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BEFORE THE ARIZONA CORPORATION COMMISSION  
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AZ CORP COMMISSION  
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Corporation Commission

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IN THE MATTER OF THE APPLICATION OF )  
ARIZONA PUBLIC SERVICE COMPANY FOR )  
A HEARING TO DETERMINE THE FAIR )  
VALUE OF THE UTILITY PROPERTY OF )  
THE COMPANY FOR RATEMAKING )  
PURPOSES, TO FIX A JUST AND )  
REASONABLE RATE OF RETURN THEREON, )  
TO APPROVE RATE SCHEDULES DESIGNED )  
TO DEVELOP SUCH RETURN, AND FOR )  
APPROVAL OF PURCHASE POWER )  
CONTRACT. )

DOCKET NO. E-01345A-03-0437

**NOTICE OF FILING SUMMARY  
OF THE PREFILED  
SETTLEMENT TESTIMONY OF  
DOME VALLEY ENERGY  
PARTNERS LLC**

Pursuant to the Administrative Law Judge's Amended Procedural Order, through its undersigned legal counsel, Dome Valley Energy Partners LLC hereby submits the summary of the prefiled settlement testimony of Bruce Wertz in the above-captioned matter.

RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of November, 2004.

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**Original and 13 Copies of the foregoing  
filed this 3<sup>rd</sup> day of November, 2004 with:**

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

**Copy of the foregoing mailed this 3<sup>rd</sup> day of November to:**

Distribution List for Docket No. E-01345A-03-0437

By: Paul R. Muehl

**SUMMARY OF PREFILED SETTLEMENT TESTIMONY OF  
MR. BRUCE WERTZ  
ON BEHALF OF  
DOME VALLEY ENERGY PARTNERS LLC**

Mr. Bruce Wertz provided prefiled settlement testimony on behalf of Dome Valley Energy Partners LLC ("Dome Valley"). As its Executive Vice President, Mr. Wertz explains that the purpose of his testimony is to: (1) describe Dome Valley and why it intervened in the APS Rate Request Proceeding; (2) describe the scope of Dome Valley's participation in the APS Rate Request Proceeding settlement process; and (3) explain why Dome Valley agreed to be a signatory to the Proposed Settlement of APS Request for Rate Settlement ("Proposed Settlement").

**Description of Dome Valley**

Mr. Wertz explains that Dome Valley is the developer and investor in the Wellton-Mohawk Generating Facility. The Wellton-Mohawk Generating Facility is a proposed 520 MW gas-fired, combined-cycle, electric generating facility to be located in APS' service territory near Yuma, Arizona. The Wellton-Mohawk Generating Facility is unique among any proposed or existing power plants in Arizona because, in addition to fossil fuel generated power and energy, it will generate substantial amounts of low cost renewable solar energy and credits under Arizona's Environmental Portfolio Standard ("EPS"). The Wellton-Mohawk Generating Facility will also interconnect directly into the Yuma Load Pocket assisting in relieving transmission constraints plaguing the Yuma area.

Mr. Wertz explains that in June of 2003, the Arizona Power Plant and Transmission Line Siting Committee ("Siting Committee") voted unanimously (10-0) to grant Dome Valley Energy Partners LLC a Certificate of Environmental Compatibility ("CEC") to construct the Wellton-Mohawk Generating Facility near Yuma, Arizona. In August 2003, the Commission voted unanimously (5-0) to affirm the Siting Committee's decision to grant Dome Valley a CEC to construct the Wellton-Mohawk Generating Facility. Mr. Wertz provides a copy of the Commission's August 15, 2003, News Release regarding its approval of the Wellton-Mohawk Generating Facility CEC. See ACC press released attached.

**Why Dome Valley Intervened in the APS Rate Case**

Mr. Wertz explains why Dome Valley Energy Partners LLC intervened in the APS Rate Request Proceeding. Dome Valley intends for the Wellton-Mohawk Generating Facility to be constructed to provide reliable wholesale power supply to electric distribution utilities in Arizona. APS is Arizona's largest electric distribution utility and the Wellton-Mohawk Generating Facility will be located in APS' service territory in the Yuma Load Pocket. Thus, it makes sense that Dome Valley intends to offer wholesale power to APS for distribution to the utility's customers in the Yuma area. As such, Dome Valley intervened in the APS Rate Request Proceeding to advocate for APS to procure power, including long-term power, from the competitive wholesale power market as originally contemplated in the Retail Electric

Competition Rules and the subsequent Track B proceeding. Because the Wellton-Mohawk Generating Facility will also generate a large amount of renewable energy and credits under Arizona's EPS, Dome Valley also intervened in the APS Rate Request Proceeding to advocate procurement measures that would create a robust renewable energy market in Arizona.

