

ORIGINAL
OPEN MEETING AGENDA ITEM



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2011 NOV -4 P 4: 24

AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

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PAUL NEWMAN
COMMISSIONER

BRENDA BURNS
COMMISSIONER

BOB STUMP
COMMISSIONER

11 IN THE MATTER OF THE)
12 APPLICATION OF ARIZONA)
13 PUBLIC SERVICE COMPANY FOR)
14 APPROVAL OF ITS 2012)
15 RENEWABLE ENERGY STANDARD)
16 IMPLEMENTATION PLAN AND)
17 REQUEST FOR RESET OF)
18 RENEWABLE ENERGY ADJUSTOR)

DOCKET NO. E-01345A-11-0264

SOLARCITY'S COMMENTS AND
EXCEPTIONS IN RESPONSE TO STAFF'S
RECOMMENDED ORDER

19 SolarCity Corporation ("SolarCity"), by and through its undersigned counsel, hereby files
20 the below Comments and Exceptions in response to Staff's Recommended Order issued in the
21 above referenced matter.

22 RESPECTFULLY SUBMITTED this 4th day of November, 2011.

23 Court S. Rich
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26 Scottsdale, Arizona 85250
27 Attorney for SolarCity Corporation

28 Arizona Corporation Commission
DOCKETED
NOV 4 2011

DOCKETED BY

1 **Original plus 13 copies of the foregoing**
2 **filed this 4th day of November 2011:**

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington Street
6 Phoenix, Arizona 85007

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

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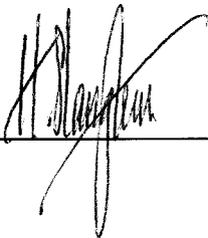
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1 **I. Introduction**

2
3 SolarCity is grateful to the Commission and Commission Staff for their longstanding
4 commitment to the expansion of a robust solar industry within Arizona. The growth of the
5 industry has led to significant job creation, economic development and a dramatic decline in
6 incentive rates over the past two years.

7
8 Since the advent of the RES, Arizona has become the state with the third highest number
9 of people working in the solar industry. Many homeowners have also had the opportunity to save
10 money on their utility bills by adopting solar. And a number of schools have been able to take
11 advantage of solar facilities installed on their buildings and have realized savings on their
12 electricity bills. At the same time, the utilities have been able to diversify their energy portfolios
13 and avoided some of the transmission and distribution costs associated with servicing their
14 customers. In other words, the myriad benefits of solar have been spread throughout the state.

15
16 While keeping in mind the many benefits of solar and its role as an economic driver in
17 the state, SolarCity offers the following comments on the Staff Report and its Recommended
18 Opinion and Order (the "ROO") that has been filed in this Docket. We believe that there are a
19 few proposals that should be amended to allow the industry to continue on its trajectory of
20 growth and cost reduction. The following Memorandum outlines some concerns and proposes
21 some amendments to the ROO.

22
23 **II. The Residential PV Budget Should be Maintained**

24
25 SolarCity believes that the residential PV budget should be set at or near \$40 million
26 because the Commission has twice voted to approve that funding level and the industry has
27 subsequently relied on this level of funding as investment and growth decisions are made.

1 Decision No. 72022 approving APS's 2011 REST Implementation Plan included the
2 following Ordering Paragraph, "*IT IS FURTHER ORDERED that Arizona Public Service shall*
3 *maintain funding for its residential solar program at \$40 million at least through 2012.*"
4 Decision No. 72022 p. 28, l 11-12. This Order was clear and unambiguous and sent a signal to
5 the industry that the 2012 residential budget had been set. This amendment was approved
6 unanimously and did not face repeal by the newly seated Commission during the reopening of
7 the 2011 REST Implementation Plan. In fact, the reopening of the approved Plan saw the
8 Commission propose more than six specific amendments, none of which attempted to modify
9 this Ordering Paragraph.

