



**SIERRA  
CLUB**  
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Docket Control  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

September 30, 2011

Re: Post Hearing Opening Brief of Sierra Club in Docket Number  
E-01345A-10-0474

To Whom It May Concern:

Please find enclosed the original and 13 copies of the Post Hearing Opening Brief and Proof of Service on behalf of Sierra Club. One copy has been mailed to each of the parties on the service list.

Please do not hesitate to contact me if you have any questions. Thank you.

Sincerely,

Jeff Speir  
Program Assistant  
Sierra Club Environmental Law Program  
85 Second Street, 2<sup>nd</sup> Floor  
San Francisco, CA 94105  
(415) 977-5595  
[jeff.speir@sierraclub.org](mailto:jeff.speir@sierraclub.org)

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1 Travis Ritchie  
2 Sierra Club Environmental Law Program  
3 85 Second Street, 2nd Floor  
4 San Francisco, CA 94105

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AZ CORP COMMISSION  
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5 Attorney for Sierra Club

6 **Before the Arizona Corporation Commission**

7 GARY PIERCE, CHAIRMAN  
8 PAUL NEWMAN  
9 SANDRA D. KENNEDY  
10 BOB STUMP  
11 BRENDA BURNS

12 IN THE MATTER OF THE APPLICATION  
13 OF ARIZONA PUBLIC SERVICE  
14 COMPANY FOR AUTHORIZATION FOR  
15 THE PURCHASE OF GENERATING  
16 ASSETS FROM SOUTHERN CALIFORNIA  
17 EDISON AND FOR AN ACCOUNTING  
18 ORDER.

Docket No. E-01345A-10-0474

**POST HEARING OPENING BRIEF OF  
SIERRA CLUB**

19 **I. INTRODUCTION**

20 Sierra Club supports the application of Arizona Public Service Company  
21 ("APS") to the extent that it requests approval from the Arizona Corporation  
22 Commission ("Commission") to begin immediately planning to retire Four Corners  
23 Units 1-3 in 2012. As discussed in more detail below, all five units of the Four  
24 Corners coal plant emit harmful pollutants that threaten public health and the  
25 environment. Furthermore, all five units of the Four Corners coal plant expose APS  
26 customers to significant financial risk for future coal-related environmental  
27 compliance costs. APS' decision to retire Four Corners Units 1-3 is a prudent decision  
28 that is in the best interests of APS customers and the public.

1 Sierra Club opposes APS' request for Commission authorization to purchase  
2 Southern California Edison's ("SCE") ownership share of Four Corners Units 4-5.  
3 The proposed transaction disregards the goals of the self-build moratorium and instead  
4 requests to eventually include in rate base an increasingly expensive 40-year old coal  
5 asset. The \$294 million purchase price at issue in this application is just one piece of a  
6 series of costly investments that Four Corners will require. If APS purchases SCE's  
7 share of Units 4-5, it will be committing itself and its customers to a course of action  
8 that will require substantial future capital investments. Moreover, the proposed  
9 acquisition is harmful to human health, it would expose APS customers to substantial  
10 economic risks for future environmental compliance costs, and it ignores the  
11 Commission's previous directives to encourage competitive electric generation  
12 procurement.

## 13 14 **II. THE PROPOSED TRANSACTION**

15 Four Corners consists of five generating units. APS is the sole owner of Units  
16 1-3, which were constructed in 1963/64 and are currently 48 years old. APS is a  
17 partial owner of Units 4-5 (15%) along with SCE (48%) and four other owners.  
18 (Hearing Testimony of APS Witness Mark Schiavoni ("Schiavoni Direct Testimony"),  
19 at 3.) Units 4-5 were constructed in 1969/70 and are currently 42 years old. APS  
20 plans to shut-down Units 1-3 and purchase SCE's share of Units 4-5, thereby  
21 increasing its ownership stake in Units 4-5 to 63%.

