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S.O.L.I.D. USA, Inc.

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November 28, 2011

AZ CORP COMMISSION
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Arizona Corporation Commission

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NOV 28 2011

Re: Docket No. E-01933A-11-0269, Tucson Electric Power Company

DOCKETED BY

Honorable Chairman and Commissioners:

S.O.L.I.D. USA Inc., dba SOLID Energy, pursuant to discussion with Mr. Ray Williamson of Staff, submits the following comments regarding the 2012 Implementation Plan in the above-referenced docket. The same letter is being filed in both the Arizona Public Service and Tucson Electric Company dockets. The only difference in these comments applies to the suggested clarifications/exceptions specific to the Recommended Opinion and Order in each separate docket.

SOLID Energy, based in Arizona, has been doing business in Arizona since shortly after enactment of the Renewable Energy Standard and Tariff, was actively involved in its development, and has participated in these proceedings every year. SOLID Energy develops and installs commercial customer-sited projects using proprietary solar thermal energy systems to produce hot water for one of the following purposes: domestic hot water, space heating, space cooling, or process hot water for industrial purposes.

SOLID appreciates the continued support of this Commission for distributed renewable energy and is thankful for the opportunity to submit these comments. SOLID Energy supports continued support for distributed energy, both for non-residential and residential systems. Our experience in the current market is that commercial solar thermal projects would not continue to be developed in Arizona without incentives at this time.

We believe that it is important that treatment of commercial solar thermal technology be based upon the market, as with all of the technologies, and provide the incentive structure necessary to continue to add solar thermal energy to Arizona's renewable portfolio. Current reductions in incentives being proposed are based upon the PV market. The RES was developed in such a way as to provide different incentive levels and structures to different renewable technologies, and indeed has from day one, acknowledged that different technologies required different incentive levels and structures in order to succeed. Uniformity was maintained in all areas not critical to technology success. The only variation up until now has been the incentive levels themselves. Staff is recommending continued variation in rates and related matters across technologies due to market changes.



LARGE SOLAR THERMAL HEATING/COOLING

We understand that the Commission wishes to achieve a certain level of uniformity within the RES; however, we believe the modifications suggested below will have minimal impact on uniformity as long as technologies are treated the same across service territories.

Technologies such as solar thermal water heating, that might not be the largest piece of the DE puzzle but which provide cost-effective renewable energy, should continue to be addressed separately.

SOLID Energy wishes to address two-related issues in the Recommended Order and Opinion:

1. No Reduction in Non-Residential Solar Thermal Incentives

Staff is recommending a reduction in PV incentive levels based upon the current PV levels in the TEP Implementation Plan. We request clarification that the non-residential solar thermal incentive levels remain at the 2011 level. Incentive levels, which were reduced last year by modification of the incentive structure, should be reduced according to the planned reduction or level of market response. Maintaining non-residential solar thermal incentive levels will not add to the cost of the program due to the fact that the least cost projects are those that win incentives in the auction.

2. No Reduction in Total Project Cap for Non-Residential Solar Thermal Projects

Staff recommends, based on PV economics, that non-residential projects be subject to a project cap of 40%. In the APS docket, Solar City notes that such a restriction will create another difficulty in the current tight project finance market. This restriction, when applied to solar thermal projects, could destroy the financing available to these systems due to 1) their relative newness to the project finance market, and 2) the project economics, which are quite different because these projects most often compete against natural gas and not electricity as the fuel source.

Staff, not the utilities, is proposing this change and it is interesting to note the language from the Staff report regarding this issue in the TEP docket:

"In recent years, TEP's REST plans have included a provision that the maximum percentage of system cost for a customer that could be paid through utility rebates would be 60 percent. The Commission approved a reduction of this percentage in TEP's 2011 REST plan to the 50 percent level. Staff believes that this should be given further consideration. **To the extent the maximum percentage can be reduced without significantly impacting the marketplace**, such a reduction could result in the most subsidized projects receiving a moderately lower subsidy. This could result in a net increase in the number of projects completed for the same level of total spending. The Company has indicated it did not anticipate that this reduction in the percentage would impact the amount of incentives paid and that TEP does not oppose such a change. Staff believes that a reduction of this level to 40 percent would represent a further modest change, but would be a step toward more efficiently spending REST funds. Staff recommends reducing the maximum percentage of system cost that could be paid through utility rebates to 40 percent for both residential and commercial projects."

November 28, 2011

Page 3

The proposed cap on total project incentives is being proposed by Staff as a way to potentially reduce funds being spent under the RES. Staff makes it clear, however, that if such a proposal is enacted if it will not **significantly impact the marketplace**. Although such a possibility exists for PV projects, the non-residential solar thermal technology is not yet to that place in its development. Reduction in the cap from 50% to 40% at this time could **significantly impact the marketplace adversely** for these projects, both with respect to project finance and customer interest in installing solar thermal systems.

SOLID Energy respectfully offers the following amendment:

AMENDMENT

Page 35, line 20 -

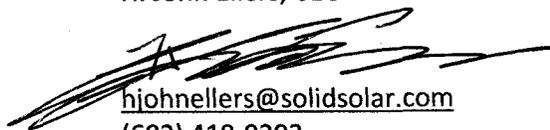
INSERT the term "PV" between the words "non-residential" and "Production";

Page 37, Line 5 -

INSERT the term "PV" before the word "project".

Thank you for the opportunity to submit these comments. Please contact me at any time if you have questions regarding these comments or any aspect of the solar thermal industry.

Best Regards,
S.O.L.I.D, USA, Inc. dba SOLID Energy
H. John Ellers, CEO



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