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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- KRISTIN K. MAYES - CHAIRMAN
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- PAUL NEWMAN
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- BOB STUMP

Arizona Corporation Commission

DOCKETED

NOV 16 2009

DOCKETED BY	<i>[Signature]</i>
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IN THE MATTER OF THE NOTICE OF PROPOSED RULEMAKING REGARDING RESOURCE PLANNING

) DOCKET NO. RE-00000A-09-0249
)
) **ELECTRIC COOPERATIVES'**
) **COMMENTS ON STAFF'S**
) **PROPOSED RESOURCE**
) **PLANNING RULES**

The following comments on the Arizona Corporation Commission Staff's Memorandum and Recommended Opinion and Order that contains the Revised Proposed Resource Planning Rules ("Draft Rules") dated November 2, 2009 are being submitted by Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"), Mohave Electric Cooperative, Inc. ("Mohave"), Navopache Electric Cooperative, Inc. ("Navopache"), Trico Electric Cooperative, Inc. ("Trico") and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively the "Electric Cooperatives").

I. INTRODUCTION

The Cooperatives have only one goal and that is to provide the highest quality service to its members at the least cost. Cooperatives do not have a financial or any other motivation to self-build versus purchase power from an independent party but only seeks the most reliable, least cost

1 alternative for its members. Because the customers of the cooperative are also its owners and there
2 is no profit incentive, conflict of interest concerns associated with the Cooperatives' competitive
3 procurement are greatly reduced. The Cooperatives' boards of directors are elected by their
4 members and will make resource planning decisions that are in the best interest of its members. In
5 attempt to limit controversy, the Cooperatives have confined their comments to the R-14-2-702 A.
6 Applicability Section of the Draft Rules. The Cooperatives' comments on specific provisions of the
7 Draft Rules are as follows.

9 **R14-2-702 A. Applicability**

10 The Cooperatives believe that a possible acknowledgement of their resource plans as stated
11 in R14-2-704 B. is not sufficient to justify the expense in complying with the Draft Rules. If an
12 approval of a utility's resources for ratemaking purposes is not included as a part of this lengthy and
13 costly Resource Planning ("RP") Draft Rule process, then this resource planning process will be
14 very time consuming and costly to the Cooperatives' customers with little or no corresponding
15 benefit. The Cooperatives have estimated that the major parts of the process, stakeholder meetings,
16 reporting and filing, independent monitor, hearing and open meeting requirements could cost their
17 members in excess of \$500,000 depending on the hours of Cooperatives' staff time, consultants
18 required, number of intervenors, data requests, number of hearing days, etc necessary to meet the
19 Draft Rule requirements. While there will be a high cost associated with this RP process, there will
20 be no significant mitigation of the risks that the Cooperatives face in securing reliable resources at
21 the least cost. The RP process will also increase in the length of time it will take the Cooperatives to
22 secure resources.
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1 While the Cooperatives recognize that exemption language has been added in R14-2-702 C.,
2 this language will still require a distribution cooperative or utility that has invested in a 6 MW
3 renewable energy facility to comply with all of the requirements of the Draft Rules or make a costly
4 application for an exemption. It is also a fact that the Draft Rule process will add time and expense
5 to the process of procuring generation resources. The Draft Rules are assumed to be a benefit to
6 cooperative members and in public interest. The burden is on a cooperative or “load serving entity”
7 to somehow prove that the costs of compliance outweigh the “cost savings” resulting from the Draft
8 Rules, despite the fact that the potential “cost savings” from the Draft Rules have not been identified
9 or quantified in the Draft Rules.
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12 In addition, the 5 MW threshold identified in this section is clearly too low when considering
13 the Renewable Energy Standard and Tariff (“REST”) Rule requirements and the fact that some of
14 the Cooperatives are Partial Requirements Members (PRMs) of AEPCO and will be required to
15 secure some of their own generation resources. The Cooperatives believe it is important to state
16 that distribution cooperatives that directly own generation resources of less than 150 MW will not be
17 subject to these Draft Rules for the reasons stated above. The 150 MW threshold clearly delineates
18 between large power suppliers (i.e. APS and TEP) and distribution cooperatives that own a small
19 portion of their power requirements. Each reference to 5 MW in the Draft Rules such as the
20 definition of “load-serving entity” will also need to be changed from 5 MW to 150 MW to conform
21 to the changes being proposed by the Cooperatives in this section.
22

