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IN THE MATTER OF THE FILING BY THE ARIZONA ELECTRIC POWER COOPERATIVE, INC. OF ITS WORK PLAN PURSUANT TO THE REQUIREMENTS OF R14-2-703(G).

Docket No. E-00000A-11-0113

WORK PLAN FOR ARIZONA ELECTRIC POWER COOPERATIVE, INC.

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The Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative") submits this work plan as required by R14-2-703(G) of the Resource Planning Rules (the "Rules") in relation to the resource plan the Cooperative anticipates submitting by April 1, 2012. As explained below, AEPCO does not have a demand-side role in the resource planning process and, in recent years, its supply-side role has been reduced dramatically. This work plan is impacted by, and takes into account, both of those factors.

Background

AEPCO is a not-for-profit, generation cooperative which supplies all or part of the wholesale power needs of its five Arizona not-for-profit member distribution cooperatives. There are two factors unique to AEPCO which impact substantially this work plan and next year's resource plan.

First, AEPCO is unique among load-serving entities covered by the Rules in that it supplies no power at retail. Therefore, the Cooperative has no demand-side role in the integrated resource planning process. Instead, its member distribution cooperatives are responsible for providing electricity at retail to their member/customers and the development and deployment of

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1 any efficiency programs in relation to that energy supply. This restricts AEPCO's planning role
2 in relation to the Rules—most notably, AEPCO does not consider nor select resources based
3 upon “a wide range of... demand-side options.” R14-2-703.F.1. However, the forecasts the
4 Cooperative receives from its members will include any assumptions they make as to demand-
5 side management programs' effects on their supply-side needs.

6 Second, prior to 2001, each of AEPCO's Class A members were all-requirements
7 members. But, commencing in 2001 and continuing through today, AEPCO's wholesale,
8 supply-only role has shrunken dramatically with the conversion of its three largest, most rapidly
9 growing members to partial-requirements status. What this means for resource planning
10 purposes is, with Trico's conversion to PRM status on January 1, 2011, AEPCO now has no
11 responsibility for growth planning or resource acquisition in relation to the Mohave Electric
12 Cooperative, the Sulphur Springs Valley Electric Cooperative and the Trico Electric Cooperative
13 systems.

14 The two Arizona distribution cooperatives for which AEPCO does have resource
15 planning responsibility are the Duncan Valley and Graham County Electric Cooperatives
16 (“DVEC” and “GCEC,” respectively). Those are the two smallest cooperatives, with a total
17 annual peak demand of less than 47 MW. Historically, they are also the slowest growing of
18 AEPCO's Arizona members and, as a result, require very little in terms of resource planning.

19 Also, with the expiration of AEPCO's 100 MW long-term, firm power sale agreement
20 with the Salt River Project at the end of 2010, the resources previously used to serve that sales
21 agreement are now available to meet AEPCO members' loads. GCEC and DVEC's share of
22 those returning resources is nine megawatts (9 MW). Combined with GCEC and DVEC's
23 current share of other existing resources, neither cooperative is expected to need any new base

1 load resources to meet their retail members' needs for at least the next 10-15 years. This
2 obviously will impact substantially the Resource Planning process which needs to be conducted
3 next year and for the foreseeable future.

4 Work Plan

5 With reference to the four elements of the work plan as stated in R14-2-703.G, at the
6 current time, AEPCO anticipates the following:

7 1. As relevant to its unique circumstances, AEPCO will pattern its process to
8 conform to the requirements of that rule. As explained, AEPCO does not anticipate that any new
9 resource or portfolio of resources will need to be selected as part of the 2012 resource plan
10 process in order to reliably serve GCEC and DVEC's demands. Concerning potential adverse
11 environmental impacts of power production, as ordered by the Commission in Decision
12 No. 72055¹ and as discussed at page 3 of the Action Plan which AEPCO filed in the rate case
13 docket on January 27, 2011, AEPCO will study those issues at its Apache Generating Station and
14 currently anticipates filing that study on September 30, 2012. In relation to R-14-2-703.F.4
15 and 5, AEPCO does not sell retail kWh and cooperatives are subject to the plan filing
16 requirements of R-14-2-1814. As explained, the member distribution cooperatives are
17 responsible for energy efficiency initiatives.

18 2. Although AEPCO does not anticipate that its resource plan will indicate the need
19 for any potential resources, in general, its method for assessing potential resources includes the
20 analysis of resource options available to serve any deficiency using "Strategist." Strategist is a
21 sophisticated and power-industry-specific software that compares any forecast need to the
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24 ¹ First Ordering Paragraph, p. 18.

1 present value of a number of generating or purchase power options. Purchase power options are
2 solicited through Requests for Proposals.

3 3. The sources of the Cooperative's current assumptions are (i) the most recent 2010
4 20-year load forecast as approved by DVEC and GCEC's boards for their respective member
5 loads and (ii) the current forecast of generation available, capacity and any potential retirement
6 dates.

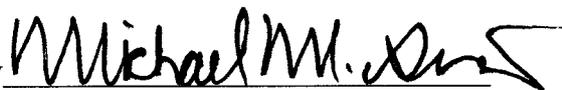
7 4. AEPCO currently anticipates two primary methods of including public
8 participation in its plan. First, DVEC and GCEC have four members which serve on AEPCO's
9 Board of Directors. Those Directors—who are also Board members of the cooperatives—will be
10 kept advised throughout the year of developments in relation to the resource plan. They will be
11 requested to report such developments to the DVEC and GCEC boards, as well as to use the
12 cooperatives' communication techniques in relaying that information to the retail members.
13 Second, AEPCO also intends to use the DVEC and GCEC annual meetings as an additional
14 opportunity for public input in relation to resource planning issues.

15 RESPECTFULLY SUBMITTED this 1st day of April, 2011.

16 GALLAGHER & KENNEDY, P.A.

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By 

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