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Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, AZ 85007

REFERENCE:
Sulphur Springs Valley Electric Cooperative
2010 REST Implementation Plan
Docket E01575-09-0429

Please docket the attached letter in the above-referenced case.

I am enclosing 13 copies as required, as well as 3 additional copies in individual envelopes for ACC staff members who are on the Service List. I have also sent copies to the other individuals on the Service List.

Be sure to black out my email and phone number when my letter is scanned for online presentation in e-Docket.

Thank you,

David S. Grieshop
3673 La Terraza Drive
Sierra Vista, AZ 85650
[redacted]

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Docket E-01575A-09-0429
1200 W. Washington Street
Phoenix, AZ 85007

This letter is in reference to the Sulphur Springs Valley Electric Cooperative 2010 REST Plan. It addresses the appropriateness of:

- using unleveraged REST monies to fund renewable energy projects. Specifically the impact the school ramada program is having and will continue to have on SSVEC's ability to meet the mandated renewable energy goals required under REST; and,
- the appropriateness of SSVEC's proposed REST administrative budgets.

Unleveraged REST monies

SSVEC in its September 4, 2009 filing regarding its 2010 REST program stated:

> "(it) submitted 41 projects for a total of $11,480,000 in order to fund solar shade structures for each public school in SSVEC's service territory ... these systems are in operation and have a total capacity of 984,000 watts (984kW) ... For 2010 these bonds will continue to be repaid from the REST funds collected. The repayment budget for CREBs is $1,045,000 per year."

Based on the information above, SSVEC spent **$11.67 per watt** for these 41 projects. The actual per watt cost will be even higher as this amount doesn't include interest or origination fees. The $11.67/watt expense is the focus of my comments below:

- The Notice of Final Rulemaking (13 A.A.R. 2391, July 6, 2007) as it relates to REST acknowledges that "after 2007 costs to consumers are likely to increase." It goes on to state that resulting increases will depend on factors such as "...how well Affected Utilities are able to meet their Renewable Energy Standard requirements with the least cost renewable energy resources."
- R14-2-1803 states One Renewable Energy Credit shall be created for each kWh derived from Eligible Renewable Energy Resources.
- According to ACC Decision 70701 (Findings of Fact item 24), "SSVEC has communicated to Staff that its REST Implementation Plan... has a goal to spend 100% of the money budgeted and received for rebates to customers in the most cost-effective manner that results in the maximum amount of projects possible."
- SSVEC's current SunWatts program pays the lesser of $4/watt or 50% of the cost of a qualifying renewable energy project. The proposed 2010 Plan provides $3/watt for residential customers and $2.50/watt for small non-residential customers. Projects larger than 10kW are eligible for performance-based incentives limited to 60% of system cost. This reduction in rebate amounts is reasonable given the continuing decline in solar system prices, and it provides greater leverage for REST dollars.
- The 2010 REST filing by SSVEC provides three budget options (1, 2 and #3). The annual CREB payments consume the following percentages of the 2010 REST budgets, respectively: 74%, 45% and 35%!

While the construction of school ramadas may be a positive for area schools and favorable publicity for SSVEC, I submit such expenditures were not consistent with the intent of the REST program or even met SSVEC's own guidelines for rebates.

In SSVEC's CREB loan packages, filed as compliance to Decision 700097, the following justification for the ramada program can be found:

> "The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission."

What SSVEC does not indicate is to what extent CREB bond payments are offset by the per meter monthly surcharges paid by the schools.

The opportunity lost from the ramada program was significant: $11,480,000 at $4/watt could have funded 2,870,000 watts instead of the 984,000 watts realized. Under the new proposed SunWatts guidelines of $3/watt, this amount could have funded 3,826,666 watts! SSVEC may argue that when it initiated the ramada program, monies allocated to SunWatts were not being fully utilized due to insufficient demand. However, through the ramada program, SSVEC has committed a very significant portion of its REST budget for up to 16 years into the future, without the enormous benefit of leverage.

Moreover, since the schools receive the energy produced by the ramadas free of charge, SSVEC members are essentially providing a large subsidy to area school districts that greatly exceeds the intent of the REST law, while shortchanging the ability to leverage the REST funds to maximize renewable energy credits per dollar invested. Simply stated, SSVEC did not realize "least cost renewable energy" from REST monies available along the path to meeting its 7.5 per cent goal in 2025 in accordance with ACC rules.

REST administrative budgets

In the context of the large ongoing commitment of REST funds to pay down the CREB debt, I also urge the Commissioners to consider the appropriateness of SSVEC's proposed REST administrative budgets. Although the REST rules do not limit program overhead per se, I believe the Commission has an obligation to scrutinize overhead budgets.

In its current filing SSVEC has set a policy to limit overhead to 10% of collected REST funds:

> "In order to ensure that SSVEC members receive maximum value for the REST/Sun Watts programs, SSVEC will not use more than 10% of the total surcharge funds collected for administration, research, and development, and advertising expenses."

However, in reviewing SSVEC's proposed budgets, administration remains significantly above 10%. Even more disturbing is the size of the administration budget when evaluated as a percentage of monies available for new projects (e.g., exclusive of the $1,045,000 allocated for CREB bond payments). For example, under SSVEC's Option 1 budget for 2010, administration is budgeted at $211,000, or 15% of new collections. But $211,000 represents a whopping 60% of new collections when the 2010 CREB payment is excluded! Excluding CREB payments from the annual administrative budget calculation is reasonable given bond payments involve virtually no overhead and incur no advertising costs.

Due to the unusual situation SSVEC has put itself in with respect to the CREB debt; I respectfully propose that SSVEC's REST administration budgets be evaluated as a percentage of projected collections less CREB payments, that is, funds available for new projects. While 10% may not be a feasible target in this scenario, I submit that such an approach is the more appropriate method for considering the reasonableness of program overhead.

In addition to jeopardizing the long-term viability of meeting its renewable energy goals, SSVEC's ramada decision and implementation are having major unintended short-term consequences:

- Solar installers are carrying huge accounts receivables for systems already installed as they wait for rebates. With the current state of credit markets for small businesses, this could affect their ability to sustain their businesses.
- SSVEC has had to implement a reservation system for solar installations due to the lack of REST monies, which only aggravates meeting its yearly goals.
- New applicants are unable to get firm commitments for SunWatts incentives

In summary, I respectfully request the Commissioners consider the appropriateness of using unleveraged REST monies as a means to achieving 'least cost' expenditures for renewable energy and whether such programs should be permissible in the future; and, whether the REST program administrative budgets should be evaluated against projected collections available for new projects, exclusive of CREB debt payments. The 2025 goal for renewable energy production is a worthy goal and fiscally challenging on its own merits. The customer base who is underwriting the 2025 goal should expect SSVEC to be good stewards of REST funds.

Sincerely,

David S. Grieshop
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[redacted]

Cc: Docket Service List