



## MICHIGAN RENEWABLE ENERGY CERTIFICATION SYSTEM ANNUAL REPORT FOR 2011-2012

Per the MIRECS contract with APX Inc., APX submits the following Annual Report for the period of July 1, 2011 through June 30, 2012 ('Year 3' of MIRECS Operations). The report provides an update on MIRECS operations and trends over the course of 2011-2012 as well as a financial review of revenues and expenses compared to the budget.

### OPERATIONS

Over the last year thirty new accounts were opened in MIRECS the majority of them by Michigan Electric Service Providers. This brings the total number of MIRECS account holders to 110 as displayed in Table 1. The number of projects registered in MIRECS increased by more than 60% to a total of 189 projects. The majority of new projects utilized Solar or Wind technologies.

**TABLE 1: MIRECS ACCOUNT REGISTRATIONS**

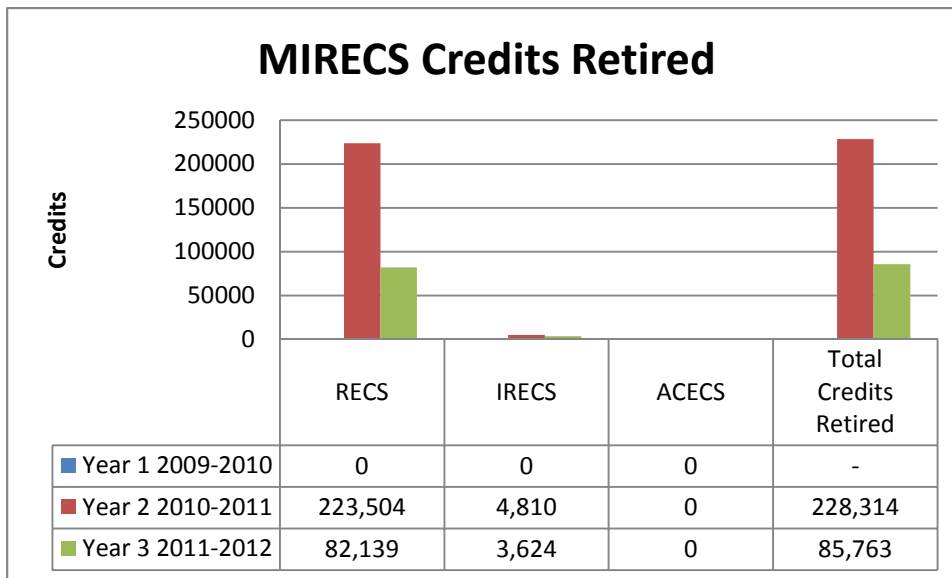
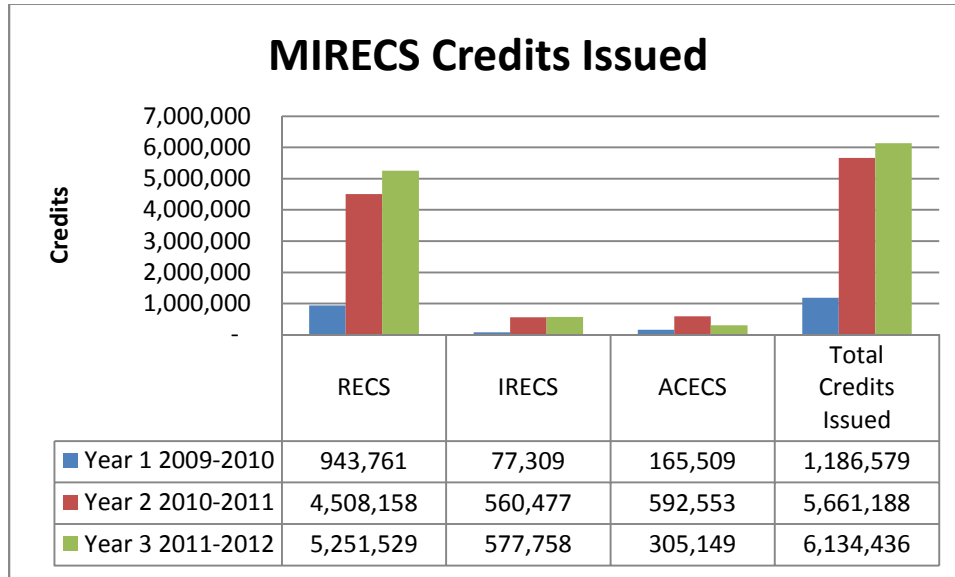
Registration	New Accounts in Year 3	Total Accounts in MIRECS (end of Year 3)
Accounts	QTY	QTY
General	1	12
Project	7	29
Michigan Electric Service Provider	22	65
Non Profit Wholesale Power Provider	0	4
<b>Total Accounts</b>	<b>30</b>	<b>110</b>

