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11 REGARDING: Solar Incentive Programs Open meeting with the AZCC on 8/17/2011

14 Dear Chairman and Commissioners:

Letter to the Arizona Corporation Commission on RES 2012

18 Before preparing this document which involves comments about the APS RES 2012
19 Implementation Plan I wanted to review their plan more in depth as the power point
20 presentation presented at the Open meeting on August 17th was brief without details. I went to
21 GoSolarinArizona.com web site for more information. To their credit Arizona Public Service
22 Company's, (APS) involvement in the Arizona community over the years has been substantial.
23 APS and the other state's utilities have been significant contributors to the development of
24 Arizona's economies and lifestyle. It's a proud history.

26 However, I'm not writing this document to praise APS. They do a pretty good job of patting
27 themselves on the back and their web site is a great example of that. The problem is any
28 company, for profit or public service that grows as big and far reaching as APS also becomes
29 the elephant in the room. Any move the elephant makes affect the whole room. An old iron
30 pot might survive but a china tea cup will likely be smashed. I write this document not to praise
31 APS for what they have done but to call them out for what they have not done with regards to
32 RES and DE solar.

34 Today more than ever solar energy is a multi-purpose omnibus that's critical to man's survival
35 on this planet. In Arizona APS bears great responsibility for the local development and delivery
36 of this energy resource.

38 I wish to make three salient points to support my comment. You've no doubt heard them many
39 times before but they bear repeating and should guide our actions into the future.

41 1). SOLAR ENERGY is a free, abundant, ever renewable fuel alternative to oil, coal and
42 nuclear power, the three of which are toxic to our planet and all life upon it.

44 We know the ongoing toll mining coal has taken on the lives of men. And oil since its
45 discovery barely a century ago has been the root of all wars. Still unknown is the cost of
46 nuclear. We do know the cost to build a nuclear plant is in the billions of dollars and takes
47 years to complete but if we consider the unexpected makeup cost associated with a meltdown
48 or reactor failure due to mother nature we would need a crystal ball to look far into the future.

49

50 At great price all these fuels or energy resources have contributed to society's progress. What
51 joy we get when we flip a light switch and can see in the dark, or jump into our car drive to the
52 mall, or take a plane from LA to New York in a day. Just as we progressed from cart to car to
53 train and jet plane we should do the same with our energy sources. We have the technology,
54 our history should be our motivation.

55
56 2). JOBS of every sort were created when the train opened up the west, but small businesses
57 exploded when Detroit began making the automobile and the world got even smaller when the
58 airplane took off and commerce went international. All thanks to the development of a new
59 found energy resource. Each has had its heyday. Today's jobs can and must be created by a
60 new alternative energy resource, one as old as time its self. Solar radiation is free to everyone,
61 it's abundant and everlasting. You don't have to pump it out of the ground and truck it all
62 around. You don't have to fight wars over it and if you spill it on the ground or in the ocean
63 it's OK. No need to cry over spilled sunshine!

64
65 Of course, like any fuel resource whether it's wood, coal, oil or plutonium it has to be collected
66 to use it and that's where jobs come into the picture. The jobs created by collecting solar
67 radiation and converting it into electricity will be greater than any of the energy/fuel sources
68 that have come before it. Small business growth will boom like a bee hive swarming. Now is
69 the time to exploit the greatest energy opportunity of human evolution. Laughingly I can say
70 solar, in the form of photovoltaic distributed energy generation, is the new resource under the
71 sun.

72
73 3). RATEPAYER COSTS which have gone up, up, up and will continue to do so. It has
74 become an unbearable burden to its users. Energy for electricity is an addiction greater than
75 any drug that only hermits and the truly poor can escape. If you are not a user you are not part
76 of today's society. The problem is born out of the heavy use and demand of predecessor
77 resources. The cost to collect and deliver them has grown rapidly and the utility companies
78 have had to pass those cost on to the ratepayers. Peak oil has come and gone, EPA regulations
79 and enforcement are costly. OPEC and other alliances plus Wall Street speculation all impact
80 oil pricing and everything trickles down to the ratepayer. The economy is a bust and the
81 ratepayers need relief.

82
83 Arizona Public Service is a for profit company, the offspring of Pinnacle West Capital Corp. a
84 well known and very profitable Arizona company, but APS by virtue of its name it has a
85 charter and responsibilities that come before profits. It must serve the needs of its customers
86 small or large, most of which have no choice and little or no means to go elsewhere for the
87 same services. If I can't afford groceries at Fry's or Bashes' I can go to the Dollar store or even
88 to the food bank, but if I can't afford APS's electricity then I must go without. While the name
89 says public service it really means - if you can afford it public service. I make that comment
90 because these are difficult times for the ratepayer and APS seems to be moving slowly in
91 deploying DE Solar to residential and small business rooftops. Sad, really because deploying
92 DE in high density would not only help the ratepayers but would deliver more profits for APS
93 shareholders and provide a cleaner environment for Arizona's citizens.

