

ARIZONANS for  
ELECTRIC  
CHOICE &  
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AZ CORP COMMISSION  
BEFORE THE ARIZONA DOCUMENT CONTROL AND REGISTRATION COMMISSION

November 3, 2005

COMMISSIONERS

- JEFF HATCH-MILLER, Chairman
- WILLIAM A. MUNDELL
- MARC SPITZER
- MIKE GLEASON
- KRISTIN K. MAYES

**Re: In the Matter of Arizona Public Service Company – Application for Authorization to Acquire Out-of-State renewable Resources**

**Docket No: E-101345A-05-0675**

Dear Commissioners:

On behalf of Arizonans for Electric Choice and Competition (“AECC”), I wish to offer the following comments in the above-captioned docket.

On September 22, 2005, Arizona Public Service Company (“APS”) filed an Application with the Commission seeking authorization to acquire out-of-state renewable resources. The Application was made pursuant to Decision No. 67744 (“Decision”), which approved the APS Settlement Agreement, with modifications, and which includes provisions mandating the issuance of a request for proposals (“RFP”) for renewable energy resources.

AECC is a party to the APS Settlement Agreement, and offers these comments in support of utilizing the most cost-effective renewable energy resources available in meeting the requirements of the Settlement and the Decision.

Pursuant to the Decision, APS was required to issue an RFP seeking at least 100 MW and at least 250,000 MWH per year of renewable energy resources for delivery beginning in 2006. The RFP had to be issued no later than May 15, 2005.

Paragraph 69.1 of the Settlement Agreement indicates that where feasible, utilization of in-state resources is desirable in meeting the RFP targets, but that if APS does not receive sufficient in-state qualified bids, APS is free to acquire qualifying out-of-state resources to meet these targets. The Decision provides that if APS determines that it cannot meet its RFP target through in-state resources, it must bring its proposal to purchase out-of-state resources to Staff and obtain Commission approval before making the out-of-state purchase.

**AECC SUPPORTS THE UTILIZATION OF THE MOST COST-EFFECTIVE RESOURCES TO MEET THE RENEWABLE ENERGY RFP.**

The APS Settlement Agreement provides a significant obligation on APS to procure renewable energy resources. This obligation includes soliciting 100 MW of renewable energy resources for 2006, and for soliciting renewable energy to meet 10 percent of APS' incremental capacity needs in subsequent years.

These obligations anticipate that a premium will be paid for renewable energy, but caps the cost at 125 percent of the reasonably estimated market price of conventional resource alternatives, measured on a levelized cost per MWH basis.

The rationale for purchasing renewable energy at above-market prices is to reduce the environmental impact from electricity production and to provide a hedge against natural gas price volatility. These objectives are best met by utilizing the most cost-effective renewable resources available, irrespective of the state in which the renewable generation resource is located.

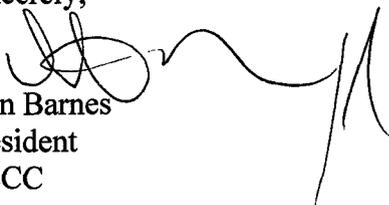
AECC has reviewed APS' Application for authorization to acquire out-of-state renewable resources. APS indicates that it has not been able to meet the full amount of the 100 MW solicitation using only in-state resources, and consequently the Company is seeking authorization to acquire out-of-state resources.

AECC strongly encourages the Commission to allow this program to be implemented as cost-effectively as possible. This includes permitting the use of out-of-state resources to meet the targets of the program when out-of-state resources are the least costly. Such a policy will allow the goals of the program to be met with the lowest possible premium paid by customers.

Electricity generated using conventional resources is transmitted across the western grid without regard to state boundaries. The same principle should hold true for programs designed to promote the use of renewable energy.

Sincerely,

Stan Barnes  
President  
AECC

A handwritten signature in black ink, appearing to read 'Stan Barnes', is written over the typed name and title.