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Bob Stump
Chairman

Direct Line: (602) 542-3935
Fax: (602) 542-0752
E-mail: bstump@azcc.gov

March 12, 2014

Mr. Lyndon Rive
Chief Executive Officer
SolarCity Corporation
c/o Court Rich
Rose Law Group PC
6613 N. Scottsdale Rd., Ste. 200
Scottsdale, AZ 85250

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

Dear Mr. Rive:

Recently, it has come to my attention that Tucson Electric Power Company ("TEP") has received a number of customer complaints related to certain provisions of its interconnection agreement, which all net metering customers must sign. TEP's interconnection agreement includes a specific disclaimer, similar to the one set forth in Decision No. 74202, which clearly informs customers that TEP's rates and tariffs are subject to change.

Some customers, however, have complained that the disclaimer is inconsistent with information that they have been given by their solar providers; specifically, they say that solar providers have told them that the rates, rules, and regulations applicable to net metering are "grandfathered," thereby implying that the rates associated with net metering are not subject to change. Customers are then surprised, disappointed, and angry to learn from TEP that this may not be the case.

I am concerned that SolarCity and other solar providers may have made misstatements to customers, leading them to believe that the rates, terms, and conditions of their net metering service will be "grandfathered" once they have initiated net metering service. As you know, the Commission has jurisdiction over TEP's rates as well as its terms and conditions of service, including net metering. In TEP's next rate case, or in some other subsequent TEP proceeding concerning net metering or rate design, "grandfathering" is one possible outcome; however, it is presumptuous to tell customers that such an outcome is certain.

Customers rely upon solar providers' representations to evaluate whether to sign up for the services offered. I am concerned that you—as well as other solar providers—may be communicating with customers in a way that is both confusing and misleading and which deprives them of the balanced information that they need in order to make informed decisions.

In 2010, the Commission issued a decision which concluded that SolarCity is not a public service corporation. Your Form 10-Q, however, which was filed with the Securities and Exchange Commission in 2013, includes statements that lead me to question that result. For example, the following assertion appears to indicate that SolarCity sells energy to end users:

> We offer our customers the option to either purchase and own solar energy systems or ***to purchase the energy that our solar energy systems produce*** through various financed arrangements. These financed arrangements include long-term contracts that we structure as leases and power purchase agreements. ***In both financed structures, we install our solar energy system at our customer's premises and charge the customer a monthly fee for the power that our system produces.***

SolarCity Corporation Form 10-Q at 35 (Nov. 12, 2013) (emphasis added). Furthermore, I would note that your footprint in our state is substantial, especially in the Tucson area.

I am concerned that you are providing a service that is "clothed with the public interest," but that you may not be measuring up to the very high standards required of such entities. In light of these recent complaints, I will be placing this matter on a Commission open meeting agenda in the near future in order to discuss these important concerns with my fellow commissioners.

In the interim, I would appreciate your written and docketed response to the following questions:

1) What kinds 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?

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?

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?

I am sure you will agree that providing accurate and balanced information to your customers is of vital importance. Your responses to these questions will assist me as I consider these important issues. I have not yet made up my mind on any of these issues, and I look forward to reviewing your responses, which I would appreciate receiving by March 31, 2014.

With best regards,

Bob Stump
Chairman