



The Northern Arizona Renewable Energy Purchasing Group (NAREG) Memorandum of Understanding

NAREG is a consortium of energy purchasers and producers working toward an agreement to purchase green power and facilitate renewable energy development and availability in northern Arizona.

The *Coconino County Sustainable Economic Development Initiative (SEDI)* has created a renewable energy purchasing consortium called the *Northern Arizona Renewable Energy Purchasing Group (NAREG)*. The initial members of this group are Northern Arizona University, Coconino County, the City of Flagstaff, Coconino Community College, Flagstaff Medical Center, Foresight Wind Energy, Hozho International, Nestle Purina Pet Care Company, Flagstaff Unified School District, and Xanterra Resorts. Collectively, this group represents significant electrical demand and purchasing power in northern Arizona.

This core group has met regularly with northern Arizona representatives of Arizona Public Service (APS) since February 2007. Their purpose is to consolidate enough purchasing demand for renewable energy to stimulate APS to invest in renewable energy generation in northern Arizona. As a first step toward this goal, the group has developed a Memorandum of Understanding (MOU; see *Appendix A*) with APS, which would produce the several benefits described in the MOU. NAREG invites your organization to join us and to consider signing the MOU.

Participation in this MOU is voluntary and requires no specific energy purchases. The MOU is an expression of intent only; it is not binding. Each participating organization would contract separately with APS for renewable energy at a level determined by that organization. The strategy is to start small with most participants initially committing approximately 5% of their energy purchases to renewable sources, followed by approximately 5% annual increases, until the total load of NAREG participants reaches a point at which APS could source renewable energy from northern Arizona, which is the ultimate purpose of this initiative.

One of the additional benefits coming out of our discussions is the potential to lock in energy prices under a long term contract (the working hypothesis is 15-20 years). APS needs a long term demand commitment before it signs a power purchase agreement with a northern Arizona renewable energy generator. Since renewable energy fuel costs are not expected to increase significantly during the time of that contract, this provides an attractive opportunity to hedge against fuel price increases over the coming years.

Regional collective green energy purchasing is a new concept (the first in APS territory). SEDI and APS are planning extensive advertising and media coverage which in turn will benefit the sustainability efforts of member organizations, greater Flagstaff, and APS. A case study will document the value of this approach.

You are invited to participate with NAREG and to sign the attached MOU. If you have questions, feel free to contact John Grahame, SEDI Program Coordinator, at 928/679-7129; Ron Hubert, Hozho International at 928/779-9688; or Gary Deason, Center for Sustainable Environments, Northern Arizona University, at 928/523-4889.

NAREG participating organizations and contact persons:

City of Flagstaff: Rebecca Sayers 928/779-7678

Coconino County: Lucinda Andreani 928/779-6576

Coconino Community College: Mark Easton 928/226-4284

Northern Arizona University: Rich Bowen 928/523-8831, Heather Farley 928/523-0637, or Gary Deason 928/523-4889

Xanterra Resorts: Gordon Taylor 928/638-2502

Flagstaff Unified School District: Kevin Brown (928) 527-6001 or Bob Kuhn 928/527-6011

Arizona Public Service-Flagstaff: Mike McElmury 928/773-6417 or Steve Catanach 928/773-6453

Hozho International: Ron Hubert 928/779-9688

Foresight Energy: Amy LeGere 928/699-3373

Nestle Purina PetCare: Bill Calloway or Colby Huffmon 928/527-2255

SEDI: John Grahame 928/679-7129 or Carl Taylor 928/779-6697

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Appendix A

The NAREG Memorandum of Understanding (MOU)

Common Principles

- A wide range of environmental conditions as well as state, county and city policy initiatives suggest that we significantly increase the percentage of energy we generate from renewable resources.
- Northern Arizona has a range of potential renewable energy resources, including wind, solar and biomass.
- Renewable energy development in northern Arizona would contribute to many city, county and state policy goals including sustainable economic development, job creation, an increased tax base, greater energy independence, stabilizing uncertain future energy prices, relevant research and curriculum topics, the community's effort to reduce carbon emissions, and a better quality of life for area residents.
- A wide range of public and private organizations in northern Arizona can directly capture some of the benefits of renewable energy development sited locally.
- Capital investments and operating costs for northern Arizona renewable energy generation do not always result in the lowest cost energy services.
- A consortium of renewable energy purchasers paying a small premium for green power may enable electric utilities to cost-justify signing long term power purchase agreements for renewable energy generated in northern Arizona.

Common Objective

Based on these commonly held principles, the undersigned members of the Northern Arizona Renewable Energy Purchasing Group (NAREG) agree to work together to facilitate renewable energy development and availability in northern Arizona.

Commitment

This agreement is a voluntary expression of intent; it is not legally binding. Signatories may withdraw from the agreement without penalty if their situation changes.

Strategies

To achieve this objective, we anticipate pursuing these initial strategies:

- Identify the total energy demand and/or consumption of NAREG member organizations.
- Identify the portion of that demand and/or consumption that member organizations could commit to renewable energy purchases.
- Identify the portion of renewable energy demand and/or consumption that member organizations could commit to purchase in their next budget cycle, with the intention to start with a small amount (e.g., a voluntary target of 5%) and then scale up to larger renewable energy purchases based on a) satisfactory experience in capturing the various benefits possible, and b) demonstrating that consortium purchasing power can be leveraged to encourage the development of northern Arizona-based renewable energy projects.
- Each organization will develop its own plans to identify and capture the benefits of supporting the development of renewable energy generation in northern Arizona, as well as the benefits of energy efficiency and demand side management, to offset any premiums paid for renewable energy.
- As a collective of organizations NAREG and SEDI, its parent organization, will identify and publicize the local and regional benefits of their collective renewable energy purchasing and energy efficiency applications. It will encourage use of these communications materials by the City of Flagstaff, Coconino County, NAU, and other organizations for purposes of employee and business recruitment, tourism, and general promotion of the region.
- Engage in discussions with an Arizona electric utility, such as Arizona Public Service, to:
 - develop experience in purchasing renewable energy;
 - create a mechanism allowing the renewable energy purchases of NAREG member organizations to be treated as a purchasing block, even though each member organization would purchase its renewable power under separate contracts;

- develop an agreement that when NAREG member organizations renewable energy purchases represent significant demand, they will become the basis for creating a power purchase agreement with to-be-developed northern Arizona renewable energy generation source(s);
- create and get approval for a pricing arrangement under which the utility's premium (or discount) for northern Arizona renewable energy generation is passed through to NAREG member organizations based on the proportion of each organization's renewable power purchases; and
- cooperate with the utility on any regulatory approvals required, and on the promotion of this special renewable energy purchasing arrangement.



Signed, this _____ day of _____, 2008

Northern Arizona University _____

Coconino County _____

City of Flagstaff _____

Coconino Community College _____

Flagstaff Unified School District _____

Arizona Public Service _____

Xanterra Resorts _____

Flagstaff Medical Center _____

Nestle/Purina Pet Care _____