



BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

- Bob Stump, Chairman
- Gary Pierce, Commissioner
- Brenda Burns, Commissioner
- Bob Burns, Commissioner
- Susan Bitter Smith, Commissioner

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ORIGINAL

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

DOCKET NO. RE-00000C-14-0112

INITIAL WRITTEN COMMENTS OF VOTE SOLAR TO PROPOSED RENEWABLE ENERGY STANDARD RULES CHANGES

I. Introduction

Vote Solar appreciates the opportunity to provide initial written comments on proposed rule changes to the Renewable Energy Standard rules as filed on September 19, 2014. Vote Solar's interest here is to ensure that solar customers retain ownership of the Renewable Energy Credits (RECs) associated with their clean energy generation, or that they receive appropriate compensation for those RECs if they are conveyed to the utilities to be used for Renewable Energy Standard and Tariff (REST) compliance. Our specific concerns include: 1) key provisions that are vague, and 2) the value of RECs is compromised. Clarifying modifications filed by Staff on November 3 address these concerns, and we support the Commission's adoption of these revisions.

Key provisions of the rule changes are vague

Vote Solar has concern that the intent of vague language in the changes is not clear: "The Commission may consider all available information and may hold a hearing to determine whether an Affected Utility's compliance report satisfied the requirements of these rules." The proposed rules appear to provide that non-utility owned RECs will be acknowledged for informational purposes by the Commission. We propose that the Commission be very clear as to whether this language means that non-utility owned RECs can be used by the utility for REST compliance. If so, we are opposed to this approach because RECs have value and may not be conveyed for free to the utility.

The clarifying modification proposed by Staff, "The reporting of kWhs associated with Renewable Energy Credits not owned by the utility will be acknowledged **for reporting purposes, but will not be eligible for compliance with R14-2-1804 and -1805**"<sup>1</sup> clarifies the vague language in the proposed rule changes.

<sup>1</sup> Staff's Comments filed November 3, 2014.

### **Value of RECs is compromised**

We share the Commission's intent to protect the value of RECs and avoid the issue of double counting in the proposed rule changes. Unfortunately, the current proposed language will compromise the value of RECs because the act of "acknowledging" non-utility-owned RECs for REST compliance creates the exact double counting scenario all of us wish to avoid. Whenever customer-owned RECs are used to track compliance with the REST (and a REC is necessary for RPS compliance, otherwise the renewableness of the underlying 'null power' kWh has been stripped away), the utility must pay the customer for the value of that REC. RECs cannot retain their value in the voluntary market if they are also being claimed by a utility for RPS compliance purposes. If there is any uncertainty around that question, REC aggregators are likely to look elsewhere.

As an example, Clean Energy States Alliance warns REC purchasers to ensure their purchase does not count towards a mandate:

*Buyers of unbundled renewable energy certificates (RECs) or bundled green power products should ensure that their supplier is not also applying the underlying attributes and environmental benefits to a mandate (e.g., a state renewable energy portfolio standard [RPS]). **Such a situation would constitute a double claim between you and your supplier.***<sup>2</sup>

If the Commission adopts the proposed rule changes, customers owning RECs in Arizona will be unable to receive Green-e Energy and other certifications for their RECs. This will result in devaluing of RECs generated in Arizona, and could easily be construed as a regulatory taking directly affecting individual property rights and value. If the modifications proposed in Staff's Comments are adopted, the value of RECs will not be devalued.

## **II. Proposal to adopt REC tracking system in AZ**

Arizona does not use a tracking system to track RPS compliance, but Arizona electric utilities report that they use WREGIS to issue and retire RECs for all renewable projects.<sup>3</sup> Arizona, Hawaii and Nevada do internal verification of RPS compliance solely through utility reports to their state energy regulatory commissions and Arizona and Hawaii are the only states that do not verify these

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<sup>2</sup> REC Definitions and Tracking Mechanisms Used by State RPS Programs. Clean Energy States Alliance, June 2014. <http://www.cesa.org/assets/2014-Files/RECs-Attribute-Definitions-Hamrin-June-2014.pdf>

<sup>3</sup> REC Definitions and Tracking Mechanisms Used by State RPS Programs. Clean Energy States Alliance, June 2014. <http://www.cesa.org/assets/2014-Files/RECs-Attribute-Definitions-Hamrin-June-2014.pdf>

reports through some type of tracking system. It should be noted that Hawaii does not have a compliance requirement for distributed solar generation systems.

Because double counting and protection of the value of RECs are of critical importance in the proposed rule changes, Vote Solar recommends that the Arizona Corporation Commission begin using WREGIS (or other tracking system) to track REST compliance. This will help ensure that any RECs used for TT compliance are appropriately issued, tracked, and retired. This also allows an additional layer of transparency and accountability whereby the Commission can verify compliance reports.

### **III. Conclusion**

Vote Solar's proposal is to leave intact the standard including A.A.C. R14-2-1805, the Distributed Renewable Energy Requirement, without including the proposed changes. Vote Solar reiterates our support for finding the lowest cost method for acquiring RECs needed for REST compliance. The proposed rule changes are vague, create an opportunity for double counting, and therefore compromise the value of RECs. We further support a fully transparent process for the Commission to verify utility REST compliance in the form of a REC tracking system.

Vote Solar's concerns with the proposed rule changes are largely addressed by the November 3 Staff modifications. We therefore support the proposed rule changes if Staff modifications are adopted.

Respectfully submitted on this 7<sup>th</sup> day of November, 2014,



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