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ARIZONA CORPORATION COMMISSION

BEFORE THE ARIZONA CORPORATION COMMISSION

FEB 17 3 37 PM '99

JIM IRVIN  
Commissioner – Chairman

Arizona Corporation Commission

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CARL J. KUNASEK  
Commissioner

FEB 17 1999

TONY WEST  
Commissioner

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IN THE MATTER OF THE COMPETITION IN ) DOCKET NO. RE00000C-94-165  
 THE PROVISION OF ELECTRIC SERVICES )  
 THROUGHOUT THE STATE OF ARIZONA ) **NOTICE OF FILING**  
 )

City of Tucson hereby provides Notice of Filing Comments on the  
 Recommendations of the Hearing Officer to Amend Decision No. 60977. The City  
 expects to make additional comments at the public hearing before the  
 Commission.

DATED this 17<sup>th</sup> day of February, 1999.

David L. Deibel  
 Senior Assistant City Attorney  
 City of Tucson – City Attorney's Office  
 P.O. Box 27210  
 Tucson, AZ 85726-7210

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- 1 • The value of the site for installing more generation capacity. It is often  
2 easier to obtain permits for a new power plant at an existing power plant site  
3 than at a site with no power plant.
- 4 • The value of a power plant in making the electric service provider's  
5 resources more reliable. With a mix of power plants and purchased power,  
6 an electric service provider will face less uncertainty in energy prices than if  
7 he or she only purchased power.
- 8 • The value of a power plant in enhancing an electric service provider's  
9 credibility. Consumers may regard a supplier who owns a power plant as a  
10 more reliable provider than one who only purchases power in the wholesale  
11 market.
- 12 • The value of an urban power plant in providing must run generation for the  
13 buyer's use and for sale to others.

14 As a consequence, the proposed stranded cost order should be modified so that the  
15 net revenues lost methodology explicitly takes into account the full range values of a  
16 power plant recognized in the market.

17 After the end of the second paragraph of the net revenues lost methodology, page 3,  
18 line 3, insert:

19 In applying the net revenues lost methodology, the  
20 Commission shall consider the full range of factors, which  
21 affect the market value of assets. These factors may  
22 include, for example, net revenues from the sale of energy  
23 generated by the asset, the value of the site for future  
24 power plant development, the value of the power plant in  
25 contributing to the reliability of power supplies, and the  
26 value of the power plant in providing must run generation.

23 The City further recommends that the Commission consider the "Replacement Cost  
24 Valuation Approach" advocated by the City in the Stranded Cost Hearings. Dr.  
25 Eugene Coyle testified that this methodology is clearly superior to the "Net Revenues  
26 Lost" approach. This asset by asset approach is described fully in Dr. Coyle's pre-filed  
testimony beginning on p.14. This methodology is based on trying to identify what the

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1 difference between embedded costs and unregulated costs would be. The Stranded  
2 Cost Working Group, in its Report dated September. 30, 1997 put forth one calculation  
3 methodology for "Replacement Cost Valuation" which when modified as recommended  
4 by Dr. Coyle will yield a reasonable way to calculated stranded cost.

5 DATED this 17<sup>th</sup> day of February 1999.

6  
7   
8 David L. Deibel  
9 Senior Asst. City Attorney  
10 City of Tucson – City Attorney's Office  
11 P. O. Box 27210  
12 Tucson AZ 85726-7210

12 AN ORIGINAL AND TEN COPIES  
13 of the foregoing City of Tucson's  
14 Comments on the Recommendations  
15 Of the Hearing Officer to Amend  
16 Decision, No. 60977 filed this 17<sup>th</sup>  
17 day of February, 1999, with:

18 Docket Control  
19 Arizona Corporation Commission  
20 1200 W. Washington  
21 Phoenix AZ 85007

22 Copies of the foregoing mailed  
23 This 17<sup>th</sup> day of February, 1999, to:

24 Service List for RE-00000C-94-0165  
25 (I:\work\lrdereglab.doc)

26 l:\deregstranded.doc