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Chairman Gary Pierce  
Commissioner Bob Stump  
Commissioner Brenda Burns  
Commissioner Paul Newman  
Commissioner Sandra Kennedy  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

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AUG 29 2011

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**RE: Preliminary Comments on the Application of Arizona Public Service for Approval of the 2012 Renewable Energy Standard Implementation Plan; Docket No. E-01345A-11-0264**

Dear Chairman Pierce and Commissioners:

On behalf of Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc., I appreciate the opportunity to provide initial comments regarding the Arizona Public Service (APS) 2012 Renewable Energy Standard (RES) Implementation Plan, as filed July 1, 2011 (Docket No. E-01345A-11-0264).

Mainstream Energy Corp. is the parent company of REC Solar, a national solar integrator specializing in grid-tied residential and commercial installations, and AEE Solar, one of the country's largest distributors of renewable energy systems and equipment. With a local presence in all major solar markets and more than 6,000 systems installed, our companies are committed to lowering the cost of solar energy through efficient processes, innovative products and outstanding customer service. Our companies are headquartered in San Luis Obispo, CA and employ more than 600 people, including more than 50 in Arizona. REC Solar has built hundreds of residential and commercial systems in APS service territory, and is a Preferred Vendor Partner for the Community Power Flagstaff Pilot Project.

### **Residential Incentive Funding**

APS' residential solar program currently serves as an extremely cost-efficient source of RECs to the utility, at estimated costs of \$0.0514 per kWh in 2011 and \$0.0382 - \$0.0352 per kWh in 2012. The cost-effectiveness of this program reflects the significant long-term declination in residential solar prices, driven by Arizona's extremely competitive solar market and generally favorable business environment, economies of scale created by the state's pro-solar policies, and strong consumer demand.

The Commission should continue this progress - in terms of enabling cost-effective regulatory compliance for the utility and driving prices downward - by funding APS' residential incentive program in 2012 at the level of \$40 million proposed within Option 3 of the 2012 RES Implementation Plan.

This level of funding would also be consistent with Decision No. 72022, which approved APS' 2011 RES Implementation Plan, and included the following statement, "APS shall maintain funding for its residential solar program at \$40 million at least through 2012." This amendment to the plan was adopted via 5-0 vote during last year's consideration of

the plan, and was not repealed or modified during the January 2011 reconsideration by the Commission of the APS 2011 RES Implementation Plan.

### **Timing of Q1 2012 Residential Application Submission**

It has been suggested by AriSEIA (and perhaps others) that the Commission should permit the submission of applications for Q1 2012 residential incentive funding immediately upon the depletion of 2011 funding. At the time of this writing, there remains approximately \$3.7 million remaining in 2011 funding, which is to be provided at a level of \$1.00/W until October 1<sup>st</sup>.

While we do not oppose AriSEIA's suggestion, making commitments against 2012 funding in 2011 should be considered a last resort, and only permitted if prudent measures are taken to ensure that current-year funding is used as efficiently and effectively as possible.

On October 1<sup>st</sup>, any remaining residential incentive funds are slated to revert from the current \$1.00/W incentive level to \$1.45/W. Presumably this reversion was to ensure that all 2011 funding would be committed in the current-year *if there were little to no uptake of the incentive at the \$1.00/W level*. This eventuality has not come to pass. There have been to date more than 450 applications submitted for the \$1.00/W incentive, with more undoubtedly to come.

Given that solar installers are making the economics work at an incentive level of \$1.00/W, allowing the aforementioned reversion to \$1.45/W will ensure that any incentive funding remaining on October 1<sup>st</sup> will be snapped up extremely quickly. To ensure the most effective use of these funds, the ACC should not allow this to happen. Permitting applications for Q1 2012 residential incentive funding to be submitted in 2011 should only occur if all remaining 2011 funding is first committed at the current \$1.00/W level.

### **Signed Contract Requirement for Residential Incentive Applications**

We support APS' proposal to require that all applications for the residential incentive program include an executed contract between the customer and solar installer. We concur with the assertion by the utility that this program change will allow timelier application approval, and decrease the number of projects receiving reservations that don't ultimately result in actual installations. This proposal should also reduce APS' administrative costs and make for a more stable, transparent program.

Clearly, as well, there is a need for improvement in this area. In recent months millions of dollars of previously-reserved incentive funding has been returned to the available funding amount, as APS scrubs the queue of reservations which are not viable. We perceive that some installers may be encouraging customers to apply for incentives before they have made a firm commitment to purchase a solar system.

### **Maximum Residential System Size**

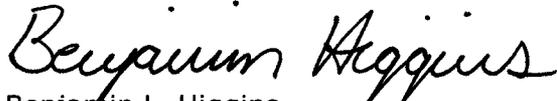
In the interest of utilizing ratepayer dollars as effectively as possible, we suggest limiting the incentive available for any given residential solar system to the first 20kW of the system size. The current size limit of 30kW may be retained, but incentive for such systems would be limited to 20kW. This, of course, would also help ensure that more ratepayers interested in solar are able to apply for funding in any given year.

### **Conclusion**

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Again, Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc. appreciate the opportunity to submit these comments, and we look forward to working with the Commission and APS to allow the company to meet compliance targets while building a robust and sustainable solar market in Arizona. Thank you for your consideration, and should you or your staff have any questions regarding these matters, please do not hesitate to contact me at (916) 281-8699.

Sincerely,

A handwritten signature in black ink that reads "Benjamin Higgins". The signature is written in a cursive style with a large, prominent "B" and "H".

Benjamin L. Higgins  
Director of Government Affairs