22 Like all coal plants, Four Corners is a major source of pollution and emits  
23 harmful and unhealthy chemicals into the air and water. (*See* Schiavoni Direct  
24 Testimony, at 4 (discussing various environmental regulations); *see, generally*,  
25 Hearing Testimony of Environmental Defense Fund ("EDF") Witness Bruce  
26 Polkowski ("Polkowsky Direct Testimony"), at 3-15.) Four Corners produces sulfur  
27 dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), mercury, and carbon dioxide (CO<sub>2</sub>), among  
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1 other pollutants. (Polkowsky Direct Testimony, at 2; Hearing Testimony of Western  
2 Resource Advocates (“WRA”) Witness David Berry (“Berry Direct Testimony”), at  
3 3.) These pollutants cause significant health impacts, including respiratory problems  
4 such as asthma, cardiovascular disease, and toxic mercury contamination that can  
5 cause brain damage, particularly in newborn babies and young children. (Polkowsky  
6 Direct Testimony, at 5-6; Berry Direct Testimony, at 4-5.)

7 Due to these potentially life-threatening health effects and other environmental  
8 impacts, coal plants such as Four Corners face numerous environmental regulations  
9 and pollution control requirements. These regulations – when implemented – save  
10 lives. (Polkowsky Direct Testimony, Ex. BP-2; Berry Direct Testimony, at 4-5.) APS  
11 witness Mark A. Schiavoni explained in both his written and oral testimony that Four  
12 Corners faces several upcoming environmental regulations including regional haze  
13 (BART<sup>1</sup>), mercury limits (MACT<sup>2</sup>), water pollution controls related to cooling water  
14 intakes (316(b)), coal combustion waste rules, and potential New Source Review  
15 challenges related to air quality. (Schiavoni Direct Testimony, at 4; Schiavoni Tr.<sup>3</sup> at  
16 245-46.) Each of these requirements may require substantial capital investments at  
17 Units 4-5 in order to bring the plant into compliance and to continue operations.

18 The most immediate compliance cost facing Four Corners is the Clean Air  
19 Act’s regional haze rules. EPA recently proposed a BART determination that would  
20 require the installation of SCR<sup>4</sup> plus baghouses on Units 1-3 (estimated \$586.4  
21 million) and SCR on Units 4-5 (estimated \$239.6 million). EPA’s proposed BART  
22 determination was a major factor in the following series of events that led to the  
23 current proposal:

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25 \_\_\_\_\_  
26 <sup>1</sup> Best Available Retrofit Technologies.

27 <sup>2</sup> Maximum Achievable Control Technologies.

28 <sup>3</sup> For clarity, citations to the hearing transcript include the page number and identify the witness  
testifying.

<sup>4</sup> Selective Catalytic Reductions.

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- In 2006, California passed SB 1368, which sought among other things to insulate California electricity customers from exposure to the cost of future pollution control investments from upcoming regulations.<sup>5</sup>
  - In response to SB 1368, the California Public Utilities Commission (“CPUC”) in 2007 issued order D.07-01-039, which adopted an interim greenhouse gas emission performance standard (“EPS”) for public utilities. The EPS stated that California utilities such as SCE cannot invest in, purchase, or extend the lease of a generation facility that exceeds the greenhouse gas emission rate equivalent of a combined cycle natural gas facility.<sup>6</sup> No coal plant can meet this standard.
  - In response to SB 1368 and the EPS, SCE determined that it could not maintain its ownership stake in the Four Corners plant past 2016, nor could it invest several hundred million dollars in SCR controls. SCE therefore entered into negotiations with APS and came to agreement to sell its 48% share of Units 4-5 to APS for \$294 million in cash. As part of the proposed sale, SCE would be able to completely divest from Four Corners and shift its future environmental costs and liabilities onto APS. SCE explained the contract as follows:

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APS agrees to assume **all SCE’s environmental liabilities** to the extent those liabilities are attributable to activities or conditions first arising after the sale is completed, as well as **the costs of certain modifications** to the Four Corners Generating Station or supplemental environmental projects related to environmental activities or conditions arising before the sale. The Sale Agreement’s purchase price also reflects **APS’ assumption of the final mine reclamation and plant decommissioning costs** within the scope of two studies conducted by APS in 2009-2010.<sup>7</sup>

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- Parallel to its negotiations with SCE, APS discussed a “deal” with EPA whereby APS would shut down Units 1-3 in 2012 in exchange for EPA allowing extra time (until 2018) to install SCR retrofits on Units 4-5. (Schiavoni Tr. at 335-36; Dinkel Tr. at 525.)
  - APS and SCE filed applications with their respective Commissions requesting authorization of the proposed transaction.

