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Grand Canyon Chapter • 202 E. McDowe

Phone: (602) 253-8633 Fax: (602) 258-6533 Em



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Arizona Corporation Commission
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October 15, 2014

Chairman Bob Stump
Commissioners Gary Pierce, Bob Burns, Susan Bitter Smith, and Brenda Burns
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: 2015 Tucson Electric Power Utility-Owned Distributed Generation Program (Section II. D. of the TEP 2015 REST Implementation Plan) Docket No. E-1933A-14-0248

Dear Chairman Stump and Commissioners:

Sierra Club's Grand Canyon (Arizona) Chapter submits these comments on the proposed Tucson Electric Power (TEP) Utility-Owned Distributed Generation (DG) Program on behalf of our 35,000 members and supporters in Arizona, many of whom are TEP customers. Sierra Club's mission is "to explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; and to educate and enlist humanity to protect and restore the quality of the natural and human environments." Sierra Club and our members have a significant interest in supporting the Renewable Energy Standard and Tariff (REST) as a way to help to reduce dependence on fossil fuels and overall energy use, plus transition to clean renewable energy generation.

Sierra Club supports the TEP Utility-Owned DG Program as proposed in its 2015 REST Implementation Plan, provided that the concerns and comments listed here are adequately addressed. Sierra Club is interested in ensuring expanded access to solar electricity generation in TEP's service area, and, if properly designed, this program could help accomplish that goal while also helping TEP satisfy its REST requirements.

Sierra Club supports the proposed plan's use of local solar installers to implement the DG systems, keeping more dollars in the community and supporting the local solar industry. More DG might also serve as a motivator for utilities to invest in energy storage technology development and implementation.

In evaluating TEP's proposed Utility-Owned DG Program (Program), a critical measure of success is whether the Program increases access to DG and is deployed in a manner that maximizes grid benefits. While the Program as proposed has the potential to accomplish these objectives, there appears to be no requirement to do so. Accordingly, we offer the following recommendations and identify areas of needed clarity to improve the Program and provide greater assurance that its potential benefits are realized.

The Program Should Prioritize Customers That Would Not Otherwise Have Access to Rooftop

Solar: Sierra Club appreciates that the Program “will be open to all TEP customers in good standing, regardless of their credit scores.” (Application at 9.) Providing access to rooftop solar to customers that would not otherwise qualify for a third-party leasing program or other financing options due to a low credit score has the potential to expand the market for rooftop solar and ensure more equitable distribution of its economic benefits. However, as currently proposed, the Program does not prioritize customers with low credit scores, much less provide any clear criteria by which program applications will be evaluated. Accordingly, the Program runs the risk of merely siphoning customers that would otherwise have installed DG through a NEM program. To ensure the Program expands the reach of DG, the Program should be revised to explicitly prioritize applicants that would not qualify for a leasing program due to a low credit score and communicate this preference in marketing materials.

The Program Should Include a Transparent and Public Process to Identify and Prioritize Areas where Additional DG Deployment Will Maximize Grid Benefits:

Like its potential to benefit customers with low credit scores, the proposed Program is also vague as to whether the Program would actually result in targeted deployment to maximize grid benefits. The Application states that Program benefits are that TEP “can direct systems to areas of the local grid where DG benefits can be maximized” and “provides a planned, managed process that greatly enhances the ability of residential DG to provide system benefits not currently achieved through third-party or customer-owned systems” yet provides no further detail on how this would be accomplished. (Application at 9-10.) TEP should provide a public and transparent process to explain how it identifies areas where targeted deployment will maximize grid benefits (such as avoidance of a costly system upgrade) and focus outreach and prioritize deployment in those areas.

Additional Areas for Clarification:

- More information is needed regarding what customers are to do if they decide they no longer want a company-owned system that is on their property, or if they wish to sell their property or buy their solar system. There needs to be written understandings or contracts with customers that provide all necessary information. We would also like to learn more details about off-the-grid options, such as the use of inverters for emergency backup power, and other creative energy storage and energy independence solutions and technologies.
- The TEP plan provides for adjustment of rates up or down if electricity use rises or falls by 15 percent or more. This could be an incentive for people to continue to support energy efficiency, which is the most cost-effective means of electricity production and is essential to pair with solar rooftop programs. TEP should provide more detailed information on how costs would be adjusted, by how much, and other pertinent details prior to rollout in order for the program to be successful.
- The Plan currently contemplates a \$250 one-time processing fee. The link to actual processing costs is unclear. Moreover, a fee set at this level may needlessly dissuade potential applicants, particularly those with low-credit scores that might most benefit from the Program. Please clarify the justification for this fee and consider a significant reduction.

In conclusion, Sierra Club looks forward to seeing TEP develop its proposed Program to enable increased DG solutions in Tucson. DG is undervalued by utilities (3 cents/kWh), but TEP's Utility-Owned DG Program could help TEP and other utilities understand DG's true value.

Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandy Bahr". The signature is fluid and cursive, with a large initial "S" and "B".

Sandy Bahr
Chapter Director
Sierra Club – Grand Canyon Chapter