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May 21, 1999

AZ CORP COMMISSION  
DOCUMENT CONTROL

Mr. Ray Williamson  
Acting Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Arizona Corporation Commission  
DOCKETED

MAY 21 1999

Re: Docket No. E-00000A-99-0205

DOCKETED BY SS

THE GENERIC INVESTIGATION OF THE DEVELOPMENT OF A RENEWABLE PORTFOLIO  
STANDARD AS A PORTION OF THE RETAIL ELECTRIC COMPETITION RULES

Dear Mr. Williamson:

Pursuant to your letter dated May 7, 1999, Arizona Public Service Company (APS) submits the following comments on Staff's proposed questions to be used to outline the issues to be discussed in this docket and the schedule for proceedings.

APS proposes that additional questions be included and has also reordered the staff's questions into a more logical sequence. The proposed changes are attached. Generally, we are suggesting that the testimony of the parties should address first the need for an environmental standard and the objectives to be obtained for such standard. Then they should comment on the mechanism for implementing the standard and gauging its success in meeting the objectives of the standard, along with the relevant implementation details and the projected financial impact on consumers.

The only comment on the proposed schedule is that the time allotted between the submission of direct and rebuttal testimony should be lengthened by two weeks to allow for some discovery among the parties. Since it is anticipated that the testimony will have cost estimates and calculations of the impact on consumers rates, sufficient time should be allowed to submit requests, for parties to respond, and then to analyze the responses and draft rebuttal if necessary.

If you or your Staff have any questions regarding these comments, please feel free to contact me at 250-2031.

Sincerely,

Barbara A. Klemstine, Manager  
Regulatory Affairs

cc: Docket Control

**PROPOSED CHANGES TO THE QUESTIONS TO BE USED TO OUTLINE THE  
ISSUES TO BE DISCUSSED IN THIS DOCKET**

1. Should there be an Environmental Standard in Arizona and why?
2. If so, what should be the objectives of an Environmental Standard?
3. Will the proposed new Portfolio Standard meet the desired objectives or would you propose an alternative mechanism?
4. Are you supportive of the proposed Portfolio Standard and, if not, describe any modifications that you would make to the proposed Portfolio Standard (including responses to 6 below) or describe your Company's proposed alternative mechanism.
5. If you are proposing an alternative to the proposed standard, include a detailed description of:  
(1) technologies to be included; (2) timing; (3) any incentives; (4) cost projection of the alternative over the life of the alternative; (5) impact on customers rates; (6) all major assumptions for the proposed alternative.
6. Please comment on the following aspects of the proposed new Portfolio Standard:
  - 6.a. New section N allows for "environmentally-friendly renewable electricity technologies" other than solar. Which technologies should be included in this subsection? Would those technologies be available in Arizona or work in Arizona?
  - 6.b. In subsections A and B of the proposed Portfolio Standard, a schedule of portfolio percentages is defined. Is the size of portfolio percentage and timing of increases a reasonable strategy to be included in the competition rules? What alternatives would you propose?
  - 6.c. The proposed Portfolio Standard includes incentives for in-state manufacturing and in-state installation of solar and other environmentally-friendly technologies. Are those incentives appropriate and substantial enough to have a positive impact on Arizona's economy and on Arizona economic development? What alternatives would you propose?
  - 6.d. What would the impact be on an average competitive (residential and commercial) customer's monthly bill (assume 1,000 kWh/month usage for residential) of the proposed Portfolio Standard? (Please state assumptions, including technology costs).
  - 6.e. Section 1609 B.2. Provides for determination of a cost/benefit point in 2001 prior to the an increase in the percentage in 2002. Is it appropriate to determine the cost/benefit point during this proceeding (and the corresponding impact on customers) or in 2001? Should the Commission cap the impact that the Portfolio Standard may have on customers?

- 6.f. Section 1609 I of the proposed Portfolio Standard allows for the "banking" or sale of excess solar kWh. This could create a credit trading program, similar to the EPA's sulfur dioxide trading program. Do you have any suggestions about creating a credit trading or banking program?
- 6.g. Section 1609 F provides for penalties if ESPs fail to meet the Portfolio Standard. Are there additional provisions needed to require ESPs to issue RFPs or negotiate contracts in a timely fashion rather than merely paying the penalty?
7. Should the proposed standard or any alternative that you are proposing apply to Standard Offer Customers in 2001? If yes, should the standard or alternative as applied to Standard Offer be energy driven (kwh) or dollar driven to limit or cap the impact on Standard Offer Customers? What would the impact be on an average residential and commercial customer's monthly bill? (Please state assumptions, including technology costs.) What mechanism should the Commission put in place to recover these costs from Standard Offer Customers?