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AZ CORP COMMISSION
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The Arizona Corporation Commission
Chairman Bob Stump, Vice-Chairman Gary Pierce
Commissioners Brenda Burns, Bob Burns, and Susan Bitter Smith
1200 West Washington Street
Phoenix, Arizona 85007 (Docket Control, 13 copies)

2013 MAY 31 PM 2 08

ACC Docket Numbers (consolidated):
E-01345A-10-0394, E-01345A-12-0290, E-01933A-12-0296, and E-04204A-12-0297

COMMISSIONERS:

Subject: 2013 Renewable Energy Standard and Distributed Energy
Implementation Plans for APS, TEP, and UNS Electric

1. Summary.

It is recommended Renewable Energy Credits (RECs) be purchased by Arizona electric utility companies after REST solar electricity rebate incentives expire on 31 December 2013. These utility companies can compete in the REC market to purchase Arizona-generated RECs from individual ratepayers, industry installers or from renewable energy leasing firms in order to meet REST goals.

2. Background.

I have a one-axis tracking solar electric and a solar water hot water heating system and participated in the Environmental Protection Standard (EPS) transition to the present Renewable Energy Standard Tariff (REST) program several years ago that took several years. Changes to these long-term personal investments are of concern.

UNS Electric (UNSE), my electric utility, "owns" the RECs from my solar electric and water system for a 15-years time period. I had NO choice. *I had to give up* my RECs to UNSE in order to receive REST incentive rebates from an account my utility retains. RECs have "value" to meet their REST goals but also have, from a financial view, an economic value as the utility can *resell RECs at a premium*. A ratepayer may re-sell any annual excess in October at 2.9003 cents/kWh, far less than what my utility obtains when it sells a REC.

Since some incentive rebates appear to be ending by 2014, then utilities cannot demand those renewable energy ratepayers "give" up their RECs. Since RECs have value (when there is no other incentive), the utility must then *purchase* RECs at *fair market value* from anyone who will own RECs (with new systems), that is from

- (1) Individual renewable energy ratepayer installing a system,
- (2) Renewable energy industry installer, or
- (3) Renewable energy system lending firm used for long-term loans.

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REST rules require “annual” reports from Arizona utilities. The Commission can annually evaluate the REC costs to determine if **prudent market-based** purchases were made in order to justify these REC costs in next year’s tariff for these expenses.

For RECs purchased by an Arizona utility, these “Watts” apply against the applicable REST goal, for a ratepayer’s group, such as residential or distributed generation.

Whenever customer incentives disappear, all new renewable energy systems, including individual solar electric and hot water customers, can use the “market” to sell their RECs to an acceptable offer from any buyer, that maybe their utility company.

These new renewable energy customers (without rebates) then will have an opportunity to sell their RECs to any utility, including those out of state. The Arizona electricity utilities can purchase any and all RECs required to meet their REST goals.

Thus, no changes are necessary to the existing REST rules, only modification by a Commission Order of the process for handling RECs when there are new financial incentives for ratepayers. There should be no 50/50 split or double booking concerns.

3. Conclusion.

This simple, easy to implement, and a ratepayer-understandable process can handle RECs after 1 January. Customers will be able to use the market when they are investing their own capital in the electric infrastructure of our state. The utilities can purchase RECs from the appropriate customers to meet their REST goals.

4. Recommendations.

1. That Arizona electric utilities cannot obtain RECs from new renewable energy installations without paying the market price whenever there are no financial incentives in the utilities’ annual REST Plan.

2. That these RECs can be sold at market prices by ratepayers, installers or financial institutions with renewable energy loans.

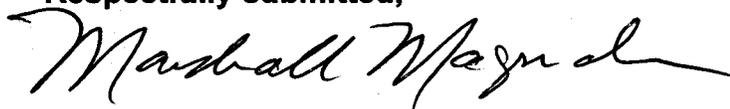
3. That all Arizona electric utilities meet their annual REST goals by prudently purchasing the appropriate RECs from any Arizona utility renewable energy customer.

4. That Arizona electric utilities include REC purchase costs in their annual REST plans for a prudency review leading to a Commission-approved tariff customer charge.

5. That the present REST netmetering rules remain without change.

If there are any questions, please feel free to contact me. Mailed this date.

Respectfully submitted,



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