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Arizona Corporation Commission

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December 18, 2014

Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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AZ CORP COMMISSION  
DOCKET CONTROL

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Docket No.: E-01575A-14-0271

*Re: Public Comment on Solar Industry Consumer Protection*

ORIGINAL

To Whom It May Concern,

Thank you for providing public notice of your interest in opening an investigatory docket into consumer complaints surrounding third-party solar providers. As demonstrated by our prior engagement with the Arizona Corporation Commission (“Commission”), SolarCity holds itself to a very high standard and is committed to dealing with customers fairly and honestly at all times. We attach several letters we have previously provided to Chairman Stump outlining the great lengths and effort SolarCity dedicates to protecting its customers.

Consistent with this focus on consumer protection, SolarCity is also a member of the Solar Energy Finance Association (“SEFA”). SEFA members have a firm commitment to ensure the safety and quality of our members’ solar installations, and SEFA, in conjunction with the National Renewable Energy Lab (“NREL”), has released a standard form of solar contract that SolarCity uses. SEFA members are dedicated to their customers and make every effort to develop trusted, long lasting relationships with them.

As the industry continues to expand, so will SEFA’s efforts to ensure that its members continue to put customers first. SEFA wants consumers to make the decision that is best for themselves and their families. SEFA is constantly reviewing current market practices to ensure that its members are maintaining best industry practices. For instance, it recently created a 4 page SEFA Consumer Solar Contract Best Practices Checklist (see attached). This form was created with the intent to assist customers considering a solar contract by empowering them to ask the right questions so that they have a clear understanding of the contract that they are signing.

In addition, SEFA is currently implementing a Consumer Protection Initiative, with SolarCity and other industry leaders’ input. In addition to the creation of the consumer solar checklist, this group is now working toward standardizing its members’ policies and procedures in key areas such as: Fair Credit Reporting, Telemarketing, Equal Credit Opportunity Act and the Truth in Lending Act. The group is also working on developing a one page document which contains all the key provisions of a solar agreement- similar to the Truth in Lending disclosure for loans.

As the nation’s largest consumer solar provider and as a member of SEFA, SolarCity takes any concerns about customer complaints very seriously. Our customers’ satisfaction is of utmost importance to us, and we are committed to addressing any

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AZ ROC 243771/ROC 245450, CA LIC#888104, CO EC8041, CT HIC 0632778/ELC 0125305, DE 2011120386/ T1-6032, DC #71101486/ECC902585, HI CT-29770, MA HIC 168572, MD MHIC 128948, NV NV20121135172/EC 0078648, NJ NJHIC#13VH06160600/34EB01732700, OR CB180498/C562/PB1102, PA HICPA077343, TX TECL27006, WA SOLARC\*91901/SOLARC\*905P7, MASS EL-1136MR. © 2014 SolarCity Corporation. All rights reserved.

customer complaints about SolarCity's products and services. At this time, however, we are unaware of any customer complaints presented to the Commission related to SolarCity that would give rise to such an investigation.

We have reviewed the Commission's consumer complaint process found at: <http://www.azcc.gov/divisions/utilities/consumerservices.asp>. The first step in the consumer complaint process involves the consumer contacting the company to attempt to resolve the issue. If the customer and the company are unable to come to a resolution, the Commission states that it will then get involved. The Commission then contacts the company to obtain "their perspective on the complaint".

Over the past several months, SolarCity has maintained an ongoing dialogue with the Commission regarding consumer protection. As we have previously stated, if you know of any specific customers who have raised complaints to the Commission regarding SolarCity's products and services, we would be happy to contact them and clarify any outstanding questions they may have.

Therefore, to prepare an adequate response to your request for public comment, SolarCity requests that the Commission share the substance and content of any complaints that it has received related to SolarCity customers. If the Commission has not received any consumer complaints related to SolarCity we would appreciate your acknowledging that as well.

SolarCity is built on the concept that consumers should have a choice about how they meet their energy needs, and we believe that consumers with complete and accurate information will overwhelmingly choose to go solar. We look forward to our continued conversations around this very important issue.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Lyndon Rive", enclosed within a large, loopy oval shape.

Lyndon Rive  
CEO  
SolarCity Corporation



July 16, 2014

Bob Stump, Chairman  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

*Re: Consumer Protections*

Chairman Stump,

This letter responds to your informal request to Court Rich, outside counsel to SolarCity, that we provide you with certain information about the customer protections that are available to SolarCity customers, as well as other matters. As your office was informed in late June, we have been in the process of preparing this response. In the interests of providing a prompt response, however, we provide answers to some of your questions below, and will provide responses to your additional questions, including those posed by your July 14 letter, as quickly as possible.

As a full service installer and financier of solar energy systems, SolarCity has grown to become America's largest residential solar power provider. This success is due in large part to SolarCity's focus on the customer and being a trusted business partner. Below we summarize the extensive consumer protections that are built into SolarCity's business model and that demonstrate the lengths SolarCity goes to be certain it is fully complying with applicable consumer protection laws.

## **1. Overview**

SolarCity operates in Arizona, California, Colorado, Connecticut, Delaware, Hawaii, Maryland, Massachusetts, Nevada, New Jersey, New York, Oregon, Pennsylvania, Texas, Washington, and Washington, D.C. SolarCity is a licensed contractor in good standing in every state where it does business.