10
11 The industry has therefore reasonably assumed that funding for APS' residential solar
12 program would be at a level of \$40 million in 2012. SolarCity and its investors relied on the fact
13 that the Commission had approved the \$40 million budget and therefore made business decisions
14 regarding the state of the Arizona market based upon this Order.

15
16 SolarCity is also concerned that a significant scaling back of the residential program
17 would lead to unsustainable job and economic losses. Such losses would come at a time when
18 the state is already facing 9.1% unemployment.

19
20 **III. Non-Residential Solar Should be Supported**

21
22 SolarCity encourages the Commission to maintain a robust non-residential program in
23 APS territory. We believe that it is in all ratepayers' best interest to take advantage of the growth
24 and scale that has already occurred in Arizona's solar industry. This growth and scale has
25 occurred primarily because of the investment ratepayers have made in the industry and it would
26 be unfortunate to negate that investment by significantly scaling back the program. SolarCity
27 also believes that APS commercial ratepayers should have the option of taking advantage of the
28 30% federal ITC before it expires in 2016.

1 Commercial customers who pay into the REST should have the ability to take advantage
2 of the program. Commercial entities such as Vestar and Walmart have submitted comments to
3 the docket in support of this principle. It is critical that the Commission preserve reasonable
4 access to rebates for commercial customers that continue to pay into the REST.

5
6 SolarCity has carefully studied the several proposals before the Commission and
7 recommends that, at the very minimum, the Commission support the proposal for funding the
8 non-residential market at the level outlined in Staff Option A.

9
10 **IV. Recommended Performance Based Incentive Rebate Caps are Unnecessary**

11
12 Evidence of the competitive market at work can be seen in the rate at which the PBI
13 incentive has dropped. The rates have fallen from above 25 cents per kWh two years ago to 8.5
14 cents per kWh in the last auction. Yet, despite this swift and substantial market-based decrease
15 in the PBI, the ROO makes the unnecessary recommendation to drop the rebate cap to 8 cents
16 per kWh for 20 year PBI contracts.

17
18 Given that financing options and availability (i.e. the sunset of the 1603 grant program)
19 may change next year, SolarCity believes that it makes sense to set a cap that will allow the
20 industry more leeway in its bids into the commercial PBI program. These new cap numbers
21 should not be set at a level below the current market rate in the PBI auction. SolarCity is
22 supportive of instituting a cap that lowers the current cap by 2 cents across the board. The new
23 cap numbers would be 13.4 cents per kWh for a 10 year PBI, 12.3 cents per kWh for a 15 year
24 PBI, and 11.8 cents per kWh for a 20 year PBI.

25
26 To implement the change requested in this section SolarCity respectfully requests that the
27 ROO be amended as follows:

1 **AMENDMENT**

2
3 Page 33, Lines 10 and 11;

4
5 DELETE references to "\$0.084" "\$0.082" and "\$0.08" and REPLACE with "\$0.134" "\$0.123"
6 and "\$0.118" respectively.

7
8 **V. The Commercial Deposit Proposal Should be Adopted with Modifications**

9
10 SolarCity is supportive of the implementation of a deposit program for commercial
11 projects. However, we offer one modification to Staff's proposal. The current proposal should be
12 modified to account for a disbursement of any deposited funds upon commencement of
13 construction and should provide that capital placed into the deposit account earn interest that is
14 returned to the party who made the deposit.

15
16 SolarCity believes that a deposit should be held no longer than necessary to serve its
17 purpose and that it should pay simple interest to the depositor. Once construction on a project has
18 commenced and a project has proven its viability, the deposit has served its function and it
19 should be returned.