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<sup>5</sup> California SB 1368, Section 1(g), available at: [http://www.leginfo.ca.gov/pub/05-06/bill/sen/sb\\_1351-1400/sb\\_1368\\_bill\\_20060929\\_chaptered.pdf](http://www.leginfo.ca.gov/pub/05-06/bill/sen/sb_1351-1400/sb_1368_bill_20060929_chaptered.pdf).

<sup>6</sup> CPUC Order D.07-01-039, Jan. 25, 2007, p. 3, available at: [http://docs.cpuc.ca.gov/word\\_pdf/FINAL\\_DECISION/64072.PDF](http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/64072.PDF).

<sup>7</sup> *Application of Southern California Edison Company (U 338-E) for Approval of Agreements to Sell Its Interests in Four Corners Generation Station*, A.10-11-010, Nov. 15, 2010, p. 4 (emphasis added) available at: <http://docs.cpuc.ca.gov/efile/A/126562.pdf>; *see, also*, Application at p. 22.

1           This series of events led APS to file the current application to request that the  
2 Commission facilitate the shut-down of Units 1-3 and lift the self-build moratorium to  
3 allow APS to acquire SCE's share of Units 4-5. APS characterized the proposed  
4 transaction as one that "greatly benefits APS customers." (Hearing Testimony of APS  
5 Witness Patrick Dinkel ("Dinkel Rebuttal Testimony"), at 12.) APS' conclusion was  
6 premature. The purported benefits of the proposed transaction rested on a narrow  
7 analysis that overlooked the substantial risks to customers that would result from  
8 increasing APS' reliance on coal generation.

9           The Commission should be wary of condoning APS' plan to purchase an asset  
10 that SCE chose to abandon due to the risks of future pollution controls and liabilities.  
11 APS requested Commission permission to increase its customers' exposure to coal  
12 risks and liabilities at a time when coal plants across the country increasingly face  
13 numerous uncertainties related to future pollution control costs. (See Schiavoni Tr. at  
14 268 ("There is simply a limited market for coal at present given the environmental  
15 uncertainties and related costs"); see Dinkel Tr. at 504 ("Just a few years ago, one  
16 might have thought that coal was a very low risk and low cost resource. Now we  
17 know there is more risk to that.") Given these heightened risks, APS should have  
18 conducted a more robust analysis to support its request to increase its exposure to coal.

19  
20 **III. THE PROPOSED TRANSACTION EXPOSES APS TO SUBSTANTIAL FINANCIAL**  
21 **RISK FOR FUTURE ENVIRONMENTAL COMPLIANCE COSTS**

22           Four Corners Units 4-5 are subject to EPA regulations under the Clean Air Act  
23 (CAA), the Clean Water Act (CWA), and the Resource Conservation and Recovery  
24 Act (RCRA), among other statutes.

25           There are several regulatory areas under the CAA, CWA and RCRA that  
26 directly affect APS' coal fleet, including:  
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- 1 • The existing regional haze rule (BART), designed to improve visibility  
2 in national parks and other Class 1 public lands;
- 3 • The proposed air toxics rule for utility steam generating units (MACT),  
4 designed to protect human health by reducing emissions of hazardous  
5 air pollutants (HAPs) and mercury (Hg) from oil and coal-burning  
6 units;
- 7 • The proposed strengthening of National Ambient Air Quality Standards  
8 (NAAQS) on sulfur dioxide (SO<sub>2</sub>), particulates (PM<sub>2.5</sub>), and nitrogen  
9 dioxide (NO<sub>2</sub>) designed to protect human health, reduce premature  
10 mortality, and reduce environmental harms from emissions;
- 11 • The proposed cooling water intake structures rule (316(b)), designed to  
12 protect fisheries and aquatic organisms from being trapped by cooling  
13 water screens, or uptake into cooling systems; and,
- 14 • The expected coal combustion residuals or coal ash limitation  
15 guidelines, to prevent toxic releases into ground and surface waters.

16 (*See* Rose Tr. at 154-56; *see, also* Schiavoni Tr. at 245-46, 266.)

17 Based on the existing regulations and information on the emerging regulations,  
18 APS could be required to install a range of retrofits to meet environmental compliance  
19 obligations. APS knew or should have known of these regulations well in advance of  
20 the current application. (Schiavoni Tr. at 269 (“most of these issues have been  
21 longstanding issues 10 years or more that have been ongoing...”)) While the final  
22 regulations are still evolving, the likelihood that a suite of regulations would affect  
23 coal-fired power plants has been well known for a number of years.

