November 13, 2015

Chairman Mary Nichols
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Second Triennial Cap and Trade Investment Plan (FY 2016-2019)

Dear Chairman Nichols,

We are writing today on behalf of a broad coalition of stakeholders including low income, consumer, solar, and environmental advocates to urge the Air Resources Board (ARB) to include a credit enhancement program as part of the second triennial cap and trade (C&T) investment plan.

As highlighted in the "*Efficient Financing Mechanisms to Maximize Investment*" section[1] of the draft C&T investment plan, a credit enhancement program should be evaluated as one near term mechanism for expanding beyond simple grant and rebate financing to date in order to broaden access to solar power in California to lower income communities. In particular, a credit enhancement mechanism would be capital-efficient because it would allow California to multiply the private capital deployed in the state by leveraging public funds to initiate the investment.

Today the majority of residential solar customers go solar with a lease or power purchase agreement (PPA), and initial eligibility for the products is based on a customer's credit score. The solar PPAs (known as Third Party Ownership (TPO)) are financed by tax equity funds created by banks and other large investors, which determine their own credit criteria for financing a solar customer. Currently, the lowest eligible FICO score for a lease or PPA in California is 650.[2] Despite rapid growth in the TPO model, along with strong data on the reliability of energy payments, many prospective customers with FICO scores below 650 lack cost-effective options to go solar. In 2013, over one-third of the United States population fell below this qualifying score.

The goal of the solar industry is to provide all customers with access to renewable energy. Deployment of a credit enhancement product is an effective mechanism for accelerating the accessibility to all customers. Additionally, a credit enhancement program will expand data collection to further validate customer payment behavior, which will in turn increase informational efficiencies that will support a wider range of potential investors for under-served markets such as low income communities.

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[1] Cap and Trade Auction Proceeds Second Investment Plan: Fiscal Years 2016-17 through 2018-19, pp. 29; http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/draft-second-investment-plan.pdf

[2] Homeowners Guide to Solar Financing, pp.10*;* http://www.cesa.org/assets/2015-Files/Homeowners-Guide-to-Solar-Financing.pdf

Therefore, we support the inclusion of a credit enhancement mechanism of at least $50 million in the second triennial C&T investment plan, which would lower the cost to access solar for lower income communities that have not been able to directly access the benefits of rooftop solar. Such a credit enhancement program also has the potential to increase jobs, drive economic development and facilitate general growth in renewable energy. Furthermore, renewable energy (including solar) is a cost- effective tool for reducing California's greenhouse gas (GHG) emissions and meeting the state climate goals for 2030 and beyond.

Thank you in advance for your consideration.

Sincerely,

Eddie H. Ahn, Executive Director
Brightline Defense

Bernadette del Chiaro, Executive Director
California Solar Energy Industries Association (CALSEIA)

Jeffrey Schub, Executive Director
Coalition for Green Capital

Adam Lane, Director of Legislative Affairs
Los Angeles Business Council

Damon Franz, Deputy Director, Policy and Electricity Markets
SolarCity

cc: Cliff Rechtschaffen, Martha Guzman-Aceves, Ashley Conrad-Saydah, Virgil Welch, Shelby Livingston, Matthew Botill