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September 18, 2009

Docket Control
Arizona Corporation Commission
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Re: REVISED DRAFT PROPOSED RESOURCE PLANNING RULES FOR THE PROPOSED RULEMAKING ON RESOURCE PLANNING RULES
DOCKET NO. RE-00000A-09-0249

Arizona Public Service Company provides the enclosed comments and redline edits to the Draft Integrated Resource Planning Rules that were issued by Staff on September 4, 2009.

If you have any questions or wish to discuss these matters further, please call Jeff Johnson at 602-250-2661.

Sincerely,

Leland R. Snook

Leland R. Snook

LS/dst

Arizona Corporation Commission
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Arizona Public Service Company
First Set of Comments Regarding
Draft Integrated Resource Plan Rules
Docket No. RE-00000A-09-0249

I. INTRODUCTION

On September 4, 2009, the Commission Staff issued its draft Integrated Resource Plan ("IRP") Rules.[1] The draft IRP Rules present a comprehensive set of rules that will re-introduce a formal resource planning process in Arizona. Arizona Public Service Company ("APS" or "Company") offers the following comments, which address broad policy considerations and specific rule proposals, to enhance the effectiveness of the IRP Rules. A redline edit to the draft Rules is provided for further explanation. APS also responds to the comments submitted by Chairman Mayes, on June 2, 2009, and Commissioner Newman, on September 2, 2009.

II. COMPANY'S POSITION

The fundamental goal of resource planning should be to provide adequate, reliable service to customers at the lowest cost, while balancing the overall risks of the resource portfolio and complying with applicable federal and state requirements. Therefore, the IRP Rules should be aimed at developing a resource planning process that assures regulatory certainty by providing: 1) a clear standard for evaluating a company's resource plan; and 2) a forum to timely review and approve a company's action plans, assuring full and timely cost recovery of prudently incurred resource costs. This approach would facilitate the utility efficiently meeting the resource needs of its customers and maintaining the financial strength necessary to acquire additional resources for an adequate and reliable power supply.

III. RESOURCE PLANNING RULES

APS offers four key comments to the draft IRP Rules. The first comment addresses the overall resource planning process. Effective resource planning requires an approval process that is predictable and expeditious. Timely approval allows the utility to adequately assess and acquire resources pursuant to its plan, as well as instill confidence in the market and the financial community. To assure certainty in a utility's resource planning process, APS proposes that the final Commission determination be made no later than 12 months after the plan is filed. This timeframe will also ensure that the full resource planning cycle is completed prior to beginning the next cycle (note the initiation

[1] A.A.C. R14-2-701 through 706.

of the next planning cycle under Staff's draft rules occurs 12 months prior to the required resource plan filing date).

Secondly, the IRP Rules should anticipate that some competitive retail providers may not own any generation. The applicability of the IRP Rules must extend to all electric utilities that are under the jurisdiction of the Commission. The Commission should be able to judge the adequacy of each electric provider's portfolio in terms of service reliability, energy source diversity, and risks, among other things.

Thirdly, the specified timeframe for the utilities to file the first required resource plan should be extended to give each utility sufficient time to prepare its first filing. The current requirement is that the utilities file their first IRP within 120 days after the effective date of the IRP Rules. However, given the length of time it takes to create a resource plan and the expanded scope of the new rules, 120 days is insufficient. APS proposes that each utility file its first IRP 180 days after the effective date of the IRP Rules.

Finally, given the proprietary and sensitive nature of some of the information required by the IRP Rules, there should be a confidentiality provision.

A. The Resource Planning Process

APS proposes that, within 30 days of the filing, the Commission provide a formal indication that the utility's filing was compliant with the filing requirements – similar to a finding of sufficiency in a rate case – or identify any deficiencies so that they may be promptly resolved. This will facilitate the review process. Further, Staff's draft of the IRP Rules contains a provision indicating that the Commission would acknowledge each LSE's resource plans. However, APS believes that the proposed language could be interpreted in such a way that the Commission can choose whether it wants to acknowledge the plans. APS feels that the outcome of this resource planning process must result in a definitive Commission determination (either an acknowledgement or rejection) on the resource plans. This is a critical part of achieving alignment on future resource plans and is vital to the utility's implementation of its resource plan and ability to make significant financial commitments.

1. Commission Review of Utility Plans

There are several other modifications that APS believes will improve the draft rules and improve the ability of the jurisdictional utilities to carry out their resource plans in the future. First, the rules should be clarified to clearly indicate that when the Commission acknowledges a resource plan the Commission will give considerable weight to utility actions that are consistent with the acknowledged IRP in future rate proceedings. Second, the Staff's draft rules include a provision allowing a utility to seek specific approval for resource procurement actions. APS believes that this provision must include the ability for the utility to ask for a determination related to cost recovery. Third, the timeliness of Commission review of utility resource plans is an important aspect of the process and APS believes that the process should be completed within 12 months rather than the 15 month process detailed in Staff's draft rules.

2. Relevance of "Acknowledgement"

When an IRP is acknowledged by the Commission, it will become a working document for use by the utility, the Commission, and any other interested party in a rate case or other proceedings before the Commission. In ratemaking proceedings where the reasonableness of resource acquisitions is considered, the Commission should give considerable weight to utility actions that are consistent with acknowledged IRPs. This provides additional regulatory certainty and provides assurances to the utility, market participants, and the financial community. Because of the magnitude of financial commitments involved, it is essential that the Commission concurs with a utility's proposed long-term resource plan before a utility is required to undertake significant infrastructure additions.[2]

3. Approval of Specific Projects

The draft IRP Rules provide a formalized structure for the utilities to seek Commission approval of specific resource planning actions that involve significant financial commitments. But they also need to provide for cost recovery. Costs for long-term resources can be substantial – in some cases exceeding the total capitalization of the utility. For large projects that take several years to construct, pre-approved cost recovery is necessary.

The Commission has recognized that alternative approaches, including pre-approval of cost recovery, are needed to encourage infrastructure development in Arizona. Such was the case with the Transwestern natural gas pipeline project.[3] The Commission's pre-approval of the utilities' costs for this natural gas infrastructure was a key factor in getting the Transwestern pipeline project built – a major infrastructure project that was needed in Arizona. In fact, it is unlikely that this vital project would have been constructed without the Commission's pre-approval process. A similar approach is needed for certain future long-term generation resources.[4]

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[2] *See* APS Redline, R14-2-704(D).
[3] ACC Policy Statement Regarding New Natural Gas Pipeline and Storage Costs (issued Dec. 18, 2003).
[4] *See* APS Redline, R14-2-704(E).

