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The Citizenre Corporation
1526 India Street, Suite D
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October 18, 2011

Arizona Corporation Commission
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OCT 25 2011
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Arizona Corporate Commission
1200 West Washington
Phoenix, AZ 85007

RE: Docket NO. E-1933A-10-0266

Dear Commissioners:

Please accept the following comments of The Citizenrē Corporation on the matter before the Commission in this docket, regarding the reallocation of the remaining 2011 REST funds for Tucson Electric Power (TEP). We regret our inability to participate in the Commission's Open Meeting October 11-12 and appreciate the opportunity to respond to comments filed and docketed in this case on October 11.

Citizenrē supports reallocation of the remaining TEP funds as described by both staff and commenters, shifting funds from the 2011 Commercial PBI to the Residential UFI program.

We offer no opinion on the level of the incentive itself. As a provider of leased photovoltaic (PV) systems for residential customers, Citizenrē will evaluate the incentive level ACC determines to be appropriate at this time, and then offer our rental program in AZ as possible.

Rather, we wish to take issue with the creation of an "incentive differential" between leased and non-leased systems. This differential – pegged by one commenter as *"between $0.50 and $0.75 per watt"*[1] -- is supposedly justified by the leasing providers' access to "*the benefits of depreciation, 1603 offsets and increase (sic) state tax credits.."*[2]

We disagree with this approach for four specific reasons:

First, the incentive benefits identified are not unique to providers of leased systems. To justify the $0.50 - $0.75/watt "incentive differential", ARISEA members cite several forms of incentive from which leasing companies benefit. These benefits, however, are

[1] This quote is taken from the letter of members of Southern Arizona ARISEA. Reference to a differential between leased and non-leased systems is made in the September 21, 2011, ACC staff memorandum as well, although the staff's justification for this differential is not explained.
[2] Ibid.

available to either the residential customers themselves, or to installation companies; neither come exclusively to the leasing provider. The installation company receives the immediate value of the incentives through their pricing to the customer, which accounts for the value customers receive when they file their tax returns. The 1603 offsets or "cash grants" may also benefit an installation company when the customer relinquishes the right to that credit to the installation company.

Second, leasing companies take higher risks than direct-pay installation providers. These risks significantly include the financing costs to secure funds, then interest rate risks over the leased period. These risks are accompanied by the unique character of the residential market, characteristics borne out repeatedly in the early days of deregulated electricity markets. In most newly opened retail markets, residential customers were usually last to see meaningful competitive electricity options. This reflected the judgment of providers that serving large commercial customers was more predictable, lower risk and more remunerative than dealing with the myriad smaller, more time-consuming, service- demanding and therefore more costly residential customers.

We submit that similar characteristics accompany the provision of services to the residential PV market. These are costs residential leasing companies bear to service their customers over the duration of the customer's long-term leasing contracts.

Third, residential PV leasing expands the market to customers unable to participate otherwise. Leasing extends the economic benefits of PV to customers who otherwise would get no incentive benefit, because they don't have the economic means to purchase. Citizenrē provides systems to customers that do not have the private capital, borrowing capacity and/or credit ratings required for conventional financing or purchase. These customers deserve the same access to incentives as do customers with the economic means to purchase. Particularly during these tough economic times, reducing the incentive for leased systems erects an additional barrier in the face of customers with the greatest need and most derived benefit from that incentive support.

Fourth, equity requires that all SBC-paying customers should benefit from the fund. AZ customers all support the incentive pool with surcharges on their electricity bills. We fail to see the justification for benefiting one customer class (those purchasing PV) over another (those leasing PV) based on their choice of financing model. By targeting leased systems for less incentive support, the Commission will be acting to at least reduce if not eliminate a financing option for which AZ customers have already shown a very high degree of interest. Indeed, for many of those Arizonians, leasing may be *their* *only* option to access residential solar. We must ask whether impeding or eliminating this option is truly in line with the policy intentions of the REST program.

We suggest the Commission consider a different approach to stretching incentive dollars. The leasing option stretches incentive funds further than any other financing model, and enables more customers to benefit, than any other provider model. We also understand the fear among ARISEA members that an incentive differential is the only way to reduce the competitive appeal of leasing and retain their share of the incentive budget. To counter that concern, and prevent any single company from absorbing an unfairly large share of the remaining funds, we suggest that a better solution would be to cap the funding percentage that can go to any one installation contractor.

In summary, whatever incentive level is chosen, we respectfully request that ACC not create a preferred class of customers and providers – those who purchase versus those who lease. **We recommend that, whatever incentive level be set, this level should apply equally to all residential PV customers, regardless of whether they lease or purchase.**

We respectfully contend that creating different levels of incentive for different categories of residential PV providers is both inequitable -- punitive to the residential customers most in need of the support -- and counter to the Commission's policy objectives for the REST program.

Thank you again for the opportunity to submit our comments.

With respect and best wishes,

Erika Morgan, SVP – Marketing, Communications and Policy
The Citizenrē Corporation