

{As Prepared for Delivery}

**California State Assembly - Committee on Utilities & Commerce
Hearing on State of California Solar Initiative
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Testimony

Chairman Bradford, members of the committee, thank for this opportunity to provide this testimony. My name is Ben Higgins, and I'm here today representing REC Solar Inc., and speaking on behalf of the Solar Alliance, of which our company is a member.

REC Solar, founded just over a decade ago in San Luis Obispo, is a quintessential Californian success story. Our company has grown from a single one-room office to being a national leader in grid-tied solar electric installation, focusing on residential- and commercial-scale. Our goal – our vision – is to bring clean, solar energy to the mainstream.

The California Solar Initiative has been absolutely critical to this success. Through the CSI our company has installed more than 3,200 systems – totaling more than 34 MW – on homes, small and large businesses, farms, hospitals, local government facilities, and much more throughout the state. We were the largest residential installer – in terms of MW installed – in California last year and have consistently been a leading CSI installer in all categories through the history of the program.

In short, CSI has given us the certainty, capacity, and transparency that companies like ours need in order to invest, hire, and grow right here in California. And that's exactly what we've done – in 2006, when SB1 was enacted into law, REC Solar employed around 55 people. As you've heard already, today we're employing more than ten times that number. That is not a coincidence, and I want to point out as well that these are jobs provided throughout the state and across the economic spectrum...we are, after all, fundamentally a construction enterprise.

The CSI has also been instrumental in allowing companies like ours to achieve economies of scale and drive costs downward. Another data point – in 2007 our average installed cost of a residential system in California was about \$9.00 a watt. Today it's roughly \$5.50 a watt. That's just shy of a 40% reduction of cost in four years.

Our future in California is, however, uncertain. The CSI is not just reaching maturity...it's

being carted off to the convalescent home. Let me briefly address two issues in particular which give us serious concern, and steps which may be taken to address them:

- You've heard already about the budgetary woes faced by the program, caused in part by inaccurate projections regarding CSI uptake and system performance. This issue needs to be addressed to see the CSI reach its original goal of 1750 MW.
- Additionally, both PG&E and SDG&E have reached their spending caps for non-residential incentives, a full five years ahead of schedule, and well short of their MW goals. This means, of course, that while some limited incentive remains for *residential* customers in these territories, there is currently nothing offered for *businesses* interested in using solar to reduce energy costs. We have reason to believe a similar situation will soon present itself in SCE territory.

This lack of financial incentive – but more so the *uncertainty* about the availability of future incentives – has been hugely disruptive in the commercial solar marketplace. One of the greatest attributes of the CSI has been that, as a multi-year program, we could forecast incentive levels and return on investment for customers well into the future. That long-term confidence is today eroded by the utilities reaching their spending caps so far in advance of the projected CSI end date.

Raising these caps, and beginning a discussion about a post-CSI policy landscape for small-scale solar would signal to companies like ours that California will maintain its commitment to our clean energy future.

I was also asked to discuss here today other elements of the CSI which could be improved. Irrespective of all of my praise for the program, the CSI has not been perfect. An example – the utilities still don't allow the use of electronic signatures on program documents. This simple change to the program – allowed under law and utilized in businesses across the globe – would save our company and customers thousands of dollars a year in time, postage, paper and mileage. There are other examples. The administrative burden associated with application submission is overly cumbersome. The energy efficiency audit requirement is clunky and not particularly effective. It is our feeling that these soft costs are the next great frontier in solar cost reduction, and we look forward to a serious effort on the part of CSI stakeholders to see more efficiencies built into the program.

Let me say in closing, though, that those who developed the CSI got much more right than they ever got wrong. The CSI has been a critical driver of solar build-out and cost reduction. It has created energy independence, new jobs, a sustainable business environment, and significant new investment in the state of California. Unfortunately it has also, in significant respects, reached its end-of-life well ahead of schedule. We look to members of the Legislature to assist us in seeing that the CSI is able to be resuscitated and achieve its original goals, but also to begin the discussion regarding a post-CSI policy landscape which promotes the continued growth of the solar industry in California. Thank you very much.