

ORIGINAL

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January 17, 2013

Sent via email: Stump-web@azcc.gov

E-01345A-12-0290

Arizona Corporation Commission
Mr. Bob Stump
Commissioners Wing
1200 W. Washington - 2nd Floor
Phoenix, Arizona 85007

E-01345A-10-0394

RE: Value of local energy investments under proposed APS and TEP REST 2013 policies

Dear Commissioner Stump:

The Renewable Energy Markets Association (REMA) appreciates the opportunity to share its concern with you and the other the Commissioners on recent efforts that could devalue our members' and their clients' Arizonian investments in renewable energy generation. It is our understanding that two Arizona utilities, Arizona Public Service and Tucson Electric Power, have submitted proposals for meeting their state Renewable Energy Standard & Tariff (REST) obligations for 2013 and beyond (Dockets E-01345A-10-0394/E-01345A-12-0290 and E-01933A-12-0296, respectively), and that these dockets will discussed during a January 23 Commission meeting.

Staff from the Arizona Corporation Commission (ACC) has evaluated these two proposals and is recommending a "Track and Record" method for demonstrating compliance for distributed renewable generation. If enacted, "Track and Record" would strip real financial value from our company's local renewable energy investments and impede our ability to make future investments in Arizona.

REMA members and their commercial project partners have invested in numerous renewable energy systems at facilities across the state. Before installing a solar panel, wind turbine, or other renewable energy system, project partners carefully evaluate their ability to finance energy systems through a combination of tax incentives, Power Purchase Agreements (PPAs), and sale of the Renewable Energy Credits (RECs) from the specific system(s). A REC represents the generation of one mega-watt hour (MWh) of electricity from an eligible renewable source. RECs receive a unique serial number and are tracked at the state, regional, and national levels through registries. Utilities, businesses, and individuals are able to confidently purchase and claim the environmental attributes associated with renewable energy generation to meet their personal, business, or legal needs. *RECs have real financial value*, and revenue from the sale of RECs—whether to customers within the state or nationwide—plays a significant role in funding a renewable energy system through its operational lifetime.

The "Track and Record" method under discussion would interfere with these companies' ability to sell RECs from the installed and planned renewable energy systems. The environmental attribute (or "green power") that a REC embodies may only be claimed by one party, otherwise the REC is deemed double counted and becomes nearly worthless. If "Track and Record" is enacted, a utility could claim a grocery store's renewable energy from its roof top solar panels without compensating that facility for its REC, leaving the grocery store with a REC that it cannot sell and an uncertain financial model.

We understand that the combination of increasing utility renewable energy targets and falling renewable technology prices are changing the landscape for green power in Arizona. However, the proposed "Track and Record" method is the wrong solution to aid utilities in cost-effective REST compliance. Such a proposal would likely force Arizona businesses to re-evaluate their existing and future renewable energy investments. We encourage you and the other ACC Commissioners to consider other options for demonstrating REST compliance that do not limit the opportunity for local businesses to sell its own RECs in state and national renewable energy markets.

Sincerely,

Josh Lieberman
REMA General Manager
jlieberman@ttcorp.com

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