ORIGINAL OPEN MEETING AGENDA ITEM

0000133157

citizenrē

RECEIVED

2011 DEC 29 P 2: 06

AZ CORP COMMISSION
DOCKET CONTROL

The Citizenrē Corporation
1526 India Street, Suite D
San Diego, CA 92101

Arizona Corporation Commission
DOCKETED
DEC 29 2011
DOCKETED BY

November 3, 2011

Arizona Corporate Commission
1200 West Washington
Phoenix, AZ 85007

RE: Docket NO. E-01345A-11-0264

Dear Commissioners:

Please accept the following comments of The Citizenrē Corporation (Citizenrē) in the above-listed docket. The matters under discussion in this docket concern the approval of the 2012 Renewable Energy Standard and Tariff Implementation Plan for Arizona Public Service (APS); as our comments are the same for each of APS, Tucson Electric Power (TEP), and UNS Electric, Inc. (UNS), we have taken the liberty of submitting the same comments in all three dockets. These comments will also complement and draw from similar comments filed October 18, 2011 in Docket E-1933A-10-0266.

Founded in 2005, Citizenrē is a residential solar leasing company with an active sales presence in the areas served by TEP, APS, and soon, UNS. We have appreciated the Commission's long-standing support for renewable energy in many forms, and particularly for the opportunity to submit these comments on the 2012 REST program.

Our comments will be brief and address two main points:

First, we support and urge adoption of the Staff position on equal treatment of leased and non-leased systems. As has been observed by ourselves[1] and others, the leasing option stretches incentive funds further than any other financing vehicle. Particularly when applied to residential PV systems, leasing enables more customers to benefit from the support of ratepayer-funded REST than does any other financing model.

In their 2012 REST Implementation Plans, both TEP and UNS Electric proposed to differentiate between the incentive levels available to leased systems –both residential and commercial—and those available to non-leased systems. Staff rejected this proposal, observing both cases:

> "Fundamentally, if leased systems can be pursued with a significantly lower incentive level, as [TEP's and UNS's] proposed REST plan and other documents indicate, then

[1] The Citizenrē Corporation, comments to AZCC in Docket No. E-1933A-10-0266, dated October 18, 2011.

[TEP/UNS] can do more residential DG systems for less money if a uniform, lower incentive is applied to both leased and non-leased systems. This could result in a lower overall REST budget and lower REST surcharges for TEP's/UNS' customers"[2].

Third-party leasing enables this benefit to customers and other Parties at no detriment to the non-participating ratepayers. In Staff's recommendation to APS (Docket No. E-01345A-11-0264), it was observed that an extended period of "healthy debate" between APS and the Solar Alliance resulted in agreement that "the cost to non-participating ratepayers was about comparable, no matter who owned the system" (page 11). On this basis, Staff concluded that "neither approach [utility ownership or third-party ownership] is vastly superior to the other in terms of impacts on non-participating customers."[3]

Second, we respectfully offer an alternative approach to equalizing the potential volume impact of residential leasing. The growing impact of the leasing model has been pointed out by both the Companies in their Plans and by Staff in their discussion of those submittals. Concern has been voiced that the growing popularity of residential leasing will result in a rapid depletion of incentive budgets, to the exclusion of the traditionally financed systems.

We note in passing but will not debate the irony of an argument that seeks to reserve market share for higher-priced options over more popular lower-priced alternatives. Rather, we respect the challenge facing utility program managers who must balance the demands for program access against the competing requirement to stretch ratepayer funding to achieve the greatest public benefit. In all three dockets, Staff recommends a series of triggers that lower incentive levels when specific compliance levels have been reached. Each lower incentive level is presumed to slow applications, extending budget life, while demonstrating the degree of market support at that new, lower, rate.

We understand the appeal of this approach – it seems likely to extend the life of the budget over the full program year. We also note, however, that there is no guarantee it will do so. Under the triggering mechanism outlined by Staff, there is nothing to stop aggressive competitors from undercutting the market in order to claim a disproportionate share of the incentive budget.

PV installation companies represent a growing industry in AZ and in all states where Citizenrē is currently active.[4] Installer continuity and business success is significantly influenced by the ebbs and flows of utility incentive budgets. Staff's auto-triggered reductions will clearly extend program budgets longer than do fixed incentives. At the same time, this approach does not

[2] Utilities Division, AZ Corporate Commission, Open Meeting Memorandum "UNS Electric, Inc. – Application for Approval of its 2012 Renewable Energy Standard and Tariff Implementation Plan" (Docket No. E-04204A-11-0267), page 9, and "Tucson Electric Power Company – Application for Approval of its 2012 Renewable Energy Standard and Tariff Implementation Plan" (Docket No. E-01933A-11-0269), page 13.

[3] Utilities Division, AZ Corporate Commission, Open Meeting Memorandum "Arizona Public Service Company – Application for Approval of its 2012 Renewable Energy Standard Implementation Plan and Request for Reset of Renewable Energy Adjustor" (Docket No. E-01345A-11-0264), page 11.

[4] Currently including California, Arizona, Oregon, Nevada and Texas.

eliminate the "on-again, off-again" characteristics of the installer's market as each funding level is depleted.

We recommend that the Commission develop controls to prevent the disproportionate consumption of incentive funds by any single installer. This could be done through a percentage cap or installation limit expressed in quarterly terms. The objective is to ensure that constrained program budgets last 12-months for as many participants as possible. Implementation of a quarterly cap would enable prudent contractors to schedule their work over the year, while increasing the likelihood that funds remain in the third- and fourth quarter.

In summary, we appreciate the Commission's efforts to ensure a fair, active and continuing structure within which to reach the objectives of the REST program. We submit that robust competition between all categories of providers is a vital means of achieving those objectives.

Thank you again for the opportunity to submit our comments.

With respect and best wishes,

Erika Morgan

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