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November 3, 2010

Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

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TECHNICIANS FOR
SUSTAINABILITY, LLC

RE: Docket NO. E-01933A-10-0266

2010 NOV -3 P 4: 05

Dear Commissioners:

AZ CORP COMM
DOCKET CONTROL

Technicians for Sustainability, LLC (TFS) appreciates the opportunity to comment on Tucson Electric Power (TEP) Company's Application for Approval of the 2011 Renewable Energy Standard Implementation Plan (DOCKET NO. E-01933A-10-0266).

TFS applauds the Arizona Corporation Commission and Tucson Electric Power for making 2010 the best year for solar energy in Southern Arizona to date. TFS believes that TEP's 2011 implementation plan continues this exciting advancement of solar energy in Arizona. We wholeheartedly support TEP's application. TFS does, however, want to bring attention to the impact of the Davis Monthan Air Force Base (DMAFB) solar project on the commercial distributed generation (DG) market and address several questions put forward by Chairman Mayes in her October 21st letter.

TEP's 2011 Implementation Plan

The 15 MW Davis Monthan Air Force Base solar project reduces the small commercial DG market and the large commercial PBI market by over 50% over the next 5 years (Please refer to exhibit 1). Although this project fits well within the parameters of the REST, TFS encourages the commission to examine the impacts this will have on the commercial market and explore possible policy options to maintain a vibrant commercial marketplace.

Potential policy options:

1. Encourage over compliance by separating the budget from compliance targets. TEP would require approximately \$1,833,832 to maintain the levels the of commercial DG activity seen prior to the DMAFB solar installation. This would increase the 2011 commercial surcharge cap by 18% (exhibit 2).
2. Help bolster the commercial market by 50% or \$916,000 (or some percentage) to lessen the impact. Again this would require an increase in the budget and bring about over compliance.
3. As outlined in TEP's plan, allow for the reduction of the commercial market. The DMAFB project fits well within the REST's definitions. TEP followed all proper procedures and has worked to minimize the negative impact on commercial to the best of their ability.

As we have witnessed, when demand is steady and in proper volumes, costs come down. Significant market contraction, whether in commercial or residential sectors, can shift solar back to a boutique industry with correspondingly high prices. Furthermore, customers who pay into the REST will be unable to participate proportionally in incentive programs if their market is curtailed significantly.

Renewable Energy Standard going forward - Chairman Mayes' Letter:

In two years, utilities will fulfill their DG requirements. As witnessed in TEP's 5 year budget, the number of systems needing to be installed in 2013 will be 40% less than the year previous. This will lead to a severe contraction in the industry with subsequent job loss and warranty issues for consumers. Although the solar industry is making great strides in being less dependent on utility incentives, 2013 is too soon to for that level of

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TFS feels that the commission should use the REST as a minimum standard and encourage cost effective over compliance through the following mechanisms:

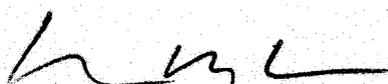
- Instate a cost recovery mechanism for utilities including a bonus when certain goals are reached, such as 2,000 residential systems installed within the utility territory per year.
- Detach incentive budgets from compliance targets. For example, keep TEP's DG funding at \$23 million over the next five years. Surveys have shown that a majority of people would be willing to pay 5% more on their bills to support renewable energy (see exhibit 3). A straight percentage-based REST surcharge (3% -5%) on most customer classes would be less of a burden for low energy use/low income ratepayers. Additionally, the private sector could better plan business activities given a predictable year to year rate and stable incentive market.
- If a large project poses significant market disruption, options to mitigate the impact should be required.

Other options going forward:

- Implement triggers based on budget percentages that closely mimic market forces. (TFS also supports TEP's more simple 60% June 30th trigger.)
- Explore on-bill financing. An on-bill tariff, tied to the meter, would effectively eliminate the need for a utility incentive (UFI). Consequently, ratepayers would save significantly and be made whole (i.e. recoup their investment) at the end of the loan term. By lowering or eliminating the upfront cost, more customers would be able to obtain solar. To implement such a system, a third party would most likely need to be involved to handle tariff servicing and billing, also a change in Arizona administrative code (R14-2-211 Termination of service) may need to be modified.
- Offer Feed in Tariffs (FIT) in the wholesale market and for rate classes with high demand charges.
- Aid non-profits. If the 1603 Treasury Grant program is allowed to expire, non-profits will face high barriers when trying to obtain solar. As REST payers, a special incentive program may be required.

In closing, the REST has not only lowered the cost of solar substantially and started to diversify Arizona's energy supply, but it has also created an economic lifeline for thousands of Arizonans. TEP's 2011 implementation plan successfully embodies the vision laid out in the REST, and we are proud to support it. We are also grateful to be a part of the dialogue as the ACC looks to position the REST for long-term success.

Thank you for your time and consideration,



Kevin Koch
Owner



Lon Huber
Governmental Affairs

Exhibits

Exhibit 1

Small Commercial UFI											
	KW	Needed systems					# systems	KW			
Before DMAFB	70	46	56	32	33	34		201	14,070		
After	40	57	44	18	19	21		159	6,360		
		2011	2012	2013	2014	2015					
		Needed KW									
Number of 40 kw systems needed to make up gap	24	3,220.00	2,576.00	1,792.00	1,056.00	1,122.00					
		2,280.00	2,508.00	792	342	399					
								Difference			
Average incentive	\$ 60,000.00	940.00	68	1,000.00	714.00	723.00		3,445.00			
Total cost to maintain market	\$ 1,380,000.00										

PBI Market						MW
Before DMAFB MW	3.76	4.64	2.62	2.7	2.815	16.535
After	1.88	2.32	1.13	1.35	1.41	8.09
	2011	2012	2013	2014	2015	8.445
	3760	4640	2620	2700	2815	
	1880	2320	1130	1350	1410	
						Difference
kWh needed	6392000	7888000	4454000	4590000	4785500	3,196,000.00
kWh needed	3196000	3944000	1921000	2295000	2397000	
Before DMAFB	\$ 907,664.00					
Needed to maintain market	\$ 453,832.00					

Exhibit 2

Cap increase needed to maintain market			
Before DMAFB	\$ 200.00	\$ 950.00	\$ 4,500.00
After DMAFB	\$ 160.00	\$ 760.00	\$ 3,600.00
New surcharge needed	\$ 189.00	\$ 899.00	\$ 4,256.00

Exhibit 3

73% of survey respondents willing to pay 5% or more on their bills for "green energy"
<http://www-05.ibm.com/de/energy/pdf/lighting-the-way.pdf>