4. Timing of Commission Review

The timeliness of regulatory review and a formal determination by the Commission are key considerations for the implementation of resource plans. The effective functioning of a utility's resource planning and procurement process requires an expeditious IRP approval process. Undue delay or restrictions could prohibit a utility from obtaining the most beneficial resources for its customers. Currently, the draft IRP Rules allow the Commission to take up to 15 months to determine whether to acknowledge a utility's IRP. Further, the draft IRP Rules require a utility to file its IRP every two years,[5] with a work plan outlining the upcoming IRP filed a year later.[6] APS proposes that the Commission be given up to 12 months to determine whether to acknowledge a utility's IRP to assure that a utility will have a ruling on its IRP before it begins the process of preparing the next IRP.[7] One important aspect of Staff's draft of the IRP Rules is the requirement for the utility to carry out a stakeholder involvement process prior to actually filing the resource plan with the Commission. The benefit of this effort should be that the interested parties are familiar with the issues and analysis and have had an opportunity to provide comments during the development of the plan. This should limit the amount of back-end time that is required on the part of intervening parties and the Staff to complete their reviews of the plan.

B. APPLICABILITY

The Resource Planning Rules applied to all jurisdictional electric utilities that owned or operated generating facilities, whether the power was generated for sale to end users or was for resale.[8] The draft IRP Rules narrow the applicability of the Rules to include only load-serving entities – defined as "a public service corporation that provides electricity generation service and operates or owns . . . a generating facility or facilities with capacity of at least 5 megawatts combined."[9] The requirement to own or operate generation may exclude entities that purchase power in the market and resell it to retail customers, including competitive Electric Service Providers.[10]

The IRP Rules should be applicable to all jurisdictional electric utilities to ensure that adequate resource planning is pursued on behalf of all retail customers.[11] The Commission must be able to judge the adequacy of each electric provider's portfolio in terms of service reliability, energy source diversity, and risks, among other things. This

[5] *See* Working Document, R14-2-703(F).
[6] *See* Working Document, R14-2-703(G).
[7] *See* APS Redline, R14-2-704(C).
[8] A.A.C. R14-2-702.
[9] *See* Working Document, R14-2-701(26).
[10] An Electric Service Provider is defined as "a company supplying, marketing, or brokering at retail any Competitive Services pursuant to a Certificate of Convenience and Necessity." A.A.C. R14-2-1601(15).
[11] *See* APS Redline, R14-2-701(26).

includes demand-side and supply-side resources, as well as the needed transmission to implement the plan.

The need to include all jurisdictional electric utilities under the IRP Rules is particularly relevant in light of the Commission's decision to commence workshops to determine whether retail electric competition is in the public interest.[12] Retail electric competition poses considerable challenges to resource planning. As discussed by Staff's witness in the Sempra CC&N Docket, if there are competitive retail providers, it is difficult to know whether large electric customers will choose another provider, whether those customers may wish to return to the incumbent utility some day, and whether the incumbent's captive or remaining customers have the burden to plan for and/or build capacity that large customers may or may not use in the future.[13]

The IRP Rules should provide an exemption in certain circumstances – similar to the waiver provision included in the RES Rules. However, rather than simply requiring a utility to demonstrate that the burden of compliance "exceeds the potential costs saving that would result from ... compliance",[14] APS believes that the burden of compliance must exceed the potential "benefits to customers in the form of cost savings, service reliability, risk reductions, or reduced environmental impacts"[15] before the Commission would exempt a utility from the IRP Rule requirements.

C. EFFECTIVE DATE

The draft IRP Rules require utilities to file their first IRP within 120 days after the effective date of the IRP Rules.[16] While APS is supportive of this resource planning process, we believe that providing additional time will allow the utilities to provide a more extensive analysis than the proposed 120 days. APS proposes that the utilities be required to file their first IRP 180 days after the effective date of the IRP Rules.[17]

D. CONFIDENTIALITY

Certain supply-side data that is required under the draft IRP Rules is proprietary information that could be utilized by third-party power providers in negotiating with the utility, to the detriment of customers.[18] Other supply-side data, such as the purchased

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[12] At the Commission's August 27, 2008 Open Meeting, the Commission voted to re-examine retail electric competition through a workshop process. *See* Decision No. 70485 (Sept. 3, 2008). It was the onset of retail competition that was the catalyst for the Commission to suspend the Resource Planning Rules, leaving intact only the requirement to file annual historical data. S*ee* Decision No. 60385 (Aug. 29, 1997).

[13] Direct Testimony of Bing E. Young (June 19, 2007) at 24; Docket No. E-03964A-06-0168.

[14] *See* Working Document, R14-2-702(C).

[15] *See* APS Redline, R-14-2-702(C)

[16] *See* Working Document, R14-2-702(E).

[17] *See* APS Redline, R-14-2-702(E).

[18] *See* Working Document, R14-2-703(B)(1)(f) and (h).

power energy costs for contract purchases in dollars per megawatt hour and demand charges for purchased power,[19] may be protected information pursuant to confidentiality agreements between a utility and its counter-party.

While the Commission should have access to information necessary to make its determination of a utility's IRP, confidential information must be protected. Therefore, APS proposes the following language be included in Section 703:

> Confidential information furnished to the Commission in compliance with these rules will not be open to public inspection, nor made public, except on order of the Commission entered after written notice to the affected utility. Information required to be filed in the Commission's Docket Control that is confidential will be provided to staff pursuant to a confidentiality agreement.[20]

Similar language exists in Arizona law[21] and is included in the Affiliated Interest Rules.[22]

IV. RESPONSE TO CHAIRMAN MAYES

Chairman Mayes's June 2, 2009 letter to the parties of this docket invited comment on whether the IRP Rules should have a "de-emphasis of cost and inclusion of other subjective criteria" to encourage portfolio diversity and further clean energy and energy efficiency. APS generally agrees with these thoughts.

Historically, resource planning decisions were based on an analysis of current resources and future needs. Resources that provided reliable service for the least cost were acquired. Given some of the issues that the electric industry currently faces, such as climate change legislation, the "least-cost" standard may not be the best choice for the utility, its customers, or the state. Renewable resources are an example of resources that may not meet the old *least-cost* standard.

When evaluating all potential resources, there are criteria other than cost that should be taken into account, including increasing the diversity and reliability of utility resources, reducing environmental impacts, and promoting stable electricity prices. There are also more qualitative factors, such as risk and project viability, that should be considered in resource planning. Although cost considerations should always remain important, these other considerations should be factored in to resource decisions.

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[19] *See* Working Document, R14-2-703(B)(1)(i) and (k).
[20] *See* APS Redline, R14-2-703(J).
[21] A.R.S. Section 40-204(C) provides broad confidentiality protections for information a company files with the Commission.
[22] A.A.C. R14-2-802(B).

V. RESPONSE TO COMMISSIONER NEWMAN

On September 2, 2009, Commissioner Newman provided comments to the draft IRP Rules. He proposed modifications to the Rules that fall into three general categories:

- Life-cycle analysis, including externalities;
- Fuel supply analysis; and
- Ten-year rather than fifteen-year planning horizon.

A. LIFE-CYCLE ANALYSIS, INCLUDING EXTERNALITIES

Commissioner Newman recommends that each type of electric generation be subjected to life-cycle cost analysis, which includes the environmental impacts of products, processes, and services. Specifically, his proposal would mean consideration of the costs and emission impacts for:

- Fuel production and transportation;
- Water use and water pollution; and
- Air pollution and a range of costs for health effects from air pollution.

