

**ORIGINAL**

OPEN MEETING AGENDA ITEM



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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

GARY PIERCE, Chairman  
BOB STUMP  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BRENDA BURNS

DOCKET NO. E-01345A-10-0166

DOCKET NO. E-01345A-10-0262

**COMMENTS OF THE VOTE SOLAR INITIATIVE**

**ON REOPENING OF DECISION NO. 72022**

Arizona Corporation Commission

**DOCKETED**

**JAN 18 2011**

DOCKETED BY 

Adam Browning

The Vote Solar Initiative

January 14, 2011

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The Vote Solar Initiative would like to offer comments in regards to the Arizona Corporation Commission's ("Commission") decision to reopen Decision No. 72022 to reconsider certain amendments to Arizona Public Service Company's ("APS") 2011 RES Implementation Plan ("Plan"). We thank the Commission for its hard work in pursuit of growing renewable energy in Arizona, and appreciate this opportunity.

As a general point, a stable and predictable regulatory process is an important part of a healthy business environment, and a key element to encouraging investment in this sector. While bad or imperfect policies can and should be improved, an atmosphere of unexpected change discourages long-term investments.

We have some specific recommendations concerning some of the affected amendments.

#### **Commissioner Mayes Proposed Amendment #2**

We believe that there is some ambiguity as to what undoing Commissioner Mayes Amendment 2 may accomplish, and suggest that clarification would be helpful.

Through the recent workshops on feed-in tariffs (FIT) and other mechanisms for wholesale distributed generation procurement mechanisms, both the Powerful Communities and the Small Generator Offer (SGO) Program were discussed. Powerful Communities is a program to procure a total of 6 MW of renewables over the next 3 years through fixed-price contracts for systems between 30—200 kW in size; because it uses fixed prices, it came to be known colloquially before the Commission as the 'true FIT'. The SGO is a program to procure ~ 95 MW of renewables through competitive auctions from systems between 2-15 MW in size. Importantly, the SGO is not a novel program, but rather it is a continuation and refinement of the 2009 Small Generator Pilot, an uncontroversial model that APS and TEP have successfully used for some time to procure RES-compliant energy at very low cost.

Mayes Amendment 2 references the Staff report discussion of a "FIT," and directs APS to proceed with its "proposed FIT." While the written record has some ambiguity, it is our understanding that discussions and oral modifications during the Commission meeting clarified that 1) the SGO program is not a true FIT, and 2) both programs should go forward. Vote Solar is supportive of both programs, and believes it is to the benefit of all that they continue. However, given the tangled record, we suggest that any consideration of Mayes Amendment 2 also clarify exactly which programs are to be covered by subsequent revisiting of the Amendment. If it is the Commission's desire to reject Powerful Communities only, further discussion of Mayes Amendment 2 should reflect that intention.

On a similar subject, we note that subsequent to discussion about project viability, Commission Stump offered and the Commission passed an amendment to require development security as a part of the non-residential PBI program. However, we believe that the SGO program could benefit from the same best-practice. Most programs addressing similar market segments in other states employ substantial development security as a way of ensuring project viability and enhancing fairness in the competitive solicitation. During the implementation of the SGO program—should it go forward—and after due process, we believe that similar measures should be considered here as well.

#### **Commissioner Mayes Proposed Amendment #4:**

This Amendment required that utilities study two areas of broad concern to the renewable energy industry and Arizona ratepayers: 1) the water-energy nexus, and 2) increasing the renewable energy

standard. We believe that such an undertaking could be quite helpful in providing useful data for guiding future energy planning in the state.

**Commissioner Newman Proposed Amendment #6**

Throughout the development of the RES, Vote Solar has consistently worked towards the development of a system of predictable, gradually declining incentives for behind-the-meter solar systems that, in response to market conditions, gradually wean the industry off incentives altogether. With this model, as incentives decline to zero, solar power can be produced commensurate with retail rates. However, the proposed 'Rapid Reservation' program posited a radical reduction that would severely challenge business models, complicating the glide-path to grid-parity, and potentially confusing customers. For this reason we do not support revisiting the original decision in this matter.

**Conclusion**

In the interests of regulatory certainty and business stability, Vote Solar respectfully asks that the Commission reconsider amending Decision No. 72022. In any event, as the Commission considers each Amendment, we hope that the suggestions provided will prove useful. We appreciate the opportunity to provide comments, and we thank the Commission for its efforts in working to create a vibrant renewable energy industry in Arizona.

Dated this 14<sup>th</sup> day of January, 2011.

By \_\_\_\_\_



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