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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF: Comment on Draft)
 Net Metering Rules for the Proposed Rulemaking) **Docket No. RE-00000A-07-0608**
 on Net Metering Rules)

COMMENTS OF THE CITIZENRE CORPORATION

I. Introduction and Background

The Citizenre Corporation ("Citizenre") is a start-up renewable energy provider. Citizenre's purpose is to increase global energy supplies and to modernize the global energy infrastructure. In effecting this purpose, Citizenre believes that dependence upon foreign and fossil fuels will be minimized, a higher degree of energy surety will be realized – spurring the global economy, and a 21st century quality of life will be realized by more global citizens.

Citizenre's first activities are in the development and manufacturing of renewable energy materials and devices – specifically photovoltaics ("PV"). It is Citizenre's intent to deliver these materials and devices to a broad spectrum of customers through various services and financial arrangements.

Citizenre's business model relies initially upon an ambitious national scale-up and implementation of PV distribution, one that takes advantage of standardized and streamlined EPC practices, comprehensive O&M processes and underlying technology, and most importantly, high-volume installation activity. These strategies, combined with simple financial arrangements – such as Citizenre's rental program for residential homeowners – create the means to vastly speed the delivery of clean, renewable energy to a national customer base.

By producing large quantities of renewable materials and devices, and ensuring national deployment of those systems on a large scale, it will be possible to dramatically reduce the cost of renewable energy equipment and generation. This will, in turn, open

untapped markets, further reduce the prices of renewables and the detrimental impacts of fossil dependence, and thereby ease the overall energy burden on tax payers and rate payers alike.

The barriers to consumer adoption have been and will remain the premium price of renewable power, the investment risk of consumers adopting a new technology, and lastly, the technology pains associated with familiarizing one's self with a new technology. Citizenre's activities as a large-scale PV manufacturer and distributor overcome the price barrier in significant part; however, only through Citizenre's offer of a simplified service and financial arrangement are the hidden barriers of 'investment risk' and 'technology pains' successfully addressed. As evidence, we point to the fact that over the past 30 years – since the beginning of PV deployment through December 2006, there have been only 26,000 residential grid-tied PV systems¹ installed. Comparing this statistic with Citizenre's over 26,400 forward rental agreements acquired in just over one year highlights both the hurdles facing the PV industry and the effectiveness of Citizenre's offering.

Citizenre's REnU residential rental program opens the door to clean renewable solar energy for many residential customers who don't have the means to procure it any other way. For states like Arizona, Citizenre's offer also allows the rapid capture of the many public benefits of widespread solar energy penetration, without the investment of taxpayer or ratepayer funds as incentives.

Citizenre's ability to provide equipment in the state, however, depends upon 3 core preconditions: prevailing utility rates; a properly constructed net-metering program; and the ability to access residential customers. Arizona's proposed net metering rules would erect several barriers to widespread implementation of new net metered facilities. If adopted as proposed, these rules would in all likelihood prevent both Citizenre and many other third-party providers of renewable energy equipment from doing business in Arizona.

II. Summary of Argument

¹ Larry Sherwood for the Interstate Renewable Energy Council, as used in "US Solar Industry: Year in Review 2006", published by Prometheus Institute and Solar Energy Industries Association.

A. IREC Model Rule

The Interstate Renewable Energy Council (IREC) represents a wide array of stakeholders in the rapidly growing renewable energy industry², including state energy offices, private companies, state and federal advocates, trade associations and others. IREC has coordinated extensive dialog among these parties to develop its model net metering rule, available at www.irecusa.org/connect/netmeteringrules.pdf. Citizenre supports the IREC rule as a workable standard; our comment on the proposed AZ rule reflects the extent to which ACC's draft reflects core elements from the IREC model rule:

We applaud:

- General applicability -- The proposed applicability to all AZ utilities, both large and small, simplifies the current situation, where rules may differ or be nonexistent in different utility territories across the state.
- 1:1 value on customer generation -- The requirement for a single, bi-directional meter for all net metered customers, coupled with the requirement that customers be billed for their net usage according to the customer's currently effective standard rate schedule, effectively provides the 1:1 ratio between the charges paid by customers and the credits earned by customers. This provision of the proposed AZ rule conforms to the intent of the IREC model rule.
- 12-month forward credit -- The ability for customers to apply earned net metering credit forward to utility payments due in subsequent billing periods until that credit has been used. The proposed rule also allows utilities to "issue a check or billing credit to the Net Metering Customer for any balance of any credit due in excess of amounts owned by the Customer to the utility." (R14-2-2306(G)). This provision also conforms to IREC's "best practices".

