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November 16, 2009

HAND DELIVERED

Commissioner Kristin K. Mayes, Chairman
Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra D. Kennedy
Commissioner Bob Stump
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

NOV 16 2009



Re: *Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative")
Comments and Recommended Changes to the Proposed Resource Planning
Rules; Docket No. RE-00000A-09-0249*

Dear Commissioners:

AEPCO submits these comments and recommended changes to the Proposed Resource Planning Rules filed by the Commission Staff on November 2, 2009 (the "Proposed Rules"). For the reasons stated below, AEPCO requests that it be exempted from the Proposed Rules.

AEPCO is Arizona's only generation cooperative. Further, it is exclusively a generation cooperative. AEPCO supplies no power at retail. It has no responsibility for or authority concerning the formulation, implementation and reporting of demand-side management or energy efficiency programs provided to or for end-use retail customers. Thus, all of the demand-side formulation, implementation and reporting aspects of the Proposed Rules simply don't apply to AEPCO.

While AEPCO does have a supply-side role for three of its Arizona Class A member distribution cooperatives, that supply-side function has plunged dramatically since the Integrated Resource Planning Rules were originally adopted in 1989. Then, each of AEPCO's Class A members were all-requirements members. Today, AEPCO's two largest Class A members—

Mohave Electric Cooperative and Sulphur Springs Valley Electric Cooperative—are partial-requirements members. They collectively account for more than 67% of AEPCO's generation capacity. They, not AEPCO, are responsible for all future, additional power supply planning and procurement for their members. Finally, as the Commission is aware, even AEPCO's remaining, but greatly reduced, supply-side role is subject to evaluation, planning, bidding and competitive procurement requirements by the Cooperative's federal regulator, the Rural Utilities Service, under 7 CFR 1710.

In light of these factors, AEPCO requests that it be exempted from the Proposed Rules. To accomplish that, we would ask that the definition of "Load-serving entity" (Section R14-2-701.26) be modified to add at its end " , but does not include a member-owned nonprofit generation cooperative corporation."

Alternatively, attached as Exhibit A are recommended changes to certain provisions of Proposed Rules 702.E and 703 which would reduce AEPCO's compliance costs, clarify certain AEPCO-inapplicable provisions as to retail functions and reflect the fact that cooperatives are subject to different renewable requirements as follows:

1. AEPCO is very concerned about its ability to meet and the cost of meeting the requirements of Proposed Rule R14-2-702.E. Currently, it provides that the full cycle of resource plan documentation will be due 120 days after the rules become effective instead of the normal two-year cycle. To comply, AEPCO would have to rely even more heavily on outside consulting at considerable increased expense to its members. Further, it has doubts whether it could meet the Proposed Rules' extensive filing requirements even under those circumstances. The recommended increase to 180 instead of 120 days would help mitigate this cost and concern somewhat.

2. The recommended changes to Proposed Rule 703 do two things. First, they adjust certain of this Rule's provisions to make it clear that retail reporting or forecasting requirements don't apply to AEPCO because it does not supply electricity at retail. Second, the recommended change to Proposed Rule 703.F.4 reflects the fact that electric cooperatives are subject to the renewable plan requirements of R-14-2-1814 instead of the requirements of Rules 1804 and 1805.

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AEPCO requests that the Commission modify the Proposed Rules to exempt it or, alternatively, modify the Proposed Rules as set forth in Exhibit A.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10421-42/2296211
Enclosure

cc (w/enclosure): Commissioner Kristin K. Mayes, Chairman
Commissioner Gary Pierce
Commissioner Paul Newman
Commissioner Sandra D. Kennedy
Commissioner Bob Stump

Original and 13 copies filed with Docket
Control this 16th day of November, 2009.

AEPCO's Alternative Amendments
To
Proposed Rules

Requested Changes in Red

R14-2-702.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 revision to these subsections been effective at that time.

R14-2-703

A.2. Coincident peak demand (megawatts) and energy ~~demand~~ consumption (megawatt-hours) by month for the previous 10 years, and for load serving entities engaged in sales to end users, disaggregated by customer class;

A.4. For load serving entities engaged in sales to end users, 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.~~

C.1. Fifteen-year forecast of system coincident peak load (megawatts) and energy ~~demand~~ consumption (megawatt-hours) by month and year, and for load serving entities engaged in sales to end users, expressed separately for residential, commercial, industrial, interruptible and other ~~customers~~ customer classes; for interruptible power; for resale; and for resale; and for energy losses;

C.2. For load serving entities engaged in sales to end users, 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 forecast demand management measures; and

D. 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, and other analysis 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;

* * *

14. **For load serving entities engaged in sales to end users,** a description of demand management programs or measures included in the 15 year resource plan, including for each demand management program or measure:

15. **For load serving entities engaged in sales to end users,** for each demand management measure that was considered but rejected:

* * *

F.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, **or for electric cooperatives, the Renewable Energy Requirements established in plans filed under R14-2-1814:**