

**COMMISSIONERS**  
MIKE GLEASON - Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE



**ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES  
Commissioner

Direct Line: (602) 542-4143  
Fax: (602) 542-0765  
E-mail: kmayes@azcc.gov

March 19, 2008

Mr. Don Brandt  
President and CEO  
Arizona Public Service  
400 East Van Buren  
Phoenix, AZ 85004

**Re: APS' Continued Out-of-State Renewable Energy Purchases; Prospects for the Construction of Wind Power in Arizona**

Dear Mr. Brandt:

During the past several years, Arizona Public Service Company ("APS") has discussed the prospect of developing wind power in Northern Arizona. In fact, in September 2007, the Company issued a report entitled "Arizona Renewable Energy Assessment," detailing the locations in Arizona that are likely candidates for various renewable energy projects including wind, solar, and biomass. This study identified six sites in Arizona - Rattlesnake Crater (Coconino County), Buffalo Range (Coconino County), Buckhorn (Navajo County), Chevelon (Navajo County), Greens Peak (Apache County), and Kingstone (Coconino County) - that together total 991 Megawatts of potential wind energy. Additionally, the Northern Arizona University and APS "Wind Integration Cost Impact Study," published in September 2007, cited Gray Mountain (Mohave County), Bullhead City (Mohave County), Greer (Apache County), Springerville (Apache County), Hay Hollow (Apache County), and Young (Gila County) as potential areas for wind resource development. The APS "Arizona Renewable Energy Assessment" study found that more than 20,000 Gigawatt hours of renewable energy is available for development in Arizona by the year 2025.

However, despite these findings, in recent meetings, APS officials have informed me that the Company has chosen to continue to purchase renewable energy outside the state of Arizona, using ratepayer money from the Renewable Energy Standard ("RES"). Specifically, APS is moving forward with plans to contract for wind power in New Mexico<sup>1</sup> and geothermal power in Utah<sup>2</sup>. Once these contracts are fully executed, it is my understanding that APS will be purchasing a total of 225 Megawatts of energy from other states.

<sup>1</sup> This would apparently be in addition to the existing 90 MW APS contract for wind power delivered from Santa Rosa, New Mexico.

<sup>2</sup> I recognize that APS is also involved in the development of two large-scale solar energy projects in Arizona. One, titled Solana, is a 280 MW facility slated to come on-line in 2011, and the other is a 250 MW concentrating solar power project under development by a consortium of southwestern utility companies. These are positive steps forward in the development of Arizona's plentiful solar energy resource.

Mr. Don Brandt

March 19, 2008

Page 2

I am concerned that such out-of-state purchases hinder the development of renewable energy here in Arizona, and potentially deprive our state of much needed economic development. As you know, a primary goal of the Renewable Energy Standard is to promote investment in, and research and development of, renewable energy resources in our state. Renewable energy projects resulting from the RES also have the potential to create hundreds of jobs in the counties where those projects will be located.<sup>3</sup> When ratepayer funds are expended out of state, the potential for the RES to act as a catalyst for job creation in our state is thwarted.

I understand that there may be steps beyond the Commission's passage of the RES that our state could take to become more competitive in the generation of large-scale renewable energy. Nevertheless, it is my view that APS and the state's other electric utilities have been given ample tools through the RES to begin developing large-scale renewable energy projects in Arizona, including wind power. Despite this fact, to date, there are no major wind power projects currently in operation or under development in the state of Arizona.

Therefore, please explain why APS has chosen to continue its practice of purchasing renewable energy out of state. Please include any differences in financial incentives, energy reliability, geographic advantages, developmental feasibility, or other factors that led APS to look to New Mexico and Utah rather than Arizona, for renewable energy projects in 2008. Please describe what policies, or absence of policies, currently stand in the way of APS developing large-scale renewable energy projects in Arizona, with specific reference to wind power. Finally, please detail any steps APS has taken to develop wind power in Arizona.

Thank you for your attention to this matter.

Sincerely,



Kris Mayes  
Commissioner

Cc: Chairman Mike Gleason  
Commissioner William A. Mundell  
Commissioner Jeff Hatch-Miller  
Commissioner Gary Pierce  
Dean Miller  
Rebecca Wilder  
Supervisor Jim Claw, Apache County  
Supervisor Tom M. White, Jr., Apache County

---

<sup>3</sup> According to the Western Governors Association, the development of 1,000 MW of central station renewable energy, such as wind and Concentrating Solar Power (CSP), could lead to the creation of up to 3,400 construction jobs and 100 to 250 permanent plant jobs. Similarly, according to the Arizona Solar Roadmap, the accelerated development of solar energy could result in 3,000 jobs by 2020.

Mr. Don Brandt

March 19, 2008

Page 3

Supervisor David Brown, Apache County  
Supervisor Carl Taylor, Coconino County  
Supervisor Elizabeth Archuleta, Coconino County  
Supervisor Matt Ryan, Coconino County  
Supervisor Deb Hill, Coconino County  
Supervisor Louise Yellowman, Coconino County  
Supervisor Tommie Cline Martin, Gila County  
Supervisor Jose M. Sanchez, Gila County  
Supervisor Shirley Dawson, Gila County  
Supervisor Drew John, Graham County  
Supervisor James A. Palmer, Graham County  
Supervisor Mark C. Herrington, Graham County  
Supervisor Pete Byers, Mohave County  
Supervisor Tom Sockwell, Mohave County  
Supervisor Buster D. Johnson, Mohave County  
Supervisor Percy Deal, Navajo County  
Supervisor Jesse Thompson, Navajo County  
Supervisor J.R. DeSpain, Navajo County  
Supervisor David Tenney, Navajo County  
Supervisor Jerry Brownlow, Navajo County