

EXCEPTION



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OPEN MEETING AGENDA ITEM BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION
OF MOHAVE ELECTRIC COOPERATIVE,
INCORPORATED FOR APPROVAL OF ITS
2015 RENEWABLE ENERGY STANDARD
AND TARIFF PLAN, INCLUDING A
RENEWABLE ENERGY STANDARD
TARIFF

DOCKET NO. E-01750A-14-0251

EXCEPTIONS

ORIGINAL

Mohave Electric Cooperative, Incorporated (“MEC”), through its undersigned attorneys, thanks the Arizona Corporation Commission Staff for their efforts in reviewing MEC’s 2015 Renewable Energy Standard and Tariff Implementation Plan (“2015 REST Plan”). MEC agrees with the Staff Report and proposed order with one exception - - The Commission should reject Staff’s proposal to provide upfront incentives for leased Photovoltaic (“PV”) systems. *See*, Staff Recommendation at page 9; Proposed Order at page 11, Finding of Fact 40 and page 13, fourth Ordering Paragraph. MEC supports modest upfront incentives for member-owned PV systems,¹ but none for leased systems.

MEC respectfully requests the Commission to adopt an amendment which tracks the amendments offered by Commissioner Pierce and adopted unanimously by the Commission on December 11, 2014 in Sulphur Springs Valley Electric Cooperative, Inc. (“SSVEC”) Docket No. E-01575A-14-0271 and Graham County Electric Cooperative (“Graham”)

¹ MEC is proposing \$0.20 per Watt for 2015, down from its current \$0.35 per Watt level. The dollar cap for PV systems installed at a single location would be \$3,000 for residential and \$5,000 for commercial systems.

1 Docket No. E-01749A-14-0257 granting SSVEC's and Graham's requests to exclude leased
2 PV systems from eligibility for incentives under their respective 2015 REST Plans. For the
3 Commission's convenience such an amendment is set forth on Attachment 1 hereto.

4 The Commission has determined, for many Arizona utilities, that an upfront dollar
5 incentive is no longer necessary or appropriate to encourage the installation of Photovoltaic
6 ("PV") systems. However, due to the rural character of its service territory and the modest
7 financial means of its members, MEC, like some other rural electric cooperatives, continue to
8 support a modest upfront dollar incentive for customer-owned PV systems, i.e., where the
9 member is making their own upfront investment in a member-owned system. However,
10 MEC believes such incentives are unnecessary and inappropriate for members leasing a
11 system. Leases require members to make minimal or no upfront investment and provide no
12 ownership in the system. There is no evidence that such leases still require an economic
13 incentive from MEC. In such instances, MEC, like SSVEC and Graham, believes its limited
14 REST surcharge funds should not be used to subsidize a member's decision to lease a non-
15 owned system.

16 As SSVEC noted in its December 8, 2014 Exceptions to the staff's proposal, "a
17 member-owned non-profit electric cooperative['s] . . . primary mission is to look out for the
18 best interests of its member-owners. . . . [M]embers have come to trust that when the
19 Cooperative offers a program, it is a good program. . . . Hence, by offering incentives on
20 leased PV systems, [the Cooperative] is at least tacitly supporting these systems and, in fact,
21 various leasing companies have touted that the Cooperative supports and works "hand-in-
22 hand" with leased systems." Yet, leases are long term financially complex arrangements
23 that have come under increasing scrutiny for fairness. In fact, three of the four Democratic
24 members of Arizona's congressional delegation have recently asked the new Consumer
25 Financial Protection Bureau to take a hard look at rooftop solar leases, as discussed in a

1 recent November 29, 2014 editorial in The Arizona Republic.² They express concern that
2 leasing companies "may be overstating the economic benefits of signing a long-term solar
3 lease while failing to disclose important information" when making sales pitches.³
4 "Customers are quoted savings each month on their utility bills," they wrote. "However, who
5 calculates those estimations and are they accurate?"⁴

6 As leased PV systems become more prevalent within MEC's service area, MEC is
7 receiving member complaints that they were not fully advised of, or did not understand the
8 complexity of the leasing arrangements or the burdens they were assuming when they signed
9 the lease. Some of the potential issues associated with the leasing model, include:

- 10 1. What burdens are placed on the member's real property when they lease a system?
 - 11 a. Leases may require the owner to buy-out the lease upon sale of the home,
12 unless the purchaser both meets the leasing company's qualifications and agrees
13 to assume the lease.
 - 14 b. Despite contending before the Commission that they are not in the business of
15 selling power to the public and, therefore, are not public service corporations,
16 the leases may assert the leasing company can operate and sell the energy to
17 others if the customer defaults on the lease.
- 18 2. Who owns the recs? The lease may require incentives be assigned to the leasing
19 company, while claiming that recs are retained by the leasing company.
- 20 3. How are the size and price of a leased system determined? Both the size and initial
21 price set for a system impact the ultimate price paid by the member. The upfront
22

23 _____
² <http://www.azcentral.com/story/opinion/editorial/2014/11/29/rooftop-solar-power-arizona/19557291/>

24 ³ <http://www.azcentral.com/story/money/business/2014/11/25/arizona-democrats-concerned-solar-leases/70112026/>

25 ⁴ *Id.*

1 cost per watt of leased systems can be higher than those of purchased systems,
2 even before any financing component of the lease is considered.

- 3 4. How accurate are the leasing company's projections of MEC's existing and future
4 rates and avoided costs they use to "justify" future monthly charges? Are they
5 even based on MEC's rates?
- 6 5. Do members understand the impact on their "savings" as the output of the system
7 declines the standard 1% per year, or that those rates of decline can be expected to
8 be higher in the MEC service territory due to the extremely hot summer
9 temperatures?
- 10 6. Does the leasing company require the member to have a particular company
11 maintain the PV system and if so, is the price of the service contract reasonable and
12 fully explained to the member?
- 13 7. To whom can the member turn if the leasing company's projections, or other
14 representations, turn out to be inaccurate or are broken?

15 MEC acknowledges that some of the same issues can arise for a customer purchasing a
16 system and looks forward to the Commission proceeding with its proposed investigation
17 regarding the potential need for consumer protections relating to both leasing and purchasing
18 solar systems. However, a person tends to be more diligent when they are investing their own
19 up front monies to purchase a system. A purchase decision is less complex with fewer
20 components to consider. Additionally, the price of a purchased system is easier to compare
21 as between vendors.

22 Mohave's member-elected Board agrees with the SSVEC Board that, overall, leasing
23 is generally not in the best interest of its member-owners and that offering a rebate on leased
24 systems incorrectly implies that the Cooperative encourages and supports leasing. The
25 Cooperative has an obligation to act in the best interests of its members.

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ATTACHMENT 1

Mohave Electric Cooperative, Incorporated's Proposed Amendment to Staff's Proposed Opinion and Order

Page 11, line 24,

INSERT a new Finding of Fact as follows:

The Commission agrees with the points and concerns raised by Mohave Electric Cooperative, Incorporated regarding the continued inclusion of leased PV systems in its incentive programs, and concludes that it is in the public interest to approve the request of Mohave Electric Cooperative, Incorporated to exclude leased PV systems from eligibility for incentives under its 2015 REST Plan.

Page 13, lines 1-2,

DELETE the existing Ordering Paragraph and REPLACE with the following:

IT IS FURTHER ORDERED that the request of Mohave Electric Cooperative, Incorporated to exclude leased PV systems from eligibility for incentives under its 2015 REST Plan is approved.

Make all other conforming changes.