Commissioner Newman also recommends the monetization of environmental externalities in the resource decision process.[23]

APS believes that environmental impacts are an important consideration in the resource planning process. APS already considers many environmental impacts in its resource analysis. First, APS internalizes many of the costs to mitigate potential environmental impacts. Examples of this include factoring the costs to upgrade emission controls on existing plants and assuming the best available emission controls in our capital cost estimates for new fossil-fueled power plants. Second, for residual emissions for which there is an established market value (or cost) we include that cost in our economic analysis. The best example of this is the inclusion of the value of sulfur dioxide emission allowances in our economic analysis. To the extent possible, we also quantify the impacts of nitrous oxide, mercury, water consumption, and particulates. Third, we conduct sensitivity analyses for other potential environmental costs. Carbon dioxide (CO2) is an excellent example of this. Our resource planning analysis, presented in our January 2009 report, included extensive analysis and comparisons of the CO2 impacts of different potential resource scenarios. This included both a quantification of CO2 emissions and an analysis of costs under a couple of different potential CO2 allowance cost trajectories. These sensitivity analyses are an important part of the resource planning process and are one of the key inputs into the ultimate selection of the recommended resource plan.

[23] This is not a new issue. In the previous version of formal resource planning, about 15 years ago, the topic received a lot of attention and several years of workshops.

Environmental impacts are a very important part of the resource planning process; and APS believes that the Staff's draft IRP Rules provide a framework that will ensure environmental impacts are robustly considered in the resource planning process. We appreciate Commissioner Newman's and other parties' desire to explicitly monetize environmental externalities; however, we are concerned that the environmental externality debate could delay the IRP Rulemaking process. If the Commission chooses to modify Staff's recommended approach to incorporating environmental issues into the resource planning process by monetizing environmental externalities, then APS proposes a process whereby the parties can develop environmental externality methodologies and values in a process that is separate, but parallel to the IRP Rulemaking. This could take the form of a series of workshops for the parties to develop the approach to environmental externalities and recommend a policy for the Commission to adopt. It would be very effective for the Commission and interested parties to develop a standard policy for environmental externalities that all utilities could apply similarly in their resource planning analyses. A standard policy would also ensure that environmental externalities are applied in a fair and consistent manner for all different resource types (i.e., it would be inappropriate to focus only on the air emissions from coal plants without also considering the visual and avian impacts from wind turbines, or the land use issues associated with solar plants) and that all interested parties have an opportunity to be involved in the development of this policy.

B. FUEL SUPPLY ANALYSIS

Commissioner Newman proposes a requirement that each utility prepare a fuel supply study for coal, natural gas, and uranium every five years. APS believes that this proposal is prudent and suggests that the fuel supply study be completed every four years to coincide with every other IRP filing.

C. TEN-YEAR RATHER THAN FIFTEEN-YEAR PLANNING HORIZON

Commissioner Newman proposes shortening the 15-year planning horizon to 10 years. While APS agrees that technology is quickly changing and utilities must be flexible, a 15-year planning horizon will not reduce flexibility or prevent the adoption of new technology. The degree of flexibility in the IRP is more a function of a utility's approach to the commitments related to long lead-time resource development rather than the length of the planning horizon. More importantly, it can take more than 10 years to plan, engineer, permit, and construct a large base load facility. Therefore, the planning horizon should remain at 15 years, as recommended in Staff's draft IRP Rules. This should be viewed as a minimum duration and utilities should be permitted to file plans of longer duration if they choose.

VI. CONCLUSION

The changes incorporated in the attached redline, and those discussed above, are important as a utility plans to meet the future electricity needs of its customers in a cost-effective manner, while meeting customers' desire for reliable electric service, price stability and affordability, and environmentally responsible sources of energy. APS believes that its suggestions will create an unambiguous resource planning process that provides predictability, regulatory certainty, and adequate resource planning for all retail customers; and facilitates efficient implementation of a utility's resource plan. APS appreciates the opportunity to participate in this process and is prepared to fully address specific comments as these issues are taken up.

APS Redline

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION

FIXED UTILITIES

ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

Section

ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

R14-2-701. Definitions

~~The following definitions shall apply unless the context otherwise requires~~ In this Article, unless otherwise specified:

~~1. "Appliance efficiency" - the energy usage per unit of output of a particular type of energy-using equipment.~~

~~2. "Appliance saturation" - the proportion of customers in a given customer class who have a particular type of energy-using equipment.~~

~~3. "Average price" - revenue from the customer class divided by the number of kilowatt hours sold to that customer class.~~

~~4. "Baseload demand" - demand for energy that is insensitive to temperature.~~

1. "Acknowledgment" means the Commission's finding of the reasonableness of a utility's plan that is based upon a determination that the plan considered all relevant resources, risks and uncertainties known or knowable, and produces a plan for needed resources that is in the best interests of customers at the time of the Commission's determination.~~a Commission determination, under R14-2-704, that a plan meets the basic requirements of this Article.~~

2. "Affiliated" means related through ownership of voting securities, through contract, or otherwise in such a manner that one entity directly or indirectly controls another, is directly or indirectly controlled by another, or is under direct or indirect common control with another entity.

~~5.~~3. "Benchmark" – means to calibrate against a known set of values or standards.

~~6.~~4. "Book life" – means the expected time period over which a power supply source will be available for use by ~~the utility~~ a load-serving entity.

5. "Btu" means British thermal unit.

~~7.~~6. "Capacity" – means the amount of electric power, measured in megawatts, ~~which~~ that a power source is rated to provide~~, either by the user, the supplier, or the manufacturer~~.

~~8.~~7. "Capital costs" – means the construction and installation cost of facilities, including land, land rights, structures~~,~~ and equipment.

~~9. "Cogeneration" – the sequential production of electricity and heat, steam, or useful work from the same fuel source.~~

8. "Coincident peak" means the maximum of the sum of two or more ~~peak~~ demands ~~that occur~~ in the ~~same~~ demand interval, which demand interval may be established on an annual, monthly, or hourly basis.

~~10.~~9. "Customer class" – means a ~~group~~ subset of customers categorized according to ~~with~~ similar characteristics, such as amount of energy consumed~~,~~; amount of demand placed on the energy supply system at the system peak~~,~~; hourly, daily, or seasonal load pattern~~,~~; primary type of activity engaged in by the customer, including residential, commercial, industrial, agricultural, and governmental; and location. ~~Customer classes may include residential, commercial, industrial, agricultural, municipal, and other categories.~~

~~11.~~10. "Decommissioning" – means the process of safely and economically removing a unit from service.

~~12. "Degree day" - the difference in degrees Fahrenheit between the reference temperature and the average temperature for a particular day. The average temperature is the high temperature plus the low temperature divided by 2. If a day's average temperature exceeds the reference temperature, the day is a cooling degree day; if the day's average temperature is less than the reference temperature, the day is a heating degree day.~~

~~13.~~11. "Demand management" – means beneficial reduction in the total cost of meeting electric energy service needs by reducing or shifting in time ~~the demand for~~ electricity usage.

