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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS 2013 RENEWABLE ENERGY STANDARD IMPLEMENTATION FOR RESET OF RENEWABLE ENERGY ADJUSTOR	**DOCKET NO. E-01345A-12-0290** E-01345A-10-0394 **COMMENTS OF SUNEDISON**

Please find attached the comments of SunEdison in the above referenced docket.

Respectfully submitted this 12th day of October, 2012.

MUNGER CHADWICK, P.L.C.

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ORIGINAL and 13 copies of the
foregoing hand-delivered for filing
this 12th day of October, 2012, to:

Docket Control
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COPY of the foregoing hand-delivered
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SunEdison
simplifying solar

SunEdison respectfully submits the following comments in response to Arizona Public Service's ("APS") 2013 Renewable Energy Standard ("RES") Implementation Plan[1]. SunEdison applauds both the Arizona Corporation Commission ("ACC" or the "Commission") as well as APS for their continued national leadership and investment in solar development. Arizona is a benchmark for other markets and an example of how to run a cost-effective, balanced renewable energy program.

The comments SunEdison offers merely encourage the ACC and APS to continue implementing the Distributed Generation ("DG") Production-Based Incentive ("PBI") program as currently approved in 2012, as the PBI program's success has been overwhelmingly successful.

I. BACKGROUND

SunEdison is a wholly owned subsidiary of MEMC[2], is one of the world's leading developers of solar photovoltaic generation systems, with over 600 MW under management. We design, build, own, operate, and finance these systems on behalf of a diverse customer base, including homeowners, businesses, public sector organizations and utilities. We are active in all major U.S. state incentive markets, with extensive experience in Arizona, which includes partnerships with both APS and Tucson Electric Power.

II. APS' PROPOSED MODIFICATIONS TO THE MEDIUM & LARGE PBI PROGRAM

SunEdison understands APS' motivation to impose a new capacity-cap on PBI projects at a maximum of 750 kilowatt (kW) is to ensure that more projects can be funded based on the new, proposed 5 megawatt (MW) PBI step-downs. APS' consideration for the industry and ensuring maximum participation for ratepayers is appreciated. However, as currently approved by the ACC in Decision No. 72737, the PBI capacity cap for incentives is 2 MW. The proposed reduction to 750 kW is a 63% reduction in system capacity caps, meaning the maximum system that could be installed (based only on capacity caps) is 63% smaller than currently allowed. This is a significant reduction with insubstantial justification.

[1] Docket No. E-01345A-12-0290

[2] MEMC, based in St. Peters, Missouri, is a global leader in the manufacture and sale of wafers and related products in the semiconductor and solar industries. MEMC's products are the building blocks for the $1 trillion and $35 billion solar cells and modules markets. MEMC's stock is publically traded on the New York Stock Exchange under the symbol WFR and is included in the S&P 500 index.

SunEdison believes the capacity-based cap should remain at 2 MW[3]. SunEdison also recognizes that the root of this issue resides in APS' proposed 5 MW capacity-based incentive allocations. The impressive strength in APS' PBI program has always been in the fixed-budget allocations per funding cycle: funding cycles based on a fixed-budget, not a fixed-capacity, drive PBI levels down.

Further, accurately administering a budget for a 5 MW capacity-based step-down with competitive incentive levels will also be more difficult, if not impossible. Not knowing the exact incentive amounts that the 5 MW will be awarded at makes it impossible to derive an exact budget figure. By having a funding cycle based on a fixed-budget (as is currently being done by APS), budget administration is much more transparent and far easier to administer.

Additionally, as the Commission has always supported, obtaining the most cost-effective (low-cost) RECs is in the best interest of the ratepayer. By imposing an arbitrary 750 kW capacity-cap on large PBI incentives, ratepayers may be paying more for RES compliance (through the PBI program REC acquisition) than necessary. Competition in the PBI incentive process is what drives costs down, and projects greater than 750 kW are good for competition.

Finally, because of the reduction in UFI incentive levels, but the maintenance of the $75,000 maximum project cap, more projects that historically qualified for the Medium PBI project can now bid into the small UFI incentive offerings. Therefore, the concern that big projects are crowding smaller projects in the PBI program is unjustified, as smaller project have increased opportunity to participate in the UFI offerings now.

III. CONCLUSION

SunEdison respects APS' motivation for proposing a 750 kW capacity-cap on PBI incentives in the 2013 RES program, however believes it is in the ratepayers' best interest and the best interest of the industry to maintain a 2 MW capacity-based cap (not to exceed 40% of total system cost) with nomination period allocations based on incentive budgets, not capacity-based allocations.

Additionally, we encourage the ACC to also consider re-allocating funding from any cancellations from large program participants that are received between now and November 12, 2012 into a special, one-time end-of-year Large Program nomination. As APS' last Large Program nomination period has

[3] SunEdison is supportive of APS' proposal to implement an incentive payment cap at 40% of total system cost.

demonstrated, REC pricing for large projects is becoming incredibly competitive and since the budget for these programs have already been approved in previous APS RES Implementation Plans, a one-time end-of-year auction will provide APS an opportunity to acquire even lower-cost RECs before year-end and an additional opportunity for large-program participants to capitalize on 2012's strong market conditions. Carrying the cancelled funds forward into 2013 may result in some large customers that are ready to participate *today*, not participating in 2013, since their projects make require utilization of 2012 finance conditions.

SunEdison thanks both the ACC and APS for their consideration of these comments.