

ORIGINAL

Jennifer Ybarra



0000113168

E-01933A-10-0266

From: Terry F
Sent: Wednesday, July 21, 2010 9:59 AM
To: Kristin Mayes; Pierce-Web; Stump-Web; Newman-Web; Kennedy-Web; Steven Olea
Cc: Nancy LaPlaca; Giancarlo Estrada; Cristina Arzaga-Williams; Amanda H. Ho; John LeSueur; George Widugiris; Tedra Fox; Chuck Huckelberry; Marc Natelsky
Subject: Docket 10-0266 TEP 2011 REST PBI/REC Purchase Agreement Contracts
Attachments: ACCLetter_TLF_UtilityRECPurchaseAgreement_072110.pdf

Please review, attach to the 10-0266 docket, and consider when approving 2011 REST implementation plans.

<<ACCLetter_TLF_UtilityRECPurchaseAgreement_072110.pdf>>

Mr. Terry Finefrock, CPIM

Pima County, Chief Contracts & Procurement Manager

130 W. Congress, M/S DT-AB3-126

Tucson, AZ 85701

Phone: 520-740-3720

Arizona Corporation Commission

DOCKETED

JUL 21 2010

DOCKETED BY	
-------------	--

RECEIVED
 2010 JUL 21 P 3:59
 ARIZONA CORPORATION COMMISSION
 DOCKET CONTROL



**PIMA COUNTY
PROCUREMENT
130 W. CONGRESS STREET, 3rd FLOOR
TUCSON, ARIZONA 85701-1317
TELEPHONE (520) 740-8161, FAX (520) 798-1484**

July 21, 2010

Chairwoman Mayes & Commissioners Kennedy, Newman, Pierce and Stump
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

*** Transmitted via email ***

In Re Docket 10-0266 Tucson Electric Power Company (TEP) 2011 REST Plan and REC/PBI Purchase Agreements

I am writing to provide a suggestion that would facilitate the establishment of renewable energy facilities and achievement of Commission renewable energy objectives; that in conjunction with approval of the 2011 REST plans, the Commission consider a change in the manner that TEP and other regulated utilities establish REC Purchase Agreement contracts involving multi-year Production Based Incentive (PBI) projects.

PBI funds represent a significant amount of the funding required to enable a Solar electric facility Developer to secure 3rd party investor capital and establish a Solar Service or Power Purchase Agreement (SSA). For example, about 60% of the cost of our initial 1MW Solon SSA is funded by the sale of PBI REC's to TEP via the REST.

Presently TEP will only enter into a PBI REC Purchase Agreement with a TEP Customer which generates significant Developer and Investor concerns regarding recovery of their investment and expected return on investment as they are not "first in line" for a significant portion of the revenue stream. These concerns reduce the availability of capital funds and/or increase the required rate of return for the additional risk which in turn can delay the establishment of the SSA or increase the cost of the SSA. TEP's requirement also creates

unnecessary additional contracting and accounts payable/receivable costs that must be borne by Pima County, the SSA Customer. Additionally, the TEP PBI Contract requires that the Customer be responsible for the maintenance and operation of the solar facility which requires competency that Pima County does not possess and are primary SSA services to be provided to Pima County by the Developer/SSA Contractor.

Pima County believes that this practice impedes the establishment of Renewable Energy generation facilities in support of the REST mandate, creates additional avoidable, unnecessary costs and legal obligations for Utility Customers supporting the REST, and is not necessary as TEP has no ultimate risk; the Commission sets TEP base rates to allow recovery of all appropriate costs. As a regulated utility, TEP is acting as an Agent of the ACC in support of the REST mandate. Should the REST budgets not be approved TEP would submit a base rate adjustment request to satisfy those cost obligations.

Please consider taking what actions the Commission deems appropriate, in conjunction with approval of 2011 REST plans, that would resolve Utility concerns regarding annual approval of REST PBI funding and that would allow and require if requested by a Customer the utility executing the REC (PBI) Purchase Agreement to enter into the REC Purchase Agreement directly with the Developer of the SSA.

Sincerely,



Mr. Terry Finefrock

Chief Contracts & Procurement Manager, Pima County

Copy:

Mr. Chuck Huckelberry, Pima County Administrator

Ms. Tedra Fox, Pima County Sustainability Manager

Mr. Marc Natelsky, Deputy Pima County Attorney