94
95 On Sept. 17, 2010 I sent a letter to the AZCC regarding the APS RES 2011 plan. On line 22-24
96 I wrote, "I wish to petition the commission to substantially raise, to at least 35% or greater as
97 necessary, (allowing the Adjustor to be modified higher) the RES for the utilities and to
98 increase the percentage of DE to be obtained from residential deployment to 75%". During the
99 Open meeting of 9/21-22 I verbally addressed the commission reading the same statement. It
100 received a roar of applause as the room was filled mostly with solar installers.

101

102 I now regret those actions as I've come to see raising the adjustor places an unfair burden upon
103 the ratepayers who benefit little or none at this time. At that time the surcharge was \$3.46 and
104 moving up a modest 0.59 cents to \$4.05. The 2012 plan calls for either \$5.43 or \$5.96 or \$6.41
105 depending on which shell one chooses to look under. *The surcharge should be ended!*

106

107 Recently many polls taken of the local citizens have reported when ask if they would be
108 willing to pay more, (up to \$5.00 on avg.) on their monthly electric bill to increase the growth
109 and use of solar energy. As many as 70% answered "yes". Two other questions should have
110 been asked of them. 1st, Are you aware that you are already paying a surcharge of
111 approximately \$4.00 incorporated into your monthly electric bill? 2nd, What is your annual
112 income level? My guess is first, they are unaware of any surcharge, and second, they are
113 employed with an income level significantly above the poverty level.

114

115 I further submit that if asked if they had solar installed what the savings would be in dollars or
116 a percentage amount, or what the savings might mean to them "down the road" in 5,10, or 25
117 years, they could only guess. The initial poll question is about as valid as asking them if they
118 would enjoy free ice cream with their apple pie.

119

120 Until there is a high penetration of DE solar on residential and business rooftops the only
121 ratepayers who benefit from paying the ever increasing adjustor fee are the few green minded,
122 able to afford solar, and financially smart enough to realize the ROI. One strike and you're out.
123 Education is still a weak spot for the growth of solar, but learning on an empty stomach is
124 difficult. The double whammy!

125

126 If APS is really a public service company they should pick up the ball and carry it to the goal
127 line. Hiring an All Star athlete to bonk people on the head with a basket ball, while amusing is
128 simply not enough. No doubt APS's response would be they are doing more and I should look
129 deeper into their website. So I did and I came across the Community Power Project located in
130 Flagstaff, AZ. On the surface it looks great but a closer look reveals it to be more of a stall
131 tactic and an apple polisher for APS.

132

133 In April of 2010 APS joined in with ASU, National Research Laboratory,(NREL), GE and
134 others in a \$3.3 million grant program sponsored by the Department of Energy,(DOE) to study
135 the effects of high concentration of distributed energy, (DE) upon the electric grid. A spin off
136 lead to the "unique" demonstration project know as the Community Power Project. It consist
137 of approximately a 1.5MW PV solar development that will send its electric energy into a
138 single feeder line, Sandavig4, accessing the grid. The feeder can carry up to 69,000 volts and
139 service about 3000 homes.

140

141 Several additional goals were named by APS that fall outside the DOE study goal. For example
142 APS wants to learn whether utility owned DE assets are a sustainable line of business for them.

143

144 In the project 200 residential homes will produce 600kw, an average of 3kw per home and 2-8
145 small business will produce another 400kw. The remaining 500kw will come from a small
146 utility scale PV farm in the nearby area known as Doney Park. Please review the web site for
147 complete details.

148

149 The project looks a pitiful effort, "a day late and a dollar short", especially since APS has
150 complained early on of the "unprecedented" amount of solar installation application it has
151 received, going so far as to try to contain them to 600 per quarter funding cycle. Was their

152 crystal ball cracked? The small size and perfect conditions of the project make it look more
153 like a high school science project. It lacks a solid mission statement and suffers badly from
154 scope creep.

155

156 On the Community Power Project web site under the heading, How Everyone Benefits, there
157 are three columns titled: Customers, Arizona, & APS, each listing four benefits below the titled
158 column. Those listed under Customers and Arizona are little more than fluff. All the valuable
159 benefits accrue to APS. A quick review of the four points under the APS column reveals my
160 thoughts.

161 Benefit 1. Uses Utility strength to remove barriers.

162 My take – APS has the bully pulpit. With APS at your back you don't need any money like the
163 thousands of other electric users who want but can't but can't afford it. You won't need a
164 contract or have to do any paper work. No worries about choosing a installer who will have to
165 get in line for permission, review, permit and a future calendar date. Now worries about a
166 rebate big or small, this quarter or next or not at all. No worries at all.

