COMMISSIONERS
JEFF HATCH-MILLER - Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
Executive Director

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

May 11, 2006

Mr. Jack Davis
President and CEO
Arizona Public Service Company
400 East Van Buren
Phoenix, AZ 85004

Re: Proposed Devers-Palo Verde No. 2 (DPV2) Power Line; Docket No. L-00000A-06-0295-00130.

Dear Mr. Davis:

Recently, Southern California Edison Co. (SCE) filed an Application before the Arizona Power Plant and Line Siting Committee (Committee) requesting a Certificate of Environmental Compatibility for a new high voltage power line between the Palo Verde Hub and California. According to SCE, the primary purpose behind the construction of the proposed DPV2 is to provide California utilities the capacity to import approximately 6,500 MW from the Arizona power market.[1]

Although I have not reached any conclusions in this case, I am concerned about the potential impact this exportation of power could have on our state's ability to provide for its indigenous – and rapidly growing – population.[2] At the Commission's recent annual Summer Power Preparedness meeting, a TEP witness suggested that by 2010, Arizona's own utilities will need the excess power currently being generated out of the Palo Verde Hub, and without it would have to seek the supplies elsewhere.[3]

Because Arizona's long-term power requirements are implicated by this Application, I am asking that you provide an analysis for this docket on the question of when Arizona will "grow into" the power supplies at the Palo Verde Hub. Specifically, when does APS anticipate that Arizona utilities, and in particular your company, will need the excess power being generated out of the

[1] See SCE Application for Certificate of Environmental Compatibility/Devers-Palo Verde No. 2 Transmission Line Project, pg. 4.
[2] Arizona Public Service has reported that its retail load growth for 2005 and 2006 is three times the national average at more than 4 percent, and Tucson Electric Power has stated that its retail load growth is also growing at 2.5 percent. In some areas of the state, TEP's sister utilities are growing at a rate of 5 percent.
[3] See discussion between David Hutchens of Tucson Electric Power and Commissioner Gleason. Hutchens stated his belief that Arizona would likely need the excess Palo Verde hub power by the time the proposed DPV2 line is scheduled to be placed in service.

Palo Verde Hub and what does APS anticipate it would be required to do in order to make up for any potential shortfalls? In addition, please provide any other environmental, operational, reliability or economic information with regard to this line that you believe would aid the Committee and the Commission in considering this project.

Please file your responses in the above docket in order to allow for the fullest possible record in this case.[4]

Thank you for your attention to these questions. Your timely responses will aid me in my consideration of this matter.

Sincerely,

Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason
Laurie Woodall, Chairman, Arizona Power Plant and Line Siting Committee
Ernest Johnson
Brian McNeil
Heather Murphy
Docket

[4] Pursuant to ARS § 40-360.07 the Commission is directed to "balance in the broad public interest, the need for an adequate, economical and reliable supply of electric power with the desire to minimize the effect thereof on the environment and ecology of this state." The plain language of the line siting statute mandates that the ACC consider the public interest in weighing whether to grant a CEC, and in particular the need for the proposed power line.