24 APS failed to present a full analysis of the Unit 4-5 cost implications of current  
25 regulations beyond the proposed cost of SCR installation, and APS has presented  
26 almost no analysis in its application of the cost implications of additional upcoming  
27 regulations. APS presented several graphs in its application and direct testimony  
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1 allegedly illustrating the capital costs of the proposed transaction. (Application at 12-  
2 13; Dinkel Direct Testimony at 5-6, 10.) For Graph 1, APS claimed that the capital  
3 cost comparison included “the cost of installing **all required environmental**  
4 **controls...**” (Application, at 13 (emphasis added); *see* Dinkel Direct Testimony, at 5.)  
5 When asked by Sierra Club to provide the basis for those costs, APS responded in data  
6 response SC 1.13 that the pollution retrofit costs included in graph 1 for Units 4-5  
7 consisted **only** of SCR costs and nothing more. (*See* Sierra Club Exhibit 6.) During  
8 hearings, APS witness Patrick Dinkel admitted that APS likely omitted estimates of  
9 pollution control costs in graph 1. (Dinkel Tr. at 416.) Mr. Dinkel justified this  
10 omission on the grounds that pollution control costs of \$5, \$10 or even \$15 million  
11 were immaterial. (Dinkel Tr. at 414-15.)

12         Despite these obvious omissions, APS insisted that it had considered all of the  
13 expected pollution control retrofit costs. (Schiavoni Tr. at 267-68; Dinkel Tr. at 540-  
14 41.) However, the quantification and analysis of those costs and risks did not appear  
15 anywhere in APS’ application or its written testimony. APS claimed that the graphs it  
16 included in its application considered such costs, but when pressed, APS admitted that  
17 at least one of the graphs did not contain all of the known and/or expected pollution  
18 control costs. Instead, APS’ justification for the proposed transaction focused on the  
19 purchase price of the asset, the relative cost of coal fuel, and the volatility of natural  
20 gas prices. This analysis failed to provide the Commission with a complete picture of  
21 the costs and risks associated with **increasing** APS’ reliance on coal as a resource.  
22 Given the recent history of coal and the knowledge that coal plants face increasingly  
23 complex and expensive challenges, the Commission should reject APS’ analysis as  
24 inadequate to justify the proposed transaction.

25         If the Commission approves this transaction, APS customers will bear the  
26 brunt of all future costs at Four Corners because APS will have a majority share 63%  
27 ownership stake in the plant. That means that all future plant-wide expenditures,  
28

1 including pollution control retrofits, O&M costs, and potential future liability costs  
2 related to groundwater contamination, will fall squarely on APS. The current  
3 application proposed a short-sited and regressive strategy. Rather than investing in old  
4 and outdated coal technology, APS should be investing in new renewable energy  
5 construction and new renewable energy infrastructure that will reduce APS customers'  
6 exposure to energy supply risks. Investing in renewable energy would serve the added  
7 benefit of providing much needed infrastructure jobs during a time of economic  
8 downturn.

9  
10 **IV. THE PROPOSED TRANSACTION DOES NOT COMPLY WITH THE SELF-BUILD**  
11 **MORATORIUM**

12 APS filed the current application because Decision No. 67744 requires APS to  
13 obtain Commission authorization prior to the acquisition of any new generating asset  
14 through January 1, 2015. This "self-build moratorium" applies to both the  
15 construction of new generating units and the acquisition of any generating unit from a  
16 utility generator. (Decision No. 67744 at p. 25.) The proposed purchase of SCE's  
17 ownership share of Four Corners Units 4-5 clearly falls within the restrictions of the  
18 self-build moratorium, which APS did not dispute. (*See* Application at p. 23.)

19 The Commission intended the self-build moratorium to, among other things,  
20 balance anti-competitive effects that might result from the Commission's decision to  
21 allow APS to include five natural gas generating units in rate base.<sup>8</sup> "[The  
22 Commission] generally agree[s] that the self-build moratorium proposed in the  
23 Agreement is useful for addressing the potentially anti-competitive effects that may be  
24 associated with rate-basing [five generating units]." *Id.* In allowing APS to acquire  
25 the five generating units, the Commission stressed that it was not abandoning its

26  
27 <sup>8</sup> In Decision No. 67744, the Commission authorized APS to transfer the following generating units into  
28 rate base from its parent company, Pinnacle West Energy Corporation: West Phoenix CC-4; West  
Phoenix CC-5; Saguaro CT-3; Redhawk CC-1; and Redhawk CC-2.

