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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

RUCO's COMMENTS

ORIGINAL

BACKGROUND

If EPA's proposed 111(d) rule is enacted and deemed constitutional, Arizona must brace for a very high emissions reduction. In fact, Arizona has one of the highest reduction requirements of all US states.

Renewable energy deployment is clearly a key avenue to meeting the EPA's targets. The initial draft of EPA's Technical Support Document makes it clear that monitoring, reporting, and recordkeeping requirements will be stringent and likely revolve around renewable energy credits.¹

¹ Technical Support Document (TSD) for Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units makes it clear that standardized reporting will be key to the recognition of renewable energy deployment and subsequent emission reductions. From reading the document, it is evident that renewable energy credits will be important. In fact, the term renewable energy credit or (REC) is used over 45 times in the document.

1 **RISKS**

2 If Arizona, does not setup a clear transaction to acquire RECs then the state will be
3 forfeiting and/or invalidating an entire segment of its in-state renewable energy resources.
4 Worse still, the investment Arizona made into distributed generation, including thousands of
5 revenue quality meters to measure production, would essentially be worthless in terms of EPA
6 compliance. Failure to find a solution that preserves REC integrity could risk subjecting Arizona
7 to steeper than necessary 111(d) compliance targets.

8

9 **SOLUTIONS**

10 Many of the options contemplated for solving the REC transaction issue may not aid Arizona
11 in counting its vast DG potential toward emission reduction. Consequently, RUCO strongly
12 recommends creating a transaction whereby the utility can gain RECs from willing solar
13 adopters. The key is to start accumulating RECs as soon as possible.

14 RUCO suggests two possible methods:

- 15 1. Create a "back-fill" policy that allows DG adopters a choice to keep their RECs or
16 provide them to the utility. If the customer decides to hold on to their RECs, they
17 will incur a small charge that will cover the cost of the utility going out and
18 procuring inexpensive unbundled RECs. The REST rules would need to be
19 modified in order to allow applying unbundled RECs to count towards the DG
20 carve out (not to exceed the individual customer's actual output).
- 21 2. Using the LFCR "net metering" charge as the transaction mechanism. If a
22 customer retains their RECs they would have a different charge than a customer
23 that transacted their RECs with the utility.

24

1 Both options would likely maintain REC integrity for 111(d) compliance because the
2 policies setup a clear transaction for a customer's RECs and no claim is put upon a REC that is
3 not explicitly transferred to the utility.

4
5 **OPPORTUNITY**

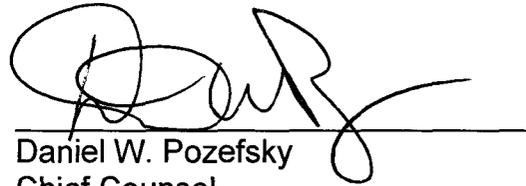
6 Xcel Energy in Colorado actually made money for its shareholders and ratepayers
7 (50/50 split) by selling RECs to other parties. If for some reason Arizona easily meets its carbon
8 target early or has a successful negotiation with the EPA, Arizona related solar RECs could be
9 valuable to other states. Since Arizona has the highest solar production in the US, Arizona will
10 always be able to have highly competitive RECs for sale as long as a robust market exists. The
11 EPA ruling, if it holds up in court, could provide that marketplace.

12
13 **CONCLUSION**

14 The Commission should ensure that Arizona obtains EPA compliance credit from its
15 distributed generation investments. If the Commission rejects the above policy
16 recommendations then RUCO strongly advises inserting the following language (or something
17 similar) in the REST rules to give a future Commission the flexibility, in the event of EPA rule
18 implementation:

19 *"Affected utilities, upon approval of the Commission, may be*
20 *authorized to use non-DG RECs (bundled or unbundled) to*
21 *satisfy compliance of the DG carve-out. However, the amount*
22 *of non-DG RECs applied to the carve-out cannot exceed the*
23 *number of RECs and/or kWhs produced by customers who*
24 *have not exchanged their RECs to the utility in their respective*
service territory."

1 RESPECTFULLY SUBMITTED this 1st day of August, 2014.

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