SolarCity currently offers Arizona residents its SolarLease product. In a SolarLease, the customer leases the solar system from SolarCity, makes regular scheduled payments for the lease of the equipment, and in turn gets the use of the solar system, including ongoing maintenance and monitoring, and the benefit of the electricity the system generates for the term of the lease. Each lease also has a separate consumer warranty. Before offering this financed solar product, SolarCity obtained expert counsel and advice to ensure that it would be compliant with applicable consumer protection laws. Other companies that do business with SolarCity conduct their own compliance reviews of SolarCity's business. As a result, SolarCity has been subject to diligence over 24 times by leading law firms in the United States, in addition to retaining its own counsel to do a comprehensive federal and state compliance review of its leases.

SolarCity is building decades-long relationships with its customers. The success of that relationship depends on customers knowing what they are getting, and what they are committing to do, before they enter into a contract. Accordingly, SolarCity puts significant effort into ensuring that its contracts are clear and straightforward, while still including the various clauses and disclaimers that are required by law.

SolarCity's forms and practices are the template for the industry today, and SolarCity's General Counsel is assisting the federal government (the National Renewable Energy Laboratory, or NREL) in creating standardized consumer solar forms based on SolarCity's existing forms.

SolarCity's lease agreements include substantial protections for consumers. For example,

- Every SolarLease states, in a clear, prominent chart on the very first page of the document, the system's estimated annual production for the first year; the exact amounts due from the customer at contract signing, installation, and following inspection; the annual increase in the lease payment, if any; the first year monthly SolarCity bill; and the length of the lease term.
- Additional key, material terms are summarized on that first page for the customer's convenience.
- SolarCity's lease contracts with customers also state the exact amount of every monthly payment that the customer will make to SolarCity over the term of the lease, as well as the exact total dollar amount of all lease payments over that entire term.
- In addition, SolarCity, not the customer, bears the risk of damage, theft, or destruction of the system, unless the customer is grossly negligent or intentionally damages the system.
- Every SolarLease includes a substantial warranty that covers the entire system for the entire term of the lease; SolarCity also provides a warranty that covers damage or leaks that result from penetrating the roof to install the system.
- In the unlikely event of a legal dispute between SolarCity and a customer, the agreement provides for a speedy and convenient arbitration process; SolarCity pays all of the arbitration fees and costs other than a \$125 filing fee, and SolarCity pays the customer's legal fees if the customer ultimately wins more than SolarCity offered that customer.
- Every customer who signs a SolarLease has the right to cancel the contract for fourteen days, for any reason or for no reason at all.

In short, SolarCity's consumer leases have been extensively reviewed and scrutinized to ensure that they are clear, understandable, fair, comply with applicable law, and provide customers with

substantial protections. For all of these reasons, SolarCity’s consumer leases have become the model for the industry.

## 2. Regulatory Oversight

SolarCity is distinctly different from all of its competitors in the solar installation space. As a fully integrated solar company that is publicly traded and operates nationally, SolarCity is subject to considerable regulatory oversight. A host of federal, state, and local regulatory agencies oversee aspects of SolarCity’s operations, including the following:

• Consumer Financial Protection Bureau	• State Contracting Licensing Boards
• Securities Exchange Commission	• State Engineering Licensing Boards
• Federal Trade Commission	• State Consumer Protection Agencies
• United States Department of the Treasury	• Local Municipalities/Permitting Agencies
• Financial Crimes Enforcement Network	• State Attorney General Offices
• Occupational Safety and Health Administration	

## 3. Laws and Regulations

As a national lessor, SolarCity and its affiliates are also subject to comprehensive federal and state consumer regulations as well as a host of other industry specific regulations (including local utility’s permission to operate requirements). Below are just a few of the federal regulations with which SolarCity complies, ensuring extensive protections for its customers:

• Equal Credit Opportunity Act	• Consumer Leasing Act	• Electronic Funds Transfers Act
• Fair Debt Collection Practices Act	• Fair Credit Reporting	• Truth in Lending Act
• Servicemembers Civil Relief Act	• Electronic Signatures Act	• Right to Financial Privacy Act
• CAN-SPAM ACT	• Uniform Commercial Code	• Federal Trade Commission Act
• OSHA Law and Regulations	• Telephone Solicitations Rules	
• Federal Magnuson-Moss Warranty Act		

## 4. Compliance

Consumer protection and employee safety are of paramount importance to SolarCity. SolarCity is subject to exhaustive regulations that protect the public. Moreover, customers have numerous outlets, both within SolarCity and through various external agencies, to provide SolarCity with comments about the service they have received from SolarCity. Additionally, regulatory oversight of workplace safety protects both consumers and SolarCity employees. Finally, SolarCity engages in extensive quality control of the products and services provided to our customers.

Given the extensive regulatory oversight, SolarCity has established a very strong compliance culture. In addition to rigorous review of its consumer contracts, SolarCity has adopted

numerous consumer law policies, each of which has been reviewed and approved by an outside law firm. SolarCity has developed these policies and procedures to ensure that it maintains compliance with all applicable regulations. SolarCity's office of the General Counsel ensures compliance with these policies by reviewing the systems connected to the implementation of these policies as well as through training and instruction of the operational group leaders who administer these policies day to day.

