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ARIZONA CORPORATION COMMISSION

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Commissioner
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June 26, 2008

Mr. Don Brandt
President and CEO
Arizona Public Service
400 No. Fifth Street
M.S. 9042
Phoenix, AZ 85004

Re: Arizona Public Service Company's efforts to spur renewable energy development in Arizona through the potential use of an economic development extra credit multiplier in the Company's Requests for Proposal.

Dear Mr. Brandt:

In a March 19, 2008 letter, I requested that Arizona Public Service Company ("APS") examine its practice of purchasing renewable energy from outside the state of Arizona. I asked APS to detail differences in financial incentives, reliability, geography, development feasibility or other factors which led APS to look out of state for renewable energy projects. Excessive reliance on out-of-state generation is of great concern, as one of the goals of the Renewable Energy Standard is the promotion and development of in-state renewable energy resources.

Keeping in mind the goal of encouraging in-state renewable development, I ask APS to consider the use of an economic multiplier credit for in-state renewable projects as part of the Company's current and future Renewable Energy Request for Proposals. The incorporation of such multiplier could provide the added incentive necessary to spur development of in-state resources. I encourage APS to examine the use of extra credit multipliers for renewable energy project proposals that are located in Arizona, and to describe any policies or absence of policies which currently stand in the way of their use. I am also interested in better understanding any other methods APS is employing to help ensure that Arizona's indigenous renewable energy resources are developed.

In addition to the use of extra credit multipliers, I am interested in knowing how APS is making use of the Federal Energy Regulatory Commission's ("FERC") Orders 890 and 679 to encourage development of renewable energy transmission in Arizona. Order 890 reformed open access transmission tariff rules to better address the needs of new energy technologies, while Order 679 provides for the use of incentive-based rate treatments. Please identify how APS is making use of these FERC orders to facilitate development of renewable energy transmission and detail any obstacles or policy considerations limiting their use.

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Local initiatives such as that of the Northern Arizona Renewable Energy Group ("NAREG"), which is being spearheaded by Coconino County, demonstrate continued interest among community leaders and local businesses in renewable resource development.¹ I would like APS to examine its policies with respect to the use of economic development extra credit multipliers and transmission initiatives and to address how these policies can be tapped to facilitate the development of renewable energy projects that benefit not only the entire Southwest region, but also the economy of 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
Ernest Johnson
Rebecca Wilder
Brian McNeil
Coconino County Supervisor Carl Taylor
Coconino County Supervisor Elizabeth Archuleta
Coconino County Supervisor Matt Ryan
Coconino County Supervisor Deb Hill
Coconino County Supervisor Louise Yellowman

¹ As you know, NAREG is a consortium of governmental entities and businesses in northern Arizona – including Coconino County, the City of Flagstaff, Northern Arizona University, Nestle/Purina, and others.