1 commitment to competitive electricity markets. To the contrary, the Commission  
2 wholeheartedly endorsed future resource planning that would focus on, “developing  
3 needed infrastructure and a flexible, timely, and fair competitive procurement  
4 process.” *Id.* at 26. As part of this future resource planning, the Commission further  
5 noted that, “APS’ aging coal fired plants face an increasingly emissions regulated  
6 future which may require sizable investments to improve emission control  
7 performance.” *Id.* The proposed transaction is antithetical to the Commission’s stated  
8 purpose in Decision No. 67744 because it did not involve a competitive process, it did  
9 not rely on a fully developed resource plan, and it would further increase APS’  
10 exposure to aging coal units.

11 APS’ request to acquire additional coal generation assets through a closed-door  
12 process completely disregards the goals espoused by the Commission in Decision No.  
13 67744. The hasty process that led to the proposed transaction is not an example of a  
14 “flexible, timely, and fair competitive procurement process.” It was a backroom deal  
15 between co-owners of the same plant. APS contended that it addressed the criteria  
16 listed in paragraph 75 of the self-build moratorium settlement agreement.  
17 (Application at pp. 23-27); however, merely addressing these threshold issues did not  
18 negate the underlying purpose behind the self-build moratorium to support a  
19 competitive market. APS failed to explain how this transaction, which would increase  
20 APS’ generating assets in rate base without a competitive bidding process, furthers the  
21 Commission’s goals of encouraging a competitive electricity market.

22 The proposed transaction further offends the purpose of Decision No. 67744  
23 because APS severely underutilizes the generating units that the Commission allowed  
24 APS to rate base in that decision. The four combined cycle units at Redhawk and  
25 West Phoenix that were part of Decision No. 67744 consist of approximately 1,600  
26 MW of efficient gas-fired combined cycle capacity. (Hearing Testimony of Intervenor  
27 Sierra Club (“Sierra Club”) Witness David Schlissel (“Schlissel Direct, Testimony”),  
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1 at 21; *APS Response to Data Request SC-1*, Schlissel Direct Testimony, Exhibit DAS-  
2 2.) Natural gas combined cycle units are typically able to operate at a 60 to 75 percent  
3 annual capacity factor, yet APS chooses to operate these units far less frequently. (*Id.*;  
4 *see, also*, Schiavoni Tr. at 258-9.) Over the past four years, APS operated the units at  
5 Redhawk and West Phoenix at capacity factors around 30%, with West Phoenix CC-4  
6 operating as low as 11% last year. (Schlissel Direct Testimony, at 21.) These are  
7 assets in APS' rate base that presumably earned a rate of return for APS shareholders,  
8 but ratepayers did not realize the full generation potential of those units. Rather than  
9 using those assets to their fullest capacity to provide baseload or intermediate power,  
10 APS instead sought in this proceeding to acquire yet another generating asset through  
11 this transaction.

12 APS similarly failed to adequately address the Commission's stated concerns  
13 about the risks of its aging coal fleet. Testimony in this proceeding discussing the  
14 myriad of future regulatory compliance costs currently facing Four Corners and other  
15 coal plants validated the Commission's prior warnings that APS' aging coal fleet  
16 would result in significant pollution control expenses. The EPA requirement to install  
17 SCR on the Four Corners units was precisely the class of "sizable investments to  
18 improve emission control performance" that Decision No. 67744 predicted, and the  
19 BART retrofits are just the first in a series of costly capital investments that will be  
20 required across APS' coal fleet. Yet APS completely brushed aside this concern with  
21 the proposed transaction and instead requested permission to further expose APS and  
22 its customers to the risks and liabilities of owning an old and dirty coal plant. The  
23 proposal to purchase the Four Corners coal-fired plant is not a prudent action, and the  
24 Commission should not relieve APS of the restrictions imposed by the self-build  
25 moratorium

