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AZ CORP COMMISSION  
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February 8, 2006

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

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS DEMAND SIDE MANAGEMENT PROGRAM PORTFOLIO PLAN AND RELATED PROGRAMS  
(Docket No. E-01345A-05-0477)

Western Resource Advocates (WRA) urges Commission approval of Arizona Public Service Company's (APS') non-residential Demand Side Management (DSM) Portfolio Plan and related programs. WRA is a signatory to the APS settlement agreement (Decision No. 67744) and has participated in APS' DSM collaborative.

After conducting a detailed review, Staff has recommended interim approval of the non-residential portion of APS' DSM program portfolio with specific modifications and additional reporting requirements. WRA's comments focus on the overall importance of the proposed DSM programs. **WRA believes that APS' proposed DSM programs are in the public interest because they are far less costly than generating electricity and will reduce APS' fossil fuel costs that would otherwise be passed on to consumers.**

The net benefits of APS' nonresidential DSM programs are enormous. APS estimated the nonresidential DSM programs would cost society about \$29 million and lifetime savings would be about 2.3 million MWh, for a societal cost of about \$0.0125 per lifetime kWh saved. Staff estimated societal costs of the nonresidential program at \$46.4 million and lifetime savings at 3.3 million MWh, for a cost of \$0.0141 per lifetime kWh saved. In contrast to the low cost of DSM, APS' marginal generation costs are much higher. APS generates electricity from natural gas-fired power plants in every month and this gas-fired generation would be displaced by DSM. The average heat rate of APS' gas fired generation is about 8,400 Btu per kWh. Given natural gas prices of \$8.00 per MMBtu or more, APS will avoid at least \$0.071 per kWh in fuel costs, taking into account transmission losses, and will also avoid additional operating and maintenance costs and capacity costs.

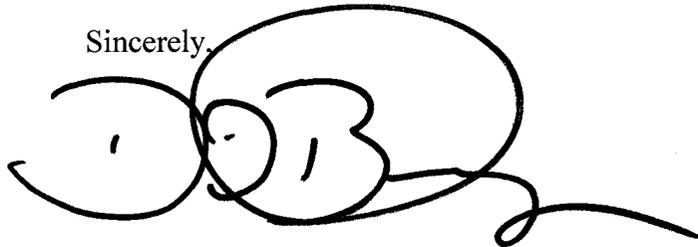
Western Resource Advocates  
P.O. Box 1064  
Scottsdale, AZ 85252-1064  
(480) 990-7209

Additionally, the DSM programs will result in reduced air emissions from power generation and reduced water consumption at power plants.

In sum, because the proposed DSM programs will greatly reduce the costs of electric energy services and provide environmental benefits, they should be approved and implemented as quickly as possible. These programs should be given a very high priority by the Commission and APS as effective mitigation against the high costs of fossil fuels faced by the electric power industry.

Thank you for the opportunity to comment on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "DB", with a large, loopy flourish extending to the right.

David Berry  
Senior Policy Advisor