SolarCity also retains local counsel in every state where it conducts business to ensure its compliance with applicable state statutes and regulations. For instance, its agreements have been reviewed by reputable firms in Arizona including Snell & Wilmer and the Rose Law Group. Below is a summary of the key regulatory requirements that SolarCity follows and the efforts SolarCity makes to ensure compliance and protect its customers.

**Leasing Laws:** Chief among the laws governing SolarCity's operations in Arizona is Regulation M, promulgated under the Truth in Lending Act, which provides for certain disclosures and the content of consumer leases. Consumer warranty law and state consumer laws also apply to leases such as those offered in Arizona. Generally, the protections afforded consumers by Regulation M are focused on disclosure of all obligations and payments required of the consumer upon entering into a lease of goods. SolarCity has policies in place to ensure that the Office of the General Counsel performs reviews of all the disclosures provided to our customers prior to publication to ensure compliance with these requirements. These documents are generated by a secure sales operating system that does not allow any deviation in the form from that prescribed by law.

**Customer Privacy:** SolarCity's customer privacy policies and procedures are guided by Gramm-Leach-Bliley, the Fair Credit Reporting Act, as well as all relevant states' consumer privacy laws. SolarCity has a formally defined privacy policy that includes monitoring, incident response, and employee training.

**Licensing:** SolarCity is licensed and in good standing in every state where it does business, and, as we have previously discussed with your office, the Arizona Registrar of Contractors imposes its own extensive requirements upon aspects of SolarCity's operations. The Registrar of Contractors requires that SolarCity, as a solar installer, hold two company licenses, a Commercial/Residential Electrical Contractor license and a Commercial/Residential Builder License, each of which are held on behalf of the company in the name of our Regional Vice President in compliance with the Registrar's requirements.

Additionally, various states and local municipalities have their own regulations governing sales of solar installations or home improvements. SolarCity's compliance department has dedicated resources to oversee and monitor compliance with these requirements.

**Unfair, Deceptive, Abusive Acts or Practices (UDAAP):** UDAAP, as established by the Dodd-Frank Act and similar state provisions, prohibits companies from engaging in the unfair, deceptive or abusive acts or practices. SolarCity values transparency with its customers and focuses closely on the development and marketing of products to ensure that customers clearly understand the products they are purchasing. SolarCity has adopted a broad policy against

unfair, deceptive, or abusive acts or practices and applies this policy in every state where it conducts business.

**Equal Credit Opportunity Act (ECOA):** SolarCity has adopted an ECOA policy to promote the availability of credit to all creditworthy applicants with fairness and impartiality, and without discrimination based on any grounds prohibited by applicable law.

**Servicing and Billing:** SolarCity's servicing and billing practices are guided by the Fair Credit Billing Act and the Fair Debt Collections Practices Act. SolarCity administers the collection of consumer debts through a third party billing and collection agency with extensive expertise on delinquent accounts and applicable laws and compliance.

**Servicemembers Civil Relief Act:** The Servicemembers Civil Relief Act ("SCRA"), was established to protect military Servicemembers from civil actions while they are on active duty. It is SolarCity's policy to comply with all applicable provisions of the SCRA and other laws applicable to Servicemembers. SolarCity also requires all vendors, including those servicing obligations on SolarCity's behalf, to comply with this policy as well as all applicable provisions of the SCRA and any other laws applicable to Servicemembers.

**OFAC:** The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) administers and oversees a series of laws, regulations, and executive orders that impose economic sanctions against hostile targets to further U.S. foreign policy and national security objectives. SolarCity remains vigilant in exercising the necessary transactional due diligence before finalizing, executing, and performing any agreement with a customer.

**Telephone Solicitations Protection Act (TCPA):** The TCPA restricts the use of an automated or prerecorded telephone equipment to make telephone calls, either from within the United States or to a recipient in the United States. SolarCity has policies and procedures in place that limit when and how phone calls are initiated. It also has specific requirements on when the use of artificial or prerecorded voice telephone messages shall be used.

## **5. Workplace Safety and Quality Control**

Due to the complexity of solar installations and the resulting risk profiles, SolarCity draws on multiple programs to create the foundation for a safe workplace. At the core of our program is a culture of ownership and accountability within every department and employee in the company. SolarCity addresses these risks by first instilling in its employees a clear understanding of the company's values. The company trains and instructs its employees to manage their worksites to ensure their own safety and that of everyone around them. The front line leaders are trained to identify hazards and correct, eliminate, or protect against them. Every Crew Lead is trained and authorized as a Fall Protection Competent Person, Qualified Electrical Person and a first-aid and CPR first responder.

SolarCity has a firm commitment to the solar industry and it readily shares safety program data, processes, training and newly developed tools with industry associations. Safety tools for the solar industry are being rapidly developed to stay ahead of the installation designs and safety

challenges of multiple roof heights and walking working surface types. In addition to product design and development, SolarCity is working with Cal-OSHA to refine current standards to more appropriately address solar installation risks.

In addition, an independent engineering review has confirmed that SolarCity's quality is easily best-in-class. This is due in no small part to the fact that SolarCity staff supports its installers with training, a real time support phone hotline, smartphone resources, job site coaching / audits, and proprietary job checkout software. Finally, there are exhaustive reviews and follow-through activities that highlight excellent work, and drive corrective actions and feedback where improvement or remediation is needed. SolarCity's goal is to extend its leadership position in terms of system safety, performance, aesthetics, and reliability.

