

ORIGINAL



City of Phoenix
OFFICE OF THE MAYOR



MAYOR PHIL GORDON

August 25, 2009

Mr. Gary Pierce
Arizona Corporation Commission
Commissioners Wing
1200 W. Washington St, 2nd Floor
Phoenix, AZ 85007

Arizona Corporation Commission
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ARIZONA CORPORATION COMMISSION
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Dear Commissioner:

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As Mayor, I am writing in support of SolarCity Corporation's request for approval to enter into Solar Services Agreements ("SSA") with the Scottsdale School District and other schools, non-profits, and governmental entities. The City of Phoenix has been a strong advocate of innovative and effective solutions for the advancement and adoption of renewable energy -- particularly solar energy. As the City looks toward increasing the number of solar systems on government buildings, it is vital that we work with the industry to find the most cost-effective way for the City to implement these systems. Solar systems offer the potential to significantly reduce energy costs, hedge against long-term utility rate increases, and reduce greenhouse gas emissions. To date, the Commission has made commendable progress toward these goals by being a leader on renewable energy policy and by instituting a regulatory framework to encourage the adoption of solar and, in particular, distributed solar generation. However, these laudable efforts may be wasted if we do not work to solve the last significant barrier to widespread solar adoption: the high up-front costs of a solar system.

The solar industry has provided the solution to this problem in the form of Solar Service Agreements. As you know, the SSA financing arrangement allows governmental entities like Phoenix to adopt solar systems with zero up-front capital expenditures. This is made possible by the unique structure of an SSA which allows a third-party owner/investor to capitalize on the federal tax incentives that would otherwise be lost if the system were owned or leased by the City. The SSA financing arrangement is a win-win solution for the industry, the City, the State and ultimately the taxpayers. Without this solution, significant solar adoption for the City will remain a dream instead of a reality, as the up-front costs are simply prohibitive.

For these reasons, as you understand it under the business model that is before the commission we encourage the Commission to grant SolarCity's request.

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Arizona Corporation Commission

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Additionally, the City also encourages the Commission to support APS's request to increase the cap on renewable energy rebate incentives and to temporarily allocate a portion of the residential incentive funds to schools. (I don't need to tell you the long and impressive history of community service that APS has demonstrated in our community. From sponsoring events, both big and small – including our annual Festival of Light Parade -- to purchasing smoke-detectors for residents who cannot afford them – APS finds ways to put our community first, and step up to every challenge).

It is our understanding that a large portion of the residential funds for this year are likely to go unused while schools may be unable to adopt solar systems due to lack of sufficient incentive funds. A one-time reallocation of these incentive funds will allow the schools to install solar and cut costs at a time when they need every penny they can find. This is a much better result for taxpayers and ratepayers than allowing the residential funds to sit unused.

These requests are of vital importance for the economic and overall well-being of our residents and we hope the Commission will provide swift and decisive guidance. Thank you for your continued efforts on these issues and for your leadership for Arizona.

Sincerely,

A handwritten signature in black ink that reads "Phil Gordon". The signature is written in a cursive, flowing style.

Phil Gordon
Mayor