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October 10, 2013

Chairman Bob Stump
Arizona Corporation Commission
1200 West Washington St.
Phoenix, AZ 85007-2996

Arizona Corporation Commission
DOCKETED

OCT 10 2013

DOCKETED BY

RE: 2014 APS REST Implementation Plan: Docket No. E-01345A-13-0140

Dear Chairman Stump and Members of the Commission:

First Solar appreciates the opportunity to comment on Staff's September 30, 2013 report recommending adoption of Arizona Public Service ("APS") 2014 Renewable Energy Standard Implementation Plan ("APS Plan") filed with the Arizona Corporation Commission ("Commission") on July 12, 2013.

Among other things, Staff recommends Commission approval of the APS Plan to "move ahead with RFPs, sign contracts and begin construction on the final 50 MW phase of the AZ Sun program in 2014." First Solar encourages the Commission to adopt Staff's recommendation to continue and complete the final phase of the AZ Sun program.

In addition to adopting and authorizing the remaining 50 MW of the AZ Sun program, First Solar encourages the Commission to adopt and authorize APS to solicit 25 MW of solar capacity in 2014 pursuant to the Small Generator Standard Offer Program for projects sized between 2 and 15 MW.

50 MW AZ Sun Program

The AZ Sun program has proven to be a highly efficient, cost-effective means of achieving APS' REST goals, as demonstrated by the 17 MW Paloma Solar project, constructed by First Solar for APS at Gila Bend.

Pursuant to the AZ Sun Program, First Solar executed a contract with APS on February 11, 2011 for the development and construction of the Paloma Solar project. The successful synergy of the APS AZ Sun program and the Gila Bend Solar Field Overlay Zone ordinance combined to facilitate permitting, construction and completion of this PV project in less than a year from contract execution.

Continued commitment by APS and the Commission to utility-owned generation ("UOG") installations under the AZ Sun program will provide significant ongoing benefits to Arizona rate payers, including, but not limited to:

- **Efficient Procurement Process.**
 - By offering pre-selected sites as part of the AZ Sun program, APS can eliminate uncertainty and expenditures associated with site control being secured by multiple developers. Further, the review process to screen and understand 50-100 responses to a PPA RFP that draws proposals located all over the state of Arizona can be challenging and time consuming.
 - By prescreening site locations, APS is also able to eliminate uncertainty regarding transmission availability and overall desirability of the project within the APS transmission system, thereby, in effect, reducing significant site selection risk and associated interconnection costs for UOG projects. The AZ Sun program also eliminates the cost of its transmission planning group studying many projects across the state as the interconnection queue gets overwhelmed with applications in preparation for bids for PPAs.

- **Transaction Certainty.**
 - APS' analysis and screening of sites under the AZ Sun program eliminates many of the pitfalls associated with development, including encumbered real estate rights, environmental issues, and the inability to secure financing. PPAs sometimes have required renegotiation when developers encountered unanticipated challenges during the development phase and sought price or terms modifications to their PPAs.
 - APS site selection and financing provides greater certainty that projects will be completed in a timely, predictable manner.
 - Increased transaction certainty also reduces the need for "over-procurement" in anticipation of unsuccessful projects. Over-procurement results in increased transaction costs for APS, which ultimately are borne by ratepayers.

- **Project Finance.** An equity purchase by APS eliminates project finance risk in its entirety. If developers must secure financing, they must either add risk premiums to their bids as they make financing and tax assumptions two to three years in advance of construction, or they may not be able to perform when they ultimately face the realities of the debt and equity markets, including the ability of equity owners to fully utilize federal tax credits. The AZ Sun program eliminates these uncertainties; and APS' financial strength provides financing certainty as well as full utilization of federal tax incentives.

- **Full Life-of-Asset Value for Ratepayers.** In a third party power purchase arrangement, APS' ratepayers effectively pay the full price for the generating facility via the power purchase agreement, but do not control the asset at the end of the contract term. In contrast, in a UOG transaction, rate paying customers pay for the asset but also realize benefit from the full useful life of the asset.

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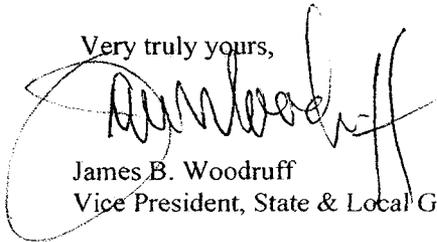
Finally, the AZ Sun program has ensured that APS and its customers receive competitive, on-time and guaranteed energy deliveries, and the cost savings associated with the program ultimately benefit APS' ratepaying customers.

For all of these reasons, First Solar respectfully requests that the Commission adopt Staff's recommendation to approve APS' 2014 RES Implementation Plan insofar as it includes authorization to complete the remaining 50 MW of the AZ Sun program.

25 MW Small Generator Standard Offer Program

Recent experience and solicitation results in California and other Western markets demonstrate that small PV projects are very competitively priced and offer near term benefits that can be captured in advance of the possible expiration or phase out of the Federal investment tax credit at the end of 2016. To take advantage of these benefits, First Solar recommends that the Commission authorize APS to conduct a competitive solicitation in 2014 for 25 MW of small (2-15 MW) PV facilities to be procured through standard offer contracts.

Very truly yours,



James B. Woodruff
Vice President, State & Local Government Affairs

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