### **Scope of Dome Valley's Participation in the APS Rate Case Settlement Process**

Mr. Wertz describes the scope of Dome Valley's participation in the APS Rate Request settlement process. He explains that although the APS Rate Request includes dozens of issues, Dome Valley's participation in the APS Rate Request settlement process was limited to only two issues; (1) the competitive procurement of long-term wholesale power; and (2) the development of a robust renewable energy market. Because Dome Valley's headquarters is out-of-state and its interest in the APS Rate Request Proceeding was limited to only two issues, rather than actively participate in each and every one of the dozens of settlement meetings held over the five month settlement process, Dome Valley opted to participate in the settlement process by carefully reviewing the various settlement offers presented in the settlement negotiation process and providing feedback as appropriate via e-mail and telephone correspondence.

### **Why Dome Valley Agreed to be a Signatory to the Proposed Settlement**

Mr. Wertz explains that Dome Valley agreed to be a signatory to the Proposed Settlement for two reasons. First, in the Proposed Settlement, APS generally agrees that it will not self-build new, large, central station generation with an in-service date before 2015. APS also agrees to issue an all sources RFP, or other competitive solicitation, no later than the end of 2005 to procure long-term power of not less than 1,000 MW for 2007 and beyond. No affiliate of APS will participate in this procurement. Dome Valley believes that the above commitments by APS will ensure the opportunity for a robust competitive wholesale power competition process in Arizona.

Second, in the Proposed Settlement, APS agrees to issue a RFP in 2005 seeking at least 100 MW and 250,000 MWhrs per year of renewable energy supply. Dome Valley believes that this is a big step to expanding the competitive renewable energy market in Arizona.

In conclusion to his prefiled settlement testimony, Mr. Wertz urges the Commission to approve the proposed Settlement Agreement.



# COMMISSION NEWS

## Arizona Corporation Commission

### Public Information Office

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August 15, 2003

## WELLTON MOHAWK GENERATING FACILITY APPROVED Will Bolster Yuma Power Supply to Avoid Outages

PHOENIX – On Wednesday, Arizona regulators took another step to bolster the state's power system by approving the Wellton Mohawk Generating Facility. The project will fill an important need in the power grid once it begins producing power – expected to be in 2006 or 2007.

The power plant is strategically situated east of Yuma, Arizona, near the town of Wellton. The Yuma area is one of three zones identified as "transmission constrained" in a 2001 study of Arizona's power and transmission infrastructure. The area inside a transmission constraint is often referred to as a "load pocket."

The Wellton Mohawk plant earned approval of the Commission for a variety of other reasons. Most importantly, the approval included 29 separate conditions designed to protect the environment, ecology and water supply of the state.

"What excites me about the project is that it includes a 60-acre solar field that will produce supplemental power for the plant," Commissioner Bill Mundell said. "The solar panels will power the inlet cooling system. This drops the air temperature going into the turbines. When the air is cooled, the turbines run more efficiently and that produces more power with less fuel and lower emissions."

The plant will be developed by Dome Valley Energy Partners LLC, joint venture of Primesouth of South Carolina and Jasper Energy of New York. Two other partners are also involved, The Yuma County Water Users Association and the Wellton Mohawk Irrigation and Drainage District.

The first phase of the natural gas-fired project involves construction of a 260 megawatts (MW) unit capable of producing up to 310 MW at peak performance. The second phase, to be constructed later, will add another unit with the same output.

"No groundwater will be pumped to run the plant," Commissioner Jeff Hatch-Miller added. "The Wellton Mohawk Irrigation and Drainage District will supply all the water necessary to run the plant from their supply of surface water."

Commissioner Jim Irvin asked about where the plant will acquire the natural gas it needs to generate power. "Company representatives have several alternatives, including drawing natural gas from a gas pipeline that passes through the northern Baja peninsula," Irvin said. "The developers are looking at alternatives that don't involve tapping into the El Paso line that supplies most of Arizona's gas."

Federal regulators recently moved to limit the amount of natural gas Arizona can draw from the El Paso line.

"Clearly, one of Arizona's most pressing needs is to diversify its fuel supply to ensure that we do not remain captive to one source," Chairman Marc Spitzer said. "We don't produce or store natural gas in Arizona so we have to look to ways to attract new gas suppliers or get serious about storage projects."

Commissioner Mike Gleason said that locating the plant within the Yuma load pocket garnered his support. "This new, efficient power plant may mean that we can shut down some of the older power plants, which are more expensive to run during non-peak times."

Supporters of the project testified that it will bring much needed economic development to Yuma County by creating jobs and adding to the tax base.

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