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

DOCKETED BY

Re: SolarCity Corporation Comments; Docket E-01773A-09-0335 Trico Request to Lower Rebate Amount for Residential PV

Honorable Chair Mayes, and Commissioners;

Please accept these comments on behalf of SolarCity Corporation ("SolarCity") with regard to the above referenced docket. On July 1, 2010, Trico Electric Cooperative, Inc. ("Trico") filed its Application to Amend Commission Decision 71451 (the "Application") seeking to reduce the up-front incentive it pays for residential and non-residential photovoltaic ("PV") systems up to 10kW in size from \$3.00 per installed watt down to \$1.50 per installed watt and to cap the incentive payment at 30% of the system's value. SolarCity Corporation ("SolarCity") believes that lowering the rebate at this time to what would be the lowest in the State at \$1.50 per installed watt is premature. Coupling that with the 30% cap is not in the best long-term interest of the solar market.

SolarCity understands that occasional rebate reductions are necessary in order to support a stable and robust solar PV market. To that end, SolarCity is supportive of rebate reductions to the extent that they help utility rebate programs remain funded. This, in turn, gives SolarCity and other PV installers the ability to participate in a steady market without the fits and stops that can be detrimental to the business climate.

The problem with Trico's proposal is that it simply is too much of a drop too fast. The solar market is still in the process of scaling up and as this process continues, the market will be able to absorb lower and lower rebate amounts until the ultimate goal of grid parity is reached. However, the market has not yet reached a scale at which rebates of \$1.50 per installed watt make sense. One can look to the very successful California model as an example of a smooth approach to incrementally stepping down incentives without dramatic drops at seemingly random intervals.

The proposed rebate level will detrimentally affect the entire PV industry as current installation prices are not yet capable of supporting a rebate of \$1.50 per watt. If this type of rebate level were to be approved in other, larger utilities' service areas, it would result in

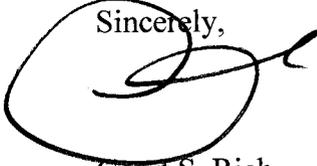
significant harm to the still scaling industry. SolarCity strongly urges all Arizona utilities to refrain from overcorrecting as they work to lower rebate amounts to meet market demand. Dramatically cutting rates in half or setting them too low can be just as harmful to the market as having the rebate rates set too high. SolarCity believes that the State as a whole will suffer if other utilities follow suit and make such drastic cuts in their rebates so quickly.

Trico also did not submit any documentation that supported the \$1.50 per watt rebate level. SolarCity could still work within the parameters of a drop in Trico's rebate amount but cannot support Trico or any other utility that proposes rebates at \$1.50 per watt at this time. We respectfully request that the Commission or the Applicant amend this proposal such that the rebate level does not drop below \$1.65 during 2011. This will send a strong message to the industry that it is still appropriate and prudent to continue ramping up in Arizona which, in turn, will make future drops in rebate incentive levels manageable and acceptable.

In addition, Trico's proposal to reduce the total incentive amount to 30% of the system's cost will dramatically alter the economics of installing systems and will likely discourage customers from going solar. Trico's proposal appears to be out of step with the market and even out of step with other utilities' plans. APS, for example, is proposing to eliminate its per system cap in its 2011 RES Implementation Plan. Lowering the cap to 30% would drastically change a homeowner's system cost. Such a change should certainly not be approved without any supporting data indicating it will not dissuade customers from going solar.

Finally, Trico proposes to retroactively change the incentive levels, starting with applications received after July 15, 2010. We steadfastly oppose any retroactive changes to policies and rebate levels for applications submitted in good faith under the current set of rules. Retroactive changes cause confusion and mistrust in the market. Such instability can discourage potential customers from installing solar on their homes because they can never be sure whether they can accurately figure out the economics of those installations. We encourage the ACC not to approve Trico's request to make retroactive changes to the rebate levels.

We appreciate the Commission's attention to this important matter and look forward to continuing to work with the ACC and the State's utilities to make Arizona's solar implementation a continued success.

Sincerely,

Court S. Rich

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