Areas of Concern

- Potential for excess charges -- The proposed rule appears to allow several different customer fees: a possible "one-time charge or an increased Customer charge to cover meter costs" (R14-2-2304(C)), and "The customer charge for testing may be assessed

² <http://www.irecusa.org/index.php?id=9>.

when the customer's meter is first tested..." (R14-2-2304(F)). These two fees may have the affect of increasing costs for Net Metered Customers above those of non-net metered customers in the same rate class. At the least, significant fees contradict the policy objective stated in the Staff Report's Introduction, to "provide a financial incentive to encourage the installation of DG.." ³

- Ownership of Renewable Energy Credits (RECs) – The proposed rule does not address the ownership of Renewable Energy Credits generated by the Net Metered Facility. The draft rule should incorporate language from the IREC model rule (Section 2.109) clarifying that the ownership of all RECs generated by the Net Metered Facility are the property of the Customer or third party provider, whichever entity retains ownership of the Net Metered Facility.
- Definitions -- By far the greatest issue concern for Citizenre in the proposed rules lies in the requirement that a Net Metered Customer be the owner of the DG equipment:
 - Definitions – "Net Metering Facility" means a facility for the production of electricity that is "*owned and operated*"... R14-2-2302(M1).
 - Requirements and Eligibility – "An Electric Utility shall interconnect with any retail Customer who *owns and operates*... R14-2-2303(A).

The restriction of net metering eligibility to only those customers with the ability to purchase DG equipment defeats the wider policy objectives of the AZ rule. As we will discuss further below, this restriction is neither necessary nor beneficial.

B. A High Priority Concern: "Own" versus "Use"

1. Third-party ownership of DG is becoming widespread within the industry.

The solar industry has developed an array of product offers aimed at expanding the solar market. Power Purchase Agreements (PPA) have become a vehicle of choice for commercial customers. These agreements allow the customer to enter into a long-term contract for the electricity output of the DG system. Yet ownership of the equipment, including maintenance, operating responsibilities and other risks of ownership, remain with the DG system provider, not with the customer.

³ "Staff Report on Draft Proposed Net Metering Rules" RE-00000A-07-0608, page 1.

PPAs and other forms of third-party ownership are becoming increasingly common tools for the financing of solar systems, particularly the medium- to-larger sized systems that typify commercial installations. Using these approaches, a renewable energy provider can distribute the costs, risks and benefits of DG system purchase, installation, maintenance and ownership in a manner that better reflects the interests of the customer, the system provider and/or project investors.

2. Citizenre utilizes a rental model to greatly expand residential access to solar energy.

Citizenre's REnU residential rental program also relies upon third-party ownership of DG equipment, in this case residential PV systems. To address the barriers to widespread PV ownership identified above, Citizenre has developed a business model that provides residential PV to customers on a fee-for-service basis. Citizenre retains ownership of the systems, which homeowners may rent for terms of 1, 5 or 25 years. Rental fees are paid monthly and remain fixed for the duration of the customer's contract.

In return for the monthly rent, Citizenre provides customers an array of services bundled with their use of the rented PV system. During the site visit provided prior to each installation, a Citizenre system designer will begin the process of designing their PV system by auditing the homeowner's current electricity usage and suggesting energy efficiency actions for immediate savings. As owner of each PV system, Citizenre is responsible for all installation, including design, equipment procurement and permitting; and for all monitoring and on-going maintenance. Citizenre provides a performance guarantee that the REnU unit will perform to its specified levels or Citizenre will repair, replace or otherwise adjust the equipment package, and/or adjust the customer's monthly rental payment as appropriate. Customers also have access to displays of their system's monitored performance on a daily/ on-going basis, information which empowers them to take additional conservation steps that reduce their energy bills still further. Finally, not only will Citizenre remove the REnU at the conclusion of the customer's rental term; for customers with 25-year rental agreements, Citizenre will remove the system one-time mid-contract for any necessary roof repair.

As we hope this description demonstrates, Citizenre's REnU rental program provides a comprehensive package of customer services in return for the customer's

single monthly fee. The simplicity and resulting customer appeal of this model has been demonstrated by the speed with which Citizenre has seen customer interest and REnU reservations grow (please see www.jointhesolution.com for the latest national customer total), even despite the startup nature of the company and the early stage of its offerings.

We further submit that these services are possible in substantial part because Citizenre retains ownership of the PV equipment. By integrating both capital and service costs in a model that relies on a high volume of transactions, we are able to offer this fee-for-service package to many customers for whom it would not otherwise be available. Requiring residential customers to carry the service costs and risks themselves, in addition to the initial capital cost of the equipment, results in few customers with the necessary financial resources to do so. This describes the current situation with residential PV: the size of the customer's financial obligation means that only the most committed and financially capable customers can take advantage of this resource.

3. Restricting net metering to customer-owned systems would limit industry growth in AZ, prevent some businesses from entering the state at all, and potentially discriminate against moderate income customers.

Arizona's adoption of a rule that eliminates the net metering eligibility of systems owned by third parties would dramatically hamper the growth of renewable energy implementation in the State.

