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WESTERN RESOURCE
ADVOCATES

AZ CORP COMMISSION
DOCKET CONTROL

July 17, 2009

Arizona Corporation Commission
DOCKETED

JUL 20 2009

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

DOCKETED BY

RE: Arizona Public Service Company Application for Approval of the Starwood Solar I Purchased Power Agreement. Docket No. E-01345A-09-0261

On May 22, 2009, Arizona Public Service Company (APS) submitted an application requesting, among other things, that the Commission determine that purchased power from the Starwood concentrating solar power plant is an eligible resource under the Renewable Energy Standard (RES) rule, that the purchased power agreement is a reasonable means of complying with the RES, that acquisition of renewable resources above the RES requirement is in the public interest, and that in future reviews the purchased power agreement should not be found to be imprudent because its costs exceed the costs of conventional generation or because APS exceeded the RES requirements.

Western Resource Advocates (WRA) submits these comments for the Commission's consideration and recommends that the Commission approve APS' application.

Project Description

The Starwood Solar I project is a 290 MW concentrating solar power (CSP) project with thermal storage that would produce about 900,000 MWh per year (annual capacity factor = 35%). It would be located about 75 miles west of Phoenix on what is currently agricultural land. The plant would be operational in 2013 and APS would purchase all the power output for 30 years under a fixed on- and off-peak pricing schedule with some price escalation over time. The proposed project is well-suited to providing power during summer afternoons and evenings when demand is high.

WRA Evaluation

APS is one of the West's leading utilities in acquiring clean energy resources such as CSP. By 2015, APS expects to obtain about 10% of its energy requirements from renewable resources including wind, geothermal, photovoltaic, biomass, and CSP technologies.

The proposed project and purchased power agreement are consistent with the RES. CSP is a solar electricity resource as set forth in the rule. Moreover, APS' intention of exceeding the RES standard is within the scope of the rule as the RES sets a minimum requirement for Arizona utilities, not a maximum (Decision No. 69127, Findings of Fact 234 and 235; and Appendix B, pp. 23-24).

Aside from the requirements of the RES, APS' selection of the Starwood Solar 1 resource is a sensible and practical addition to its portfolio for the following reasons:

- Fuel costs of conventional resources, especially natural gas-fired power plants, cannot be projected reliably, and the costs of these resources over a 30 year or longer period are highly uncertain.
- Fossil fueled resources will incur costs of complying with existing and future environmental regulations pertaining to carbon dioxide, sulfur dioxide, nitrogen oxide, mercury and other air emissions. Future environmental regulation compliance costs are uncertain.
- Emissions from fossil-fueled power plants, especially coal-fired power plants, impose numerous health effects on the public, including premature mortality, respiratory problems, and heart attacks.
- In contrast, renewable resources, including the proposed Starwood Solar I resource, have fixed or stable costs and have little or no air emissions.

Given the uncertainties about conventional power generation costs, it is not possible to determine today whether the purchased power agreement with the Starwood project would be more or less costly than use of fossil fueled generation over a 30 year period.

Additionally, APS' early adoption of CSP with thermal storage will help drive improvements in the technology and help induce economies of scale in manufacturing, both of which will tend to lower costs over time. As experience with CSP with thermal storage increases, future plants may attain capacity factors of 50% or more, thereby better enabling CSP to also serve as a baseload resource.

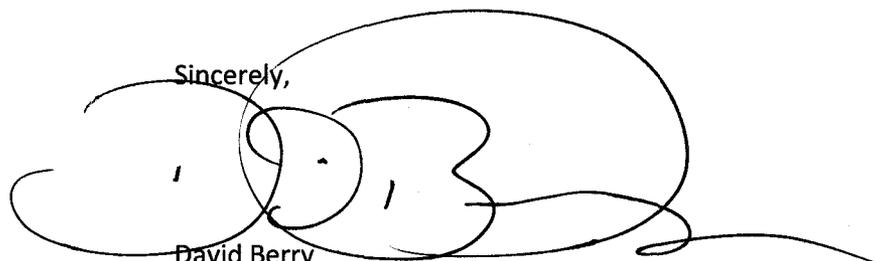
Lastly, Commission approval of APS' application will provide a signal to investors and lenders that the project deserves serious consideration for financing.

Conclusions

Renewable energy is no longer a novelty. APS' acquisition of renewable resources, including the Starwood Solar 1 resource, reflects the mainstreaming of renewable energy. Other utilities, such as NV Energy in Nevada, and Xcel Energy in Colorado, are also recognizing this paradigm shift.

The purchased power agreement is in the public interest and WRA urges the Commission to approve APS' application.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'David Berry', is written over the typed name and title.

David Berry
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