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CORP COMMISSION
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Arizona Corporation Commission
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DOCKETED BY

Chairman Mayes;
Commissioners Pierce, Stump, Kennedy and Newman
Arizona Corporation Commission
1200 W. Washington St., 2nd floor
Phoenix, Arizona 85007

Re: Regulation of owners of SSA financed solar installations

Dear Chair Mayes and Commissioners;

Please accept this letter as the comments of The Biltmore Bank of Arizona with regard to what is commonly known as the SolarCity Adjudication (ACC Docket No. E-20690A-09-0346) and please be sure this letter is included in the Docket if appropriate. The Biltmore Bank of Arizona has strong concerns about the unintended consequences of a decision to regulate the owners of solar installations funded with solar service agreement financing. We appreciate the Commission's strong support for the solar industry and believe it is important for you to understand the financial implications of regulation on the solar market.

The Biltmore Bank of Arizona has recently begun to take an aggressive look at funding solar projects and, because of the Corporation Commission's leadership on this issue, the Bank expects its involvement and investment in this arena to grow into the future. Currently, the Bank is involved in funding the installation of solar systems for the benefit of a local school district. In this transaction Biltmore Bank is lending money to an entity that will in turn offer SSA financing to the school district.

Based on your past support of solar we realize your intent in regulating owners of solar installations is not to harm the solar industry but we believe it is important that you understand that The Biltmore Bank of Arizona, and we suspect most other lending institutions, will be unable to take a position in SSA financed projects if the Commission should decide that the owners become regulated utilities.

These SSA financed installations are expensive and the returns on investor money are small and spread out over a long periods of time –generally 15-25 years. It is one thing for an investor to take a gamble on regulatory risk in the short term when they know the political decision makers and can evaluate their level of risk based on this knowledge. It is quite another thing for an investor (especially one that is already counting on making only small but steady returns) to take on regulatory risk spreading over 25 years. It is impossible for a lender or investor to adequately investigate the level of risk in such a transaction when the political players who will be making the rules in the distant future are completely unknown. As a result, we expect that even if the regulations initially put in place are palatable at the time you will find lending institutions staying

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out of the market and SSA financed installations will have an exceptionally difficult time finding funding and tax equity investor partners. There are plenty of potential projects in need of capital and we believe banks will simply not risk investing in SSA financed solar projects.

The Biltmore Bank of Arizona is proud to be an Arizona based institution and is proud to help this State to continue to build on its solar future. The possibility for schools to save millions of dollars through the SSA financing mechanism is one of the greatest benefits of solar energy to the State. We ask that you consider the unintended consequences of asserting regulatory power over owners of SSA financed systems and the impact it will have on their ability to raise the capital needed to make these projects a reality. We thank you for your consideration of the issues raised herein and ask that you vote not to regulate owners of SSA financed systems.

Regards,

A handwritten signature in black ink, appearing to read 'J. Gaia', with a long horizontal line extending to the right.

Jeffrey P. Gaia
Chairman & CEO