1 **V. A COMPREHENSIVE REVIEW OF ALTERNATIVES IS NECESSARY TO MAKE THE**  
2 **APPROPRIATELY INFORMED DECISION**

3 This proposed transaction is just the first step in a series of substantial Four  
4 Corners related costs that APS customers will be forced to endure if the Commission  
5 approves the application. The \$294 million purchase price for a forty-year old asset  
6 the only step that APS requested authority to pursue in this proceeding. However,  
7 APS admitted that several additional costs will accrue following this initial purchase  
8 price. (Dinkel Tr. at 422-23 and 540-41.) These steps include: the cost to install SCR;  
9 the cost of future regulatory capital retrofits for mercury MACT, section 316(b)  
10 compliance, coal combustion waste disposal; potential New Source Review litigation  
11 costs and liability; groundwater remediation costs and contamination liability; plant  
12 decommissioning; continued lease payments; and decommissioning costs. (See  
13 Schiavoni Tr. at 245-246, 327, 362.) APS' piecemeal approach in this application  
14 failed to evaluate the cumulative impact of these upcoming costs and deprived the  
15 Commission and APS' customers of the benefit of a comprehensive review and  
16 prudence determination. In general, the scope of the Commission's consideration of  
17 APS' proposal should reflect a multi-pollutant approach to evaluating the known and  
18 likely costs of continued operation and retrofit, rather than considering one regulation  
19 at a time. It is not reasonable to put customers at risk of having to fund multiple  
20 modifications or retrofits to meet compliance obligations if, taken as a whole, those  
21 compliance activities are less economical than alternatives.

22 APS also failed to fully consider a wide range of alternatives for replacing Four  
23 Corners. Among several potential options, APS' application failed to address the  
24 following: (1) increasing the utilization of APS' existing combined cycle turbines at  
25 Redhawk and Phoenix; (2) extending or entering into a power purchase agreement  
26 with an existing merchant combined cycle unit; and (3) including additional renewable  
27 resources as part of a portfolio of alternatives. Renewable generation is particularly  
28 attractive given its near-zero risk. Once built, renewable resources such as solar plants

1 and distributed generation are not subject to fuel price volatility because they do not  
2 require commodity fuels. Renewables also face little or no regulatory risk because  
3 they generally do not pollute the environment or harm human health. In the long term,  
4 renewables are far less risky than either coal or gas.

5 Even with its cursory review of a gas alternative, APS overstated the costs of  
6 constructing new combined cycle facilities. The Arizona Competitive Power Alliance  
7 broadly and repeatedly articulated the fact that APS did not conduct a natural gas  
8 request for proposal (“RFP”) as part of its analysis. Instead, APS relied on the  
9 assumption that construction or acquisition of new combined cycle natural gas  
10 capacity would cost up to \$1,253 /kW. (Dinkel Direct Testimony, at 10.) Yet APS’  
11 own witness, Judah Rose, provided written testimony identifying recent transactions in  
12 the Desert Southwest reported to be \$553 /kW and \$600 /kW. (Hearing Testimony of  
13 APS Witness Judah Rose (“Rose Rebuttal Testimony”), at 23; Rose Tr. at 165; Dinkel  
14 Tr. at 418-19.) These much lower prices call into question APS’ assumption that the  
15 cost to purchase new combined cycle generation would reach \$1,253 /kW. As a result,  
16 APS’ analysis of cost comparisons is faulty because it either overstates the cost of  
17 natural gas or at best omits relevant data points suggesting that new combined cycle  
18 capacity is far less expensive than APS assumed.

19 APS’ incomplete analysis of alternatives is problematic beyond the immediate  
20 proceeding. Regardless of the Commission’s decision on the Four Corners assets at  
21 issue in this proceeding, APS will face similar challenges for its entire coal fleet,  
22 which includes Four Corners, Navajo Generating Station, and Cholla. APS  
23 acknowledged these upcoming challenges with respect to the Navajo Generating  
24 Station:

25 Navajo Generating Station is facing much the same set  
26 of circumstances that...we are facing with Four Corners.  
27 They have an owner that must leave the project by a date  
28 certain, 2019 in this case... You have the uncertainty

1 around what the BART rule is going to be like for  
2 Navajo Generating Station. We have federal draft  
3 implementation plans that have already been put forth by  
4 the EPA for our facilities. Navajo Generating Station  
5 does not have that yet. So there is still uncertainty what  
6 the rules will look like for BART for Navajo Generating  
7 Station. (Schiavoni Tr. at 264-65.)

