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January 30, 2013

The Honorable Jared Blumenfeld
Region 9 Administrator
U.S. Environmental Protection Agency
75 Hawthorne Street
San Francisco, CA 94105

RE: Best Available Retrofit Technology (BART) Proposal for Navajo Generating Station

Dear Administrator Blumenfeld:

As elected members of the Arizona Corporation Commission, our responsibilities include approving the rates for electric utilities in Arizona that we regulate. Both Arizona Public Service Company and Tucson Electric Power are co-owners of NGS. The cost paid by these utilities for the emission controls prescribed by the Environmental Protection Agency (EPA) will ultimately be borne by Arizona ratepayers. As such, we have an obligation to ensure that those costs are reasonable and necessary to achieve the environmental goals.

We have strong reservations about the proposed BART rule for the Navajo Generating Station (NGS) and intend to engage formally in the comment process because of the potential impact to millions of Arizona ratepayers. We support efforts to ensure that power production is done in an environmentally responsible manner but such efforts must balance the environmental benefits with the cost to consumers. At this point, we are unconvinced that the proposed rule achieves the appropriate balance.

We are also concerned because as elected officials who care greatly about our state, we understand the value of NGS to Arizona. The economic significance of the plant to that region and the state as a whole cannot be overstated. NGS employs over 500 people, more than 80% of whom are Navajo. The Kayenta Mine, which provides coal to the plant, is located on Hopi and Navajo land. It employs an additional 400 people, 80% of whom are Native American. These jobs are provided in a region that has historically suffered from high rates of unemployment. EPA's decision on the final rule could have a significant impact on the local economies in that part of our state.

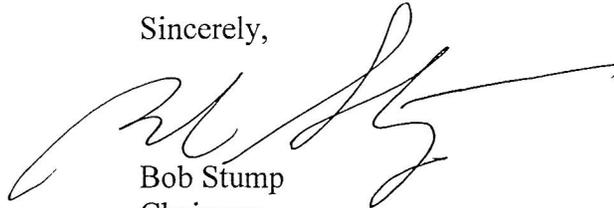
In addition to the localized impacts, NGS brings significant benefits to the entire state. Arizona State University estimated that NGS and the Kayenta Mine will account for over \$20 billion in Gross State Product between 2011 and 2044. NGS is also critical to ensuring Arizona's water supply at a reasonable cost. NGS supplies 90% of the power used by the Central Arizona Project

(CAP) to pump Arizona's supply of Colorado River water. NGS provides a low-cost resource to move this critical water supply and it provides funds for the repayment to the federal government of the cost to build the CAP. Because of the unique nature of the plant and significant economic impact to the state and tribes in the region, we encourage the EPA to take great care as it moves toward a final rule to ensure that the plant will not be adversely impacted.

The proposed rule would require Selective Catalytic Reduction (SCR) to be installed and operational on all three units by 2018. It appears that EPA did recognize the importance of the plant by providing some flexibility in the proposed BART alternatives. However, based on our initial review, it is unclear if this flexibility provides enough time to resolve the uncertainties facing NGS before the owners must commit to a significant financial contribution. Additionally, the emission control limit appears to be one of the strictest in the nation, raising concerns about whether or not it is achievable.

SRP, the plant operator, has estimated that the cost of SCR would be \$589 million. If baghouses are required to mitigate potential increases in particulate matter that could occur as a result of installing SCR, the total cost of the additional emission controls could top \$1.1 billion. Considering the potential costs to Arizona's ratepayers and the significance of the plant to Arizona's economy, we intend to participate fully in this process to ensure that EPA strikes the right balance between protecting our state's natural resources and the ultimate cost to consumers.

Sincerely,



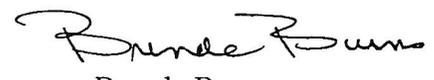
Bob Stump
Chairman



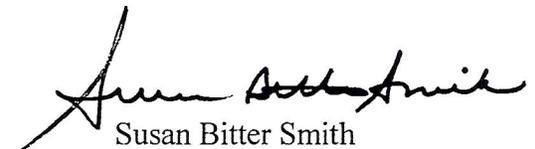
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Commissioner



Bob Burns
Commissioner



Brenda Burns
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