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EXCEPTION

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BEFORE THE ARIZONA CORPORATION COMMISSION

2003 FEB 10 A 11: 10

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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. R14-2-1606.

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

RUCO'S EXCEPTIONS

The Residential Utility Consumer Office ("RUCO") files these exceptions to the Recommended Opinion and Order ("RO&O") in the Track B matter, not to seek a different result, but merely to request a clarification in the RO&O.

1 Beginning at page 44, the RO&O discusses RUCO's proposal to utilize an integrated
2 resource planning ("IRP") framework for the analysis of generation supply alternatives. One
3 element of RUCO's proposal is a comparison of bids received to the utility's cost to generate
4 power itself. (RO&O, pg. 44, lines 14½ - 15½). The RO&O resolves the issue of IRP by
5 agreeing with the goals of RUCO's proposed IRP process and indicating that the Commission
6 expects the utilities to use least cost planning principles in developing their overall portfolios
7 (RO&O pg. 46, lines 19-20). RUCO has no disagreement with the RO&O's resolution of the
8 issue. However, it is unclear whether the RO&O contemplates that an evaluation of self-build
9 options is one of the least cost planning principles utilities should follow.

10 At the hearing, Staff, TEP and APS joined RUCO in recognizing the benefit of
11 comparing regulated prices to market-based bids. Tr. at 256-262 (Johnson & Kessler for
12 Staff), 363-364 (Kessler for Staff); Tr. at 492-493 (Hutchens for TEP); Tr. at 707 (Carlson for
13 APS). Further, Panda expressed support for a comparison to the cost of a utility's existing
14 power resources. See RUCO's Opening Brief at 3-4.

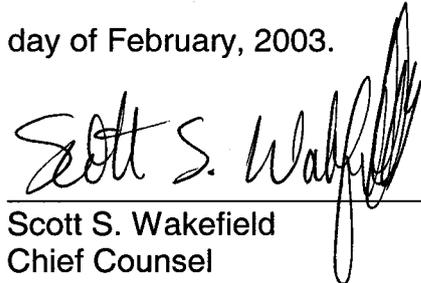
15 Given that parties generally, and Staff and the utilities specifically, support comparing
16 market bids to the cost of self-build, RUCO requests that the Commission amend the RO&O to
17 specifically require such a comparison. RUCO proposes the following amendment:

18 Page 46, line 20½, after "principles" INSERT ", including a comparison to the utilities'
19 cost to build,"

20 Page 70, line 24, after "principles" INSERT ", including a comparison to the utilities' cost
21 to build,"

1 RESPECTFULLY SUBMITTED this 10th day of February, 2003.

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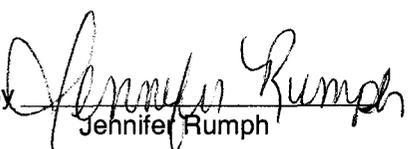
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