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October 6, 2005

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Re: APS Application for Authorization to Acquire Out-of-State Renewable Resources;
Docket NO. E-01345A-05-0675

Dear Colleagues:

The question of in-state versus out-of-state renewable resources raises interesting regulatory, economic and political questions. No important matter arises in a vacuum, and renewable energy must be considered in historic context. Were APS to be presented with an opportunity to purchase lower cost power from out-of-state hydroelectric or coal fired plants, failure to do so would be irregular and arguably imprudent. Indeed, the Commission would insist that conventional resources are acquired at least cost. There would be no debate over the geographic source of the power.

However, fossil fuel and hydroelectric power has been subsidized for over fifty years by Federal subsidies, both direct and through the tax code. Further, traditional power generation imposes environmental costs upon the locale, while renewable generation generally does not. In fact, as an example, biomass generation in northern Arizona would substantially improve areas impacted by bark beetle infestation and/or devastated by fire.

We must also note the consequences of current extreme natural gas prices. The Commission must do everything it can to ameliorate the burden on the ratepayers without damaging the utilities. High fossil fuel prices only underscore the importance of renewables as part of a balanced portfolio of electricity generation.

APS solicited renewable energy bids as a steward of ratepayer money. The renewable RFP contained conditions to assure frugality in APS' procurement. Preferences and/or subsidies for in-state versus out-of-state generation should be legislative initiatives. Mercantile economic theory, if appropriate in the political world, is antithetical to sound regulatory and accounting principles.

Notwithstanding the foregoing discussion, I was disquieted that Arizona-sited energy comprised such a small part of APS' proposal. Like Commissioner Mayes, I have an open mind on the matter. I also believe that this application is beneficial regarding the appropriate balancing of regulatory, economic and political policies.

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If a Procedural Order is issued in this case, it must protect those who responded to the RFP and submitted confidential bids. The bids contain proprietary and trade secret material, and a seal or other protective order would be appropriate.

I very much look forward to further discussion on this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Marc Spitzer', with a long, sweeping flourish extending to the right.

Marc Spitzer
Commissioner

cc: Docket Control
Parties on Record