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ROBERT "BOB" BURNS
Chairman

ARIZONA CORPORATION COMMISSION

March 25, 2020

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: ARIZONA CORPORATION COMMISSION ENERGY RULES
DOCKET NO. RU-00000A-18-0284

Commissioners and Interested Parties:

This letter is being written not only as a response to Commissioner Lea Márquez Peterson's March 20, 2020 letter, but also to make it clear to all as to what my current (i.e., based on the data available to me today) position is with regard to modifying the Arizona Corporation Commission's ("Commission") Energy Rules and explain where we are in the rule-making process.

At the Commission's March 11, 2020 Workshop, I failed to provide the proper set up to achieving what I was hoping to accomplish, which was to provide Commission Staff ("Staff") with a Commission's solid majority position for establishing a set of proposed standards to be included in Staff's next rules referral. The votes that I was attempting to get were not final, but meant to be guidance to Staff in developing their next rule making referral to us. This next rules referral will be reviewed, debated, and if necessary, modified to get to the final majority approval from the Commissioners, which would begin the formal rule-making process.

Direction needs to be given to Staff because these rules are the Commission's rules, not Staff's rules. Without this direction, Staff is put in the difficult position of playing a guessing game of trying to guess what at majority of the Commission wants these rules to be.

Before abandoning the voting process at the March 11th Workshop due to the confusion, the Commission did give Staff definite direction on two aspects of the Energy Rules. A majority of the Commission indicated they wanted the rules to contain a requirement for 100-percent clean energy by 2050 and 35-percent energy efficiency by 2030. Based on my understanding of Commissioner Peterson's March 20th letter, she now agrees with the 100-percent clean energy requirement.

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Toward the end of the March 11th Workshop, I stated my view on certain parts of the Energy Rules. For clarity I will restate them here:

1. A clean energy standard of 100-percent clean energy by 2050. Clean energy would be as defined in Staff's proposed rules (R14-2-2704).
2. An energy efficiency standard of 35-percent by 2030. The current standard is 22-percent by 2020.
3. A renewable energy standard of 50-percent by 2030. The current standard is 15-percent by 2025.
4. A distributed renewable energy ("DG") standard of 10-percent by 2030. The current standard is 4.5-percent (30% of the 15%) by 2025. I would like to see this standard include only non-utility owned DG. In addition, I currently agree with the definition of DG contained in Staff's proposed rules (R14-2-2701.25). I would also like to see something in the rules that promotes the installation of distributed storage that is storing power generated from clean energy resources.
5. The integrated resource plan ("IRP") process outlined in the letter of October 15, 2019, should be converted into rules, with appropriate timelines added. Out of all the proposals I made at the March 11th Workshop and am reiterating in this letter, I believe the IRP proposal is the most important/crucial.
6. The rules should contain a definition of cost-effectiveness and/or a cost-effectiveness test that includes externalities and life-cycle costs, and not just initial capital costs.
7. The institution of the above standards (or similar standards) along with just the current economics could cause the closure of fossil fuel energy generators prior to their originally expected closure dates. Therefore, these rules should contain a section regarding securitization and the use of a portion of the money saved with securitization for assisting communities affected by the early closure of these fossil fuel energy generators.

In Commissioner Peterson's March 20th letter, she mentions that the Commission's decision should be data driven. I could not agree with her more. I believe that where Commissioner Peterson and I are not quite on the same page, is on the issue of what data has already been made available to the Commission.

Based on the data I have seen, energy efficiency is the most cost effective energy resource available to energy utilities. If there is any party that disagrees with my interpretation of this, please respond in this docket. In addition, when it comes to renewable energy resources, I believe everyone agrees that these costs are dropping. The following link, <http://westerngrid.net/cost/home/prices-and-states-information/>, shows recent renewable energy prices in the west.

The above data, together with the IRP process I have outlined in my October 15, 2019 letter, will, in my opinion, ensure that future energy resources will be the most cost effective at keeping our energy grid sustainable, reliable and resilient. This opinion is based on:

1. The IRP process requires the load forecast to be developed with stakeholder input, followed by Commission approval,
2. The IRP process requires an all source request for proposal ("ASRFP"). The ASRFP is required to be developed with stakeholder input. If a stakeholder believes the ASRFP is

written in such a way that favors one type of resource over another, that stakeholder may request that the ASRFP be reviewed by the Commission before it is issued.

3. The utility will choose its future resources from the results of the ASRFP. Before signing any contracts or making final selections on resources, the utility's plan will be brought to the Commission for approval.

In other words, the IRP process proposed requires meaningful stakeholder input all along the way, review by Staff along the way, and Commission approval at the critical points. Basically, this makes the Commission the independent monitor.

Some may believe that this places too much responsibility on the Commission. I believe that this Commission has the great responsibility of protecting the energy customers of Arizona. We must ensure that Arizona's energy customers receive reliable, resilient, sustainable service at the lowest cost possible. Not an easy task, but one for which we are responsible.

What I just stated above with regard to the IRP process, is why I stated earlier that to me the IRP process is the most important/crucial part of the rules we will be adopting.

A question that may arise is – If we adopt a 100-percent clean energy standard by 2050, why must we also have intermediate standards for energy efficiency, renewable energy, and DG? The reason is economic development competition. Arizona is competing with the other states in the west and around the country to attract companies to locate in Arizona and bring their jobs here. Many, if not all, major companies are setting or have set aggressive goals of having all their energy needs met by clean and/or renewable energy. If Arizona does not have similar aggressive goals, these companies will not locate here and we will lose their many employment opportunities (many high paying) to the other states that are setting renewable and clean energy standards.

This letter should clarify my position on the issues I raised at the March 11, 2020 Workshop. Hopefully, this clarification makes it easier for Commissioners to provide their positions to Staff in order for Staff to have better direction on what the Commission is wanting to see in Staff's next Energy Rules proposal.

Sincerely,



Robert L. Burns
Chairman