8 Given these challenges, Sierra Club requests that the Commission direct APS  
9 to engage in a much more comprehensive and detailed planning analysis for both the  
10 current application as well as any future decisions regarding APS' coal fleet. The  
11 current proposal would prematurely commit APS customers to a series of costly  
12 capital investments at Four Corners without the benefit of a comprehensive review.  
13 APS admitted that it was a time-sensitive process that did not benefit from a full  
14 resource plan analysis. "This [proposed transaction] was a unique opportunity for a lot  
15 of reasons...We can't afford to wait until the final determination of that resource plan  
16 docket to move forward on this transaction or the window will be gone." (Dinkel Tr.  
17 at 424.) In short, APS rushed its analysis to take advantage of a "deal." This type of  
18 shortcut planning risks forcing APS customers into an alternative that is not the most  
19 cost-effective, and the Commission should not condone the action.

20 Regardless of the Commission's ultimate decision in this proceeding, Sierra  
21 Club supports the recommendation of WRA's witness Dr. David Berry to plan to retire  
22 APS' coal-fired generating capacity in the near term. (Berry Direct Testimony, at 11.)  
23 A comprehensive and careful planning process that retires coal plants will prevent the  
24 type of rushed and poorly analyzed application that APS presented in this docket.  
25 Coal is an old and dirty resource that increases mortality and is harmful to public  
26 health. The Commission should make every effort to move its regulated utilities  
27 beyond coal as quickly as possible.  
28

1 **VI. CONCLUSION**

2 For the foregoing reasons, Sierra Club recommends that the Commission order  
3 APS to begin planning to immediately retire Four Corners Units 1-3. Sierra Club  
4 further recommends that the Commission reject APS' proposed acquisition of SCE's  
5 share of Four Corners Units 4-5 with leave to refile pending a complete resource plan  
6 analysis that includes (1) the upcoming compliance risks that the coal plant will face,  
7 and (2) the technical feasibility and economic viability of alternatives to the Four  
8 Corners plant.

9 Dated: September 30, 2011

10 Respectfully submitted,

11  
12 

13 Travis Ritchie  
14 Sierra Club Environmental Law Program  
15 85 Second Street, 2nd Floor  
16 San Francisco, CA 94105  
17 (415) 977-5727  
18 (415) 977-5793 FAX  
19 [travis.ritchie@sierraclub.org](mailto:travis.ritchie@sierraclub.org)

## PROOF OF SERVICE

I hereby certify that I have this day served the foregoing documents on the following parties in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

Docket Control (Original & 13 Copies)  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Chairman Gary Pierce  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Commissioner Brenda Burns  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Commissioner Sandra D. Kennedy  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Commissioner Paul Newman  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Commissioner Bob Stump  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Chief Administrative Law Judge  
Lyn Farmer  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Steven M. Olea  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, AZ 85007

Janice Alward  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, AZ 85007

Meghan H. Gabel  
Thomas L. Mumaw  
Pinnacle West Capital Corp.  
P.O. Box 53999, Mail Station 8695  
Phoenix, AZ 85072-3999

Lawrence Robertson, Jr.  
PO Box 1448  
Tubac, AZ 85646

Pamela Campos  
Environmental Defense Fund  
2060 Broadway  
Boulder, CO 80302

Daniel W. Pozefsky  
RUCO  
1110 W. Washington St., Ste. 220  
Phoenix, AZ 85007

Timothy M. Hogan  
ACLPI  
202 E. McDowell Rd., Suite 153  
Phoenix, AZ 85004

David Berry  
Western Resources Advocates  
P.O. Box 1064  
Scottsdale, AZ 85252- 1064

Arizona Reporting Service, Inc.  
2200 N. Central Ave., Ste. 502  
Phoenix, AZ 85004

Greg Patterson  
916 West Adams, Ste. 3  
Phoenix, AZ 85007

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Jeff Speir, Program Assistant  
Sierra Club Environmental Law Program  
85 Second St., 2<sup>nd</sup> Fl.  
San Francisco, CA 94105  
(415) 977-5595  
[jeff.speir@sierraclub.org](mailto:jeff.speir@sierraclub.org)