As we have outlined above, SolarCity goes to great lengths and effort to protect our customers, both in Arizona and in every other state in which we operate.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Lyndon Rive', enclosed within a large, loopy oval shape.

Lyndon Rive  
CEO  
SolarCity Corporation



July 30, 2014

Bob Stump, Chairman  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

*Re: Docket No. E-00000J-14-0023*

Chairman Stump,

I would like to respond to your letter of July 14, 2014, in which you posed three additional questions regarding SolarCity's business practices. In my two prior letters to your office, I have provided you with detailed information demonstrating SolarCity's commitment both to communicating accurately with our customers and to complying with applicable consumer protection laws, as well as our commitment to ensuring the safety and quality of our solar installations. As those letters have shown, we are dedicated to our customers and make every effort to develop trusted, long lasting relationships with them. With that in mind, I am happy to answer the three questions you have posed.

- 1) Does SolarCity apply a yearly inflation rate to the utility price offset when projecting savings? If so, what rate is used? Also, what occurs if the projected savings do not materialize for the customer?**

Yes, SolarCity has developed an estimation methodology that helps customers evaluate the potential bill savings from adopting solar. One driver of estimated customer savings is the assumed annual escalation of utility retail rates that the customer will avoid by generating solar power during the term of their solar lease. The methodology includes default utility rate escalations ranging from 3% to 4.8%, depending on customer-type and rate schedule. These escalations are reasonable in light of historical rate increases nationwide and locally, various retail rate forecasts (e.g. EIA) and anticipated prices assessed on CO2 emissions.<sup>1</sup> We review this methodology and periodically update inputs to reflect new and locally-specific information. If the customer has a different view on future utility prices, sales representatives and customers can and do evaluate potential savings using a variety of alternative values, though the tool we make available to our sales representatives allows a maximum inflation rate of no more than 4.8%.

Our proposals are very clear that we do not guarantee the estimated savings to the customers, and we explain this to customers during the sales process. Projecting retail rates twenty years in the future necessarily is an uncertain exercise, and specific customers' bill savings depend not only

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<sup>1</sup> Data come from a mix of proprietary and public sources including SNL and EIA.

the average rate increase, but also on factors such as their rate structure and their energy usage patterns, which may change over that horizon. Therefore, we do not guarantee a customer's specific savings, and our proposals make this clear.<sup>2</sup>

Customers understand the significant uncertainty in their future electric bills. Indeed one of the key advantages they enjoy with a solar lease is the certainty over the payments they will make for the solar electric portion of their energy needs. Customers can choose a lease with no upfront cost and with payments escalating at a set rate, typically 2.9% per year, or they can select a lease that has some upfront cost and no annual increase in payments. The fuel-free nature of solar technology allows our company to provide long-term fixed rate structures for the solar electricity produced on site that are not available in conventional utility-supplied rates.

While we cannot be certain as to the precise amount of savings a customer will enjoy over the term of the lease, we do believe that the savings will be positive, and our initial monthly lease rate enables customers to generate their own electricity for less than what utilities typically charge.

**2) What professional training, education, and industry accreditations do you require/encourage your employees to obtain? For instance, how many of your Arizona employees are NABCEP-certified Installation Professionals? How many are NABCEP-certified in PV Technical Sales?**

Our sales and installation employees are provided with extensive training through SolarCity University, which includes over 220 different proprietary training programs developed by SolarCity, and through other internal and external venues. SolarCity has a dedicated, NABCEP-accredited training team that is able to provide continuing education credits to our installers for certain curricula. Additionally, a group of NABCEP certified technicians review installation quality and provide real-time remote support.

Specifically, all installers are required to complete at least 30 different training programs, including certification programs on field safety, installation quality, and company policies, procedures, and values. This training is supplemented by hands on instruction and training by crew leads and other team members with significant installation experience, and we employ quality and safety coaches who visit job sites every day in order to review our installers' work

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<sup>2</sup> For example, each of our residential proposals includes the following language:

Please note this proposal is an estimate and does not guarantee actual system production or savings. The system design may change based on a detailed engineering site audit. Actual system production and savings will vary based on the final system size, design, configuration, utility rates, applicable rebates and your family's energy usage. The electricity rates or lease payments set forth in this proposal are set by SolarCity. Utility annual increases are estimated. Actual rate increases may be higher or lower than indicated in this proposal. Utility rates, charges and fee structures imposed by your local utility are not affected by this proposal or any contract you may sign with SolarCity and are subject to change in the future at the discretion of the authority or entity that regulates or governs your local utility.

and provide additional coaching and training on best practices. Our installers continue to receive training throughout their employment with weekly in-person trainings on quality and installation techniques, and they are required to complete additional continuing education requirements as determined by our training department or as needed for career development. Crew leads throughout the country participate in a week-long leadership training program that focuses on technical skills, leadership skills, and the company's strong culture of compliance, safety, and quality. Moreover, each installer is able to access additional SolarCity installation guides and resources at any time on their mobile devices through SolarCity's mobile interface.

