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Commissioner Gary Pierce
 Arizona Corporation Commission
 1200 W Washington
 2nd Floor
 Phoenix, AZ, 85007



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RE: TEP and APS Solar Incentives

Dear Commissioner Pierce:

As soon as I heard about the Commission's decision to eliminate the commercial incentive and set the residential incentive at \$.10/watt for TEP, Unisource, and APS, I sent you an email expressing my frustration and disappointment as a ratepayer. I hope that you saw it and had a chance to read it. It was my initial gut response to the Commission's actions as reported in the Arizona Republic and your subsequent press release.

I would like to expand on why I urge you to change your stance and reinstate the commercial incentive and increase the residential incentive. I believe that solar is a huge part of Arizona's energy future but it needs nurturing still, as does any technology whose major benefits are in the future. Your predecessors on the Commission had the foresight to recognize that and establish the REST, which has been very successful until now.

As for the large commercial incentive part of REST, the harm of no UFI or PBI for 2013 will be primarily felt by the non-profits and public agencies in the TEP and Unisource territories. They have been a substantial part of the large commercial market and have been able to justify the investment in the systems near term with the incentives. With no way to write off the expense (depreciation on tax filings) or take tax credits as for-profit commercial can, this significant market will evaporate. I am aware of planned large commercial projects (TEP) that have already been cancelled with resulting layoffs of installers.

The Commission claims that it is trying to trim ratepayers' bills, yet as a result of your elimination of the large commercial UFI's and PBI's, the average TEP electric bill will decrease by only \$.15/month. That will not even be noticed by the ratepayers who have had no say in your decision. I suspect that most of them would think that the

\$.15/month is a bargain investment in the renewable power future of TEP. It has been determined that for every dollar spent by TEP ratepayers for REST, \$4 has come back in Federal investment and \$8 in private investment. This new investment has been fueling valuable Arizona job growth in the clean energy sector. These jobs are coveted around the country for being extremely sustainable economically and environmentally.

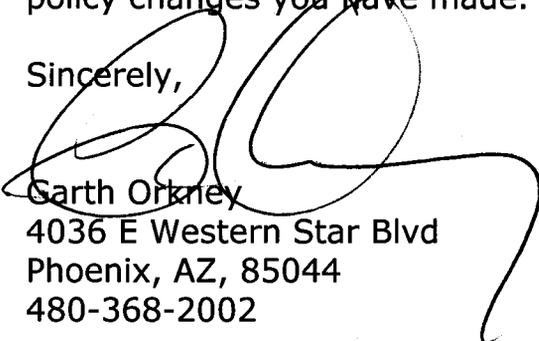
The residential incentive is still critical to get more solar modules on Arizona rooftops. The economy remains sluggish and unfortunately most Arizonans are not in a financial position to invest long term and make the upfront investment in solar without the help of a significant utility incentive. \$.10/watt is not significant. That is only \$700 on a 7kw system that may cost \$30,000 to \$35,000.

SRP understands this dynamic and is currently offering \$.40/watt to their ratepayers for grid tie systems. And their total pool for 2013 is \$5,000,000. You have established a total pool for TEP of only \$730,000 and for APS of only \$2,600,000! As of 2-8-13, only 1.8% of APS's 2013 pool has been reserved, while 62% of SRP's pool has been reserved to date. It is already clear which program is still succeeding to put solar on the rooftops for a minimal cost to ratepayers.

The Commission's policy change was a hasty one and an unexpected one. There was little or no time for industry or public comment. As a result, a flourishing, yet nascent solar industry in Arizona is left scrambling to pick up the pieces and adjust business plans. Projects are being scrapped, orders are being cancelled, employees are being laid off, and ratepayers are losing an opportunity to better themselves and the future of the utility. In short, the objectives of the RES are in jeopardy. The industry is stalling and will shrink. A year from now will be too late for the Commission to heal the damage with more enlightened policy.

I seriously hope that you will reconsider the 2013 implementation policy changes you have made.

Sincerely,



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