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April 18, 2014


ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Chairman Bob Stump  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007-2996

Arizona Corporation Commission  
DOCKETED

APR 18 2014

Re: *Your Letter of April 10, 2014 to Sunrun*  
Docket No. E-00000J-14-0023

DOCKETED BY 

Dear Chairman Stump:

We were disappointed that Mr. Fenster's April 15<sup>th</sup> response essentially chose to ignore your letter to him. However, APS is compelled to correct misrepresentations to you and the Arizona Corporation Commission in that letter.

Sunrun and other solar leasing companies continue to try to interject APS in the middle of their legislative drama regarding Arizona's current property tax laws. Under current tax law, customer-owned distributed generation is exempt from paying property taxes. A.R.S. § 42-11054(c). In contrast, distributed generation owned by third parties like Sunrun is subject to property tax, albeit at a discounted assessment rate of 20 percent. A.R.S. § 42-11155.

Like Sunrun, APS owns distributed generation that provides service to customers including schools, government agencies and residential customers. APS pays, and has consistently paid, the legally-mandated property taxes on this generation. It isn't complicated; it isn't ambiguous; it isn't hidden somewhere. It's the law.

In contrast, Sunrun and other solar leasing companies apparently elected to ignore the statute and not pay property taxes on their equipment, prompting the Arizona Department of Revenue to issue their guidance last April. At the same time that they ignored the current law, some of these companies appear to have attempted to insulate themselves by putting contractual provisions in their leases that would purport to shift the responsibility for paying any property taxes to their customers. We are further aware of some instances where leasing customers were then specifically advised that their estimated tax obligation under their solar lease would be \$0. As you noted in your prior letter to Solar City's CEO, Lyndon Rive, these business practices certainly raise concerns about how companies like Sunrun are marketing to Arizona consumers, and conducting their business in our state.

Letter to Chairman Stump

April 18, 2014

Page 2 of 2

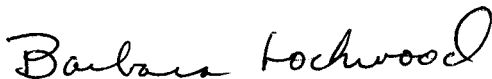
Given the current tax law and these lease provisions, the assertion that “hundreds of churches, schools and Arizonans on fixed incomes” will receive “unexpected” tax increases is particularly troubling. It is wholly within Sunrun’s power to pay the property taxes owed on its equipment rather than looking to their customers to bear that cost, or seeking yet another subsidy on the shoulders of Arizona residents through a tax exemption. As you are no doubt aware, property taxes in Arizona are essentially a zero sum game. If Sunrun is exempted from paying property taxes on its equipment, the property taxes paid on other property in the state will be higher.

Instead of simply paying the property taxes owed on their equipment under current law, Sunrun and other solar leasing companies are attempting to create confusion and misinformation. APS is confident that Arizona legislators know who was actually lobbying them on this tax issue. This is not a new “solar tax.” It is existing tax law from which Sunrun and other leasing companies are seeking an exemption. However, given the level of confusion created by these tactics and the accusations that continue to be brought against APS on this issue, we will ensure that Arizona legislators are aware of these facts.

Finally, while Mr. Fenster dodges the issue of Sunrun employees engaging in a guerilla warfare campaign using Wall Street analysts covering Pinnacle West’s stock, we continue to hear from analysts about the unprecedented nature of these attacks. While one analyst characterized the approach to us as “bush league,” this hardly suggests the civil dialogue that Mr. Fenster references.

We would welcome such a change in tone, and appreciate your efforts to move the dialogue in a more constructive direction.

Sincerely,



Barbara D. Lockwood  
General Manager, Regulatory Policy & Compliance

cc: Commissioner Gary Pierce  
Commissioner Brenda Burns  
Commissioner Robert L. Burns  
Commissioner Susan Bitter Smith  
Jodi Jerich  
Steve Olea