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ORIGINAL

April 1, 2011

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

RE: Arizona Public Service Company's Resource Planning Work Plan  
Docket No. E-00000A-11-0113

Pursuant to A.A.C. R14-2-703(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.

Accordingly, Arizona Public Service Company ("APS") has enclosed the Work Plan for APS's 2012 Resource Plan.

If you have any questions, please contact Jeff Johnson at (602) 250-2661.

Sincerely,

Susan Casady

SC/kc

cc: Terri Ford  
Barbara Keene

Arizona Corporation Commission  
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# ARIZONA PUBLIC SERVICE COMPANY

2012 RESOURCE PLAN WORK PLAN  
R14-2-703(G)

APRIL 1, 2011

**Arizona Public Service Company**  
*In the Matter of Approval of*  
*Arizona Public Service Company's 2011 Resource Plan*  
Docket No. E-00000A-11-0113  
**Resource Plan Work Plan**

The Arizona Corporation Commission's ("Commission") Resource Planning Rules ("Rules")<sup>1</sup> require load-serving entities to file a work plan ("Work Plan") in the year preceding the filing of a resource plan. Rule R14-2-703(G) states that:

- 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.

Arizona Public Service Company ("APS" or "Company") is such a load-serving entity,<sup>2</sup> and as such, is providing this Work Plan, which addresses APS's 2012 Resource Plan filing as required by the Rules.

**1. Outline of Content**

APS anticipates the content of its 2012 Resource Plan filing will include the following:

**Executive Summary** – The summary will include a description of the plan, highlighting key areas such as energy and capacity mix, resources that contribute to meeting growth in energy and capacity, an abbreviated loads and resources table, comparison of alternative analyses, an action plan for the subsequent three years and a review of relevant planning process criteria.

**Forecast of Future Customer Requirements** – This assessment will show the expected changes in both energy consumption and peak demand before and after the effects of energy efficiency and distributed energy.

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<sup>1</sup> A.A.C. R14-2-701-706.

<sup>2</sup> See A.A.C. R14-2-701(26).

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**Description of Current Resources** – APS's existing portfolio of resources used in meeting our customers' current electricity needs, along with any other relevant information regarding those resources will be described in this section.

**Assessment of Available New Resources** – This assessment will discuss and analyze the available resource technologies and solutions that could potentially be used to meet the future needs of our customers. These resources will include a wide array of conventional and renewable resources, as well as energy efficiency and demand response programs.

**Analysis of Alternative Future Portfolio Solutions** – This analysis will demonstrate how alternative resource portfolios that combine current and new resources would perform to meet future customer electricity needs. The analysis is expected to show portfolio performance in terms of a variety of sensitivities that include natural gas prices, energy efficiency costs, environmental impacts, and others. The analysis will culminate in the selection of the specific resource plan that best balances reliability, cost, environmental impacts and risk factors in meeting the future needs of APS's customers.

**Action Plan** – This plan will detail the actions that will be needed to implement APS's proposed 2012 Resource Plan. It will include a summary of actions to be taken on future resource development, acquisitions and implementation plans. The Action Plan may also include details on resource types and capacity.

**2. Method for Assessing Potential Resources**

The Company will use a wide array of considerations for assessing the potential resources that could be used to meet customers' future needs. These considerations include items such as resource reliability and availability, cost and value, compliance with other Commission rules, portfolio fit, impacts on the environment and relevant risk factors.

**3. Sources of Current Assumptions**

Resource planning is a constantly evolving process that uses many data sources and assumptions to arrive at a comprehensive plan that balances reliability, cost, environmental impact and risk. While it is necessary that each resource plan begin with

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an initial date when all assumptions are set, it is important to remember that all data is subject to update as future uncertainties become clearer.

As a starting point, there are several sources of key data and assumptions that are important to the resource planning process:

- 1) APS – resource costs, performance, emissions and water data
- 2) Bureau of Labor Statistics – inflation and other economic data
- 3) U.S. Census Bureau – population growth
- 4) Major equipment vendors – cost of new electric generation and transmission resources
- 5) Environmental Protection Agency and Arizona Department of Environmental Quality – information regarding regulations
- 6) Wholesale power and fuel markets – cost of purchased power, renewable energy and fuel supplies
- 7) Costs of current energy efficiency programs and future cost projections
- 8) APS - capital structure, cost of capital and discount rates

**4. Timing and Extent of Public Participation**

As part of the resource planning process for 2011 and 2012, APS held four stakeholder meetings that were well attended by industry participants.<sup>3</sup> The four meetings were held at APS headquarters during the second quarter of 2010 included the following topics:

- Existing resource fleet and transmission system
- Load forecasts
- Energy efficiency (presented by APS and Southwest Energy Efficiency Project)
- Smart grid
- Demand response
- Utility water consumption (presented by APS and Western Resource Advocates)
- Fuel supplies and markets
- Technology options and costs
- Health effects of electricity generation (presented by Synapse Energy Economics)
- Resource procurement (presented by APS and Arizona Competitive Power Alliance)
- Portfolios and sensitivities

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<sup>3</sup> Stakeholder meeting information and materials can be found at [www.aps.com/resources](http://www.aps.com/resources).

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The meetings were well-attended with approximately 35 to 50 stakeholders participating in each meeting. As the stakeholder process provides valuable insight for consideration in developing a full spectrum of resource portfolios, stakeholders were encouraged to provide input and ask questions.

In addition to the stakeholder meetings discussed above, the Company also engaged the Morrison Institute of Arizona State University to conduct an "Informed Perception" project on Arizona's energy resource options. The Informed Perception project consisted of a series of customer surveys covering customer preferences and concerns regarding utility energy resource options, and an Informed Perception event, (the "Energy Forum"), which was held December 04, 2010. The Energy Forum was attended by approximately 200 APS customers. During this event, participants attended presentations addressing relevant resource information, engaged in focused customer discussion groups, and completed pre- and post-event surveys to gauge the degree of change, if any, in customer perception regarding utility energy choices.

**5. Conclusion**

As required by the Resource Planning Rules, APS's 2012 Resource Plan will provide comprehensive analyses and data for the 15-year planning period, and include an action plan, executive summary and glossary of terms. It will consider a wide range of resources, promote fuel and technology diversity within its portfolio, and describe the resources required to reliably serve customers' future electricity needs.