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January 22, 2002

Chairman William A. Mundell
Commissioner Jim Irvin
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

In Re:	Electric Competition Rules	Docket No. RE-00000C-00-0275
	AISA	Docket No. E-00000A-01-0630
	APS Request for Variance	Docket No. E-01345A-01-0822

My Fellow Commissioners:

I appreciate the Chairman's letter detailing questions regarding Arizona's competitive electric competition rules. Arizona can only benefit from a thorough review of the legal, economic and market questions the Chairman posed. I would add the following questions relating to the environmental impacts to the discussion.

1. In a vertically integrated utility model, what incentives (regulatory, financial and ratemaking) exist for the expanded use of renewable energies?

2. In a competitive electric market model, what incentives exist for the expanded use of renewable energies?

3. In a vertically integrated utility model, what disincentives (regulatory, financial and ratemaking) exist for the expanded use of renewable energies?

4. In a competitive electric market utility model, what disincentives exist for the expanded use of renewable energies?

5. During Arizona's period of reliance on the vertically integrated utility model, what renewable energy programs were enacted in Arizona?

6. Since Arizona's adoption of a competitive electric market model, what renewable energy programs have been enacted in Arizona?

7. Under the vertically integrated utility model, what incentives exist to build newer plants that are less damaging to the environment to replace older, dirtier plants?

8. Under the competitive electric market model, what incentives exist to build newer plants that are less damaging to the environment to replace older, dirtier plants?

9. Under the vertically integrated utility model, what disincentives (regulatory, financial and ratemaking) exist to build newer plants that are less damaging to the environment to replace older, dirtier plants?

10. Under the competitive electric market model, what disincentives exist to build newer plants that are less damaging to the environment to replace older, dirtier plants?

11. During Arizona's period of reliance on the vertically integrated utility model, what emphasis did the Commission place on pollution control measures in Certificates of Environmental Compatibility?
    (a) What is the most stringent pollution control measure placed on a CEC during Arizona's reliance on the vertically integrated utility model?

12. Since Arizona's adoption of a competitive electric market model, what emphasis has the Commission placed on pollution control measures in Certificates of Environmental Compatibility?
    (a) What is the most stringent pollution control measure placed on a CEC since Arizona's adoption of a de-regulated utility model?
    (b) What is the likelihood that that measure would have been placed on a similar CEC in a vertically integrated utility model?

13. During Arizona's period of reliance on the vertically integrated utility model, what amount of excess generating capacity existed in Arizona?

14. Since Arizona's adoption of a competitive electric market model, what amount of excess generating capacity existed in Arizona?

I look forward to the parties' responses.

Very Truly Yours,

Marc Spitzer
Commissioner

CC: Lyn Farmer, Chief Hearing Officer
Ernest Johnson, Utilities Division Director
Chris Kempley, Legal Division Director
Brian McNeil, Executive Secretary
Docket Control