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Arizona Corporation Commission

DOCKETED

February 4, 2019

FEB 4 2019

Re: E-00000Q-19-0015

DOCKETED BY

Dear Chairman Burns and Commissioners,

This letter is in response to Commissioner Tobin’s letter to this docket from January 29, 2019. Unless the Commission acts on the issue of currently pending PURPA contracts, the State of Arizona stands to lose out on hundreds of millions of dollars in investment in clean energy along with thousands of jobs that will never be created in Arizona’s rural counties. While AriSEIA is supportive of the Commission taking the time it needs to evaluate long term changes that the utilities have requested to various rate schedules, the issue of contracts that have previously been proposed should be addressed right away. AriSEIA recommends the adoption of an interim policy or interim direction to the utilities directing them to enter into PURPA contracts containing commercially reasonable terms necessary to make the pending contracts financeable.

The primary reason the Commission should act now on an interim policy is the impending stepdown of the ITC. For projects that have not commenced construction prior to the end of 2019, the ITC step down can mean tens of millions of dollars in difference. For example, a proposed \$500 million solar project would lose \$20 million in eligible tax credits if it commences in 2020 instead 2019. A \$20 million reduction in benefit from a proposed project is much more than enough to make sure the project never gets built.

We believe Arizona should take reasonable steps to take advantage of the full ITC before it steps down to a lower level. Even if the Commission ultimately rejects pending applications from Arizona utilities and reconfirms its commitment to financeable PURPA terms, this decision is not going to be made until 2020 based on current schedules. Independent of the Commission’s ultimate decision, this passage of time alone will act to deprive Arizona of this massive investment and thousands of jobs.

AriSEIA encourages the Commission to build an interim policy or provide interim direction around the notion that utilities should be required to offer financeable terms to PURPA developers. Specifically, this means a contract length and term commitment that lasts a minimum of fifteen years. AriSEIA is not familiar with any Arizona PPA between a utility and a solar developer that has not been for a term of fifteen or more years. For this interim policy, it is appropriate to use regular utility practice as the Commission’s guide and require reasonable length of contracts.

The Commission has had a policy in place to deal with PURPA contracts since 1981 when it passed Decision 52345 (the "Policy"). In adopting the Policy, the Commission expressly proclaimed that the Policy "represents and attempt to reduce the administrative burden and bureaucratic barriers to the advancement of cogeneration and small power production, not impose frustrating delays and procedures." Decision 52345, 1:22-24. Among other things, the Policy set forth that "all contracts for the sale and/or purchase of energy between utilities and QF's shall be submitted to this Commission for review and approval." Decision 52345, 8:12-14. The Policy also contemplated that it would need to be modified from time to time to deal with specific situations "on a case by case basis." Decision 52345, 2:1-2. By refusing to offer financeable terms, the utilities are clearly violating the Policy, making it appropriate for interim measures to be taken to deal with this issue.

AriSEIA is appreciative of the opportunity to provide this comment and is hopeful the Commission will take this opportunity to unleash hundreds of millions of dollars in clean energy investment in rural Arizona.

Sincerely,

/s/ Lucy Mason

Lucy Mason

Executive Director

Arizona Solar Energy Industries Association