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BEFORE THE ARIZONA CORPORATION COMMISSION

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PROPOSED RULEMAKING TO MODIFY THE RENEWABLE ENERGY STANDARD RULES IN ACCORDANCE WITH ACC DECISION NO. 74365

DOCKET NO. RE-00000C-14-0112

COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE (TASC)

I. Introduction

The Alliance for Solar Choice ("TASC") appreciates the opportunity to provide its comments to Staff's Notice of Compliance filed on April 4, 2014 (the "Notice"). It appeared from the discussion at the Commission's recent Open Meeting on the subject of this docket that some parties, and perhaps some Commissioners, are under the impression that the Commission must choose between preserving Arizona's highly successful Distributed Generation Carve Out (the "DG Carve Out") and preserving the integrity of Renewable Energy Credits ("RECs"). As explained herein, this is a false choice that should be rejected for the good of Arizona. Any option that removes the current DG Carve Out or that strips the right to own and utilize RECs from the owner of a distributed solar resource will be the result of a failure to carefully and fully analyze this problem and the impacts of the proposed solutions. As more thoroughly described in Section III below, slight modifications to Staff's Option 7 result in a policy that preserves

REC integrity, preserves the DG Carve Out, continues to promote the uptake of distributed renewable energy, and adds zero additional costs to the ratepayers.

II. Response to Staff's Proposals

While we appreciate Staff's attempts to solve this problem, the seven (7) wide-ranging options it proposes in its Notice all either fail to maintain both the DG Carve Out and REC integrity or have other policy shortcomings that make them unworkable. The following is a brief analysis of the inadequacies of the seven proposals:

1. Staff Option 1: Track and Monitor

   Staff's Track and Monitor proposal would clearly result in a counting of RECs by the utility and would strip the owner of the distributed solar resource of its rights to the system's RECs without providing any compensation. Track and Monitor results in a count because it proposes a one-for-one reduction in the REST for each kWh of DG solar hosted on APS' system. A one-for-one match between kWhs and REST compliance is undeniably a counting of RECs and whether the counting is accomplished by reducing the REST or giving positive credit for the kWhs toward the REST requirement simply does not matter. Staff Option 1 should be rejected.

2. Staff Option 2: Utility Purchase of Least Cost RECs

   While Staff Option 2 preserves the property right interest in RECs that are held by the owner of the renewable resource, it is not necessary for utilities to purchase RECs at this time.

3. Staff Option 3: Creation of Maximum Conventional Energy Requirement

   Staff Option 3 proposes the elimination of the REST entirely and flips the analysis to the amount of conventional energy instead of renewable resources. We believe that this methodology, while creative, is likely to have numerous unintended consequences and represents an extremely broad policy makeover in a case where precision is what is needed.

4. Staff Option 4: Mandatory Upfront Incentives

See response to Staff Option 2 above.

5. Staff Option 5: REC Transfer in Exchange for Net Metering

New solar customers already pay a fee for net metering and it would be grossly unfair to charge them a fee AND require them to forfeit the rights they have in the RECs that their solar arrays produce. Net metered customers spend their own money to install solar systems that feed energy to the grid and provide a net benefit to all ratepayers. This proposal would work as an uncompensated exaction on those that merely wish to exercise their right to purchase less power from the utility.

6. Staff Option 6: Recover DG Costs through Rate Case

It is unclear at this time exactly what this Option represents and how it would work. Of particular concern is the waiver granted for "financial hardship." It is not clear what this means and without further information we cannot support this Option.

7. Staff Option 7: Track and Record

Staff Option 7 is a well-meaning attempt to find a solution that maintains REC integrity (does not count the RECs for compliance) while preserving the DG Carve Out. Unfortunately, for reasons that were well supported in testimony during the hearing on this matter, this attempt falls just short and results in an uncompensated counting of RECs. Fortunately, slight revisions to this Option create a workable policy for Arizona that should be adopted.

III. The Solution: Modified Track and Record

Under this proposed solution the utility would still report the total kWhs of energy created from incentivized and unincentivized distributed renewable resources each and every year. The annual incremental increase in total kWhs produced by distributed renewable resources in a

given year would be compared with the historic average annual increase in distributed renewable resources from prior years. If the annual increase for the year in question meets or exceeds the historic average annual increase then the utility could seek, and the Commission could grant, a waiver from that year's required incremental increase in DG under the REST.
The key here is that there is no longer a one-for-one link between kWhs produced and the waiver from the REST thereby preserving the integrity of the REC. Instead of using the yearly incremental RES requirement to determine compliance, this analysis focuses on the average uptake in previous years to determine if the underlying DG market has continued to be sustainable in the absence of an incentive. The annual question before the Commission moves from one of compliance with the DG Carve Out to one of the health of the market in the absence of incentives.

The waiver that is implemented could be implemented in one of three ways: 1) It could be permanent, mandating that if the waiver is granted then the utility will never be required to acquire RECs to meet that year's incremental annual DG requirement. In this case the waiver would mean that the RECs for that year's annual increase would never be acquired and the REST targets could be met without the RECs. Remember that the utilities would still report the energy generated so there would be no doubt about how much DG solar was in use; or 2) It could be permissive, permitting the incremental REC requirement to be met by RECs generated from resources other than distributed. The permissive waiver would permit the utility to acquire or use RECs it has generated from utility scale resources to meet the annual increase required by the REST if the annual waiver is granted. To the extent that a utility merely applied its surplus utility scale RECs to meet the DG Carve Out for the year, this option would not have any impact on rates; or 3) It could be permissive unless surplus RECs were unavailable in which case it would be permanent to avoid potential increased costs to ratepayers.

This waiver request must be reviewed and analyzed at the end of each year for the preceding year. This is the only way to make sure the market will be sustained and that the granting of a waiver is not premature. The utilities may reply that this timing robs them of certainty that they need. However, the current system never had any certainty built into it and the utilities were able to make the current system work. In fact, utilities would regularly come to the Commission in middle of a year seeking an increase or decrease in incentive money to help drive the market or cool it off.

The benefits of this solution are numerous: 1) owners of solar systems would get to retain their RECs; 2) the DG Carve Out would be retained; 3) no increased costs are passed onto ratepayers; 4) the actual amount of renewables on the system would still be reported annually and could still be touted by the Commission; 5) the utilities would not be forced to procure RECs when the market is functioning. without the need for an incentive (no needless expenses); and 6) it allows the Commission to keep tabs on the DG market and intervene based on future occurrences that are unknown and unpredictable at this time.

Respectfully submitted this 21st day of April, 2014.

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Original and 13 copies filed on this 21st day of April, 2014 with:

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I hereby certify that I have this day served the foregoing documents on all parties of record in this proceeding by sending a copy via electronic mail and regular U.S. mail to:

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