

ARIZONA SOLAR

LESSONS LEARNED



BACKGROUND: BUY VS. LEASE

- First solar roof-top units were owned by our members
- Cost of Solar was high - \$25k to 30k
- Limited no. of customers were willing to spend the \$ (100 systems a year).
- Market evolved to a leasing model
- Members can now lease solar roof-top systems for little or no money down.
- The no. of new leased solar rooftop systems has increased by 50% of total no. of systems in two months.

NET METERING

- Imagine the government finds a rare, endangered bird (solar) on your cooperatives property and proceeds to require your members support and feed this bird.
- You don't want to spend your members money to support and feed this bird but you are forced to but believe there are only a few of these birds so you reluctantly agree.
- This bird feeds on:
 - Incentives paid by all cooperative members to buy down cost
 - Net metering – Payment of 12 cents for all power produced in excess of energy used – Cooperative would only have paid 4 cents to buy this power on market so there is an 8 cent subsidy.
 - Federal Income tax incentives of 30% and State Income Tax Incentives

NET METERING

- As time goes on, the number of these birds multiplies quicker than projected due to new breeding technique – leasing model.
- Cooperatives conclude:
 - Solar bird is no longer rare and endangered
 - Bird can live on its own
 - We should stop paying to feed it (Cost in Millions for cooperatives and growing rapidly)

NET METERING

- The Cooperatives attempt to stop feeding the bird by filing an application to eliminate the 8 cent subsidy paid through Net Metering
- Cooperatives realize the bird has sharp talons and beak and has been squawking that utilities are trying to kill it.

NET METERING

- Our members like this solar bird and believe they are doing the right thing by letting it live on their rooftops.
- Our members do not understand that the members without solar are paying for these birds to live on rooftops of members with solar.
- Difficult to explain this net metering subsidy issue to members.
- This discussion about the subsidy makes members feel guilty about solar ownership. “My mother installed solar...”

NET METERING - LESSONS

- Need to educate members on true costs of solar
- Messaging may need to stress that cooperatives need to modernize rates rather than eliminate subsidy
- Solar bird organizes coalitions, exploits any utility weakness, attempts to gather support by claiming utilities are trying to kill it.
- Grandfathering the net metering subsidy for existing solar customers eliminates most of the current solar owners' squawks.

SB 1465

DISTRIBUTED ENERGY GENERATION SYSTEMS; DISCLOSURE

OVERVIEW

- SB 1465 provides disclosure requirements to be included in agreements for the sale or lease of a distributed energy generating system (system).
- Bill requires:
 - Separately set forth the total purchase price or cost for the life of the agreement, any interest or fees to be paid, and the total number of payments, payment frequency, the amount of payment and the payment due date, if the system is financed

SOLAR DISCLOSURE BILL

- Identify current tax obligations, including the assessed value and property tax assessments calculated in the year the agreement was signed.
- Disclose and separately identify tax incentives and rebates the buyer may be eligible for and any conditions or requirements to obtain these tax incentives, rebates or other incentives.
- Disclose and separately acknowledge the ability to modify or transfer ownership of a system or the real property to which the system is affixed, including whether any

SOLAR DISCLOSURE BILL

- Modification or transfer is subject to review or approval by a third party and include the contact information of the entity responsible for approving or modifying the transfer;
- Provide a summary of the total costs of operating, maintaining, financing and constructing the system.
- Include a disclosure stating utility rates, structures and projected savings are subject to change and tax incentives may change or be terminated by executive, legislative or regulatory action
- Conclusion – Solar sales and leasing agreements will look more like mortgage agreements.