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August 4, 2005

William Gehlen
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: Arizona Public Service - Resource Planning Workshops
Docket No. E-00000E-05-0431
Response to Questions

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 AUG -4 P 4:40

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Dear Mr. Gehlen:

The following Response to Questions ("Response") is hereby submitted on behalf of Gila River Power, L.P. ("Gila River"), in the above-captioned matter. This Response is not intended to preclude Gila River from providing additional suggestions, or comments, as the workshop process identifies and targets more specific integrated resource planning goals to achieve as part of this proceeding.

Question No. 1: What should a resource plan look like? Present a strawman representing your views.

Response: A resource plan can take many forms, and Gila River suggests that Arizona's incumbent electric utilities not be required to all adopt the exact same format. The underlying goal should be to develop standards of resource planning applicable to all affected utilities, but then allow each flexibility in tailoring a resource plan to meet their customers' needs. The points made by Arizona Public Service Company representative Barbara Klemstein during the initial workshop on July 6, 2005, provide guidance in this regard.

1. The Commission should establish clearly defined processes and goals for competitive procurement.
2. Plans should be integrated with DSM and EPS goals, transmission, and generation. However, programs like DSM and ESP should not cause undue delay

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in providing Arizona's affected utilities with a clear pathway in development integrated resource plans that encourage the development of competitive markets.

3. Plans should be evaluated to be consistent with Commission goals. The "least cost" may not always be the best option.
4. Flexibility is needed to deal with changes.
5. Participation by merchants and marketers is needed. Gila River notes that the Competitive Procurement section of the 2004 APS Settlement Agreement, approved by the Commission earlier this year, was specifically tailored to address competitive issues – not DSM or EPS. While Gila River recognizes the need to integrate these non-traditional resources into Affected Utilities' generation mix, based on current Commission policy, Gila River wants to ensure that this workshop process – authorized to develop and achieve a more robust competitive market – should not be held hostage to the unreasonable demands (*i.e.* resisting criteria in procurement such as dispatchability) of DSM or EPS proponents.
6. The procure process needs to be rapid. It needs to be well-defined, with deadlines.
7. Regulatory certainty and cost recovery is needed for reliability.

Question No. 2: What should be the results of a Resource Planning process?

Response: To develop standards, most likely through rule-making, that will allow Affected Utilities to develop a well-defined resource plan which incorporates a transparent and open procurement process for generation. Because these workshops are the result of concessions in the 2004 APS Settlement Agreement to generation market participants, the primary focus should be the continued development of wholesale and retail competitive markets. DSM and ESP programs should be secondary issues in this proceeding, and both issues are currently being analyzed in detail in separate Commission dockets.

Question No. 3: What timeframes were envisioned for this Resource Planning workshop process?

Response: Gila River believes that workshop participants should present resource planning standards to the full Commission no later than February 1, 2006.

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Thank you for allowing Gila River to provide this Response. Should you have any questions, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Black', with a long horizontal line extending to the right.

Patrick J. Black

cc: Jerry Coffey, Gila River Power, L.P.
Rebecca Turner, Gila River Power, L.P.
Docket Control

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