

TEP seeks OK to put company-owned solar on customer roofs



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Tucson Electric Power Co.'s next big solar-energy farm may be spread over hundreds of rooftops across the Old Pueblo.

In a move that rankles some in the solar-energy industry, TEP has asked the Arizona Corporation Commission to approve a new program to install company-owned photovoltaic systems on residential customers' roofs, free of upfront charges.

In exchange, customers would pay a fixed monthly electric rate based on historical usage — estimated at \$99 a month for a typical customer who now spends \$90 to \$100 a month on power — and guaranteed for 25 years.

TEP would own the systems and use local contractors to build and maintain them. The company is seeking approval to spend \$10 million to fund 3.5 megawatts' worth of rooftop systems, or about 600 homes with the systems rated at 6 kilowatts each.

The program would be available to all TEP customers but would be marketed in areas deemed by TEP to be best-suited for grid-connected solar, a company spokesman said.

The proposal is part of TEP's 2015 plan to comply with Arizona's renewable-energy standard, which requires state-regulated utilities to boost their share of renewable generation to 15 percent of their retail power sales by 2025.

The biggest state-regulated utility, Arizona Public Service Co., has proposed a somewhat similar program to install utility-owned solar systems on customer rooftops in exchange for monthly bill credits of \$30 a month.

While TEP and other state-regulated utilities own many of the large-scale solar farms developed in recent years, TEP's recent proposal marks the first time the company has sought to use home rooftops to host its own solar arrays.

TEP's proposal will allow more customers to participate in solar — including those who can't afford to buy their own systems or lack the credit to finance or lease systems — while avoiding shifting costs to other customers, said **David Hutchens**, president and CEO of TEP and its parent, UNS Energy Corp.

“We’re going to fix their energy price long-term, basically give them a fixed bill, and I think that is a little bit more fair because you’re not then taking other costs that you’re incurring and pushing those off to nonparticipating customers,” Hutchens said.

While the initial monthly rate is set at about what a typical a TEP customer now spends monthly for power, participating customers could likely see incremental savings as standard electric rates rise in the coming years.

But it’s more about supporting solar by helping TEP meet its state requirement that a certain amount of renewable energy comes from so-called distributed sources — including rooftop and other customer-sited solar systems, Hutchens said.

“They’re not going to save a bunch of money doing this – it’s more about helping us meet the distributed generation standard without the cost shift,” he said.

The head of a state utilities watchdog agency said TEP’s proposal shows some promise, though more study is needed.

“It’s pretty creative, actually, and pretty innovative,” said **Patrick Quinn**, director of the Arizona Residential Utility Consumer Office. “It is a change in the basic model of how they do business, and while we’re still looking at it, we think it could be good plan.”

The office is awaiting details on the APS proposal and must study both before making any recommendations, Quinn said.

Industry reaction is mixed. Some local solar installers applauded TEP’s proposal, but some solar companies — most notably, solar rooftop-lease leader Solar City — oppose both TEP’s and APS’ plans as examples of unfair competition by the utility monopolies.

“We think TEP is trying to go into a completely new market and compete on an unlevel playing field in a market that’s already served by competitive forces,” said **Court Rich**, a Phoenix attorney who represents Solar City and the industry group Alliance for Solar Choice. “And that never results in lower prices; that never results in a good deal for ratepayers.”

Rich said that if TEP or APS want to get into the rooftop solar business, they should do so through unregulated subsidiaries that would compete on the same basis as other private companies. Regulated utilities are guaranteed a return on equity.

Several major utilities, including NRG Energy and Duke Energy, operate as regulated power companies but have unregulated subsidiaries specializing in renewable-energy development, said Rich, who is vice president of the Arizona Solar Energy Industries Association.

Local solar installer **Kevin Koch**, of Technicians for Sustainability, said TEP’s plan would let it essentially compete with companies like his that offer system leasing and financed installations, as well as sell systems to homeowners.

Koch wants to see details of the proposal before passing judgment, but he said TEP’s plan could potentially widen the market for solar.

“I see parts of TEP’s program as a market expansion, not competition,” Koch said. If TEP’s program is approved, he said, he likely will bid on the work.

Another local installer said the prospect of a utility like TEP jumping into the rooftop solar market is daunting, but it may benefit the industry — and consumers — in the long run.

“This is a wrinkle, absolutely,” said **George Villec**, owner of Geolnnovation LLC. “But at the end of the day, I think it’s a good thing. I think TEP over the years has demonstrated they are pretty thoughtful about how they rolled out their solar programs, and I think the consumer will benefit from it, frankly.”

TEP expects the Corporation Commission to consider its renewable-energy plan in the next couple of months.

Overall, TEP has proposed spending \$40.2 million on renewable-energy projects and programs in 2015, funded by \$33.4 million through ratepayer surcharges and the balance from carryover funds.

At the direction of the Corporation Commission, the company began phasing out incentive payments for residential solar customers a few years ago, keeping with a plan to reduce subsidies as renewable-energy goals were met and system costs dropped. Last year, it offered a small pot of incentive money at 10 cents per watt of installed system capacity.

TEP has not requested any upfront incentives for 2015. It has asked to keep the usage-based billing surcharge that pays for renewable-energy programs at the same rate, which amounts to \$3.22 monthly for the average customer.