



October 27, 2014

Commissioner Andrew McAllister
1516 9th Street
California Energy Commission
Sacramento, CA 95814

Re: Solar Industry Consumer Protection

Dear Commissioner McAllister:

Per your request, we are writing to detail SolarCity's strong commitment to consumer protection and to provide insight into SolarCity's and the Solar Energy Finance Association's work on consumer protection.

The Solar Energy Finance Association (SEFA), of which SolarCity is a member, was formed as the successor to the Solar Access to Public Capital (SAPC) initiative, funded by the U.S. Department of Energy and managed by the National Renewable Energy Laboratory (NREL). SEFA's current membership comprises companies that collectively have a majority of the solar installation market.

SEFA and SolarCity have a commitment to deal with customers fairly and honestly at all times. SEFA 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. SEFA members have a firm commitment to ensure the safety and quality of our members' solar installations. SEFA members are dedicated to their customers and make every effort to develop trusted, long lasting relationships with them.

Laws and Regulations

SolarCity provides solar services in 15 states and in Washington, D.C. In doing so, it is subject to a variety of federal and state consumer regulations as well as a host of other industry specific regulations (including local utilities' permission to operate requirements). Below is just a handful of the federal consumer protection regulations with which SolarCity complies.

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

Solar Contracts

As you can see from the list above, there are a host of applicable laws and regulations to protect customers. Moreover, SolarCity has been subject to due diligence over 24 times by leading law firms in the United States and has retained its own consumer compliance counsel to do a comprehensive federal and state compliance review of both its solar lease and power purchase agreement (PPA).

SolarCity's consumer leases and PPAs include substantial protections for consumers. For example,

- Every consumer SolarLease and PPA 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 or price per kilowatt hour, if any; the first year's monthly SolarCity bill or estimated monthly SolarCity bill; and the length of agreement term.
- Additional key, material terms are summarized on that first page for the customer's convenience.
- SolarCity's consumer 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 (along with estimated taxes) of all lease payments over that entire term.
- SolarCity's leases and full prepaid PPAs also include a performance guarantee that guarantees a certain kilowatt hour output for each year of the agreement and that provides the customer a refund payment per kilowatt hour if the guaranteed output is not met.
- 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 consumer SolarLease and PPA includes a substantial warranty that covers the entire system for the entire term of the lease or PPA; 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 consumer customer, the lease and PPA provide 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 or PPA has the right to cancel the contract up to the commencement of installation, for any reason or for no reason at all.

SolarCity's commercial leases and PPAs likewise provide substantial protections for commercial customers, including schools. For example,

- Every commercial PPA and SolarLease explicitly states the system size, the system's estimated annual production for the first year; the price per kWh or monthly lease payment due throughout the term; the length of the term and any available extension terms.
- SolarCity's commercial PPAs (at customer request) and SolarLeases are accompanied by a performance guarantee that guarantees a certain kWh output for certain spans of years during the PPA/lease and provides the customer a make-whole payment per kilowatt hour if the guaranteed output is not met.
- In addition, SolarCity, not the customer, bears the risk of damage, theft, or destruction of the system, unless the customer is negligent or intentionally damages the system.
- Every SolarLease and PPA includes a substantial warranty that covers the entire system for the entire term of the lease or PPA; 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 lease and PPA provide for a speedy and convenient arbitration process.

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

Because the forms have been reviewed so closely by many of the nation's top consumer law firms, SEFA has used SolarCity's solar lease and PPA as the template for SEFA-approved template contracts. These templates were developed as a result of an industry-wide review, in conjunction with NREL and the SAPC working group, of consumer solar agreements in the United States. The purpose of this exercise was to standardize consumer solar agreements so that they: (i) could be securitized and (ii) reflect a uniform approach to complying with consumer law and regulation. SEFA has successfully convinced many of the leading solar companies throughout the country to adopt its standardized solar lease and PPA. These SEFA approved-contracts are the basis for most of the solar contracts used in the marketplace today.

Current Consumer Protection Efforts

As the industry continues to grow, SEFA is constantly reviewing current market practices to ensure that its members are maintaining best industry practices. For instance, it has recently created a SEFA Consumer Solar Contract Best Practices Checklist (see attached). This checklist was created with the intent to assist customers, who are considering entering into a long term solar contract, by empowering them to ask the right questions so that they have a clear understanding of the contract that they are signing.

SolarCity and SEFA have also been on the forefront tackling complex issues such as residential home sales. SEFA members are committed to never prevent or slow the sale of a home with a third party

owned system. The conveyance of the home is not limited in anyway by SEFA members' contract with the mortgagor. In fact, SolarCity actively assists all lessees who sell their home in the transfer process. As of today, SolarCity has facilitated well over 2,000 successful home transfers to new homeowners. Indeed, most home buyers want solar; in over 95% of these home transfers involving SolarCity systems the home buyers chooses to assume the lease because it saves them money off their monthly electricity bill.

Moreover, one of the key advantages customers enjoy with a solar lease or PPA is the certainty of the cost of their solar electricity payments. Customers can choose a solar lease or PPA with no upfront cost and with payments escalating at a set rate, typically 2.9% per year, or they can select a contract that has some upfront cost and no annual increase in payments. All of this is clearly set forth in SolarCity's proposals and its contracts.

Future Developments

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.

To that end, 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, SEFA is now working toward unifying its members' internal 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.

SolarCity's goal is to provide cleaner and cheaper power to its customers and give them the opportunity to control their energy costs. As outlined above, SolarCity takes its commitment to consumer protection seriously and goes to great lengths and effort to protect its customers in every state in which it operates.

If you have any questions or comments please feel free to contact Dan Chia at 510-299-0210 or SEFA at info@sefa-finance.org.

Sincerely,



Dan Chia
Director, Policy & Electricity Market

cc: Commissioner Robert Weisenmiller
Rob Oglesby, Executive Director

3055 Clearview Way San Mateo, CA 94402 τ (650) 638-1028 (888) SOL-CITY ϕ (650) 638-1029 solarcity.com

AZ ROC 243771/ROC 245450/ROC 277498, CA LIC#888104, CO EC8041, CT HIC 0632778/ELC 0125305, DC #71101486/ECC902585, DE CNR 2011120386, FL EC13006226, HI CT-29770, MA HIC 168572/MA LIC. MR-1136,
MD MHC 128948, NV NV20121135172/EC 0078646, NJ NJHIC#13VH06160600/34EB01732700, OR CB180498/C562/PB1102, PA HICPA077343, TX TECL27006, VA 2705153278, WA SOLARC*91901/SOLARC*905P7