



0000085213

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

1999 NOV 12 P 2:26

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

1
2
3 Carl J. Kunasek
4 Chairman

5 JIM IRVIN
6 Commissioner

7 WILLIAM A. MUNDELL
8 Commissioner

9 IN THE MATTER OF THE GENERIC) DOCKET NO. E-00000A-99-0205
10 INVESTIGATION OF THE DEVELOPMENT)
11 OF A RENEWABLE PORTFOLIO STANDARD)
12 AS A POTENTIAL PART OF THE RETAIL) NOTICE OF FILING BRIEF BY
13 ELECTRIC COMPETITION RULES.) THE CITY OF TUCSON
14)
15)
16)

17 Pursuant to the Commission's Procedural Order dated October 19, 1999,
18 counsel for City of Tucson herein undersigned, provides notice of the filing of the
19 Brief of the City of Tucson in the above-captioned docket.

20 DATED THIS 12th day of November, 1999.

21 David L. Deibel
22 Senior Assistant City Attorney
23 City of Tucson – City Attorney's Office
24 P. O. Box 27210
25 Tucson AZ 85726-7210

26 Arizona Corporation Commission
DOCKETED

NOV 12 1999

DOCKETED BY

Office of the City Attorney
P.O. Box 27210
Tucson, Arizona 85726-7210

Office of the City Attorney
P.O. Box 27210
Tucson, Arizona 85726-7210

1 AN ORIGINAL AND TEN COPIES
2 Of the foregoing Notice of Filing
3 Brief by the City of Tucson
4 Filed this 10th day of November, 1999, with:

4 Arizona Corporation Commission
5 Docket Control
6 1200 W. Washington
7 Phoenix AZ 85007

7 Copies of the foregoing mailed
8 this 10th day of November, 1999, to:

9 Service List for E-00000A-99-0205

10 I:\work\hm\accderegulation\Brief.doc

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Solar and Environmentally Friendly Portfolio Standard

1
2 The purpose of the Solar and Environmentally Friendly Portfolio Standard (Standard)
3 is to help diversify the Arizona's electric generation sources, assist in driving the cost
4 of renewable power production down, and provide an economic benefit through the
5 creation of jobs in the renewable energy industry. The testimony provided by the
6 majority of the parties to this docket suggests that there is basic agreement that the
7 State should adopt some form of the Standard. There is broad agreement that the
8 Standard makes strategic sense for the State and that an effective renewables
9 program will provide substantial economic and environmental benefits for the State.
10 The parties to the docket do not agree, however, as to how to best implement the
11 Standard.

12 The basic disagreement falls along two lines of thought. One side believes that the
13 proposed Standard, or something similar to it, represents the best method for
14 implementing an effective renewables program in the State. The other side suggests
15 various strategies to fund a renewables program from currently collected or possibly
16 increased system benefits charges, which is essentially a "business as usual"
17 strategy.* Restructuring the electric industry in Arizona has been a long process and
18 represents a significant departure in thinking for utilities, their regulators, and the
19 public. The Standard as proposed also represents a departure in thinking and is
20 consistent with opening up the market to competitive forces.

21 The City of Tucson (City) feels that as proposed, the Standard represents the best
22 overall opportunity to implement an effective renewables program in the State. The
23 City believes that for a small investment, the Standard represents a good public
24 policy economically benefiting the State.

25 The Standard represents a modest investment in renewable power generation, a
26 small portion of total planned new generation, and less than the State's projected
electricity demand growth. According to an October 31, 1999, article in the Arizona
Republic by Max Jarman, 11 new in-state power plants totaling over 10,000
megawatts are in construction or the planning stages. Commission staff, in their
October 4, 1996, "Staff Discussion of the Proposed Rule on Electric Industry
Restructuring," shows a projected need for fewer than 250MW of solar generating
capacity if there is 100% competition and with the participation of the Salt River
Project (SRP). There are no credit multipliers used in generating the above number.
This 250MW of renewables generation is less than three percent of the planned
additional capacity.

* There have been many proposals to the "Business as Usual" approach to a Standard but there has not been agreement as to the details of implementation. None of the approaches offers mandated target capacity increases.

1 Without a mandated standard, little or no new renewable generation capacity will be
2 installed in the State in the near term. A mandated minimum will assure that at least a
3 minor portion of new generation will be from clean, renewable resources. The
4 proposed new generation plants plan to utilize natural gas as the primary fuel source.
5 Natural gas costs are currently low, but being a commodity, its cost can fluctuate
6 quickly and dramatically. Renewables, on the other hand, do not suffer from
7 increased fuel costs. New generation capacity that is completely dependent upon
8 natural gas as the fuel source is not representative of effective generation portfolio
9 diversification.

10 Utilities argue that the settlements for stranded cost recovery and unbundled tariffs
11 did not account for any costs to implement the Standard. They further argue that
12 without additional money they cannot implement the Standard as it has been
13 proposed. The "Business as Usual" approaches they recommend will not create the
14 demand required to stimulate the market that will drive costs down and attract
15 business to the State. The utilities will not have clear direction nor will they incur
16 penalties for non-compliance. Therefore, little new renewable generation will be
17 installed. This is evidenced by the failure to meet the voluntary goals set forth as part
18 of past Integrated Resource Plans.

19 The State's electric utilities have been slow to implement renewables programs.
20 Tucson Electric Power Company still does not have a "Green Power" tariff. Without
21 clear mandates and enforceable penalties, renewables programs in the State will
22 continue to flounder and Arizona will miss the opportunity to create new economic
23 engines. Historical evidence shows that the utilities will not implement an effective
24 renewables program if it is voluntary and funded through system benefits charges.

25 The Standard, as proposed, provides for a cost/benefit review of the Standard by a
26 Solar Electric Cost Evaluation Working Group. This group will report and make
recommendations to the Arizona Corporation Commission by December 31, 2001.
Investments in renewable generation between the implementation of the Standard
and December 31, 2001, will be small and corrections, if warranted, can be
recommended at that time.

As evidenced by both Arizona Public Service and SRP's over-subscribed solar
programs, consumers in Arizona want and will pay for the opportunity to purchase
power from renewable resources. These "Green Consumers" will help pay for the
implementation of the Standard. By purchasing "Green Power" at a higher
percentage than the Standard requires, these "Green Consumers" will reduce the
cost of the Standard for others.

The utilities argue that in order to implement the Standard, they could be liable for
certain risks associated with the construction and financing of electric generation
sources using renewable energy as the primary fuel source. The Standard, as it is
proposed, has a mechanism for reduction in risk. The proposed Standard allows
electric suppliers to incur a penalty of \$0.30/kWh for the portion of electricity required

1 by the Standard to have been generated by solar and environmentally friendly
2 resources that they do not generate. These penalty funds will then be utilized by
3 public agencies to install solar electric generating devices or purchase solar
4 electricity. The supplier of the electricity has the choice of whether to incur the
5 penalty or install the generation capacity. Either way, the State will realize the benefit
6 of increased electric generation from renewable resources.

7 Arizona is entering the competitive electric generation market. Without the imposition
8 of specific mandated targets and penalties for non-compliance, environmentally
9 friendly electric generation sources will not be installed in a large enough capacity to
10 benefit the State through the creation of jobs or assist in driving down renewable
11 generation costs. Arizona has the opportunity to keep energy dollars in the
12 economy, stimulate job creation while at the same time benefiting the environment.
13 The City believes that the "Business as Usual" type approaches to implementing a
14 Standard are not in the best interests of the State.

15
16
17
18
19
20
21
22
23
24
25
26
I:\work\hm\dd\standard2.doc