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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

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3 WILLIAM A. MUNDELL
4 Chairman
5 JIM IRVIN
6 Commissioner
7 MARC SPITZER
8 Commissioner
9

Arizona Corporation Commission

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AZ CORP COMMISSION
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10 IN THE MATTER OF THE GENERIC
11 PROCEEDINGS CONCERNING
12 ELECTRIC RESTRUCTURING ISSUES.

Docket No. E-00000A-02-0051

14 IN THE MATTER OF ARIZONA PUBLIC
15 SERVICE COMPANY'S REQUEST FOR
16 A VARIANCE OF CERTAIN
17 REQUIREMENTS OF A.A.C. R14-22-1606.

Docket No. E-01345A-01-0822

19 IN THE MATTER OF THE GENERIC
20 PROCEEDING CONCERNING THE
21 ARIZONA INDEPENDENT
22 SCHEDULING ADMINISTRATOR.

Docket No. E-00000A-01-0630

24 IN THE MATTER OF TUCSON
25 ELECTRIC POWER COMPANY'S
26 APPLICATION FOR A VARIANCE OF
27 CERTAIN ELECTRIC COMPETITION
28 RULES COMPLIANCE DATES.

Docket No. E-01933A-02-0069

31 **RESPONSE OF THE LAND AND WATER FUND OF THE ROCKIES**
32 **TO THE SECOND PROCEDURAL ORDER ON TRACK B ISSUES**
33
34

35 In a Procedural Order dated September 24, 2002, the Administrative Law Judge in the
36 above captioned matter requested parties to file the following information:
37

- 38 1. A statement listing the specific issues that remain to be addressed at hearing.
39 2. Proposed procedural schedules for the conduct of Track B proceedings following
40 the workshop held on September 26 and 27, 2002.
41

42 The Land and Water Fund of the Rockies (LAW Fund) provides the requested
43 information below.
44

1 **(b) Demand Side Management (DSM)**
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3 DSM can significantly lower the costs of meeting the demand for electric
4 energy services. For these savings to be achieved, the competitive solicitation
5 process must explicitly seek out cost-effective DSM resources separately from
6 the acquisition of supply-side resources. Staff's proposal for the first round
7 competitive solicitation will not result in the acquisition of significant DSM.
8

9 **The LAW Fund, therefore, recommends that the Administrative Law**
10 **Judge include in the list of Track B issues the topic of setting up a process**
11 **for acquiring DSM resources, without delaying the first round of**
12 **competitive solicitations.** The desired outcome of the pending hearing is an
13 order of the Commission directing Staff to set up workshops and request a
14 subsequent hearing with the purpose of determining the amount of DSM to be
15 obtained by utilities and establishing the process for utilities to acquire DSM.
16 The Commission's policy on DSM would then be applied in the second and
17 subsequent rounds of competitive solicitations and the capacity and energy
18 savings resulting from DSM would be reflected in utilities' load and resource
19 analyses prior to conducting future competitive solicitations. The target date
20 for the DSM hearing would be the spring of 2004. There will be many other
21 issues to be considered in developing the competitive solicitation process for
22 the second cycle of resource acquisitions, and DSM could be overlooked if the
23 Commission does not start developing a policy at this time.
24

25 **(c) Public Input**
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27 Public input may be missing at critical points of Staff's competitive
28 solicitation framework. If Staff's revised report does not adequately allow for
29 public input, the hearing should rectify this shortcoming. Areas where public
30 input is needed include: public review of resource plans submitted by
31 utilities; the right of non-bidding interested parties (other than Staff and
32 RUCO) to be present at bid openings; public dissemination of the list of
33 bidders to seek out potential additions to the list; and public dissemination of
34 draft solicitation materials for comment.
35

36 **(d) Reporting of Environmental Impacts**
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38 Staff's framework does not include environmental information in the
39 monitor's and Staff's reports. Consistent with Commissioners' environmental
40 concerns, the hearing should address environmental information provided to
41 the Commission by the monitor and Staff. Such information would be
42 instructive for the Commission to evaluate whether the competitive
43 solicitation process is resulting in improved environmental performance.
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