In addition to the exhaustive training they receive through SolarCity's internal training programs, our installers are also encouraged to enroll in and complete NABCEP certification. SolarCity pays for all training and testing fees associated with NABCEP training. Currently, our records indicate that two employees in Arizona have completed the NABCEP Installation Professionals training, with another 11 employees currently enrolled in NABCEP training. While we encourage all of our installers to participate in the NABCEP program, it is generally superfluous to the thorough training provided by SolarCity, which is specifically targeted to the products and hardware used in our installations.

Moreover, as we previously outlined in our letter of March 28, 2014, all of our sales representatives go through an in-depth training process that begins with a full one month training on sales best practices and company values, SolarCity's sales platform, processes, the rate plans offered by the utility territory they will be covering, the meaning of net-metering for customers and how a grid interactive system works. This training continues throughout our sales representative's employment with weekly in-person meetings on any changes or modifications to the system or relevant information in their sales territory. Our internal training covers the eight topic areas included in the NABCEP PV Technical Sales Job Task Analysis, and our proprietary SolarBid software standardizes the information we provide to potential customers and ensures that each customer proposal contains with the most current rates and information available.

- 3) Are you preparing your customers to be good "grid-citizens"? Given the current discussions regarding smart inverters, future rate design, and the value of solar, will your customers be able to participate in next generation tariffs when one takes into account the structure of your lease and the hardware being installed? This is particularly pertinent to those customers who have signed the disclosure and may be impacted by rate design changes. Put another way, will the systems you are installing now allow your customers to engage with – and be fairly compensated by – a rate structure that takes into account more than just kilowatt-hour production?**

SolarCity is an avid supporter of strengthening the grid for the benefit of all ratepayers, as our co-founder and CTO, Pete Rive, has publically commented in numerous venues (see Mr. Rive's recent article on the topic: <http://blog.solarcity.com/put-battery-storage-in-the-hands-of-grid-operators>). SolarCity is vigorously engaged in assisting the design of an electrical grid for the 21<sup>st</sup> Century, and is committed to supporting grid operators as they manage the grid of the future. For example, SolarCity is active in the design of next-generation smart inverter standards, provision of new grid services, utility incentive structures for distributed energy resource

installation, and customer choice. SolarCity customers will continue to be positioned, now and in the future, to participate effectively and constructively in the grid of the future.

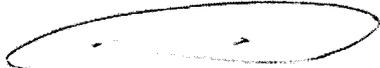
SolarCity embraces a forward-thinking strategy regarding our system installations. We recognize the value of distributed energy resource provision of next-generation grid services, and therefore design our product portfolio to be fully capable of supporting these advanced functionalities. SolarCity is ready and willing to deploy advanced technologies, such as smart inverters controllable by grid operators, on all new installations when they are finally approved.

However, while SolarCity has invested in the capability to upgrade the vast majority of our current installations with smart inverter capabilities, none of these upgrades are without cost. We are eager to work with utility engineers to expedite the deployment of these smart inverters and other future grid technologies. If you can assist in this, it would be greatly appreciated.

SolarCity welcomes constructive and thoughtful discussions on next-generation tariffs and rate design, and recommends a well-designed study of benefits of distributed energy resources before reaching conclusions on rate structures. Regardless of rate design, SolarCity technology is prepared to ensure that all new SolarCity installations meet requirements for future markets, rate structures or services. For SolarCity's current customers, however, participation in new rate or market mechanisms would likely compromise existing contracts and require hardware upgrades at a cost. SolarCity strongly disagrees with amending any existing contract due to logistical repercussions and the negative impact on disrupting systems that have already been financed in public markets.

I hope these responses fully address the questions you have posed. We continue to be responsive to any questions or concerns raised by our customers, elected officials and others.

Sincerely yours,



Lyndon Rive  
CEO  
SolarCity Corporation



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March 28, 2014

Bob Stump, Chairman  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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Arizona Corporation Commission DOCKET CONTROL  
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**ORIGINAL**

*Re: In the Matter of the Commission's Investigation of Value and Cost of Distributed Generation, Docket No. E 00000J-14-0023*

Chairman Stump,

I would like to respond to the letter you sent to me on March 12, 2014. In that letter, you expressed concerns about statements that you believed SolarCity and "other solar providers" might have made to potential customers, based on complaints that apparently were relayed to you by Tucson Electric Power Company. I can assure you that we take your concerns very seriously and that we appreciate that you brought them to our attention.

To be clear, I can only speak to the statements made by SolarCity's sales team, but with respect to SolarCity, I have been unable to verify any specific complaints within TEP's service territory. None of the written complaints that were forwarded to us by the Commission and by TEP suggest, much less allege, that SolarCity has made any misstatements to any potential customers in Arizona. At the same time, we have not been made aware of any specific verbal complaints made regarding promises about future utility rate changes that gave rise to your letter. However, if you know of any specific customers that feel they have been provided misleading information by SolarCity, we would be happy to contact them and clarify any outstanding questions they may have.

SolarCity holds itself to a very high standard, and we take very seriously our commitment to deal with our customers fairly and honestly at all times. Our business is based on the idea that consumers should have a choice about how they meet their energy needs, and we believe that, on a level playing field, consumers with complete and accurate information will overwhelmingly choose to generate some of their own electricity using SolarCity's services. If any SolarCity employee has made misstatements to any customer, in Arizona or elsewhere, we will fix that mistake without hesitation.

