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OPEN MEETING AGENDA ITEM



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Chairman Gary Pierce  
Commissioner Bob Stump  
Commissioner Brenda Burns  
Commissioner Paul Newman  
Commissioner Sandra Kennedy  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

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Arizona Corporation Commission  
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**RE: Comments on the Application of Arizona Public Service for Approval of the 2012 Renewable Energy Standard Implementation Plan; Docket No. E-01345A-11-0264**

Dear Chairman Pierce and Commissioners:

On behalf of Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc., I appreciate the opportunity to provide these comments regarding the APS 2012 Renewable Energy Standard (RES) Implementation Plan.

Mainstream Energy Corp. is the parent company of REC Solar, a national solar installer specializing in grid-tied residential and commercial systems, and AEE Solar, one of the country's largest distributors of renewable energy systems and equipment. With a local presence in all major solar markets and more than 100MW installed, we are committed to bringing solar to the mainstream. Our companies are headquartered in San Luis Obispo, CA and employ more than 600 people, including more than 50 in Arizona.

#### **Residential Solar Incentives – How Low?**

During the course of the Open Meeting held November 8-9, 2011, Commissioners expressed interest in whether residential solar incentives may be reduced to a point which it's no longer in either the customer's or the installer's benefit to claim these incentives. This correspondence is intended largely to provide perspective on this matter.

Earlier this year our company conducted internal analyses to determine the answer to this very question – the specific level to which residential incentives must fall before their receipt becomes a break-even proposition or worse, given our cost of either applying for the incentive directly, or assisting the customer in the process.

Not surprisingly, the administrative costs of applying for and claiming residential incentive varies by utility, as they utilize differing mechanisms for accepting, processing, and approving both applications and claims. While the detailed results of this analysis are of course proprietary, we can share the following general conclusions:

- Most utilities – those in Arizona included – have made good progress in easing burdens associated with incentive application. Though improvements can still be

made in many areas, this progress has been significant in terms of reducing costs of incentive application. Simultaneously, our company (and I expect others) has made significant strides in efficiency in this area, further contributing to the level of cost reduction associated with incentive application.

- The cost of incentive application is rather low. Our company's total cost associated with receipt of residential incentives in Arizona rarely, if ever, exceeds \$0.10/W, and the vast majority of incentives are received for much less in total cost.

This suggests, of course, that residential incentive levels must fall below \$0.10/W before they would likely be foregone by residential solar installers and their customers.

One important caveat. We assume that the availability of this incentive is not strictly limited – with a total budgetary limitation acting as a de facto market cap. This seems a reasonable assumption given the significant quantity of this drastically-reduced incentive which could be provided at total program funding even much-reduced from current levels.

Moreover, even if residential solar incentives were a break-even proposition for solar installers, uptake may likely continue. Incentives provided by utilities have served as a key indicator to solar customers that the utility supports – and in fact actively promotes – the installation of customer-sited solar and other forms of distributed generation. Thus, incentives serve *both* as a means to instill confidence in solar customers and make the financial proposition viable.

We trust, however, that this is a largely academic discussion. While we clearly understand the need to continue the declination of ratepayer-funded incentives provided for customer-sited solar in Arizona, we have maintained that this declination needs to be accomplished in a manner which is transparent and measured. Reducing residential incentives to the levels described previously would limit solar availability to only the wealthiest households, and have a profoundly damaging impact to Arizona's solar providers.

### **Closing Thoughts**

Shayle Kann, Managing Director of Solar Research at Greentech Media, recently noted the following in testimony provided to the House Natural Resources Committee:

“We stand at a critical juncture in the development of the solar power market in the U.S. Many companies, both manufacturers and installers, are just beginning to invest in the U.S. market to gain a foothold in case it truly reaches a tipping point. The U.S. has spent the last few years building up the early infrastructure and business models that will support this level of growth. Now we need continued private investment and a stable, reliable policy landscape in order to realize the market's potential.”

Arizona's policymakers, utilities, ratepayers, and entrepreneurs have dedicated hundreds of millions of dollars and countless man-hours in building the Arizona solar industry. In doing so, they have made significant strides in building economies of scale, reducing the costs of solar energy, and providing clean, domestically-produced electricity to millions of households. We encourage the Commission to continue these efforts in earnest – not just by providing some level of incentive in the near-term – but by building the stable, predictable policy landscape which enables companies like ours to grow, invest, and provide low-cost RES compliance solutions to Arizona's utilities not just in the near-term, but well into the future.

**Conclusion**

Again, Mainstream Energy Corporation appreciates the opportunity to submit these comments, and we look forward to working with the Commission to allow utilities to meet compliance targets while building a robust and sustainable solar market in Arizona. Should you or your staff have any questions regarding these matters, please do not hesitate to contact me at (916) 281-8699.

Sincerely,

A handwritten signature in cursive script that reads "Benjamin Higgins". The signature is written in black ink and is positioned above the printed name and title.

Benjamin L. Higgins  
Director of Government Affairs