~~14.~~12. "Derating" – means a reduction in a generating unit's capacity.

~~15.~~13. "Discount rate" – means the interest rate used to calculate the present value of a cost or other economic variable.

14. "Docket Control" means the office of the Commission that receives all official filings for entry into the Commission's public electronic docketing system.

15. "Emergency" means an unforeseen and unforeseeable condition that:

a. Does not arise from the load-serving entity's failure to engage in good utility practices,

b. Is temporary in nature, and

c. Threatens reliability or poses another significant risk to the system.

16. "End use" – means the final application of electric energy, for such as heating, cooling, running ~~a particular~~ an appliance, motors, industrial processes, or lighting.

17. "Energy losses" ~~–~~ means the quantity of electric energy generated or purchased that is not available for sale to end users, for resale, or for use by the ~~utility~~ load-serving entity~~, attributable to transmission, conversion, distribution, and unaccounted for losses~~.

18. "Escalation" – means the change in costs due to inflation, changes in manufacturing processes, changes in availability of labor or materials, or other factors.

~~19. "Forced outage rate" - the proportion of hours in a period, excluding those hours set aside for planned outages, in which a power source, such as a generating unit, suffers unplanned outages due to unplanned component failures or other conditions requiring that the source be removed from service immediately or before the next planned outage.~~

19. "Generating Unit" – means a specific device or set of devices that converts one form of energy (such as heat or solar energy) into electric energy, such as a turbine and generator or a set of photovoltaic cells~~; a power plant may have multiple units~~.

~~20.19~~20. "Heat rate" – means a measure of generating station thermal efficiency expressed in ~~British thermal units (~~Btus~~)~~ per net kilowatt-hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt-hours of electricity generated.

~~21. "Household income pattern" - the proportion of households falling in each of several income ranges.~~

~~22. "Interchange" - electric energy received by the electric utility from another provider of electricity or supplied by the electric utility to another provider of electricity which is not purchased or sold under the terms of a long-term agreement.~~

~~20~~21. "Independent monitor" means a company or consultant that is not affiliated with a load-serving entity and that is selected to oversee the conduct of a competitive procurement process under R14-2-706.

~~21~~22. "Integration" means methods by which energy produced by intermittent resources can be incorporated into the electric grid.

~~22~~23. "Intermittent resources" means electric power generation for which the energy production varies in response to naturally-occurring processes like wind or solar intensity.~~that is non-dispatchable because of its variability.~~

~~23~~24. "Interruptible power" – means power made available under ~~agreements which~~ an agreement that ~~permit~~ permits curtailment or cessation of delivery by the supplier.

25. "In-service date" – means the date a power supply source becomes available for use by ~~the utility~~ a load-serving entity.

26. "Load-serving entity" means all electric utilities under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40.~~public service corporation that provides electricity generation service and operates or owns, in whole or in part, a generating facility or facilities with capacity of at least 5 megawatts combined.~~

27. "Long term" means having a duration of three or more years.

~~25.~~28. "Maintenance" – means the repair of generation, transmission, distribution, ~~and~~ administrative, and general facilities~~,~~; replacement of minor items~~,~~; and installation of materials to preserve the efficiency and working condition of ~~the~~ facilities.

~~26. "Maintenance schedule" - the specific days during which a power production unit is removed from service for inspection or overhaul of one or more major components; such work is planned well in advance.~~

~~27.~~29. "Mothballing" – means the temporary removal of a unit from active service and accompanying storage activities.

~~28.~~30. "Operate" – means to manage or otherwise be responsible for the production of electricity ~~from~~ by a generating facility, whether that facility is owned by the operator, in whole or in part, or ~~whether that facility is owned~~ by another entity.

~~29. "Operating costs" the power production costs that are directly related to producing electricity.~~

~~30.~~31. "Participation rate" – means the proportion of customers who take part in a specific program.

~~31.~~32. "Probabilistic analysis" – means a systematic evaluation of the effect, on costs, reliability, or other measures of performance, of ~~the range of~~ possible events affecting factors ~~which~~ that influence performance, considering the ~~chances~~ likelihood that the events will occur.

~~32.~~33. "Production cost" – means the variable operating costs and maintenance ~~cost (including fuel cost)~~ costs of producing electricity through generation ~~and~~ plus the cost of purchases of power sufficient to meet demand.

~~33.~~34. "Refurbish" – means to make major changes, more extensive than maintenance or repair, in the power production, transmission, or distribution characteristics of a component of the power supply system ~~more extensive than maintenance or repair~~, such as by changing the fuels ~~which~~ that can be used in a generating unit or changing the capacity of a generating unit.

~~34.~~35. "Reliability" – means a measure of the ability of ~~the utility's~~ a load-serving entity's generation, transmission, ~~and~~ or distribution ~~systems~~ system to provide power without failures~~. Reliability should be~~, measured ~~separately for generation, transmission, and distribution systems. Measures may~~ to reflect the ~~pro~~portion of time that ~~each~~ a system is unable to meet demand or the kilowatt-hours of demand that could not be supplied.

36. "Renewable energy resource" means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel.

~~35.~~37. "Reserve requirements" – means the capacity ~~which~~ the ~~utility~~ load-serving entity must maintain in excess of its peak load to provide for scheduled maintenance, forced outages, unforeseen loads, emergencies, system operating requirements, and ~~power pool requirements~~ reserve sharing arrangements.

38. "Reserve sharing arrangement" means an agreement between two or more load-serving entities to provide backup capacity.

~~36.~~39. "Resource planning" – means integrated supply and demand ~~analysis for the purpose of identifying the means of meeting electric energy service needs at the lowest total cost, taking into account uncertainty~~ analyses completed as described in this Article.

40. "RFP" means request for proposals.

~~37.~~41. "Self generation" – means the production of electricity by an end user ~~by any means~~.

~~42. "Utility" the entity providing electric service to the public.~~

~~38.~~42. "Sensitivity analysis" – means a systematic assessment of the degree of response of costs, reliability, or other measures of performance to changes in assumptions about factors ~~which~~ that influence performance.

43. "Short term" means having a duration of less than three years.

~~39.~~44. "Spinning reserve" – means the unused production capacity ~~which the utility~~ a load-serving entity must maintain connected to the system and ready to deliver power promptly in the event of an unexpected loss of a generation source~~. The capacity may be~~, expressed as a percentage of peak load, ~~as~~ a percentage of the largest unit, or ~~as~~ in fixed megawatts.

45. "Staff" means individuals working for the Commission's Utilities Division, whether as employees or through contract.

46. "Third-party independent energy broker" means an entity, such as Prebon Energy or Tradition Financial Services, that facilitates an energy transaction between separate parties without taking title to the transaction.

47. "Third-party on-line trading system" means a computer-based marketplace for commodity exchanges provided by an entity that is not affiliated with the load-serving entity, such as the Intercontinental Exchange, California Independent System Operator, or New York Mercantile Exchange.