Over the past six to eight months, the Commission, consumers, and key industry participants engaged in an important discussion about net-metering, with the Commission ultimately voting to impose a \$0.70/kW fee on customers in APS territory starting January 1, 2014. As you of course appreciate, Arizonans all over the state learned about the net metering debate and the Commission's ultimate decision through news stories, television ads, radio ads and a variety of other media. Unfortunately, not all of those sources are clear, complete, or consistent in their

descriptions of those events, and SolarCity – like the Commission itself – naturally receives many questions from potential customers all over the state, including those in TEP’s territory.

We make every effort to ensure that all the information we provide to our customers is accurate. So far, every jurisdiction in America that has changed its net-metering policies has provided for existing rooftop solar customers to be grandfathered under the pre-existing policies. At the same time, we and our customers understand that utilities across the country will keep pressuring public utility commissions to protect utility monopolies and their profits by imposing taxes and surcharges on customers who adopt disruptive technologies like rooftop solar. Therefore, in our sales conversations, we instruct our sales team to note that utility regulations and prices are subject to change, just as they always have been. Moreover, we make it clear that solar customers in Arizona face this risk because the utilities insist in imposing that risk upon them.

We do tell our customers that by going solar, they have the ability to lock in the solar energy payments that they make by leasing solar equipment for 20 years. We stress to our sales team to be careful to make it clear that utility rates are subject to change (see the language below included in our sales proposals). But we do offer our customers 20 year solar leasing rates that are clear, transparent and fixed as outlined in the contract that they sign.

SolarCity requested that TEP and the Commission provide copies of the complaints mentioned in your letter. TEP informed us that it was called in to answer questions about complaints that consumers made directly to your office; however, Commission legal counsel informed us that TEP brought the complaints to your attention and that they were orally transmitted. In response to our requests, we received only three email threads; accordingly, I can only assume that these are the only written records of the purported complaints that prompted your letter.

The first was from a customer of both TEP and SolarCity who was worried that because his panels had to be moved, he wouldn’t be grandfathered in to TEP’s net-metering rules. However, this concern is misplaced because no change to TEP’s rules has been proposed. This customer made no complaint about SolarCity misleading him about TEP’s potential net-metering grandfathering rules or any ACC decisions to that effect.

The second complaint was to TEP from a customer of TEP and Solar Electric Freedom (not SolarCity). The customer expressed concern about a delay in the processing of her application by TEP because, as the customer stated, “we understand the decision by the Arizona Corporate (sic) Commission to be (after the November 2013 Tucson public meeting) that residential solar systems with contracts and applications on file with their utility provider by December 31, 2013 will be grandfathered in at existing utility rates.” This misunderstanding about grandfathering and utility rates does not seem to be the result of inaccurate claims made by any particular solar company; rather, it stems from general public confusion about the extent of the Commission decision in the APS net-metering case.

The last email complaint was from Keith Rowley, President of Solar Electric Systems & Products. It discussed the difficulty of complying with TEP’s hasty implementation of TEP’s disclaimer form requirement.

Neither TEP nor the Commission provided any further written documentation to support the concerns you raised in your letter about SolarCity's sales practices or your concern that SolarCity might be making misstatements to customers. While TEP evidently made verbal representations to the Commission about allegations they claim to have heard from customers, we have not received any details of those purported complaints, so it is impossible for me to address them specifically. However, to the extent that these allegations have been made without any documentation by an entrenched monopolist interested in protecting its profits, I am inclined to question the accuracy and veracity of such claims. To the extent you personally have knowledge of specific communications you found troubling, I encourage you to let me know the particular details so we can get to the bottom of any abnormality.

Let me assure you that our sales representatives are fully versed in the most up to date policies that affect our customers and that they fully communicate that understanding to potential customers. In order to ensure that this is the case and in response to your letter, we reiterated our policy not to make any claims about utility rates on our all-hands conference call on March 14<sup>th</sup>, 2014 at 8 am. Additionally, we have sent an email to our team reminding them of the importance of discussing only SolarCity lease pricing and have re-instructed them to not make any representations or promises about their local utility rates, charges or fees. The only guarantees made by representatives of SolarCity are those laid out in the specific terms of our lease agreement. We have increased call monitoring to ensure that there is no deviation from our messaging. We are also committed to ensuring that our new representatives receive training that highlights these messages and the importance of communicating to customers that we do not control utility rates or rate structures. An even stronger emphasis on this issue will be included in the SolarCity University course that is available to all employees and required for all Direct Energy Consultants and Sales Managers.

Also, just as a reminder to the Commission, the terms of the relationship between the customer and their specific utility company are outlined in the Net Energy Metering Agreement that the customer signs prior to the installation of their system. The terms of this agreement make it clear that the customer is the active participant in the ongoing relationship between the utility company and the customer. By signing this agreement, the customer agrees to all of the terms and conditions within. No promises about grandfathering or utility rate structures are made in that agreement.

With all that being said, I am more than happy to respond to the questions you pose in your letter.

