OPEN MEETING AGENDA ITEM

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Court S. Rich AZ Bar No. 021290
Rose Law Group pc
6613 N. Scottsdale Road, Suite 200
Scottsdale, Arizona 85250
Direct: (480) 505-3937
Fax: (480) 505-3925

Attorney for SolarCity Corporation

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AZ CORP COMMISSION
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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES CHAIRMAN	SANDRA D. KENNEDY COMMISSIONER	PAUL NEWMAN COMMISSIONER
GARY PIERCE COMMISSIONER	BOB STUMP COMMISSIONER	

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS 2011 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN AND DISTRIBUTED ENERGY ADMINISTRATIVE PLAN AND REQUEST FOR RENEWABLE ENERGY ADJUSTOR.	**DOCKET NO's. E-01345A-10-0262** **E-01345A-10-0166** **NOTICE OF FILING: SOLARCITY'S RESPONSE TO CHAIRMAN MAYES OCTOBER 21, 2010, CORRESPONDENCE**

Intervenor, SolarCity Corporation, by and through its undersigned counsel hereby submits the attached correspondence in response to Chairman Mayes' letter to the Parties dated October 21, 2010.

RESPECTFULLY SUBMITTED this 15th day of November, 2010.

Court S. Rich
Rose Law Group pc
6613 N. Scottsdale Road, Ste 200
Scottsdale, Arizona 85250
Attorney for SolarCity Corporation

Arizona Corporation Commission
DOCKETED
NOV 15 2010
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Original plus 13 copies of the foregoing

filed this 15th day of November 2010, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

I hereby certify that I have this day served the foregoing documents on all parties of record in this proceeding by sending a copy via electronic mail to:

Lyn Farmer
Chief Administrative Law Judge
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007
lfarmer@azcc.gov

Deborah Scott
Pinnacle West Corporation
Post Office Box 53999
Phoenix, Arizona 85004
deb.scott@pinnaclewest.com

Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007
jalward@azcc.gov

C. Webb Crockett
Patrick J. Black
Fennemore Craig, P.C.
3003 N. Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913
wcrockett@fclaw.com
pblack@fclaw.com

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007
solea@azcc.gov

Scott Wakefield
Ridenour Hienton & Lewis PLLC
201 N. Central Avenue
Suite 3300
Phoenix, Arizona 85004
sswakefield@rhkl-law.com

SolarCity Corporation ("SolarCity") submits this letter in response to the correspondence from Chairman Mayes dated October 20, 2010, soliciting responses to various questions relating to Arizona utilities' 2011 Renewable Energy Implementation Plans and other more general renewable energy issues. SolarCity appreciates the opportunity to respond to these important questions and looks forward to discussing these issues in more detail with the Chairman and the Commission at upcoming hearings. The following response follows Chairman Mayes' correspondence and responds to the issues as they were raised in that letter. Issues not addressed are issues on which SolarCity has no opinion at this time.

Residential Distributed Energy Programs

Should an incentive step-down program take into account factors other than simply the number of MWs installed?

SolarCity believes that a MW or number-of-system based step-down program is appropriate. One of the keys to the pre-set and announced step-down procedure is that it gives clear signals to the market that are predictable and certain. SolarCity believes that the addition of other factors (for example; module prices, payback periods, tax incentive levels etc) can create a situation where the step-down becomes unpredictable and therefore, it does not provide the needed certainty to the market.

Is the $1/watt rapid reservation proposal appropriate?

SolarCity believes that the rapid reservation concept is a sound one worth exploring. However, $1/watt is far too low to encourage a healthy market. SolarCity proposes that a rapid reservation program be instituted that allows for the rapid reservation of projects that are willing to accept a rebate that is $0.20/watt lower than the utility's prevailing rebate amount. For example, if the rebate offered is $1.75/watt then the rapid reservation amount would be set at $1.55/watt. SolarCity believes that the rapid reservation process as proposed herein is an excellent way to help avoid backlogs while allowing the industry to continue to grow and drive down prices using healthy economics.

Should money be transferred from the commercial to the residential DG rebate pool?

SolarCity does not believe it is appropriate to allow further transfer of funds between the residential and commercial DG rebate pools. The Commission's previously approved $20 million assignment of residential funds into the APS non-residential pool to allow for additional school programs was prior to an explosion in the residential market and at a time where it seemed unlikely that the residential market would begin to comply so quickly. With both residential and non-residential pools fully subscribed at this time, a transfer of funds would have an immediate negative impact on the program losing funding.

SolarCity supports the Commission in approving the injection of an additional $20 million into the APS residential rebate pool to make up for the $20 million that was transferred out in 2009 but does not support taking these funds from the non-residential program.

Should unused REST funds be moved to the residential programs?

SolarCity supports the idea of injecting funds into the residential DG rebate pool from programs that are not being fully utilized. An important consideration given the current economic status is that funds utilized in the residential DG program are driving job creation in Arizona at just the right time. To the extent that otherwise unused dollars can be directed towards the residential DG side, the Commission can be assured that not only will it be immediately getting clean green solar energy installed but that jobs will be created and saved. This is a powerful argument for allowing any unsubscribed REST funds from underperforming programs to be transferred into the residential rebate pool.

Viability of Security Deposits

Should utilities require security deposits for RFP or PBI-based renewable energy programs?

SolarCity believes that refundable security deposits must be combined with other measures to solve the problems that current RFP/PBI-based programs present. The current PBI reservation system in Arizona could be improved. Often, projects that are speculative and economically inefficient or even not at all viable appear to be routinely receiving reservations even though they are never to be built at the expense of viable and imminent projects. The fact that these speculative projects do not get built is not just bad for the implementation of solar energy but it also comes at the cost of increased job creation. SolarCity believes that it is in the best interest of the state and the market players that the RFP/PBI programs be reworked to promote viable, economically sound, and imminent projects.

Feed-in Tariff proposals

Should Feed-in Tariff generation count against utility or distributed generation requirements?

SolarCity strongly urges the Commission to require Feed-in Tariff generation to count against the utilities' utility-scale REST requirements. This generation does not offset the siting customer's load and is wholesale energy to the utility. It would be a stretch to characterize the energy produced and sold to the utility as anything other than utility-scale. The fact that the solar panels themselves may be located on a rooftop does not change the fact that this generation should be counted toward the REST's utility-scale requirements.

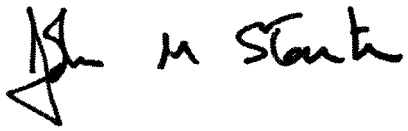
Research and Development/Studies

Should there be a study of issues surrounding the regulation of for-profit third party SSA providers?

SolarCity is supportive of resolving the for-profit SSA provider issue. SolarCity proposes that the Commission review the record of the SolarCity Docket and issue a Policy Statement indicating its support for for-profit customers utilizing SSAs to finance the installation of solar. SolarCity believes there is ample evidence to show that for-profit users of SSA financing are primarily concerned with financing the acquisition of solar panels and not with the act of purchasing energy from a third party provider and thus a Policy Statement would be appropriate.

SolarCity appreciates the opportunity to provide its responses to the issues set forth above. We look forward to further discussion of these important issues.

Sincerely,



John Stanton
Vice President, Government Affairs
SolarCity