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OPEN MEETING AGENDA ITEM



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Center for Biological Diversity, Environment America, Environment Arizona, Natural Resources Defense Council, The Wilderness Society, Union of Concerned Scientists, World Wildlife Fund

ARIZONA CORPORATION COMMISSIONERS

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Arizona Corporation Commission
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In the matter of the application of Arizona Public Service Company for approval of its 2013-2017 Renewable Energy Standard Implementation Plan

Docket Numbers: E-01345A-12-0290 and E-01345A-10-0394

The above signed organizations appreciate the opportunity to submit comments to the Arizona Corporation Commission (ACC) in response to proposal by the Arizona Public Service Company (APS) to use a "Track and Record" system as filed in their 2013 Renewable Energy Standard Implementation Plan (Docket IDs: E-01345A-12-0290 and E-01345A-10-0394).

Our organizations are concerned about APS's proposed recommendations for complying with Arizona's Distributed Generation (DG) requirement under the Renewable Portfolio Standard (RPS).

The proposal includes a method for counting renewable energy to demonstrate compliance with the carve-out for distributed solar generation that does not require the utilities to acquire the Renewable Energy Credits (RECs). The alternative, "Track and Record" would allow the utilities to demonstrate the purchase of distributed solar using meter data instead of acquiring RECs.

If approved, this policy would run contrary to overwhelming prevailing practice nationwide and potentially undermines the integrity of the REC market. It has been broadly established that RECs have monetary value and represent the non-power attributes of renewable energy. To accurately track, trade, and sell renewable energy, the environmental attributes of RECs must not be simultaneously claimed by multiple parties. In order to claim the purchase and use of renewably generated power, one and only one entity must own those RECs. For utilities demonstrating a certain amount of distributed solar generation, this means utilities must own and retire RECs in order to show compliance.

Policy by numerous federal agencies and nearly all state RPS requires that in order to claim solar generation, an entity must also own the associated RECs. For example, recent guidance under federal Executive Order 13514, explicitly requires federal facilities to own RECs to meet renewable energy and greenhouse gas reduction goals, regardless of the generator's location or federal affiliation. To guard against deceptive or double claims, the recently updated Federal Trade Commission Green Guides maintained the position that to claim any of the non-power attributes of renewably-generated electricity, the claimant must own the RECs.

Furthermore, the industry-leading Green-e Energy standard tracks RECs through the chain of custody to ensure there is no double-selling or double-claiming of the attributes of renewable energy generation, both within

voluntary and compliance markets. Green-e¹ certified RECs are the most trusted RECs in the market and by ensuring market integrity, Green-e has helped to build the largest REC market in the world.

Allowing a utility to claim the inherent value of the REC toward compliance without purchasing the REC potentially invalidates the REC and strips its value from the REC owner. When utilities are allowed to claim interconnected renewable energy without the related RECs, the residential or commercial generator is deprived of the opportunity to sell or claim the RECs because there is the inherent possibility of double-counting.

Hawaii's RPS provides a recent example of the damaging impact of APS's proposed DG policy: Hawaiian eligibility rules contain language that counts all customer-sited, grid connected renewable electricity towards the RPS by default. According to the Green-e Energy standard, "this [Hawaiian] language results in a double claim of the renewable attributes of the MWh for any renewable energy certificates (RECs) from Hawaii generated since June 2006," meaning the RECs may not be sold into the voluntary market – a national market which is estimated to have grown by 20% last year – nor may the generator claim his or her own electricity as renewable.

Furthermore, the proposed method undermines additionality, or the idea that the RPS needs to develop renewable energy generation beyond what would have happened anyway. APS proposes to automatically claim distributed solar deployed by residential and commercial entities even though the utility did nothing to bring those DG resources on line. Using the voluntary actions of others to meet regulatory obligations – without contribution or compensation – effectively guts the purpose of the Arizona RPS, undermines the integrity of the voluntary market, and negates the value of the remaining RECS.

We encourage ACC to review its options and consider other solutions, including market-based mechanism such as those in place in nearly a dozen states, including Colorado, Connecticut, Massachusetts, Illinois, and California. RECs are environmental commodities with monetary worth. The practice of ensuring the RECs have a single owner with attributes that cannot be double-counted was established to promote market and environmental integrity. Our organizations respectfully request that the ACC take additional time to evaluate the full consequences of Track and Record, and recommend an alternative method for APS's proposed 2013 REST Implementation Plan that maintains REC value.

Sincerely,

**Center for Biological Diversity
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Union of Concerned Scientists
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¹ Green-e is the nation's leading certification program for renewable energy, estimated to represent 65% of all REC sales.