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July 24, 1998

Commissioner Carl J. Kunasek
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

RE-0000-94-0165
Arizona Corporation Commission
DOCKETED

Dear Commissioner Kunasek:

JUL 24 1998

Subject: Arizona Solar Portfolio Standard

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With regards to subject matter, you may recall that earlier this year we, in conjunction with a representative from ENOVA (now Semptra Energy), were privileged to present our SEECOT solar power technology to you and stated at that time that we would arrange for the financing of these systems.

We would like to now make the following additional comments relative to some points that were made during the recent public hearings.

We have reviewed the latest requirements included in the "second draft of the proposed revisions of the Retail Electric Competition Rules" and would like to assure the Commission that as a result of the many new incentives and provisions for extra credits, the cost of our solar power would be well below earlier expectations. Depending on the length of the contract, it could even be below the cost of conventional power from a gas-fired combined cycle plant. Based on only a 5-year contract, if that is the maximum Electricity Service Providers are willing to contract for, the SEECOT power would be in the 5 to 10 cents/kwh range and since it would only affect 1/2 to 1% of the power sold, it would for all practical purposes have no affect on the cost of electricity in the State of Arizona.

We already have commenced discussions with a large ESP to cover all its needs for the next 5 years and, as mentioned above, we are not requiring them to provide any capital contribution to achieve this goal.

As for the actual numbers, the original "Proposed Rule on Electric Industry Restructuring" projected that by the year 2003 when 100% of all electricity sold has to contain a minimum of 1% solar power, the total installed solar power capacity (exclusive of SRP) will need to be about 150 mw.

We are in the process of negotiating with Semptra Energy who are building a 500 mw combined cycle plant in Boulder City, Nevada and when our SEECOT system becomes part of that plant, we would be able to supply about 50% of the entire state's requirements.

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The equipment for the SEECOT system would be manufactured in Arizona and it is our intention to build the manufacturing facility as early as next year.

The installation would be privately financed, i.e. Arizona utilities or other ESP would not be required to contribute any capital. We are also reviewing other opportunities for the installation of SEECOT systems as part of existing and/or new facilities within Arizona and expect to be able to come up with the balance of the 150 mw's installed capacity.

In summary, while it is not our intention to be the only supplier of solar power in Arizona, we probably could, if need be, fulfill that role without requiring capital contributions from the ESPs and at a cost that would have no practical impact on the cost of power in Arizona.

We would be pleased to provide more detailed information if that is required.

Very truly yours,



A. H. Bellac