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AZ CORP COMMISSION  
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October 12, 2007

BY HAND DELIVERY

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
DOCKETED  
OCT 12 2007

DOCKETED BY  
nr

Re: Integrated Resource Planning – Comments on Staff Report  
Gila River Power, L.P.  
Docket No. E-00000E-05-0431

Dear Sir or Madame:

Gila River Power, L.P. (“GRP”) provides these written comments in response to Commission Staff’s October 2, 2007 Staff Report on Competitive Procurement Issues for the Generic Investigation into Electric Resource Planning.

GRP is generally supportive of the October 2, 2007, Staff Report and the recommendations contained therein. However, GRP would like to note a correction to Page 1 of the Staff Report, which failed to indicate that GRP provided written comments on June 14, 2007. A copy of GRP’s written comments are attached hereto.

GRP appreciates the opportunity to submit these written comments, and looks forward to continued participation in this collaborative effort to meet the needs of Arizona consumers.

Sincerely,

Patrick J. Black

Enclosure

cc: Barbara Keene, Commission Staff  
Rebecca Turner, Gila River Power, LP – V.P. of Regulatory Affairs

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June 14, 2007

**BY HAND DELIVERY**

Docket Control  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

JUN 14 2007

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Re: Integrated Resource Planning - Comments  
Gila River Power, L.P.  
Docket No. E-00000E-05-0431

Dear Sir or Madame:

Attached hereto please find Gila River Power, L.P.'s ("GRP") written comments in response to Commission Staff's April 26, 2007 Meeting Notice pertaining to the Commission's Resource Planning Workshops.

GRP appreciates the opportunity to submit these written comments, and looks forward to continued participation in this collaborative effort to meet the needs of Arizona consumers.

Sincerely,



Patrick J. Black

Enclosure

cc: Barbara Keene, Commission Staff  
Rebecca Turner, Gila River Power, LP - V.P. of Regulatory Affairs

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Responses to Staff's Specific Questions:

Q. *What should be the primary objectives of a resource planning process?*

A. A collaborative forum for utilities, regulators and market stakeholders to review load growth projections and expected seasonal peak demands for a defined planning horizon, identify all resource technologies available or expected to be available during the planning horizon, develop and/or review fuel forecast(s) for each resource type and develop and/or review expected environmental cost and risk factors for each resource type. This information is subsequently used to develop a set of least cost, risk adjusted, resource portfolios that reliably meet the capacity and energy needs of the defined planning horizon. These resource portfolios form the basis for a "market solicitation" process, with the preferred resource plan reflecting the actual economics of market alternatives.

Q. *To what extent, if any, should a Commission decision "accepting" or "approving" a plan (or part of a plan) be regarded as a finding of "prudence" in subsequent rate cases?*

A. Assuming that the Commission requires and approves a set of standards and procedures to ensure market solicitations are conducted in a fair, unbiased and equitable fashion, non-utility resource alternatives identified through the resource planning process (as described above) and acquired through the market solicitation, should be regarded as a prudent utility decision in subsequent rate case proceedings. In the event the utility provides a self-build alternative and that self-build alternative is selected for the least cost resource portfolio, the economic attributes of the self-build alternative must be treated on a comparable basis to that of third-party proposals. Specifically, the Commission should disallow, as imprudent, any costs not specifically included in the utility's self-build proposal. Any other treatment of these costs will tilt the "competitive" playing field in favor of the utility, degrading market confidence and may ultimately underscore the deterioration of wholesale competition in the state of Arizona.

Q. *What time limits, if any, should apply to the Commission's processing of a resource plan?*

A. The collaborative approach to developing the portfolio of least cost resource alternatives coupled with a Commission requirement that future resource needs must be procured through a well-defined competitive solicitation process should reduce Commission processing time.

Q. *How frequently should a utility be required to file a resource plan?*

A. The resource planning process should be conducted at least once every three years and should culminate with the development of a portfolio of least cost resource plans.

Q. *How can a resource planning process be developed that takes into account changes that occur between filings?*

A. A portfolio of resource plans that evaluate least cost alternatives under various conditions better allow the utility to react to changes that may occur between the resource planning processes. For example, a high NG price forecast may produce a resource plan that support the high "fixed" cost of solid fuel technologies, conversely, a moderate NG price forecast may support the addition of combined cycle alternative to meet the utility's future base load needs. The development of the portfolio of resource plans should be predicated on key assumptions, such as the fixed cost for resource additions, fuel forecast and the cost and risk of future environmental legislation. In this way, the utility positions itself to proactively address market and/or legislative changes.

Q. *Should resource plans include a short term "action plan" (such as the time between filings of resource plans) in which the utilities could obtain more direct Commission direction and/or approval for certain critical items that must be decided in the short term?*

A. Certainly, plans to procure resource needs for years 1 through 5, as identified through the IRP process, should be addressed by the utility through an action plan. This action plan should include the set(s) of resources identified by technology type and should include a risk assessment to address how market or legislative changes may impact the economics of the selected resource plan. The action plan should also include timelines for the competitive procurement process, as well as a timeline for utility self-build alternatives, if applicable.

Q. *What role should DSM play in the resource planning process?*

A. No Comment.

Q. *How should risk management be factored into the decision making process?*

A. Utility resource additions, whether through a PPA structure, acquisition or self-build alternative, should be weighed and balanced against any future risk associated with the resource addition. This may include the probability and impact of fuel price volatility as well as the cost to mitigate such risk; may include the impact on the technology choice of future environmental or other legislative changes; may include counterparty risk impacts; and, may include schedule and cost overrun risk of self-build alternatives. In each case, the risk should be quantified as a dollar impact and objectively factored in during the IRP process.