~~40.~~48. "Total cost" – means all capital, operating, maintenance, fuel, and decommissioning costs, plus the costs associated with mitigating any adverse environmental effects, incurred, borne by end users, load-serving entities, or others, in the provision or conservation of electric energy services ~~borne by end users, utilities, or others, and any adverse environmental effects~~.

~~41.~~49. ~~"Unit" means a specific device or set of devices that converts one form of energy (such as heat or solar energy) into electric energy, such as a turbine and generator or~~ a ~~set of photovoltaic cells; a power plant may have multiple units.~~

R14-2-702. Applicability

A. ~~All electric utilities under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40 which operate or own (in part or in whole) generating facilities, whether the power generated is for sale to end users or is for resale, are subject to the provisions of this Article.~~ This Article applies to each load-serving entity, whether the power generated is for sale to end users or is for resale.

B. ~~Any other electric utility under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40 is subject to the provisions of this Article upon two years' notice by the Commission.~~An electricity public service corporation that becomes a load-serving entity ~~by increasing its generating capacity to at least 5 megawatts combined shall provide written notice to the Commission within 30 days after the increase and~~ shall comply with the filing requirements in this Article ~~within two years after the notice is filed.~~

C. The Commission may, by Order, exempt ~~a utility~~ load-serving entity from ~~these requirements~~ complying with any provision in this Article, or the Article as a whole, upon ~~a demonstration by the utility~~ determining that:

1. ~~the~~ The burden of compliance with ~~this~~ the provision, or the Article as a whole, exceeds the potential ~~for~~ benefits to customers in the form of cost savings, service reliability, risk reductions, or reduced environmental impacts ~~cost savings resulting~~ that would result from ~~its participation~~ the load-serving entity's compliance with the provision or Article; and

2. The public interest will be served by the exemption.

D. A load-serving entity that desires an exemption shall submit to Docket Control an application that includes, at a minimum:

1. The reasons why the burden of complying with the Article, or the specific provision in the Article for which exemption is requested, exceeds the potential benefits to customers in the form of cost savings, service reliability, risk reductions, or reduced environmental impacts ~~cost savings~~ that would result from the load-serving entity's compliance with the provision or Article;

2. Data supporting the load-serving entity's assertions as to the burden of compliance and the potential cost savings that would result from compliance; and

3. The reasons why the public interest would be served by the requested exemption.

E. A load-serving entity shall file with Docket Control, within ~~120~~ 180 days after the effective date of these rules, the documents that would have been due on April 1, 2010, under R14-2-703(C), (D), (E), (F), and (H) had the revisions to those subsections been effective at that time.

R14-2-703. ~~Utility~~ Load-serving entity reporting requirements

A. ~~Demand side data. Each utility shall provide the Commission staff the demand data in subsections (A)(1) through (9) below, within 90 days of the effective date of these rules and shall provide staff with updated and revised data by April 1 of each year thereafter. If records are not maintained for any item, the utility shall provide its best estimates, such as sample survey data, application of factors from one year's data to another year, or other methods, and fully describe how such estimates were made.~~ A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of demand-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was made:

1. Hourly demand for the previous calendar year, disaggregated by:

   a. Sales to end users~~,~~;

   b. Sales for resale~~,~~;

   c. Energy losses~~,~~; and

   d. Other disposition of energy, such as energy furnished without charge and energy used by the ~~utility.~~ load-serving entity;

~~2. If available, hourly demand for the previous calendar year disaggregated by:~~

   ~~a. Residential customers,~~

   ~~b. Nonresidential customers by customer class and by type of business,~~

   ~~c. Entitles purchasing power for resale.~~

~~3.~~2. Coincident peak demand (megawatts) and energy ~~demand~~ consumption (megawatt-hours) by month for the previous 10 years, disaggregated by customer class ~~and, for nonresidential customers, if available, disaggregated by type of business.~~;

~~4.~~3. Number of customers by customer class ~~by year~~ for each of the previous 10 years~~.~~; and

~~5. Heating and cooling degree days by month for the previous 10 years. The utility may provide these data by climatic region at its option.~~

6. ~~Residential customer characteristics and end use data collected in the last 10 years which the utility has available, including:~~

   ~~a. Mix of dwelling unit types (single family, multi-family, mobile homes),~~

   ~~b. Household income patterns,~~

   ~~c. Appliance saturation by types of appliance,~~

   ~~d. Appliance saturation by household income pattern and dwelling unit type,~~

   ~~e. End use metering data,~~

   ~~f. Appliance efficiency data,~~

   ~~g. Appliance connected load data, and~~

   ~~h. Data relating customer usage and heating and cooling degree days or temperature.~~

~~7. Nonresidential customer characteristics and usage data collected in the last 10 years which the utility has available, including:~~

   ~~a. Number of customers by type of business,~~

   ~~b. Number of employees by type of business,~~

   ~~c. Electricity usage by major end use of power including space cooling, and~~

   ~~d. Hourly demand for major types of industrial and commercial customers for baseload, heating, and cooling uses.~~

~~8.~~4. Reduction in load (kilowatt and kilowatt-hours) in the previous calendar year due to existing demand management measures, by type of demand management measure~~, in the previous calendar year~~.

~~9. Annual average prices of electricity charged to each nonresidential customer class, by type of business, and to residential customers, for the previous 10 years.~~

B. ~~Supply side data. Each utility shall provide the Commission staff the supply data indicated in subsection (B)(1) through (4) within 90 days of the effective date of these rules and shall provide staff with updated and revised data by April 1 of each year thereafter. If records are not maintained for any item, the utility shall provide its best estimates and fully describe how those estimates were made.~~ A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of supply-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was made:

1. For each generating unit and purchased power contract for the previous calendar year:

   a. In-service date and book life or contract period~~,~~;

b. ~~Book life or contract period~~ Type of generating unit or contract~~,~~;

c. ~~Capacity~~ The load-serving entity's share of the unit's capacity or of capacity under the contract, in megawatts ~~(utility share),~~;

d. Maximum unit or contract capacity by hour, day, or month, if such capacity varies ~~over~~ during the year~~.~~;

e. ~~Forced outage rate~~ Annual capacity factor (generating units only)~~,~~;

f. Average heat rate of generating units and, if available, heat rates at selected output levels~~,~~;

g. ~~Fuel~~ Average fuel cost for generating units in dollars per million Btu for each type of fuel~~,~~;

h. Other variable operating and maintenance costs for generating units, in dollars per megawatt hour~~,~~;

i. Purchased power energy costs for ~~contract purchases~~ long-term contracts, in dollars per megawatt-hour~~,~~;

j. Fixed operating and maintenance costs of generating units, in dollars per megawatt ~~for the year,~~;

k. Demand charges for purchased power~~,~~;

l. ~~Fuel types for generating units,~~ Fuel type for each generating unit;

m. Minimum capacity at which the unit would be run or power must be purchased~~,~~;

n. Whether, under standard operating procedures, the generating unit must be run if it is available to run~~,~~;

o. ~~Maintenance schedules for generating units,~~ Description of each generating unit as base load, intermediate, or peaking;

p. ~~Other data related to generation units and purchased power contracts which the utility uses in its production, planning, and supply models.~~ Environmental impacts, including air emission quantities (in metric tons or pounds) and rates (in quantities per megawatt-hour) for carbon dioxide, nitrogen oxides, sulfur dioxide, mercury, particulates, and other air emissions subject to current or expected future environmental regulation; and

q. Water consumption quantities and rates;