23 The Draft Rules should include language that a distribution cooperative that purchases power
24 through wholesale power contracts with either AEPCO or another entity is not a “load-serving
25 entity” subject to the Draft Rules. To clarify the applicability, the definition of “load-serving entity”
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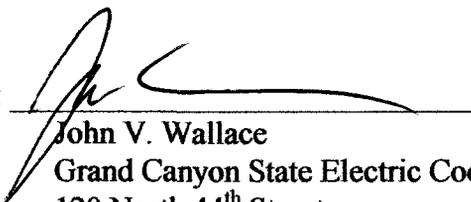
1 should also state the following at the end of the definition, "This Article shall not apply to electric
2 distribution cooperatives that do not directly own or operate generation and that enter into purchased
3 power agreements whereby such electric distribution cooperatives purchase the output of a
4 generation unit." Suggested language is attached as Exhibit A.
5

6 **R14-2-703. Load-serving Entity Reporting Requirements**

7 The Renewable Energy Standard and Tariff ("REST") Rules Annual Renewable Energy
8 Requirements are listed in the Draft Rules at in section R14-2-703(F)(4) with a statement that all
9 load serving entities "will include renewable energy resources so as to meet the greater of the
10 Annual Renewable Energy Requirement in R14-2-1804 or the following annual percentages of retail
11 kWh sold by the load-serving entity." However there is no mention of the electric cooperative
12 provisions contained in the REST Rules in section R14-2-1814 that allow for an approved
13 Cooperative REST Implementation Plan to substitute for the percentages contained in R14-2-1804.
14 To clarify that the provisions contained in R14-2-1814 will still be in effect the following sentence
15 should be added to this section after the sentence listed above, "The provisions contained in R14-2-
16 1814 will continue to be in effect for electric cooperatives." Suggested language is attached as
17 Exhibit A.
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RESPECTFULLY SUBMITTED this 16th day of November, 2009.

By: 
John V. Wallace
Grand Canyon State Electric Cooperative Assn.
120 North 44th Street
Suite 100
Phoenix, Arizona 85034

Original and thirteen copies of the foregoing
filed this 16th day of November, 2009, with:

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

EXHIBIT A

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

CHAPTER 2. CORPORATION COMMISSION

FIXED UTILITIES

ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

Section

- R14-2-701. Definitions
- R14-2-702. Applicability
- R14-2-703. Utility Load-serving entity reporting requirements
- R14-2-704. Commission review of utility load-serving entity plans
- R14-2-705. Procurement
- R14-2-706. Independent Monitor Selection and Responsibilities

- 20-19. "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. "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. "Integration" means methods by which energy produced by intermittent resources can be incorporated into the electric grid.
22. "Intermittent resources" means electric power generation that is non-dispatchable because of its variability.
23. "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 a 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 150 megawatts combined. This Article shall not apply to electric distribution cooperatives that do not directly own or operate generation and that enter into purchased power agreements whereby such electric distribution cooperatives purchase the output of a generation unit.
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.~~

EXHIBIT A

~~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 150 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 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 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 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,~~

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 the following annual percentages of retail kWh sold by the load-serving entity:

<u>Calendar Year</u>	<u>Percentage of Retail kWh sold during calendar Year</u>
<u>2010</u>	<u>2.5%</u>
<u>2011</u>	<u>3.0%</u>
<u>2012</u>	<u>3.5%</u>
<u>2013</u>	<u>4.0%</u>
<u>2014</u>	<u>4.5%</u>
<u>2015</u>	<u>5.0%</u>
<u>2016</u>	<u>6.0%</u>
<u>2017</u>	<u>7.0%</u>
<u>2018</u>	<u>8.0%</u>
<u>2019</u>	<u>9.0%</u>
<u>2020</u>	<u>10.0%</u>
<u>2021</u>	<u>11.0%</u>
<u>2022</u>	<u>12.0%</u>
<u>2023</u>	<u>13.0%</u>
<u>2024</u>	<u>14.0%</u>
<u>after 2024</u>	<u>15.0%</u>

The provisions contained in R14-2-1814 will continue to be in effect for electric cooperatives