

ORIGINAL



0000022783

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

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

2005 AUG -4 P 4: 39
 AZ CORP COMMISSION
 DOCUMENT CONTROL

IN THE MATTER OF THE GENERIC) DOCKET NO. E-00000E-05-0431
 INVESTIGATION INTO ELECTRIC RESOURCE)
 PLANNING.) **RESPONSE TO WORKSHOP**
) **QUESTIONS**

Tucson Electric Power Company ("TEP") and UNS Electric, Inc. ("UNS Electric"), through undersigned counsel, hereby respond to three questions posed at the Resource Planning Workshop held on July 6, 2005 (the "Resource Planning Workshop"). The three questions, as noted in the Meeting Minutes of the Resource Planning Workshop, are:

1. What should a resource plan look like? Provide a straw man representing your views.
2. What should be the results of the Resource Planning Process?
3. What time frames were envisioned for this Resource Planning workshop process?

1. What should a resource plan look like?

A. Overview

TEP and UNS Electric believe that the Commission should take advantage of the existing processes that already analyze utilities' resource planning rather than attempt to implement an additional resource planning procedure.

TEP and UNS Electric also believe that the Commission should take a broad look at the adequacy of utilities' overall resource plans. The lessons learned from the problems experienced in California during 2000-2001 highlight the need to consider (i) the interdependency of generation and transmission planning; and (ii) a regional approach to resource planning.

1 Consequently, utilities and their customers would be better served through the development of
2 regional guidelines that could be adapted to the particular circumstances in Arizona.

3 Currently, the Southwest Area Transmission group ("SWAT"), which is an outgrowth of
4 the Central Arizona Transmission Studies group ("CATS"), provides a forum for analysis of the
5 transmission needs of the states of Arizona and New Mexico. This forum can be expanded to
6 include generation, so that both generation and transmission providers come together to discuss
7 plans and needs. The Commission Staff's participation in SWAT activities provides it valuable
8 insight into plans for and needs of load serving entities and generation developers. The
9 Commission also has developed a beneficial methodology for review of transmission capability in
10 its Biennial Transmission Assessment.

11 There are two additional efforts ongoing in the West to analyze issues of resource
12 adequacy and to develop potential criteria for analyzing resource adequacy. These efforts stem
13 from interest by the Western Governors Association ("WGA") as a result of the California
14 problems.

15 The Western Electric Coordinating Council ("WECC") is developing a resource adequacy
16 subgroup to help in reporting of resource adequacy as well as in setting criteria for measurement.
17 For detailed information regarding the WECC's subgroup please see the internet web page
18 addresses listed below:

19 <http://www.wecc.biz/modules.php?op=modload&name=Downloads&file=index&req=getit&lid=1650>,

20 <http://www.wecc.biz/modules.php?op=modload&name=Downloads&file=index&req=getit&lid=1651>).

21 Also, the Western Interstate Energy Board ("WIEB"), is in the early stages of developing a
22 process to undertake a resource adequacy review.¹

23
24
25 ¹ Related to this, however, the WGA has recently adopted Policy Resolution 05-02 which states,
26 "Western Governors request that: (a) the Western Electricity Coordinating Council collect and pass through
27 revenue from a voluntary, opt-in fee on all control area transactions... The added cost to consumers of
improving the states' ability to resolve regional challenges facing the electric industry is proposed to be
\$600,000 per year, with an average residential customer impact of less than \$.05 cents per year." TEP and
UNS Electric do not support the WGA's proposed surcharge.

1 **B. Resource Plan Strawman**

2 TEP and UNS Electric believe that several relevant processes already exist that could be
3 expanded to accommodate a resource adequacy review in Arizona.

4 First, Arizona utilities currently provide a “summer preparedness” presentation to the
5 Commission on an annual basis. This presentation could be revised for the utilities to provide a
6 comprehensive look at the utilities adequacy of resources and infrastructure.

7 Second, the current Biennial Transmission Assessment procedure can be modified to
8 provide for a resource and infrastructure adequacy review.

9 TEP and UNS Electric recognize that there are many aspects and components of
10 generation and transmission adequacy that could be addressed in a resource plan. TEP and UNS
11 Electric believe that the following items could be addressed in a resource plan:

- 12 • Transmission availability and constraints;
- 13 • Trade-offs related to transmission versus generation alternatives;
- 14 • Relevant siting and permitting considerations;
- 15 • Reliability considerations:
 - 16 ○ Transmission versus generation
 - 17 ○ Supply characteristics;
- 18 • Demand characteristics:
 - 19 ○ Growth projections
 - 20 ○ Load Shape;
- 21 • Environmental Risks:
 - 22 ○ Emissions
 - 23 ○ Future Compliance Costs;
- 24 • Demand Side Management issues;
- 25 • Renewable Portfolio Standard compliance issues;
- 26 • Ownership related issues:
 - 27 ○ Purchased Power
 - Short Term
 - Long Term

- Self Build;
- Financing alternatives;
- Plant type:
 - Baseload, Intermediate, Peaking;
- Procurement Process factors:
 - RFP
 - Bilateral; and
- Fuel type (coal, nuclear, natural gas)
 - Fuel delivery infrastructure (pipelines, rail)
 - Fuel diversity.

These components should be analyzed with the goal in mind of each utility serving its load reliably and economically as well as meeting applicable environmental standards.

2. What should be the results of a resource plan?

TEP and UNS Electric believe that the Commission should develop guidelines related to the components of resource planning, rather than attempting to develop a prescriptive approach to resource planning. Customers are better served when each utility is allowed flexibility to determine the correct mix of resources for its specific circumstances. TEP and UNS Electric believe that the analysis of each utility's resource mix, its process for developing the mix, and its compliance with Commission and regional criteria and guidelines should be reviewed in rate cases.

TEP and UNS Electric note that another important and relevant issue that was raised in the Resource Planning Workshop is the issue of "certainty." It appears that the financial community is seeking a higher degree of certainty from regulators regarding cost recovery in connection with the financing generation and transmission projects. A resource plan-related proceeding could be adapted to provide more certainty regarding cost recovery of generation and transmission projects thereby improving the terms and conditions for constructing these types of projects.

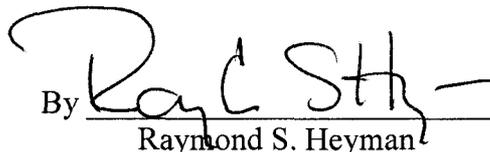
ROSHKA HEYMAN & DEWULF, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 **3. What time frames were envisioned for this Resource Planning workshop process?**

2 TEP and UNS Electric recommend that the Resource Planning workshop process be
3 conducted in a timeframe that would allow the fourth Biennial Transmission Assessment to serve
4 as the next Resource Plan Review Proceeding. TEP and UNS Electric are committed to assisting
5 the Commission Staff work towards concluding this Resource Planning workshop in a timely
6 manner to allow either of these proceedings to serve as the Commission's forum for analyzing
7 resource plans.

8
9 RESPECTFULLY SUBMITTED this 4th day of August 2005.

10 ROSHKA HEYMAN & DEWULF, PLC

11
12 By 

13 Raymond S. Heyman
14 Michael W. Patten
15 One Arizona Center
16 400 East Van Buren Street, Suite 800
17 Phoenix, Arizona 85004
18 Attorneys for Tucson Electric Power Company and
19 UNS Electric, Inc.

20 Original and 13 copies of the foregoing
21 filed this 4th day of August 2005 with:

22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington Street
25 Phoenix, Arizona 85007

26
27 By 