

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF ITS 2013 RENEWABLE
ENERGY STANDARD IMPLEMENTATION PLAN
AND DISTRIBUTED ENERGY ADMINISTRATIVE
PLAN AND REQUEST FOR RESET OF ITS
RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01933A-12-0296

**WESTERN RESOURCE ADVOCATES
COMMENTS ON STAFF'S
RECOMMENDATIONS**

On October 18, 2012, Staff filed its recommendations concerning Tucson Electric Power Company's (TEP's) 2013 Renewable Energy Standard Implementation Plan. One of the issues in this matter is how TEP would meet the distributed energy component of the Renewable Energy Standard if incentives are no longer offered to customers to install distributed photovoltaic facilities. Staff states: "Staff believes the track and record proposal is a reasonable way to both accurately measure a utility's compliance with REST rule requirements and to give the utility credit toward REST rule requirements for all renewable activity within its service territory that interconnects with the utility. Other proposals, such as several of the other options put forward by TEP put much more administrative burden on the utilities and the Commission to determine on-going compliance and may not accurately reflect the true level of installations taking place in a utility's service territory, a key component in assessing compliance with REST rules. Thus, Staff recommends that the Commission approve the 'Track and Record' proposal for REST rule compliance requirements to be effective for 2013 and beyond for compliance reporting beginning April 1, 2014" (p. 15).

Western Resource Advocates (WRA) believes Staff's recommendation is not viable. Staff did not fully review the consequences of its recommendation nor did it comprehensively compare the advantages and disadvantages of alternatives. We believe that Staff's recommendation is flawed because it *implicitly* counts renewable energy credits (RECs) to meet the requirements of the Renewable Energy Standard. Thus, the owner of the RECs would not be compensated by TEP nor could the RECs be sold by the PV owner or other REC owner to a third party because they would be double counted.¹ The RECs would thus lose their value.

On October 11, 2012, WRA filed comments on the regulatory treatment of RECs in the event the Commission discontinues TEP's incentives for distributed photovoltaic (PV) projects installed pursuant to the Renewable Energy Standard. In those comments, we presented five options and discussed their merits and deficiencies.

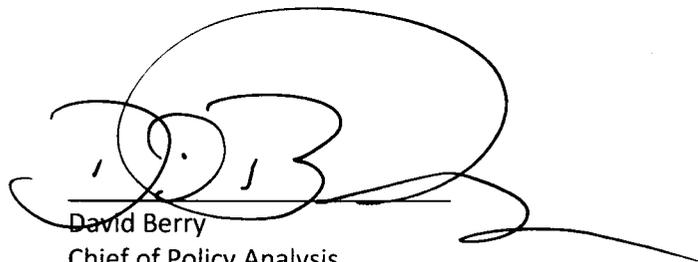
¹ See Center for Resource Solutions, Green-e Energy, National Standard Version 2.1, pp. 8-9, 22.

We believe that there are two viable options for meeting the distributed generation requirement if no incentive has been paid. One is to purchase RECs associated with distributed PV generation located in a regulated utility's Arizona service area using an auction or similar process to meet RES distributed generation requirements; the Commission may set a price cap. More detail is provided in our previous comments.

The other viable option is to waive the distributed generation requirement for one year at a time but only if the Commission finds that TEP will otherwise likely meet the RES distributed generation kWh requirement for that year. This option removes the regulatory requirement to meet the distributed generation portion of the RES for a given year while seeking to ensure that the Renewable Energy Standard goals are not undermined. Thus, TEP would not need to acquire RECs for that year and the RECs would stay with their current owner such as the owner of the photovoltaic system. This option provides the Commission with flexibility and does not lock the Commission into a long term policy where there are uncertainties.²

We urge the Commission to adopt either the auction option or the temporary waiver option in lieu of Staff's recommended track and record method.

WRA appreciates the opportunity to provide these comments. Respectfully submitted this 26th day of October 2012 by:



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Original and 13 copies submitted to Docket Control, Arizona Corporation Commission, 1200 W. Washington St., Phoenix, AZ 85007. Electronic copies sent to parties of record.

² The Commission could require TEP to report, for informational purposes, the kWh generated by all distributed residential PV systems including those for which no incentive was provided. This information would be useful in determining whether to grant a waiver in subsequent years.