**TABLE 2: MIRECS PROJECT REGISTRATIONS**

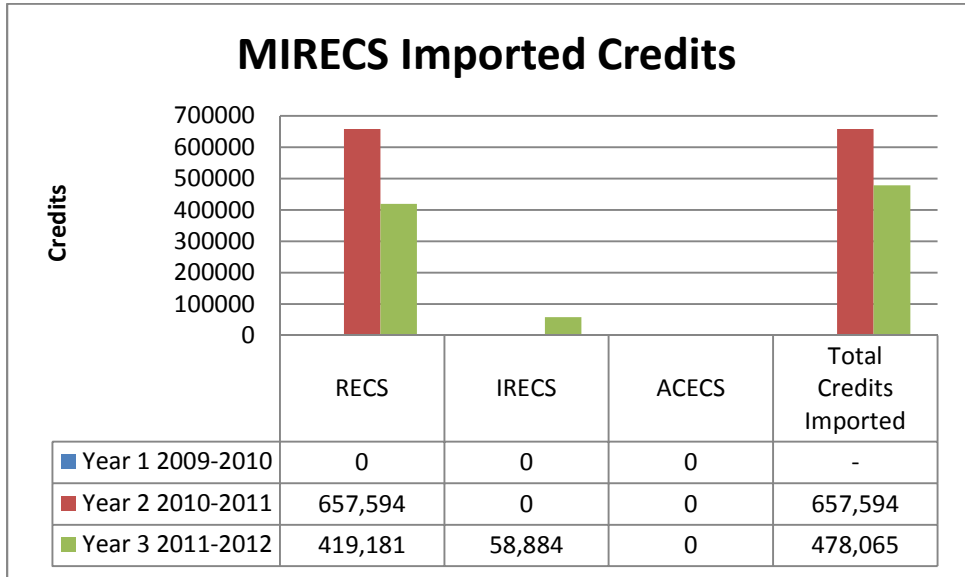
Registration	New Project in Year 3	Total Projects in MIRECS (end of Year 3)
Projects	QTY	QTY
MIRECS Generation	34	139
Import	39	50
<b>Total Projects</b>	<b>73</b>	<b>189</b>

Each year we have seen an increase in MIRECS issuance of credits and this trend continued between Year 2 and Year 3. However, retirements in Year 2 were much higher than in Year 3. In both Year 2 and Year 3 all of the retirements were for the voluntary market. The number of RECs imported into MIRECS was also higher in Year 2 than Year 3. However, the number of import transactions was ten times higher in Year 3 than Year 2.

**TABLE 3: MIRECS CREDIT ISSUANCE, RETIREMENTS AND IMPORTS**



*\*There were 545,273 credits issued and administratively retired that are not listed above due to these credits being created incorrectly due to over generation reported.*



As a result of the new account holders and significantly increased project activity we noticed a significant growth in interactions with MIRECS clients. In November 2011, the Michigan Public Service Commission welcomed APX into their Lansing area office, to go over the Michigan compliance process in MIRECS. We received positive feedback from the meeting and have since successfully held trainings for the Michigan Electric Service Providers in MIRECS. MIRECS continues to be online and available to users 24 hours a day, 7 days a week with no downtime.

### MIRECS ENHANCEMENTS

In addition to the normal MIRECS operations several specific initiatives were undertaken and completed during the June 2011 – July 2012 period of MIRECS Operations:

#### ***Imports and Exports:***

A significant amount of administrative and development resources in 2011-2012 were dedicated to implementing automated MIRECS Imports and Exports. The result was an additional 225 hours of administrative work and 150 hours of development and testing. The end result is the ability for MIRECS to accept imports resulting in the creation of RECs and IRECs. This can be done through the automated process with M-RETS or the manual process with PJM-GATS.<sup>1</sup> The ability to export RECs and IRECs was also developed with an automated process to the North American Renewables Registry. The major tasks of this effort were:

- Import/ Export Procedures
- Incentive Credit Importing
- Development of the exporting REC/ IREC Ratio
- New Import/ Export Reports

<sup>1</sup> We are currently working with PJM GATS to implement a semi-automated process for imports into MIRECS from the PJM GATS system.

***System Enhancements:***

Aside from Importing and Exporting, we made additional enhancements to MIRECS during the 2011-2012 period. These enhancements included the Automated Billing Implementation system, Compliance Sub-Account changes and the creation of reports designed to help Michigan Electric Service Providers access important information needed for their Michigan Annual Reports. The implementation of an automated billing system will help reduce the operational hours dedicated to managing invoice payments.

Actual costs in year 3 were above what was expected. The reason behind the increase in cost is explained in detail below:

- **Software Enhancements/ Automated Imports and Exports**— As detailed in the previous section several major system enhancements were undertaken and completed in Year 3. An additional 375 hours was used towards the implementation of these enhancements.
- **Client Administration**—A notable increase in activity among MIRECS Account Holders was caused by the fact that for the first time MIRECS credits (2009 vintage) began expiring. This meant that account holders had to actively manage the process utilizing their sub-accounts. In addition, prior to automation of the import and exports the manual import and export process required a lot of operational hours by MIRECS staff. These operational tasks were the main reason for the increase in Client Administration in the third year of operations. We expect to see a decline in these cost over the next year, as a result of the implementation of automation for imports and exports and as Account Holders get more accustomed to handling credits that are about to expire.
- **Governance**—Significant hours in Year 3 were dedicated to develop solutions for issues such as issuance of incentive credits from imported projects, exports of RECs from MIRECs and additional integration issues with the Midwest Renewable Energy Tracking System. In Year 4 we expect significant less work on these kinds of issues.
- **Automated Billing Implementation**— In order to enhance the billing process with MIRECS Account Holders, APX, Inc. automated the collection of invoices, bank receipts and MIRECS reconciliation reports.
- **Bi-Annual Audit**— In the third year of MIRECS, a Bi-Annual Audit was not scheduled. APX, Inc. will look to work with the MI PSC Staff to schedule an Audit per the requirements in the contract between APX, Inc. and the State of Michigan pursuant to the Contract (sec 2.112).

Year 3 of the MIRECS system was a success and we are excited to continue our working relationship with the MI PSC and the MIRECS Subscribers.