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ARIZONA CORPORATION COMMISSION
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Arizona Corporation Commission
Commissioners Wing
1200 W. Washington - 2nd Floor
Phoenix, Arizona 85007

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Reference: Docket Number RE-00000C-14-0112

Dear Commissioners and Corporation Commission Staff:

This letter is in response to the seven plans proposed by staff, and the comments submitted by other stakeholders on docket number RE-00000C-14-0112. We offer our position as a small renewable energy company whose size is representative of many of the stakeholders in the solar industry. The integrity of SRECs is vital to the solar market in Arizona. In the interest of their preservation, we submit the following response.

A. Affirmation of the Validity of a Voluntary SREC Market

Although we are a small firm, we have recognized the potential that the voluntary and regional SREC markets can offer. We are registered with WREGIS to track the SRECs generated by our systems so that we are able to sell them outside of Arizona into other markets where demand exists. For this reason, it is crucial that the commission pursue a solution which does not double count this commodity.

B. Support for Staff's Option 2

We concur with many of the solar industry advocacy groups who have submitted comments into this docket that the majority of the options suggested by staff do not ensure, as written, the integrity of SRECs. Although several stakeholders have suggested various modifications to staff's Option 7, Track and Record, we believe Option 2 is the simplest solution for addressing SREC compliance. Purchasing the least cost SREC for compliance would be achieved through an SREC market. An SREC market would provide numerous benefits to all stakeholders:

1. Simple Setup

Option 2 would be the easiest to set up given that many states already have effective SREC markets. None of the other options presented by staff preserve SREC integrity as is, and even Option 7 requires complicated revisions to achieve this end. In contrast, setting up Option 2 in Arizona would be a relatively simple matter of choosing between any number of purchase structures based on best practices pioneered in other states.

2. Lowest Cost Solution

Option 2 provides a market-based solution to SREC compliance. Allowing market principles to function should provide the lowest-cost compliance option to rate payers. In years where the solar market continues to exhibit strong growth thanks to federal tax credits and other incentives, the over-supply of SRECs will drive compliance costs to the lowest possible levels for utilities. However, if market conditions changed due to the elimination of federal incentives or any other factor, the price of SRECs would respond in real time to the market conditions, stabilizing progress towards the RPS.

3. Regulatory Longevity

Option 2 provides a solution that will last the duration of the RPS. Track and Monitor and several of the other options proposed require yearly re-evaluation and waiver applications. In contrast, an SREC market would continue to function in a predictable manner for all stakeholders, responding to market conditions and stabilizing solar growth without additional intervention from the Corporation Commission.

We encourage the Commission to seriously consider Option 2 and solve the question of SREC compliance permanently. In requiring that utilities simply purchase the least cost SREC, Arizona will join a long list of states that have already chosen the most efficient solution to RPS compliance. This will create a market that will provide regulatory predictability and the responsive market stabilization mechanism needed to ensure the long-term growth of the industry without future intervention.

Thank you for your consideration,

Laura Palm Belmar

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