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BEFORE THE ARIZONA CORPORATION COMMISSION

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**CARL J. KUNASEK**

Chairman

**JIM IRVIN**

Commissioner

**WILLIAM A. MUNDELL**

Commissioner

IN THE MATTER OF THE GENERIC ) DOCKET NO. RE-00000A-99-0205  
INVESTIGATION OF THE DEVELOPMENT OF )  
A RENEWABLE PORTFOLIO STANDARD AS A ) **EXCEPTIONS OF TUCSON**  
POTENTIAL PART OF THE RETAIL ELECTRIC ) **ELECTRIC POWER COMPANY TO**  
COMPETITION RULES. ) **RECOMMENDED OPINION AND**  
) **ORDER**

Tucson Electric Power Company ("TEP"), through undersigned counsel, submits the following Exceptions to the Recommended Opinion and Order issued March 13, 2000 in the above-captioned matter.

TEP further requests that the Hearing Officer consider these late-filed Exceptions because TEP did not receive the Recommended Opinion and Order until Friday, March 23, 2000. Although TEP has participated in these proceedings and is on the service list, neither TEP nor its counsel received a copy of the Recommended Opinion and Order by mail. They only became aware of the Recommended Opinion and Order when they started receiving other parties' exceptions, and thereafter obtained a copy from the Commission.

**I. Agreement with Recommended Opinion and Order.**

TEP supports the Recommended Opinion and Order, and commends it for upholding the concepts of consumer choice and energy cost reductions implemented as part of TEP's recent settlement with the Commission, which was approved on November 30, 1999.

TEP has a strong demonstrated commitment to the development of cost-effective renewable electric generation resources and is currently the largest producer of renewable

1 electric power in the State of Arizona. TEP has demonstrated the viability of voluntary  
2 renewable programs through numerous such programs, the largest of which is an innovative  
3 landfill gas to energy program in partnership with the City of Tucson. The project uses landfill  
4 gas that otherwise would have been released into the atmosphere to produce electricity in an  
5 existing TEP power plant. In October, 1999, one year early, TEP completed its voluntary 1993  
6 IRP goal of 5 megawatts of installed renewable capacity. The landfill gas purchased from the  
7 City of Tucson at coal pricing rates reduces the need to burn coal, thus reducing air emissions  
8 and keeping over \$500,000 annually in the local economy that otherwise would have been spent  
9 to import coal from outside Arizona.  
10

11 TEP has also developed, in partnership with many customers, over 50 kilowatts of solar  
12 electric generating resources. TEP produces sufficient electricity from renewable resources to  
13 power over 4500 homes, or nearly 1% of electricity sold to our customers. It has leveraged its  
14 position as the largest renewable energy producer in the State of Arizona through the  
15 GreenWatts program, a voluntary renewable energy program emphasizing customer choice,  
16 which is offered to all TEP customers at a minimum entry level of \$2.00 per month. Proceeds  
17 from GreenWatts will be used to build, operate and maintain additional solar electric generation  
18 resources. Just this month, TEP proudly commissioned a new solar generator with a capacity of  
19 2 kilowatts peak as part of the GreenWatts program. This unit was installed at a cost-effective  
20 price for a photovoltaic system.  
21

22 TEP continues to survey rural areas of Arizona for wind resources. Furthermore,  
23 UniSource Energy, TEP's parent company, has invested over \$10 Million in Global Solar, a  
24 Tucson-based producer of high-tech thin film photovoltaic solar electric material, bringing jobs  
25 to the Tucson area and additional dollars to the Arizona economy.  
26

27 TEP has committed to its customers and this Commission that it will not seek an  
28

1 increase in rates prior to 2009. TEP has also implemented two rate decreases in the last two  
2 years and will reduce rates to all customers again this year. TEP cannot support any  
3 Environmentally Friendly Portfolio Standard that threatens these commitments without the full  
4 agreement of all customers. That agreement has not been given. The Recommended Opinion  
5 and Order is in full support of TEP's commitment to rate reductions to its customers and TEP  
6 supports the concept of a voluntary renewable development program as delineated in the  
7 Recommended Opinion and Order.

8 **II. Exceptions to Recommended Opinion and Order.**

9 TEP offers the following minor revisions to the Recommended Opinion and Order prior  
10 to final adoption by the Commission.  
11

12 First, Findings of Fact No. 11, at page 19, states: "Arizona is less than an optimal solar  
13 resource because the intense heat diminishes the efficiency of solar photovoltaic generation."  
14 That statement is highly technology specific and is not applicable to all solar electric generation  
15 technologies. TEP therefore recommends this statement be removed from the Recommended  
16 Opinion and Order.  
17

18 Second, TEP recommends that the section labeled "Good Corporate Citizens," at page  
19 16, be modified to read as follows:

20 We believe it is appropriate that shareholders also  
21 participate in funding environmentally friendly resources.  
22 Accordingly, we encourage each of the Affected Utilities to fund  
23 from its profits an additional 10 percent of the voluntary  
24 commitments or \$100,000<sup>7</sup>, whichever is greater, provided the  
investment is supported by sound business reasoning. This will  
enable all of the Affected Utilities to participate as good corporate  
citizens in protecting our environment.

25 (Emphasis denotes added language.) Further, Conclusion of Law No. 4 on Page 22 should be  
26 modified to read:

27 It is in the public interest for shareholders of public utilities  
28

1 to voluntarily fund renewables on an annual basis in the amount of  
2 ten percent of the voluntary commitments as defined herein, or  
3 \$100,000, whichever is higher, provided the investment is  
4 supported by sound business reasoning.

5 (Emphasis denotes added language.)

6 While TEP has demonstrated good corporate citizenship through all the programs  
7 mentioned above, those investments were made as business decisions, recognizing that  
8 renewable electric generation is a good future investment based on sound business reasoning.  
9 Business should be given the freedom to make these decisions in an atmosphere promoting  
10 good business decisions, not only to be a good corporate citizen. Thus, the Recommended  
11 Opinion and Order should recognize that good corporate citizenship must also come from good  
12 business decisions.

### 13 **III. Summary.**

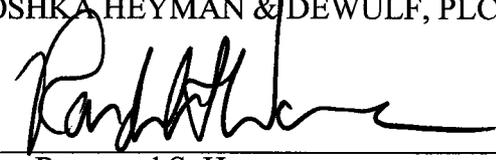
14 TEP supports the Recommended Opinion and Order with the minor revisions offered,  
15 and the Recommended Opinion and Order is supported by the hearing record. A majority of  
16 Arizonans are not willing to pay anything extra to support development of renewable energy  
17 sources. This fact supports a voluntary, not a mandated, renewables development program.  
18 The Recommended Opinion and Order also supports the rate reductions and freezes committed  
19 by TEP and APS to their customers. The Recommended Opinion and Order provides critical  
20 policy guidance to the parties to resolve the outstanding details through negotiation.  
21

22 TEP will make every reasonable effort to resolve these details for development of a joint  
23 Environmentally Friendly Portfolio Standard proposal to the Commission within 30 days of this  
24 Order. TEP respectfully asks the Commission to set the stage for future cost effective  
25 development of renewable energy resources in Arizona through voluntary customer and  
26 corporate choice by adoption of the Recommended Opinion and Order with the minor changes  
27 offered by TEP.  
28

RESPECTFULLY SUBMITTED this 27 day of March, 2000.

ROSHKA HEYMAN & DEWULF, PLC

By



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**Original and ten copies of the foregoing  
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**Copy of the foregoing hand-delivered  
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