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August 27, 1999

**VIA FEDERAL EXPRESS**

Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007-2996

Re: Docket No **99**-00000A-99-0205

Dear Docket Control:

Enclosed for filing is an original and ten (10) copies of the Rebuttal Comments of the Center for Energy and Economic Development ("CEED").

In addition, we have enclosed an additional copy of CEED's Comments to be stamped "filed" and returned to us in the self-addressed envelope we have provided.

Sincerely,

Daneé Gaines

Arizona Corporation Commission  
**DOCKETED**  
AUG 30 1999  
DOCKETED BY

**STATE OF ARIZONA**  
**ARIZONA CORPORATION COMMISSION**

1999 AUG 30, A 11: 23  
AZ CORP COMMISSION  
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RE: THE GENERIC INVESTIGATION OF THE  
DEVELOPMENT OF A RENEWABLE  
PORTFOLIO STANDARD AS A PORTFOLIO  
OF THE RETAIL ELECTRIC COMPETITION  
RULES

DOCKET NO. U-0000A-99-0205

**REBUTTAL COMMENTS OF THE CENTER FOR  
ENERGY AND ECONOMIC DEVELOPMENT**

The Center for Energy and Economic Development submits these following brief comments in rebuttal to certain statements made in the testimony of Ray T. Williamson on behalf of Staff. Mr. Williamson argues that the Environmental Portfolio Standard (EPS) should be adopted in order to improve environmental quality. In doing so, he makes a number of ill-considered remarks concerning what he characterizes as “filth[y]” powerplants, the “free market do[ing] a lousy job in controlling environmental pollution and other externalities” and the “health of our citizens [being] affected every day by the pollutants that our electric generators spew into the air.”

Mr. Williamson’s comments omit reference to the stringent system of environmental regulation that applies in our country.<sup>1</sup> According to the U.S. Environmental Protection Agency (EPA), American business spends \$200 billion per year complying with environmental laws and regulations. Fortunately, the expenditure of these huge sums of money is resulting in dramatically improving air quality in the U.S. Again according to

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<sup>1</sup> As stated in CEED’s initial comments in the present docket, CEED provided a comprehensive overview of the nation’s air quality laws in its June 27, 1996 comments in Docket No. U-0000-94-165. For the record, CEED incorporates these comments by reference herein.

EPA, since the Clean Air Act was enacted in 1970, there have been substantial absolute declines in emissions of four of the major "criteria" pollutants (sulfur dioxide, volatile organic compounds, lead and carbon monoxide), at the same time as U.S. population and GDP significantly increased. Emissions of particulates have also declined steeply in recent years. Emissions of nitrogen oxides have increased somewhat, although these emissions are declining steeply compared with U.S. economic growth. See U.S. EPA, "Air Quality Trends," 1997.

Further major declines in emissions are in store. In the year 2000, phase 2 of the acid rain program will become effective, capping emissions of sulfur dioxide in this country. EPA has now issued regulations under title IV of the Clean Air Act guaranteeing absolute reductions in emissions of nitrogen oxides. And EPA has just finalized regional haze regulations providing for additional reductions of sulfur dioxide below the level established in the phase 2 acid rain regulations.

Thus, while it is true that the Nation has not yet achieved perfect environmental quality, it exceeds the bounds of necessary rhetoric to suggest that the Nation is doing a "lousy" job of providing for environmental quality. The Nation has, in fact, accommodated soaring growth in the desert Southwest in the last several decades, with the concomitant soaring demand for electricity, while providing improved environmental quality at the same time.

Mr. Williamson's citation to the Navajo Powerplant as an example of "others upwind from Grand Canyon fail[ing] to consider the externalities of their energy choices" proves exactly the opposite point from the one intended. The "others" who determined to

construct the Navajo powerplant were not self-interested businessmen ignoring the public interest. The decision to build the Navajo powerplant was made by the U.S. government for the purpose of providing a source of electricity to pump irrigation water to the State of Arizona so that Arizona could claim its entitlement to water from the Colorado River through construction of the Central Arizona Project. See Colorado Basin Project Act of 1968, 43 U.S.C. § 1523. A fossil fueled powerplant was selected as the means of providing electricity for pumping because of intense environmental opposition to the alternative originally favored by the U.S. government and Arizona, which was to build two additional dams on the Colorado River.<sup>2</sup> The plant was thus seen as the environmentally preferable means of aiding Arizona in obtaining Colorado River water for which it had battled since the beginning of the century.

After the plant was constructed, it was determined that Navajo might in a very small way on a limited number of days contribute to haze at the Grand Canyon. (According to the recently completed Project MOHAVE study examining emissions from the Mohave powerplant, the Grand Canyon has among the clearest air quality of any national park in the country.) The owners agreed to put expensive sulfur dioxide removal equipment on the plant. They did so because the nation's environmental laws are so strict that the court reviewing the decision to scrub the plant determined that those laws could require "the installment of stringent emissions controls" to "address only a small fraction of the visibility impairment at the Grand Canyon." See *Central Arizona Water Conservation District v.*

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<sup>2</sup> An amusing description of the decisionmaking process in this regard from the environmentalist perspective is provided in Reisner, "Cadillac Desert," Chapter 8.

*Environmental Protection Agency*, 990 F.2d 1531, 1541 (9<sup>th</sup> Cir.), *cert. denied*, 114 S. Ct. 94 (1993). Thus, far from illustrating that the nation is falling down on the job of environmental regulation, the Navajo plant illustrates that the U.S. has in place and is applying an extremely strict set of environmental requirements.

Mr. Williamson also supports the EPS because of a concern with dwindling fossil fuel resources, although he recognizes that this is a long-term concern. In fact, there are approximately 250 years of proven reserves of coal in the U.S. See National Mining Association, "Facts About Coal," 1997-98.

In sum, CEED continues to oppose the EPS, and in particular urges the Commission not to adopt the standard because of overly rhetorical statements about the environment.

Dated: August 27, 1999

Respectfully submitted,

Terry Ross  
West Region Vice-President  
Center for Energy and Economic Development

**CERTIFICATE OF SERVICE**

I certify that I have served the foregoing document on each person designated on the official service list in this docket via first-class mail today, August 27, 1999.



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