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Arizona Corporation Commission
1200 West Washington
Phoenix AZ 85007

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Dear Commissioners:

The Grand Canyon Trust, a regional conservation group based in Flagstaff, Arizona, requests that you consider the following comments as you move forward on finalizing the Commission's proposed rules for introducing retail electric competition in Arizona. The Trust, which has approximately 6,000 members—the majority of whom live in Arizona—has been actively involved in Northern Arizona environmental issues for the past 12 years and is concerned about the possible impacts of deregulation on the air quality of Northern Arizona.

Geoffrey S. Barnard
President
Stewart L. Udall
Counselor

1) Solar Portfolio Standard: Arizona is blessed with an abundance of sunshine and good weather, which makes it an ideal state for solar power generation. It makes good economic sense for the state to become a national leader in solar power generation. The Trust wholeheartedly supports the establishment of a solar portfolio standard as part of the proposed rules, however, we are disappointed at the small percentage of solar generation required to be included in overall generation capacity. Earlier drafts of the proposed rule included what we believed to be easily attainable and quite modest proposals for solar generation, yet the most recent rule cut that requirement in half. Additionally, language in the new rule allows for a review in 2002 that may allow the tiny amount of solar generation required to be cut, which is unacceptable. The Grand Canyon Trust requests the minimum requirement for solar power generation be returned to the earlier proposal of one percent by 1999 and two percent by the year 2000. We also request that the Commission change the language of subsection R14-2-1609.B.2, so the minimum requirement is exactly that, a *minimum*, and that any adjustments to the standard may only be made upward.

Arizona Corporation Commission
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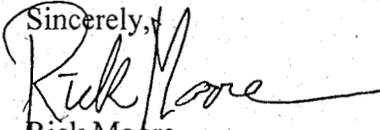
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2) System Benefit Charge: The Grand Canyon Trust has two concerns about the system benefits charge, which we understand will be finalized in the future, rather than in this proposed rule.

- The inclusion of the costs for decommissioning nuclear power plants *should not* be included in the system benefits charge, which is being created to offset the loss of important programs undertaken in the public's interest. Decommissioning, which is more accurately a "stranded

- cost”, may well comprise a major portion of the system benefits charge, which can easily lead to a skewed public perception of the “benefits” derived from the charge. Since consumers bills are going to reflect “unbundled” charges, it would be much more honest and straightforward to simply include a line item explicitly stating decommissioning costs.
 - The system benefits charge must be large enough to assure that the commitments made by power producers and retailers to public interest programs—environmental, DSM, low income, and renewables— can be met. While the free market successfully drives many innovations, there are also many new technologies, such as power generation from renewables, that require long-term investments which private industry is reluctant to make. To offset this reluctance, it is essential that the systems benefit charge provide a reasonable amount of funding to spur development of such technologies.
- 3) Billing Requirements: With the advent of deregulation, consumer’s power bills are going to become more complex and modern-day marketing techniques are going to come into play. The possibility for misleading consumers—and for outright fraud—will dramatically increase, particularly for offerings such as “green power”, which may be generated in another state hundreds of miles away from the customer who is paying a premium price for it. If consumers are to make informed choices, their bills must accurately reflect information about how the electricity is generated and other information that may affect their decision on where to buy their power. Strong language requiring accurate and full disclosure statements by the power provider should be included in the proposed rule.

We ask that you give serious consideration to these concerns as you complete the rulemaking process. Thanks for your time.

Sincerely,

Rick Moore
Air Quality
Project Manager