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AZ CORP COMMISSION
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Kristin Mayes, Chairman
Commissioners Pierce, Newman, Kennedy and Stump
Arizona Corporation Commission (ACC)
1200 West Washington
Phoenix, AZ 85007

CITY OF TUCSON
GENERAL SERVICES DEPARTMENT

Re: Docket No E-20690A-09-0346 in the Matter of the Application of Solar City Corporation for a Determination that when it provides solar service to Arizona schools, governments and non-profit entities, it is not acting as a public service corporation pursuant to Art 15, Section 2 of the Arizona Constitution.

Dear Chairman Mayes and Commissioners:

I write in support of Solar City Corporation's Application now before you. Power purchase agreements (PPAs), solar service agreements (SSAs) and similar third party financing options are important methods of financing large solar projects, since cities like Tucson cannot directly benefit from federal tax credits. Any hurdles that prevent PPAs from being offered in Arizona or that delay or complicate their use will restrict the development of additional solar projects.

The City of Tucson was chosen by the U. S. Department of Energy as one of 25 Solar America Cities (SAC) in 2007. Our City has installed solar panels and solar water heating units on City facilities since 1999 and just celebrated our 10 Years of Solar Anniversary. We have installed nearly 1 MW of new PV systems this year using Clean Renewable Energy Bonds (CREBs), and Tucson Water has entered into a separate contract for a 1 MW project using a PPA.

We have also received technical assistance under the SAC grant from the National Renewable Energy Laboratory (NREL) in Golden, Colorado, which evaluated financing options for Tucson and other participating cities. The full document, **Solar Photovoltaic Financing: Deployment on Public Property by State and Local Governments,** can be found at: http://www.nrel.gov/docs/fy08osti/43115.pdf/ . That report (page 23) states:

> According to Greentech Media, in 2007, 50% of the growth in the commercial and institutional market for solar in the United States was carried out using the third-party owner model compared to just 10% in 2006. State and local governments see the third-party ownership model as a potential way to effectively monetize federal tax benefits, avoid paying the up-front cost of solar, more efficiently allocate public funds, and accelerate the deployment of solar PV.

Thus, nationally PPAs are the financing method of choice for medium to large scale solar projects. In Arizona, in addition to the City of Tucson signing a 1 MW PPA, Pima County has entered into PPAs for more than 1 MW, the U. S. Air Force is preparing to

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P.O. BOX 27210 • TUCSON, AZ 85726-7210
(520) 791-3101 • FAX (520) 791-3190 • TTY (520) 791-2639
www.cityoftucson.org

re-issue an RFP for at least 1 MW, and the University of Arizona has recently entered into a combination solar PV and hot water third party financing arrangement. All of these local solar projects are possible because of the value of tax credits and other financial incentives to developers which are not available to cities. While the developer receives the direct financial benefit, the city is assured of power at a known rate for 20 years, greenhouse gas production from electric generation is reduced, and the Renewable Energy Standard and Tariff (REST) goals set by the ACC are closer to being met. Everyone wins through this arrangement.

The current uncertainty of the status of PPAs in Arizona has caused our 1 MW PPA project to be delayed due to legal issues being raised. These delays can only be resolved if the ACC clearly determines that such financial arrangements between cities, schools, nonprofits and others, and solar integrators are not subject to regulation like the large utility companies. Since each PPA is a legal contract, it is especially important to the installation of additional solar in our state that each such contract not need to be reviewed, or that a fast track approach be developed for such review. Given the now widespread use of PPAs throughout the country, additional regulatory action is simply not necessary.

A determination by the Commission that allows solar PPAs to operate without significant regulation in Arizona will facilitate the development of solar projects by cities and make possible projects that would otherwise not be built, since cities now have little or no up-front money to spend on solar.

I urge you to determine that Solar City is not an Arizona public service corporation when it provides electricity and other solar services to Scottsdale Unified School District. Please direct any question to Solar Energy Coordinator Bruce Plenk at (520) 791-5111, x-327, or Bruce.Plenk@TucsonAZ.gov.

Sincerely,

R.C. Lewis, Director
General Services Department

RCL:ddc:kp

c: Tony Larrivee, Facilities Management Administrator
Doug Crockett, Energy Manager
Bruce Plenk, Solar Energy Coordinator