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# THE BILTMORE BANK

Arizona Corporation Commission

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Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

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Docket No. : E-01345A-11-0264

RE: 2012 APS REST Implementation Plan; Docket No. 11-0264

Dear Chairman Pierce and Members of the Commission:

The Biltmore Bank of Arizona is sending you this correspondence to express our fervent opposition to APS' proposal to eliminate its commercial distributed solar energy program for the next five years and to cut in half its already approved budget for residential solar in 2012. This plan as proposed would eliminate free market competition in the commercial solar space through increased utility ownership and monopolization, effectively destroy a vibrant and growing commercial solar industry, cause tremendous harm to a rapidly scaling residential solar, and be bad for Arizona's overall economy.

**The APS proposal will consolidate utility ownership, result in monopoly prices for commercial solar customers, and flies in the face of free market principles.**

If APS has its way and its proposal is not summarily rejected, APS will significantly enhance its monopoly status through the consolidated ownership of solar systems for schools and governments and the elimination of any and all competition in the commercial solar marketplace. By way of its Solar for Schools and Government Program, APS seeks to deny Arizona's schools and local governments any choice when it comes to solar providers. With APS monopolizing the space and removing any third-party competition, consumers can rightly expect higher costs for these commercial solar systems.

In addition, If APS has its way and the entire commercial program is cut for the next five years then commercial users will have but one provider to choose from--APS. It violates basic free market principles that customers will be denied a competitive marketplace when it comes to commercial solar providers. To avoid this inefficient and unjust result it is important that the commercial class of customer be permitted access to a healthy and competitive roster of solar providers. Further, it is important that third parties, and not the utility, be permitted to provide solar services and compete for the rebate dollars to allow customers a fair chance to acquire the highest quality service at the lowest possible price.

**The Commission should reject APS' proposal to depart from the already approved residential solar budget for 2012.**

In the 2011 Implementation Plan hearings, this Commission approved \$40 million annual residential budgets for both 2011 and 2012. Importantly, while the Commission approved this budget prior to the swearing in of the new Commission in January 2011, the new Commission reopened the Implementation Plan and made several changes to approved Implementation Plan without disturbing this approved budget. As a result, market players

made plans in reliance on this approved budget and invested in this market accordingly. It would undermine the investment backed reasonable expectations of market players if the Commission were to reverse course and cut the budget it approved last year by 50%. In addition, it will make it that much harder for companies to invest in the future in Arizona knowing that they cannot rely on the government to act predictably. There is simply no reason to reject the budget that was approved in 2010 and then ratified again in early 2011.

**Shuttering the entire competitive industry will only lengthen the time it takes the industry to shake its reliance on the rebates.**

As we have witnessed, when demand is steady and in proper volumes, costs come down. Significant market contraction, whether in commercial or residential sectors, can shift solar back to a boutique industry with correspondingly high prices. Furthermore, the commercial customers who pay into the REST will be unable to participate proportionally into incentive programs if their market is effectively eliminated.

Over the past couple of years the free market competition for the limited commercial solar rebates in APS service territory has caused the value of the rebate to plummet from around \$0.30/watt to nearly \$0.09/watt. Likewise in the residential solar market the rebates have plummeted from \$3.00/watt in January 2010 to \$1.00/watt today. Clearly, the rebates are working and the industry is growing, while simultaneously driving prices down. Should the solar industry be allowed to thrive in a competitive market, the need for rebates will quickly disappear. However, if the solar industry is completely decimated, as APS proposes, it will take far longer for the industry to grow to a size that eliminates the need for a rebate. In order to lessen the overall financial burden for ratepayers, it is essential that this bridge to a rebate-free market continue to be extended and that APS' proposal be rejected.

**Dismantling the robust DG solar market is simply bad for Arizona's economy.**

Arizona is a renewable resource-rich state with vast potential for creating a robust solar and clean technology industry, which, in turn, can drive economic growth for years to come. The Biltmore Bank of Arizona applauds the REST and its ability to set Arizona on a path toward such a goal. A mature and vibrant renewable energy industry, however, requires a steady and stable market. APS, on the other hand, proposes to eliminate its distributed commercial solar energy program for the next five years and slice in half its residential program. This will lead to severe contraction in the industry with subsequent job loss and warranty issues for consumers. A volatile economic climate composed of extreme "bull" and "bear" markets will discourage long-term investment and the subsequent job creation Arizona so desperately needs.

The solar industry is one of the few growing markets in the State and the Country as a whole. The distributed sector of this industry in particular is one that provides long-term job security for thousands of workers in the State. In these very difficult economic times, it is crucial that we not only look to create new economic opportunities for the state, but also that we preserve vibrant, growing industries, such as the solar industry, that provide significant job growth for Arizonans. It would be a horrendous development if the money invested in successfully growing this business to date were utterly wasted as a result of this proposal. While Arizona is frantically trying to attract new jobs, it is equally important that the State do what it can to hold on to the jobs that it currently has. Rejecting the draconian proposal from APS is one simple way to accomplish this goal.

For the forgoing reasons we ask that you reject the proposal to eliminate the commercial distributed generation budget for the next five years and instead fully support the continued scaling of the market at a level at least equal to last year's budget. In addition, we ask that you reaffirm your already approved \$40 million residential budget for 2012. Thank you for considering these comments during your deliberations on this matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Rich Endicott', with a long, sweeping horizontal line extending to the right.

Rich Endicott  
President Scottsdale  
The Biltmore Bank of Arizona