167 Benefit 2. Deliveries on the RES (renewable energy standard).

168 Yes it does. 200 more homes towards that 500,000 goal that Chairwoman Mayes described in
169 her power point presentation at ASU last year. According to the APS 2012 RES report they are
170 currently over 16,000 home proudly solarized with DE. Likely more important to APS it
171 allows them to build up their RES portfolio and collect the valuable associated REC's.

172 Benefit 3. Embraces the opportunity to learn.

173 I'm somewhat lost here as to what specifically they mean. If it is the goal of the DOE study – to
174 understand the effects of high concentration of DE on the Grid, then my thought is you can't
175 learn to fish in the ocean by casting you rod into a backyard wading pool. There are many
176 additional lesser goals to choose from – whether Utility ownership of DE assets is worthwhile,
177 Smart meters, smart grid technology, automated network switching. So many variables, why
178 not throw in the kitchen sink? It may have an effect too.

179 Benefit 4. Making a Wise Investment.

180 A big YES on that one. Sounds good and Looks Great. There's something in it for everyone,
181 well except those who want to know the clear results the chartered goal. But heck, in just 33
182 months, January 2014 when the study is complete we will know all the answers and how those
183 200 PV solar homes impacted our grid. I hope the 1.5MW concentration isn't too decimating to
184 our grid.

185

186 What struck me as the most important fact about the Community Power Project was APS's
187 willingness to fund the PV solar arrays for the 200 homes and small businesses. How great is
188 that? No such luck for the folks in the Valley of the Sun.

189

190 I also noticed on page 22 of APS's 2012 RES Plan presented at the Open meeting, a bullet
191 point stating –APS has ready access to capital even during difficult financial markets. I like to
192 verify that kind of data so I went on line and pulled APS's 10q, which is found under its parent
193 company's filing, Pinnacle West Capital Corp. I found APS has access to two revolving lines
194 of credit totaling \$989 million and the ability to issue lines of credit up to 739 million dollars.
195 In addition, in April of 2010 Pinnacle West issued 6,900,000 shares of common stock sold in
196 an offering for \$253 million then gave the net proceeds to APS. And let's not forget the 100
197 million or so dollars APS receives from the adjustor surcharge for RES uses.

198

199 The end result is APS is flush with capital potential. So instead of 200 homes why not 2000 or
200 20,000! The underlying assets and the RECs have long term value. Bullet point 4 states – APS
201 is here to stay and committed to the community. Therein lies the "Certainty of Success"

202

203 APS could resolve the biggest problem slowing down the growth of DE solar – available
204 financing. Leadership begins with bootstrapping others.

205
206 The small ratepayer has received little for his RES contribution. Hundreds of millions of dollars
207 in collections yet only 16,000 homes and a few hundred small businesses have benefited from
208 the program. A number of large commercial businesses have realized the value and power of
209 the sun and have gone it on their own installing big rooftop solar arrays. They also benefit
210 from their own internal support of highly qualified staff, controllers, CPA's bookkeepers,
211 lawyers, and a board of directors with future visions. None of which the small individual
212 ratepayer has easy access to.

213
214 I'm sure it is easier for APS to deal with large scale privately owned or Utility owned PV
215 projects than trying to connect up and deal with the potential 500,000 residences and rag tag
216 installers. It must seem more like a nightmare than a growth opportunity. The challenges are
217 many and the cost enormous if miss handled. The reward- **3 billion dollars** in energy savings.
218 The greatest challenge of all is forming a partnership between the utilities, the business
219 community and the consumer.

220
221 As I said in my previous letter to the commission, fulfillment of the RES is not about the
222 numbers or making a profit, it is a fundamental objective to better our society!

223
224 In a nutshell the RES is about taking advantage of a **free** abundant everlasting energy resource.
225 It's about creating **jobs, jobs, jobs**, more jobs than all the past resources have created.
226 It's a way to break free of the high cost in money, lives, and toxic environments caused by old
227 resources finally giving the **ratepayer** a chance to reduce their cost of living now and into the
228 future.

229
230 Below are listed the eight leadership task APS should undertake to improve as we all move
231 forward:

- 232
- 233 1. Educate and involve the ratepayer on the value of solar.
 - 234 2. Provide and stimulate capital financing for DE solar.
 - 235 3. Partner with small business supporting solar.
 - 236 4. Expand and make as free as possible their QIS program for Installers.
 - 237 5. Reduce to near zero all toxic energy sources – oil, coal, & nuclear.
 - 238 6. Increase the use of natural gas in the interim.
 - 239 7. Sell excess energy through the “smart” Grid (includes further grid improvements).
 - 240 8. Research and develop newer and better energy storage technology.

241
242
243 Thank you for listening to my criticism and suggestions.

244
245 Sincerely,

246
247
248 By Steven Pitchford
249 Member, Arizona Solar Power Society
250 spitchford@gmail.com
251 cell 480-390-9901
252 824 S. 132 St Gilbert, AZ 85233