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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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| IN THE MATTER OF THE GENERIC PROCEEDINGS CONCERNING ELECTRIC RESTRUCTURING ISSUES | Docket No. E-00000A-02-0051 |
| IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY'S REQUEST FOR A VARIANCE OF CERTAIN REQUIREMENTS OF A.A.C. R14-22-1606 | Docket No. E-01345A-01-0822 |
| IN THE MATTER OF THE GENERIC PROCEEDING CONCERNING THE ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR | Docket No. E-00000A-01-0630 |
| IN THE MATTER OF TUCSON ELECTRIC POWER COMPANY'S APPLICATION FOR A VARIANCE OF CERTAIN ELECTRIC COMPETITION RULES COMPLIANCE DATES | Docket No. E-01933A-02-0069 |

**EXCEPTIONS**

Pursuant to A.A.C. R14-3-110(B) the Arizona Competitive Power Alliance ("ACPA") submits these Exceptions to the recommended Opinion and Order of the Presiding Administrative Law Judge ("PALJ") assigned to the Track "B" phase of the above-captioned proceedings. ACPA's Exceptions are in the nature of suggested language additions to the recommended Opinion and Order, so as to provide a more complete context and background against which the PALJ's recommendations are to be evaluated.

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ACPA and its members are generally supportive of the PALJ's recommendations with regard to both the nature and manner of implementation of the competitive solicitation and procurement process to be adopted in the Track "B" proceeding. ACPA's members understandably would have preferred the 100 percent reliance upon the competitive wholesale power market originally contemplated by A.A.C. R14-2-1606(B). However, given the Commission's issuance of Decision No. 65154, the suspension of A.A.C R14-2-1606(B) therein provided for and the outcome of Track B workshops, they understood that the PALJ's recommendations would present a substitute level of procurement of Arizona Public Service Company and Tucson Electric Power Company's respective Standard Offer power requirements. In that regard, any process which subjected less of APS and TEP's Standard Offer needs to the competitive solicitation requirement would be unfair and unreasonable, and unsupported by the record in this proceeding.

ACPA's specific language additions are attached as Appendices "A," "B" and "C" to these Exceptions. Appendix "A" represents an addition to the "Parameters of the Solicitation" discussion portion of the recommended Opinion and Order. It also contains a suggested new footnote which quantifies the reduction of that portion of APS's and TEP's Standard Offer load which is no longer subject to the competitive solicitation requirement of A.A.C. R14-2-1606(B), pending a resolution of some of those concerns discussed by the Commission in Decision No. 65154. Appendix "B" contains a suggested new Finding of Fact No.1, in order to provide a more complete factual content to the background from which the instant proceeding commenced; and a suggested related footnote. This new Finding of Fact No. 1 does not replace the existing Finding of Fact No.1. Rather, it simply precedes it and occasions a sequential renumbering of the existing findings. Appendix "C" represents a suggested language addition to Finding of Fact No.13.

ACPA appreciates the opportunity to submit the attached suggested language additions to the Commission in connection with its consideration of the PALJ's recommended Opinion and Order. ACPA also wishes to express its appreciation to the Commission's Staff and their consultants in connection with their conduct of the Track "B" workshops and their preparation of the resulting October 25, 2002 Staff Report.

DATED: February 10, 2003

Respectfully submitted,

Greg Patterson
Executive Director

## APPENDIX "A"

[Insert at Page 10, line 12]

Prior to the issuance of Decision No. 65154, A.A.C. R14-2-1606(B) required that APS and TEP obtain 100 percent of their Standard Offer power requirements from the wholesale power market, with at least 50 percent to be obtained through competitive bid. That procurement directive was suspended in that decision, together with the Commission's waiver of A.A.C. R14-2-1615(A) which mandated that APS and TEP divest their generation assets. At the same time the Commission entrusted to Track "B" the determination of the extent to which to continue the transition towards a competitive wholesale power market at this time, pending a resolution of some of the concerns surrounding the development of that market which occasioned the issuance of Decision No. 65154.[3]

[3] Prior to the issuance of Decision No. 65154, 100 percent of APS and TEP's Standard Offer requirements would have been satisfied through purchases from the competitive wholesale power market. Under the competitive procurement process adopted by this decision, approximately 17 percent of the energy associated with APS' Standard Offer requirements, and 5 percent of TEP's Standard Offer requirements will be subject to that process; and APS and TEP retain the discretion to reject any proposals.

## APPENDIX "B"

[Insert page 65, line 17]

1. As of October 18, 2001, A.A.C. R14-2-1606(B) required that beginning January 1, 2001, APS and TEP were each to acquire 100 percent of their Standard Offer power requirements from the wholesale power market, with at least 50 percent to be obtained by competitive bid.[27]

[27] The date for such compliance was later extended to January 1, 2003.

## APPENDIX "C"

[Insert page 66, line 24]

; and, it suspended the requirement of A.A.C. R14-2-1606(B) that APS and TEP obtain all of their Standard Offer power requirements from the competitive wholesale power market.