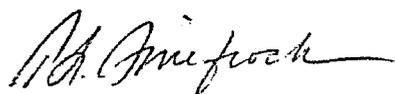
We are requesting that the Commission consider amending the TEP 2011 REST plan to significantly increase the Commercial Scale PBI budget, perhaps by shifting funding from the FIT Pilot program, and to remove the (monthly) division and allocation of PBI budget to a finite amount, or if deemed advantageous to increase the PBI award amount per period to not less than \$250,000 (about 2MW

at 6c/kWh PBI PV SAT). This will enable and promote a more productive use of RES funds and accelerate the implementation of RE.

Pima County also reiterates prior requests related to the TEP 2011 REST Plan submitted to the Commission via this docket; to allow a Customer to "assign" their PBI/REC Reservations to their contracted SSA Developer and require TEP to execute their PBI/REC Purchase Agreement directly with the SSA/Solar facility Developer (reference Docket 10-0202, Finefrock letter dated July 21st, 2010, TEP 2011 REST Plan and REC/PBI Purchase Agreements), and the Aggregated Net Metering docket(#10-0202); adjust TEP 2011 REST budgets as needed to enable support of ANM as(if) approved by the Commission.

Pima County truly appreciates the leadership provided by the Commission and the opportunity to provide our perspectives and comments to enhance and facilitate prudent expenditure of ratepayer funds and accelerated achievement of the Commission's Renewable Energy objectives.

Sincerely,



Mr. Terry Finefrock, CPIM
Chief Contracts and Procurement Manager, Pima County

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