As an indication of the potential impact such a restriction might have, we introduce information from the Solar Energy Industries Association⁴. SEIA represents over 700 businesses within the national solar energy industry. According to information from SEIA included in Citizenre's comments to the Nevada Public Utilities Commission on a related matter⁵, eliminating the net metering eligibility of systems owned by third party providers would negatively affect the business of some 500 of the association's 700 members. In short, a very high percentage of photovoltaic providers would be negatively affected should Arizona restrict net metering eligibility in the manner proposed.

⁴ Solar Energy Industries Association (SEIA; www.seia.org) is a national trade association of solar energy companies. Its membership includes solar thermal and solar concentrating providers as well as photovoltaic providers.

Citizenre's rental model, with its reliance on both company-ownership of net metered residential systems and the retention of REC revenues through the customer's rental agreement, would be unworkable in AZ under this rule. If the rule goes forward as proposed, we would be forced to cease operations in AZ. This would be particularly regrettable – because of the excellent solar resource in AZ and the widespread enthusiasm of Arizonans for use of this clean, renewable resource, we have included areas of Arizona as potential pilot geographies for early rollout of our residential offering.

As of 1/01/2008, Citizenre has 38 associates and over 700 customers in Arizona. These numbers continue to grow daily. This is despite the facts that a) customers know that rental systems will not be available for 9-12 months; b) no customer funds have been collected; c) no associate has been compensated. These numbers testify to both the tremendous enthusiasm for solar energy systems among Arizonans of all income levels, as well as the appeal of Citizenre's low-cost rental program. In hopes of a favorable outcome in this proceeding, Citizenre has not yet shared word of the proposed rule with our associates and prospective customers. Once word has circulated that the rental program may not be available in Arizona, however, we would anticipate public interest in expressing comment to the Commission on the absence of this rental option to customers for whom it is the only viable means by which they can secure the benefits of a PV system.

Finally, we wonder at the policy justification for narrowing the applicability of net metering in the manner proposed. Historically, it has been true that the only route to use of PV or other residential DG system was for the residential customer to purchase or finance it directly. The barrier to widespread usage created by this requirement for financial capacity has led to the low levels of solar penetration seen today, even in states like AZ where the solar resource is so obviously abundant.

Yet, with the introduction of new financial tools with which to secure these systems, the benefits of PV use are now available to a much wider market. To limit policy support to only one segment of that market – individuals with the financial means to secure these systems without third-party assistance—might be argued as discriminatory against AZ residents of more modest economic means. On behalf of those

middle income Arizonans, we argue that net metering eligibility should be extended to all users of qualifying renewable energy /DG equipment, regardless of system ownership or the manner in which that system has been financed.

III. Summary and Closing

Limiting the participation of Arizona residents and businesses in the rapidly expanding clean energy marketplace as proposed in this rule is unnecessary. We submit that the provision of DG equipment, whether sold, leased, rented or otherwise provided by a third party provider, is not relevant to the public question of the interconnection of that equipment, nor the appropriate payment to the equipment user for the energy so generated.

By proposing to restrict the availability of net metering to only customers who own the distributed generation equipment, Arizona is contemplating action that would:

- Restrict the business operations of many –possibly soon the majority of—renewable energy providers that might otherwise do business in AZ;
- Reverse years of strong policy support for renewable energy systems in general and photovoltaic systems in particular;
- Defeat its own policy objectives, namely to: “..facilitate the installation of Distributed Generation (“DG”), and thus reduce the amount of energy supplied by electric utilities.” Accompanying policy objectives also include ... “improve the efficiency of electric utility facilities and thus reduce costs for electric consumers.”⁶
- Lock itself (both the State and its smaller, less financially-capable customers) into the most expensive means of securing the benefits of renewables, i.e., through direct purchase only.

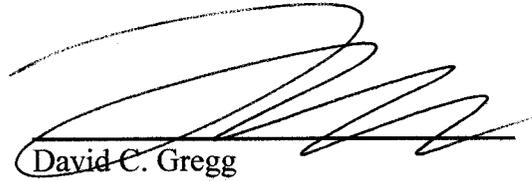
Citizenre Corporation appreciates the opportunity to submit these comments in an effort to remove critical flaws that interject unnecessary barriers in Arizona’s proposed treatment of net metered renewable energy generation. We applaud the Commission for those elements of the proposed rule that follow industry “best practice” by mirroring the IREC model net metering rule.

⁶ From “Staff Report on Draft Proposed Net Metering Rules”, RE-00000A-07-0608, page 1.

Finally, please add Citizenre Corporation to the Service List for this proceeding. Please send copies of related materials to Erika Morgan, SVP, Communications and Policy, at emorgan@citizenre.com and mail receipt at 15 Laurel Road, Brunswick, Maine 04011. We respectfully request that service be by electronic means wherever possible.

RESPECTFULLY SUBMITTED this 3rd day of January 2008.

The Citizenre Corporation

A handwritten signature in black ink, appearing to read "David C. Gregg", is written over a horizontal line.

David C. Gregg
President and CEO