2. For the power supply system for the previous calendar year:

a. A description of unit commitment procedures~~,~~;

b. Production cost~~,~~;

c. Reserve requirements~~,~~;

d. Spinning reserve~~,~~;

e. Reliability of generating, transmission, and distribution systems~~,~~;

f. ~~Interchange purchase~~ Purchase and sale prices, averaged by month, for the aggregate of all purchases and sales related to short-term contracts; and

g. Energy losses~~.~~;

3. The level of ~~cogeneration and other forms of~~ self generation in the ~~utility's~~ load-serving entity's service area for the previous calendar year~~.~~; and

4. ~~As available, a description and map of the utility's transmission system, including the capacity of each segment of the transmission system.~~ An explanation of any resource procurement processes used by the load-serving entity during the previous calendar year that did not include use of an RFP, including the exception under which the process was used.

C. ~~Demand forecasts. Each utility shall provide the following data and analyses to the Commission by December 31, 1989, and every three years thereafter. If no changes are forecast for any item, the utility may refer to previous filings for that item.~~ A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following items of load data and analyses, including a reference to the last filed report for each item for which there has been no change in forecast since the last report:

1. ~~Ten-year~~ Fifteen-year forecast of system coincident peak load (megawatts) and energy ~~demanded~~ consumption (megawatt-hours) by month and year, expressed separately for residential, commercial, industrial, ~~interruptible,~~ and other ~~customers,~~ customer classes; for interruptible power; for resale~~,~~; and for energy losses~~.~~;

~~2. Hourly demand forecasts for 10 years, if requested by staff.~~

~~3.~~2. Disaggregation of the ~~demand~~ load forecast of subsection (C)(1) into a component in which no additional demand management measures are assumed, and a component ~~indicating~~ assuming the change in load due to additional forecasted demand management measures~~.~~;

~~4. Descriptions of demand management programs and measures included in the demand forecast, including:~~

~~a. Plans for implementing the demand management measures,~~

b. ~~The participation rate of customers by customer class with regard to each demand management measure,~~

c. ~~The expected change in demand resulting from each of the measures, and~~

d. ~~The life of each program.~~

5. ~~Description of each demand management program which was considered but rejected and the reasons for rejecting each program.~~

6. ~~The capital and operating and maintenance costs of each demand management measure considered, including practical measures which were rejected.~~

~~7.~~3. Documentation of all sources of data, analyses, methods, and assumptions used in making the ~~demand~~ load forecasts, including:

a. A description of how the forecasts were benchmarked,

b. Justifications for selecting the methods and assumptions used, and

c. ~~If requested by the staff, data used in the analyses.~~

4. Staff will request additional information, including the data used in a load-serving entity's analyses, if Staff is unable to analyze fully a load-serving entity's submission for compliance with this Article.

D. ~~Supply plans. Each utility shall provide the following data and analyses to the Commission by December 31, 1989, and every three years thereafter. If no changes are forecast for any item, the utility may refer to previous filings for that item.~~ A load-serving entity shall, by April 1 of each even year, file with Docket Control the following prospective analyses and plans, which shall compare a wide range of resource options and take into consideration expected duty cycles, cost projections, other analyses required under this Section, environmental impacts, and water consumption and may include a reference to the last filing made under this subsection for each item for which there has been no change since the last filing:

1. ~~Ten-year~~ A 15-year resource plan, providing for each year:

a. ~~The data required in subsection (B)(1)(a) through (p) of this Section~~ Projected data for each of the items listed in subsection (B)(1), for each generating unit and purchased power source, including each generating unit that is expected to be new or refurbished during the period, which shall be designated as new or refurbished, as applicable, for the year of purchase or the period of refurbishment; ~~and~~

b. ~~the data required in subsection (B)(2)(a) through (g) of this Section.~~ Projected data for each of the items listed in subsection (B)(2), for the power supply system;

~~b.~~c. ~~For~~ The capital cost, construction time, and construction spending schedule for each generating unit ~~that is~~ expected to be new or refurbished during the period~~:~~;

  ~~i. The data required in subsection (B)(1) of this Section for applicable years, and~~

  ~~ii. The capital cost, construction time, and construction spending schedule.~~

~~c.~~d. The escalation levels assumed for each component of cost for each generating unit and purchased power source~~.~~;

~~d.~~e. ~~For the~~ If discontinuation, decommissioning, or mothballing of any power source ~~and~~ or permanent ~~deratings~~ derating of any generating facility is expected:

  i. Identification of ~~the~~ each power ~~sources~~ source or ~~units~~ unit involved~~,~~;

  ii. The costs and spending schedule ~~of such~~ for each discontinuation, decommissioning, mothballing, or derating~~,~~; and

  iii. The reasons for each discontinuation, decommissioning, mothballing, or derating~~.~~;

~~e.~~f. The capital costs and-operating and maintenance costs of all new or refurbished transmission and distribution facilities expected during the 15-year period that are a necessary part of carrying out the resource plan~~, and~~;

g. ~~a description~~ An explanation of the need for and purpose of ~~such~~ all expected new or refurbished transmission and distribution facilities, as described in subpart (f) above~~.~~, which explanation shall incorporate the load-serving entity's most recent transmission plan filed under A.R.S. § 40-360.02(A) and any relevant provisions of the Commission's most recent Biennial Transmission Assessment decision regarding the adequacy of transmission facilities in Arizona; and

h. Cost analyses and cost projections;

2. Documentation of the data, assumptions, and methods or models used to forecast production costs and power production ~~in subsection (D)(1) of this Section~~ for the 15-year resource plan, including the method by which the forecast was ~~calibrated or~~ benchmarked~~.~~;

3. ~~Description~~ A description of each potential power source ~~which~~ that was rejected~~,~~; the capital costs, ~~and~~ operating costs, and maintenance costs of each rejected source~~,~~; and an explanation of the reasons for rejecting each source~~.~~;

4. ~~Ten-year~~ A 15-year forecast of ~~cogeneration and other~~ self generation by customers of the ~~utility~~ load-serving entity, in terms of annual peak production (megawatts) and annual energy production (megawatt-hours)~~.~~;

5. Disaggregation of the forecast of subsection (D)(4) ~~of this Section~~ into ~~a component in which~~ two components, one reflecting the self generation projected if no additional efforts are made to encourage ~~such generation~~ self generation, and ~~a component consisting of~~ one reflecting the ~~change in supply due to~~ self generation projected to result from the load-serving entity's institution of additional forecasted ~~cogeneration and~~ self generation measures~~.~~;

6. ~~Ten-year~~ A 15-year forecast of annual capital costs and operating and maintenance costs ~~by year~~ of ~~all~~ the ~~cogeneration and other~~ self generation ~~included in subsection (D)(5) of this Section.~~ identified under subsections (D)(4) and (D)(5);