- 1) What kind of representations/statements regarding utility rates, charges, and conditions of service do your sales representatives or other personnel make to potential customers who are thinking about subscribing to your service.**

**Answer:** Our sales representatives use data collected from TEP utility bills, the TEP website and the Energy Information Administration website to analyze customer's historical rates, historical rate increases, average \$/kWh and any fixed monthly service charges. We then communicate that information to potential customers. When we receive inquiries about the net-metering charges implemented in APS' territory, we make it clear that those charges

do not apply to TEP customers. We do say that APS customers who signed up for solar by December 31, 2013 were grandfathered in under the former net-metering rules but we make no claims or promises about what the ACC will choose to do in the future regarding rates for TEP solar customers. In fact, every single proposal we provide to potential customers contains the following statement:

*Please note this proposal is an estimate and does not guarantee actual system production or savings. The system design may change based on a detailed engineering site audit. Actual system production and savings will vary based on the final system size, design, configuration, utility rates, applicable rebates and your family's energy usage. The electricity rates or lease payments set forth in this proposal are set by SolarCity. Utility rates, charges and fee structures imposed by your local utility are not affected by this proposal or any contract you may sign with SolarCity and are subject to change in the future at the discretion of the authority or entity that regulates or governs your local utility.*

- 2) What kinds of training do your sales representatives or other personnel receive in order to ensure that they are providing potential customers with accurate and balanced information regarding utility rates, charges, and conditions of service?**

**Answer:** All of our sales representatives go through an in-depth training process that begins with a full one month training on sales practices, SolarCity's sales platform, processes, the rate plans offered by the utility territory they will be covering, the meaning of net-metering for customers and how a grid interactive system works. This training continues throughout our sales representative's employment with weekly in-person meetings on any changes or modifications to the system or relevant information in their sales territory. The information provided to potential customers is standardized through our proprietary bidding software, SolarBid, which ensures that each customer proposal is presented with the most current rates and information available.

- 3) What efforts does your company take to monitor your sales representatives and other personnel to ensure that they provide potential customers with accurate and balanced information regarding utility rates, charges, and conditions of service?**

**Answer:** As stated above, all sales representatives are provided with extensive sales training. SolarCity also monitors the phone calls made to potential customers by our inside sales team. For our outside sales team, our sales managers participate in frequent and random ride-alongs with sales representatives to ensure that they are communicating accurately with potential customers. Any customer feedback we receive that relays any concerns with the information that was provided is immediately escalated to a sales manager and Vice President for resolution. Moreover, SolarCity is a licensed contractor in the State of Arizona and already subject to the oversight of the Registrar of Contractors. Further, SolarCity does business in 14 states across the country, many of which have licensing and

regulatory regimes that include oversight over our sales practices. As a result, SolarCity not only trains its sales representatives to make sure that they accurately describe the products and services we offer, we take active steps to make sure that all of our sales and marketing practices comply with the most restrictive rules we are subject to anywhere in the United States.

In your letter, you also state that you are interested in discussing the result of the June 2010 ACC decision in Docket No. 09-0346 that found that SolarCity is not a public service corporation. Nothing about SolarCity's leasing business model has changed since you and a unanimous Commission found that providing lease financing of solar equipment does not make a company subject to Commission regulation under Arizona law. As you noted when explaining your vote, the Commission's decision not to regulate solar companies was widely supported on both sides of the political aisle.

It is true, as it was at the time of the Commission's decision in June 2010, that SolarCity owns and maintains the solar installations for customers who lease them. However, the energy the system produces belongs to the customer, not SolarCity. Under a lease transaction, energy is not sold to an end user. Rather, that end user pays a fixed monthly fee to lease the equipment that is owned by SolarCity and benefits from using all of the electricity produced by that system. This transaction, as the Commission has already decided, is a financing arrangement that facilitates the acquisition of solar panels at an affordable price.

Moreover, SolarCity is already subject to substantial regulation in Arizona that provides the public with protection and an outlet for complaints like those that you raise in your letter. SolarCity is a licensed contractor subject to the jurisdiction of the Registrar of Contractors (the "ROC"). State law requires that all solar installers qualify as licensed solar contractors and further requires all such licensed solar contractors to furnish customers with written warranties and performance data for the solar device installed. See A.R.S. 44-1762. In order to qualify as a licensed solar contractor, solar installers must take and pass comprehensive examinations, provide detailed, notarized records of work experience, undergo criminal background checks, and satisfy a host of additional stringent requirements. Importantly, solar contractors (like all licensed contractors) are forbidden from making false, misleading, or deceptive statements whereby members of the public may be misled or injured. See A.R.S. 32-1154. Making such statements can subject the contractor to suspension or revocation of its license as well as civil penalties.

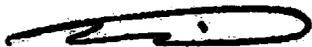
The ROC plays an important role in maintaining standards of workmanship and honest communications for solar contractors. In fact, the ROC website itself includes the following statement that demonstrates just how seriously the ROC takes this responsibility: *"The Arizona Registrar of Contractors plays a vitally important role in ensuring that contractors who conduct business in this growing [solar] industry are properly licensed and meet all regulatory, experience, and training requirements necessary to protect the public from poor workmanship and unscrupulous activities."*

I assure you there is no vacuum to fill that requires further regulation of this already well regulated industry. The ROC has a well-established complaint and hearing process and also

provides consumers with a simple to search database where customers can easily research a contractor's complaint history before deciding on a contractor for their job. The ROC is a formidable and well versed regulator that does its job well. I submit that layering additional regulatory bodies on top of the ROC will cause confusion in the mind of consumers and would result in inconsistent policies.

