

OPEN MEETING AGENDA ITEM

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ORIGINAL



January 11, 2010

To the Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Re: Pierce Amendment 1: APS Ownership of Solar Assets under 2011 Schools & Governments Program

Dear Commissioners:

Pursuant to the Commission's recent ruling to allow APS ownership of solar assets under the Schools & Governments Program as part of the 2011 RES Implementation Plan, I would like to state that APS ownership is unnecessary, economically inefficient, and needlessly exposes rate payers to forecasted costs. In addition there is an inherent financial inequity of allowing APS to compete against the private sector.

A key objective of this program is to ensure poor and rural schools can take advantage of solar energy's benefits. Some are concern about the private sectors interest and ability to efficiently and economically service this segment. However based on the overwhelming response received from a recent Request for Proposal (RFP) issued by a school district with high reduced lunch participation and low bonding capacity per student, key metrics for the program this concern clearly unwarranted. Several of these responses were from credible state and nationally recognized suppliers. In additionally through cooperative purchasing providers such as Mohave Educational Services Cooperative (MESC), a key stakeholder in developing this program, all schools are able to receive the beneficial pricing obtaining by any RFP issued by the cooperative.

APS ownership is economically inefficient, and exposes rate payers to unnecessary costs because it states now the price it will pay for a PPA contract in the future. If this price is too low rate payers will subsidize the costs. If the price is too high those who elect to have APS as a supplier will be paying too much. A second issue is that by having APS ownership rate payers are being exposed to default risk. The advantage of an efficient private market is that is best positioned to properly price both costs and risks.

Lastly there is an inherent financial unfairness of allowing APS to compete against the private sector. Since APS has a guaranteed return to its investors there is virtually no risk. Since there is no risk investors are willing to accept a lower return. This lower return requirement results in a lower cost of funds which allows APS to offer PPA rates lower than the private sector this creating an inequitable competitive environment.

Based on the above I strongly support Pierce Amendment 1.

Sincerely,

Thomas A. Harris
Thomas A. Harris
Managing Member
PV Advanced Concepts, LLC

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