7. Documentation of the analysis of the ~~cogeneration and other~~ self generation ~~in subsection~~ under subsections (D)(4) through (6) ~~of this Section.~~;

8. A plan to consider generation using a diverse range of fuels and technologies, including nuclear and renewable energy resources;

9. A calculation of the benefits of generation using renewable energy resources;

10. Analysis of integration costs for intermittent resources;

11. A plan to increase the efficiency of the load-serving entity's generation using fossil fuel;

12. Data to support technology choices for supply-side resources;

13. A description of the demand management programs or measures included in the 15-year resource plan, including for each demand management program or measure:

    a. How and when the measure will be implemented,

    b. The projected participation rate by customer class for the measure;

    c. The expected change in demand resulting from the measure;

    d. The expected reductions in air emissions and water consumption attributable to the program;

    e. The expected life of the measure; and

    f. The capital costs, operating costs, and maintenance costs of the measure; and

14. For each demand management measure that was considered but rejected:

    a. A description of the measure;

b. The ~~capitol~~ capital costs, operating costs, and maintenance costs of the measure; and

c. The reasons for rejecting the measure.

E. ~~Analyses of uncertainty. Each utility shall provide to the Commission the following information by December 31, 1989, and every three years thereafter:~~ A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following analyses and plan:

1. Analyses to identify and assess errors, risks, and uncertainties in the following, completed using ~~appropriate~~ methods such as sensitivity ~~analyses~~ analysis and probabilistic ~~analyses~~ analysis~~, to assess errors and uncertainty in~~:

   a. Demand forecasts~~,~~;

   b. The costs of demand management measures and power supply~~,~~;

   c. The availability of sources of power~~,~~;

   d. The costs of compliance with existing and expected environmental regulations;

   e. Any analysis by the load-serving entity in anticipation of potential new or enhanced environmental regulations;

   ~~d.~~f. Changes in fuel prices~~,~~ and availability;

   g. Construction costs, capital costs, and operating costs; and

   ~~e.~~h. Other factors ~~which~~ the utility wishes to consider~~.~~;

~~2. Identification of those options which enable the utility to best respond to significant changes in conditions whose future characteristics are uncertain, including:~~

   ~~a. Continual monitoring of critical variables and making commensurate changes in plans if those variables deviate significantly from the forecast,~~

   ~~b. Building several smaller units instead of one large unit,~~

   ~~c. Sharing capacity with other utilities, and~~

   ~~d. Conducting well monitored pilot programs.~~

2. A description and analysis of available means for managing the errors, risks, and uncertainties identified and analyzed in subsection (E)(1), such as obtaining additional information, limiting risk exposure, using incentives, creating additional options, incorporating flexibility, and participating in regional generation and transmission projects; and

3. A plan to manage the errors, risks, and uncertainties identified and analyzed in subsection (E)(1).

F. ~~Integrated resource plan. Each utility shall provide the Commission with an integrated resource plan by December 31, 1989, and every three years thereafter containing:~~

~~1. The 10 year plan or flexible set of plans which, on the basis of the analyses required in this Article, including the uncertainty analysis, will tend to minimize the present value of the total cost of meeting the demand for electric energy services.~~

~~2. Complete description and documentation of the least cost plan, including supply and demand side conditions, costs, and discount rates utilized.~~

~~3. An action plan indicating the supply and demand-related actions to be undertaken by the utility over the next three years in furtherance of the ten-year plan.~~

A load-serving entity shall, by April 1 of each even year, file with Docket Control a 15-year resource plan that:

1. Selects a portfolio of resources based upon comprehensive consideration of a wide range of supply- and demand-side options;
2. Will result in the load-serving entity's reliably serving the demand for electric energy services;
3. Will minimize the adverse environmental impacts of power production, including the emission of greenhouse gases;
4. Will include renewable energy resources so as to meet the ~~greater of the Annual~~ Renewable Energy Requirement in R14-2-1804 or any requirements set in Rule by the Commission; ~~the following annual percentages of retail kWh sold by the load-serving entity:~~

~~Calendar Year~~	~~Percentage of Retail kWh sold during calendar Year~~
~~2010~~	~~2.5%~~
~~2011~~	~~3.0%~~
~~2012~~	~~3.5%~~
~~2013~~	~~4.0%~~
~~2014~~	~~4.5%~~
~~2015~~	~~5.0%~~
~~2016~~	~~6.0%~~
~~2017~~	~~7.0%~~

~~2018~~	~~8.0%~~
~~2019~~	~~9.0%~~
~~2020~~	~~10.0%~~
~~2021~~	~~11.0%~~
~~2022~~	~~12.0%~~
~~2023~~	~~13.0%~~
~~2024~~	~~14.0%~~
~~after 2024~~	~~15.0%~~

5. Will include energy efficiency so as to meet any requirements set in rule by the Commission;

6. Will effectively manage the uncertainty and risks associated with costs, environmental impacts, load forecasts, and other factors;

7. Will achieve a reasonable long-term total cost, taking into consideration the objectives set forth in subsections (F)(2)-(6) and the uncertainty of future costs; and

8. Contains all of the following:

   a. A complete description and documentation of the plan, including supply and demand conditions, availability of transmission, costs, and discount rates utilized;

   b. A comprehensive, self-explanatory load and resources table summarizing the plan;

   c. A brief executive summary;

   d. An index to indicate where the responses to each filing requirement of these rules can be found; and

   e. Definitions of the terms used in the plan.

G. A load-serving entity shall, by April 1 of each odd year, file with Docket Control a work plan that includes:

1. An outline of the contents of the resource plan the load-serving entity is developing to be filed the following year as required under subsection (F);

2. The load-serving entity's method for assessing potential resources;

3. The sources of the load-serving entity's current assumptions; and

4. An outline of the timing and extent of public participation and advisory group meetings the load-serving entity intends to hold before completing and filing the resource plan.

H. With its resource plan, a load-serving entity shall include an action plan, based on the results of the resource planning process, that:

1. Includes a summary of actions to be taken on future resource acquisitions;
2. Includes details on resource types, resources capacity, and resource timing; and
3. Covers the three-year period following the Commission's acknowledgment of the resource plan.

I. The Commission may request that a load-serving entity complete additional analyses to improve specified components of the load-serving entity's filings.

J. Confidential information furnished to the Commission in compliance with these rules will not be open to public inspection, nor made public, except on order of the Commission entered after written notice to the affected utility. Information required to be filed in the Commission's Docket Control that is confidential will be provided to staff pursuant to a confidentiality agreement.

R14-2-704. Commission review of ~~utility~~ load-serving entity resource plans

A. ~~Within 120 days of the submission of demand forecasts, supply plans, uncertainty analyses, and integrated resource plans by the utilities, the Commission shall schedule a hearing or hearings to review utility filings and to determine the degree of consistency between these filings and analyses conducted by the staff and information provided by other parties.~~ Within 30 days of a load-serving entity's filing, under R14-2-703, the Commission shall provide a written indication that either the utility's filing was compliant with the filing requirements, or explain how the filing was deficient and provide an opportunity for the utility to correct the identified deficiencies so that Staff's review process can proceed.