20
21 SolarCity respectfully requests that the following amendment to the ROO be adopted:

22
23 **AMENDMENT**

24
25 Page 33, Line 19;

26
27 ADD the following to the end of the existing sentence:

1 “...except that APS shall promptly refund the full amount of any deposit to the party that made
2 the deposit upon receipt of a written notice that construction of the project has commenced or
3 that the project has been abandoned. Such written notice must include a reference to an active
4 building permit or similar and equivalent permit allowing the construction of the project. In
5 addition, no deposit will be required for any project that has already provided written notice to
6 APS that it has commenced construction prior to the date that such deposit is due. All deposits
7 shall be deposited and held in an interest bearing account with all interest accruing to the benefit
8 of the party making the deposit and payable to such party upon disbursement of the deposit.”
9

10 **VI. The Rebate in the Schools and Government Program Must be Set at a Fixed Price**
11 **for the Program to Work Effectively**
12

13 For schools that participate in APS’ Schools and Government Program (the “S&G
14 Program”) to recognize savings, solar providers that provide installations must be able to take
15 part in a predictable procurement process. An auction introduces uncertainty and speculation
16 and, consequently, estimated savings become difficult to quantify. Also, given other statutory
17 requirements, any incorrect bid will result in losses by both the school and the solar provider.
18 Installers can only show schools reasonable and predictable savings if incentives are fixed at a
19 reasonable level. Otherwise, only schools with low installation costs and high production levels
20 will be able to take advantage of this program.
21

22 SolarCity supports setting the rebate at a fixed level that is 25% lower than last year and
23 that allows school districts to recognize predictable savings. Therefore, SolarCity respectfully
24 requests that the ROO be amended as follows:
25

26 **AMENDMENT**
27

28 Page 33, Lines 27 and 28;

1 After the word “program” DELETE the remainder of that sentence and INSERT the following:
2 “...be set at \$0.131 per kilowatt hour for 15 year contracts and \$0.119 per kilowatt hour for 20
3 year contracts.”
4

5 **VII. The Per Project Cap For Rebates Should Not Be Limited To 40% Of The Project**
6 **Cost**
7

8 The ROO recommends dropping the per project cap on incentives for residential and non-
9 residential projects from 50% of a project’s cost down to 40% of a project’s cost. However,
10 doing so will only complicate and limit the financing of projects and therefore should be
11 rejected.
12

13 A 40% cost cap is just another constraint in an already constrained and competitive
14 market. As a result, SolarCity respectfully requests that the Commission adopt the following
15 amendment:
16

17 **AMENDMENT**
18

19 Page 33, Line 27;

20
21 DELETE the Ordering Paragraph beginning on line 27 in its entirety.
22

23 **VIII. The Incentive Amount Provided for the Homebuilder’s Program Should be**
24 **Increased**
25

26 Because the market for solar on new homes is distinct from the retrofit market, the
27 proposed 85 cent per watt rebate will be insufficient to adequately drive demand in the new
28

1 homebuilder market. SolarCity requests that the rebate provided to homebuilders be increased to
2 a level that SolarCity will identify prior to any vote being taken on this matter.

3
4 SolarCity respectfully requests that the Commission adopt the following amendment
5 inserting the proper number once it is set forth:

6
7 **AMENDMENT**

8
9 Page 33, Line 5

10
11 DELETE "\$0.85 and REPLACE with "\$_.__" [number to be provided prior to Commission
12 action].

13
14 **IX. Bi-directional Smart Meters Should Be Required on All Homes**

15
16 In their 2012 REST implementation plan, APS proposes requiring homeowners to install
17 production meters on all solar systems, regardless of type, in order to ensure that systems
18 continue to produce at capacity for the duration of their lifetime. SolarCity commends APS for
19 their proposal and encourages Commissioners to support this change to the program. Installation
20 of production meters is appropriate as solar installations receive an investment from ratepayers in
21 the form of an incentive and therefore homeowners should be held accountable for ensuring that
22 their systems are providing ratepayers with a return on that investment.

23
24 Without the installation of such meters, there will be a continuing need for APS
25 employees to physically go to each home in order to read the meter. Currently, the bi-directional
26 meters used by APS for customers with solar requires an APS employee to read each meter at
27 each home. However, APS employees will not do so in homes with pets and the meter must
28 therefore be relocated or a fence must be built, which is often a costly or unattractive solution.

1 Therefore, SolarCity encourages the ACC to adopt APS' proposal that would require
2 homeowners with solar installations to also install production meters.

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