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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission
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MAR 20 2014

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March 19, 2014

Chairman Stump and Members
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

ORIGINAL

RE: DOCKET E-01345A-10-0394, E-01345A-12-0290, E-01933A-12-0296, & E-04204A-12-0297 –
Opinion and Order on Track and Record and Potential Alternatives.

Dear Chairman Stump and Commissioners:

Please accept these comments on behalf of the Sierra Club's Grand Canyon (Arizona) Chapter and our more than 35,000 members and supporters in Arizona.

The Track and Record discussion that was initiated to address the Arizona Public Service Company (APS) concern about acquiring Renewable Energy Credits (RECs) when incentives are no longer available generated several options from various parties and ranged quite widely from the original subject matter. Still, various parties provided proposals to address this issue. Despite that, at the Arizona Corporation Commission (ACC) meeting on February 6, 2014, at least two commissioners indicated that this "problem" left them with only two choices – lower the Renewable Energy Standard and Tariff (REST) or devalue the RECs. We disagree.

Neither of these alternatives is necessary or acceptable. Permanently eliminating the distributed energy carve-out from the REST as proposed by APS is also unnecessary and unacceptable. These actions would certainly give Arizona another black-eye when it comes to roof-top solar, the largest component of distributed energy.

The Commission should instead consider options presented by Vote Solar and Western Resource Advocates (WRA). Rather than insert additional uncertainty and cause further harm to roof-top solar programs, the Commission should simply authorize the utilities to purchase RECs from distributed energy, as needed, relative to the utilities' implementation plans. This appears to be the simplest and cleanest approach to this issue and would require no change to the current REST, plus would keep intact the value of the RECs. WRA and Vote Solar presented various implementation options, as well, including an auction process, a technical conference to determine if incentives are still needed, and a low-cost market-based standard offer method. Any of these options provides a constructive path forward to ensure accountability on the part of the utilities and that customers are not getting short-changed on RECs. Further, RECs have a very low market price today, so the cost impact on ratepayers is minimal.

Arizona's REST is a modest standard. At a time when many neighboring states have gone well beyond our 15 percent by 2025, it is unwise to look at reducing that requirement. Devaluing RECs is equally

unwise. Merely allowing the utilities to count the kilowatt-hours to establish compliance without actually acquiring the RECs could constitute a taking of property without compensation, as numerous parties also have indicated in these proceedings.

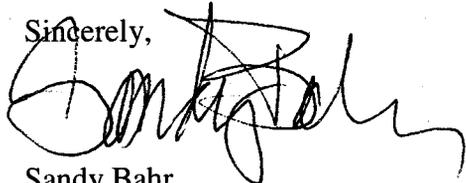
We are not surprised that APS, Tucson Electric Power, and UNS Electric are supportive of elimination of the distributed energy carve-out. Arizona's regulated utilities have never been supportive of the distributed energy requirements in the REST as these provisions do not fit with their business model of keeping centralized control of electricity generation. Well, that is exactly the point and part of what was contemplated by the Commission when it adopted the REST with the distributed energy requirements. Commissioners recognized the benefits of distributed energy generation to the ratepayers. Solar rooftops coupled with energy efficiency programs reduce the amount of electricity we use from the grid, reduce the need for large power plants and associated transmission, reduce air pollution, and avoid or defer future costs.

The utilities would have us believe that rooftop solar and the distributed energy requirement are bad for ratepayers when the opposite is true. These systems assist consumers by powering their energy needs with clean, renewable energy. They also benefit our state and utility companies because any excess energy is sent back into the grid, especially during some of the peak hours, reducing the need to acquire or generate additional electricity at top dollar. Solar rooftop installations reduce demands on water, do not pollute our air and water, and provide utility customers much more control over their energy future.

Arizona has an opportunity to assume a leadership position on solar, but proposals to reduce or eliminate the distributed energy requirements and devalue renewable energy credits will merely get in the way of that. We have already seen a major battle over net metering damage our state's credibility on its commitment to solar energy. Please do not damage it further.

Thank you for considering our comments, and, again, we urge you to look beyond reducing the REST and devaluing the RECs and to consider other options to ensure compliance with the distributed energy provisions in the REST.

Sincerely,



Sandy Bahr
Chapter Director
Sierra Club – Grand Canyon Chapter