I hope that this fully addresses the concerns that you raised in your letter of March 12, 2014. Thank you for bringing your concerns to our attention and to the extent you have additional details to share I would like the opportunity to discuss with you as soon as possible. As always, we strive to be responsive to any concerns raised by our customers, elected officials and others.

Sincerely yours,



Lyndon Rive  
CEO  
SolarCity Corporation



## SEFA Consumer Solar Contract Best Practices Checklist

[Intended to be made available to public via SEFA website]

Congratulations on considering adding a solar system to your home! As with any significant home project, before committing to move forward, you should confirm a few best practices with your chosen solar company and installer. Below, you'll find a checklist of important questions that will help you evaluate your solar professional and have clear expectations from the beginning.

- 1) **Confirm The Solar Installer Is Licensed And Insured.**
  - Anyone installing a photovoltaic solar system on your property should be licensed and insured, and be able to provide you with both an active contractor's license number and proof of insurance.
  - You can check the status of an installer's license by going to your state contractor's board website. Here's a useful website with state by state information: <http://www.contractors-license.org/>
- 2) **Confirm That You Understand The Details Outlined In Your Solar Contract, And That Every Commitment Is Stated In Writing.**
  - A good contract should be clear and easy to follow, and explain the rights and obligations of you, the solar installer and the solar company that will own the system (if different from you or the solar installer).
  - A good contract provides you with the following important details:
    - A reasonable estimate, either up front or after your home has been surveyed, of how much electricity your solar system will produce;
    - Monthly or prepaid payment terms, and how you will be billed;
    - The length of the contract;
    - If your solar company guarantees production, how it is computed and what the true-up process is in case the system underperforms;
    - Whether the solar installer insures the system against loss or damage, and for what amount and how long; and

- Whether the solar installer covers accidental damage it might cause to your home during installation and removal of the system.
  - If you have discussed any additional services or commitments with your solar installer in person or in email, be sure they are detailed in the contract. Remember: the contract is the deal.
  - Look for the “SEFA Compliant” stamp in the footer of your contract. That stamp indicates that you are dealing with a standard form approved as a best practice in the solar industry.
- 3) Be Aware That Solar Proposals Or Quotes Are Estimates Only And Are Not Part Of Your Final Contract**
- A proposal will often model your savings by estimating system production, your electricity consumption, your utility rates and your solar contract payments. Based on a number of factors, these estimates may change.
  - If you change your electricity consumption by adding an electric car, installing a pool or hot tub, switching to LED bulbs, expanding your home, or dozens of other activities, you can dramatically change how much electricity you use, and therefore how much solar power you might need and what savings that solar power might create.
  - As a result, it is impossible to guarantee savings, and reputable solar companies will not put savings guarantees in the contract.
- 4) Confirm Your Responsibilities For Care And Maintenance Of The Solar System.**
- Is it your obligation to clean the panels?
  - Is it your obligation to keep nearby trees trimmed? Who is going to repair damage to the system that might be caused by you, your family or friends, your contractors and/or your neighbors?
  - Are you required to maintain Internet access for monitoring purposes?
  - What items are covered by the warranty, e.g. inverter replacement?
  - Are you able to monitor your system performance online?
  - What monitoring service is provided with your contract?
  - Who should you call if something breaks?
- 5) Confirm The Process In The Case That You Sell Your Home**
- Your solar contract should have a clear process detailing what you can do with the system when you sell your home.

- All reputable solar companies allow you to transfer the solar contract and use of the system to your home buyer (usually subject to the requirements that applied to you).
- In addition, some may allow you to either prepay the rest of the solar contract and transfer the use of the system to your home buyer, or to buy the system outright and transfer ownership to your home buyer.
- Confirm your solar contract covers the option you prefer.
- Confirm there are no restrictions in the contract that could block the sale of your home.

**6) Understand Your Options To Prepay For The System Before The Contract Term Is Complete Or To Buy Out The Contract.**

- Your solar contract should have clear terms on whether you can buy your system during the term of the agreement or whether you can prepay the remaining payments at a discount.
- Leases, PPAs and loan products have different tax rules related to a prepayment or buyout option, so if you think you may consider either, understand these rules thoroughly.

**7) Confirm How Your Privacy Is Protected**

- Confirm that both the solar company and the installer have privacy policies available that tells you what each will and will not do with your personal customer information, and that you are comfortable with the solar company's or installer's possible uses of your personal information.
- Confirm the policies and procedures the solar company or installer uses to safeguard your personal information.

**8) Confirm How Your Roof Will Be Protected**

- Solar systems are designed to last decades, and while your roof is too, they might not be on the same schedule.
- Make sure your solar contract has specific terms on how the installation of a system affects your existing roof warranty.
- Make sure your solar contract states how your installer will handle any leaks that might arise.
- Make sure your solar contract is clear on whether your roof will be returned to its original condition if the system is removed.

**9) Ask If The Solar Installer Has Adopted A Code Of Ethics Defined By A Reputable Solar Industry Trade Group**

- The solar industry has trade groups such as the Solar Energy Industry Association (SEIA) and the Solar Energy Finance Association (SEFA) that have adopted a "Code of Ethics" for

industry members. Make sure your solar company has adopted the Code of Ethics (e.g. by joining SEIA or SEFA or supporting the Code of Ethics).