

Elliott Homes

A Tradition of Quality Since 1914.

November 1, 2011

COMMISSIONERS AND DOCKET CONTROL
ARIZONA CORPORATION COMMISSION
 1200 West Washington Street
 Phoenix, Arizona 85007

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Arizona Corporation Commission

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RE: Comments to Utilities Division recommendation for APS Energy Star Plus Solar Home Program – Docket No. E-01345A-11-0264

Dear Chairman Peirce and Commissioners,

Thank you for continuing to support solar in Arizona. In June of 2010 Elliott Homes made the decision to include a standard PV solar system in every new home we build. This decision was based on feed back from our home buyers, market research and Mr. Elliott's belief that it was the right thing to do. We since have installed a standard solar system on more than 40 homes in the Phoenix and Yuma markets. Our commitment to continue including solar as a standard feature in our homes will add to these numbers if the incentive level is set at a higher amount than what staff has suggested in their report dated October 25, 2011.

We do not believe an incentive level of \$0.85/watt in APS Service Territory is sufficient in 2012 for a few reasons:

1. Unlike the residential retrofit market, our market is less dynamic and has a longer planning cycle. As such, we have been planning for the \$1.45/watt incentive as laid out in the APS 2011 RES Plan. Please note that 4 of the 5 current Commissioners supported the 2011 plan that contained this incentive level. We recommend the Commission approve an incentive level of \$1.45/watt for 2012.
2. Unlike the residential retrofit market, which has seen explosive demand and steady incentive level drops over the past two years, our market is still emerging and is just starting to show demand from new home buyers. We believe that decreasing the APS incentive to builders by 57% will significantly slow customer demand for our solar homes. As a result, this could derail the market for solar in new homes. We recommend the Commission adopt a more gradual decrease in the homebuilder solar incentive for 2012 and provide an indication of the 2013 incentive at this time as well.
3. The current new home market cannot absorb the additional cost from the proposed reduction in incentives. Our customers want the new technology of solar in their new

home but they do not want to pay for it. A continued partnership between the new home community, APS and the ACC is needed now more than ever to allow solar to gain the foothold it needs to allow solar to function independent of incentives in the future.

4. If the reduced incentive level is approved we feel it will strongly impact our sales rate in a negative manner. We already realize higher construction costs as compared to builders who do not include solar in the offerings and the reduced incentive level will force the decision to exclude standard solar in the future. This decision will negatively impact our future home buyers who have begun to see the advantage of solar included in their purchasing decisions but cannot justify the payback of the system cost if they are made to purchase it as an option.

We strongly urge the Commission to consider the value of adding solar to new homes and recognize that stability and growth in this market segment is strongly predicated on the decisions that will be made as part of the APS 2012 RES program.

Sincerely,

ELLIOTT HOMES

A handwritten signature in black ink, appearing to read "Jeff Klem", written in a cursive style.

Jeff Klem
ASSISTANT VICE PRESIDENT