B. By ~~April~~ January ~~1~~ 2 of each odd year, Staff shall file a report that contains its analysis and conclusions regarding its statewide review and assessments of ~~the~~ each load-serving entities' filings made under R14-2-703(C), (D), (E), (F), and (H).

~~**B.** The Commission may request additional analyses to be conducted by the utilities to improve specified components of the utilities' analyses.~~

~~C.B~~C. ~~In making its consistency determination, the Commission shall consider the following factors:~~ By ~~July~~ April 1 of each odd year, the Commission shall issue an order either acknowledging the resource plan or rejecting the resource plan along with the reasons for such rejection. ~~determine whether to issue an order acknowledging the resource plans.~~ The Commission shall order an acknowledgment of the resource plan if the Commission determines that the resource plan complies with the requirements of this Article and that the load-serving entity's resource plan is reasonable and in the public interest, based on the information available to the Commission at the time and considering the following factors:

1. The total cost of electric energy services~~.~~;
2. The degree to which the factors ~~which~~ that affect demand, including demand management, have been taken into account~~.~~;
3. The degree to which ~~non-utility~~ supply alternatives, such as ~~cogeneration and~~ self generation, have been taken into account~~.~~;
4. Uncertainty in demand and supply analyses, forecasts, and plans, and ~~the flexibility of plans enabling response~~ whether plans are sufficiently flexible to enable the load-serving entity to respond to unforeseen changes in supply and demand factors~~.~~;
5. The reliability of power supplies~~.~~, including fuel diversity and non-cost considerations;
6. The reliability of the transmission grid;
7. The degree to which the load-serving entity considered all relevant resources, risks, and uncertainties;
8. The degree to which the load-serving entity's plan for future resources is in the best interest of its customers;
9. The best combination of expected costs and associated risks for the load-serving entity and its customers; and
10. The degree to which the load-serving entity's resource plan allows for coordinated efforts with other load-serving entities.

D. While no particular ratemaking treatment shall be implied nor inferred by the Commission's acknowledgement, ~~The~~ the Commission ~~may subsequently~~ shall consider ~~its consistency determination in its review of financing applications, in general rate cases, and in other matters in which the supply of or demand for energy services is a significant factor~~ a load-serving entity's filings made under R14-2-703 and the Commission's acknowledgement of the resource plan made under R14-2-704 when the Commission evaluates the performance of the load-serving entity in subsequent rate cases and other proceedings. The Commission will give considerable weight to the utility's actions that are consistent with an acknowledged integrated resource plan in a rate case or other proceeding before the Commission.

E. A load-serving entity may seek Commission approval of specific resource planning actions and cost recovery consistent with the acknowledged integrated resource plan or the action plan filed pursuant to Section 703(H).

~~F~~F. A load-serving entity may file an amendment to an acknowledged resource plan if changes in conditions or assumptions necessitate a material change in the load-serving entity's plan before the next resource plan is due to be filed and seek Commission acknowledgement of amendments to its integrated resource plan.

R14-2-705. Procurement

A. Except as provided in subsection (B), a load-serving entity may use the following procurement methods for the wholesale acquisition of energy, capacity, and physical power hedge transactions:

1. Purchases through a third-party on-line trading system;
2. Purchases from a third-party independent energy broker;
3. Purchases ~~from a non-affiliated entity~~ through auction or an RFP process;
4. Bilateral contracts with a non-affiliated entity not arising out of items 1, 2, or 3, above;
5. Purchases with unregulated affiliated entities, ~~Bilateral contract with an affiliated entity,~~ provided that non-affiliated entities were provided notice and an opportunity to compete against the affiliate's proposal before executing the transaction~~beat the proposed contract before the contract was executed~~; and
6. Any other competitive procurement process approved by the Commission.

B. A load-serving entity shall use an RFP as the primary acquisition process, unless one of the following exceptions applies:

1. The load-serving entity is experiencing an emergency;
2. The load-serving entity needs to make a short-term acquisition to maintain system reliability;
3. The load-serving entity needs to acquire other components of energy procurement, such as fuel, fuel transportation, and transmission projects;
4. The term of the transaction is less than five years~~load-serving entity's planning horizon is two years or less~~;
5. The transaction presents the load-serving entity a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, compared to the cost

of acquiring new generating facilities, and will provide unique value to the load-serving entity's customers;

6. The transaction is necessary for the load-serving entity to satisfy an obligation under the Renewable Energy Standard rules; or

7. The transaction is necessary for the load-serving entity's demand-side management or demand response programs.

C. A load-serving entity shall engage an independent monitor to oversee all RFP processes for procurement of new resources.

R14-2-706. Independent Monitor Selection and Responsibilities

A. When a load-serving entity contemplates engaging in an RFP process, the load-serving entity shall consult with Staff regarding the identity of companies or consultants that could serve as independent monitor for the RFP process.

B. After consulting with Staff, a load-serving entity shall create a vendor list of three to five candidates to serve as independent monitor and shall file the vendor list with Docket Control to allow interested persons time to review and file objections to the vendor list.

C. An interested person shall file with Docket Control, within 30 days after a vendor list is filed with Docket Control, any objection that the interested person may have to a candidate's inclusion on a vendor list.

D. Within 60 days after a vendor list is filed with Docket Control, Staff shall issue a notice identifying each candidate on the vendor list that Staff considers to be qualified to serve as independent monitor for the contemplated RFP process. In making its determination, Staff may consider the experience of the candidates, the professional reputation of the candidates, and any objections filed by interested persons.

E. A load-serving entity that completed the requirements of subparts A through D to comply with ACC Decision No. 70032 is deemed to be in compliance with subparts A through D and need not repeat the requirements.

~~E~~F. A load-serving entity may retain as independent monitor for the contemplated RFP process and for its future RFP processes any of the candidates identified in Staff's notice.

~~F~~G. A load-serving entity shall file with Docket Control a written notice of its retention of an independent monitor.

~~G~~H. A load-serving entity is responsible for paying the independent monitor for its services and may charge a reasonable bidder's fee to each bidder in the RFP process to help offset the cost of the independent monitor's services. A load-serving entity may request recovery of the cost of the independent monitor's services, to the extent that the cost is not offset by bidder's fees, in a subsequent rate case. The Commission shall use its discretion in determining whether to allow the cost to be recovered through customer rates.

~~H~~I. One week prior to the deadline for submitting bids, a load-serving entity shall provide the independent monitor a copy of any bid proposal prepared by the load-serving entity or the load-serving entity's affiliated entity ~~and of any benchmark or reference cost the load-serving entity has developed for use in evaluating bids~~. The independent monitor shall take steps to secure the load-serving entity's bid proposal and any benchmark or reference cost so that they are inaccessible to any bidder, the load-serving entity, and the load-serving entity's affiliated entity.

~~I~~J. Upon Staff's request, t~~T~~he independent monitor shall provide status reports to Staff~~, on at least a monthly basis,~~ throughout the RFP process.