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Arizona Corporation Commission
DOCKETED

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

SEP 17 2010

FILED IN DOCKET

DOCKETED BY

Chairman Kristin Mayes
Commissioners Pierce, Stump, Kennedy and Newman
Arizona Corporation Commission
1200 W. Washington St., 2nd Floor
Phoenix, AZ 85007

RE: Response to APS Request for Clarification and Modification of Residential Incentive
Docket No. E-01345A-09-0338

Honorable Chair Mayes and Commissioners;

On behalf of SolarCity Corporation ("SolarCity") we appreciate this opportunity to address the Arizona Corporation Commission on the matter of the Arizona Public Service Company request in the above referenced docket.

SolarCity is a leading full-service solar provider for homeowners, businesses, government organizations and schools. They were the first company to provide solar power system design, financing, installation and monitoring services from a single source. SolarCity has three offices throughout Arizona and have done over 1,000 installations in the state. They employ more than 700 people in the five states in which they operate in and are committed to providing their customers with a low-cost solar option.

SolarCity greatly appreciates the monumental efforts by the ACC to bring certainty to the solar market and they understand the challenges inherent in balancing a wide range of competing interests. As you are well aware, in order for the solar industry to continue to grow and scale within Arizona, there needs to be a predictable and stable regulatory and incentive structure. Given this, we are concerned by some of the provisions in the recent filing by APS.

Modifying Incentive Levels

SolarCity respectfully requests that the ACC not grant APS's proposed incentive reduction from \$1.95 to \$1.75 per watt until the 2011 REST is considered. At the end of this past April, residential incentives were dropped from \$3 to \$2.15 per watt and soon after that, they were dropped again to \$1.95. This is a total drop of over a third in just over four months. A drop of another \$0.20 would cause great difficulty and confusion within the industry.

Also, APS is suggesting that some incentive applications that are already in the queue should be reserved at a level of \$1.75. This is effectively a retroactive change since those

applications were submitted in good faith for a rebate of \$1.95. It is not fair to customers who were promised rebates at a higher level to receive one that is so much lower as such a drop will change the financial calculus and consequently the viability of these projects.

Although this sort of retroactive change has been done previously, it continues to be incredibly disruptive to the industry, especially as the rebate amounts get lower and lower and the cost of installations is not falling as quickly as the rebate levels. We firmly believe that it is time for this trend of retroactive changes to end in order to give the industry greater predictability as rebate levels get smaller.

Capping Program Demand

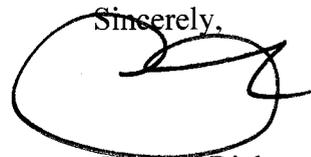
While we recognize that rebate funds for the program are not infinite, SolarCity thinks it is ill-advised to cap the program based on the number of applications received. Instead they think it makes more sense for a cap to be based on the number of MW reserved. This will allow APS to more accurately predict their REST compliance and remaining budget (since rebates are given on a \$ per watt basis and not on a \$ per application basis). This will also give the industry more clarity on the program's goals and budget.

Request for Expedited Consideration

SolarCity believes that many of APS's requests in this docket will have long-term consequences that need to be thoroughly analyzed and discussed. Therefore, we object to the expedited consideration of those components that would be better addressed during discussions of the APS 2011 REST Plan. This includes the incentive reduction and the cap of 600 reservations per funding cycle. Addressing these issues at a later date will give the industry more time to analyze and comment on these proposals and it will also give the ACC the opportunity to consider them within the entire REST Plan.

Thank you again for the opportunity to provide comments on this docket. As you move forward with your decision-making process, we hope you will keep in mind the importance program stability and predictability to the industry. We are grateful to both the ACC and APS for working so closely with the solar industry as we try to find solutions that will continue to make Arizona one of the leading states for residential solar installations.

Sincerely,

A handwritten signature in black ink, appearing to read "Court S. Rich", is written over a large, hand-drawn oval scribble.

Court S. Rich

Original and thirteen copies were filed with Docket Control on September 17, 2010.