

ORIGINAL

OPEN MEETING AGENDA ITEM



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ARIZONA CORPORATION COMMISSION

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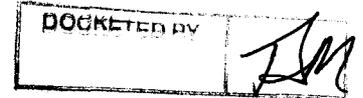
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January 11, 2013

Re: Integrated Resource Planning (Docket No. E-00000A-11-0113)



Dear Colleagues and Parties to the Docket:

As you know, Staff's Proposed Order in the above referenced docket is awaiting the vote of the Commission. I have reviewed the Proposed Order and the associated Staff Report and wish to thank Staff, its consultant and the parties for putting together the information necessary to bring this item forward for the Commission's consideration. Putting together a meaningful integrated resource plan ("IRP") is a monumental effort that requires an inclusive consideration of demand and supply resources that can be utilized to meet future needs.

In addition to being monumental, the effort has also been novel; this is the first IRP process in Arizona since the Commission's unanimously adopted its IRP rules in 2010. When I voted in favor of the Commission's IRP rules, I said, "Minimizing costs and maximizing efficiencies requires forethought and planning, and that is exactly what is required by these rules." My hope was (and still is) that the Commission will use the IRP process to minimize future costs—monetary and environmental—that will be borne by Arizona ratepayers.

While I appreciate the significant efforts that have been made so far, I believe there is a gap in the consultant's analysis in the Staff Report that was docketed on December 10, 2013. In my view the consultant did not sufficiently address and analyze our current need, or lack thereof, for additional electric generation. I was struck by the first key finding in the Commission's 7<sup>th</sup> Biennial Transmission Assessment ("BTA") that was recently approved by the Commission:

"As a result of current economic conditions, the statewide demand forecast for the 2012-2021 ten year planning period has shifted by about six years since the Sixth BTA (e.g., it will take about six years longer to reach the previous 2012 demand forecast level.)"

In contrast to the BTA, the IRP Report hardly discusses the slack in electrical demand. However, the relevant information that is contained in the Report is eye-catching. For example, in 2011, SRP (an entity that is not subject to our IRP rules) had a retail system peak of 6,369 megawatts. Yet it had resources available to serve a peak demand of 8,284 megawatts, nearly 2,000 megawatts more than its retail system peak. Having excess generating capacity is not a bad thing if SRP can sell its excess generation to its neighbors, but if its neighbors also have excess generation, it becomes very expensive as the excess generation capacity has nowhere to go but idle. My question and concern is that the entire Western Electricity Coordinating Council ("WECC") may have extra generation capacity. The IRP Report could be improved if it quickly assessed and reported whether there is excess reserve capacity throughout the WECC.

As we conclude the IRP process, I want to be able to answer whether our utilities have more generation capacity than they reasonably need and/or can put to beneficial use. If so, should the Commission suspend or alter in any way utility directives to obtain more generation capacity? If the Commission is

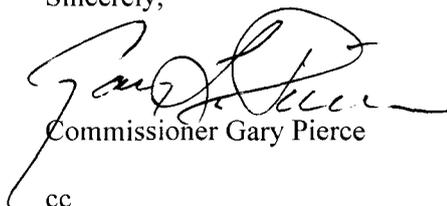
willing to deem the acquisition of new generation resources as “prudent” irrespective of our current circumstances, we should not be surprised to see utilities happily investing in more generation resources irrespective of their customers’ needs.

I currently don’t know the answers to the questions I raised above, but I strongly believe they should be explicitly asked and answered as part of this IRP process. So, I ask Staff and the parties to give the Commission the information it needs to fully consider them. Some information that I believe will be helpful towards this end is as follows:

- 1) What is the existing reserve capacity for each load-serving entity, and how does that compare with the reserve capacity for that entity over the past twenty years?
- 2) What are the load-serving entities’ existing off-system sales and how do those sales compare with previous sales over the past twenty years?
- 3) What is the outlook for off-system sales for each load-serving entity in the future?
- 4) What has been the aggregate capacity factor (actual load served divided by the system load serving capacity) for each load-serving entity over the last twenty years for the following:
  - a. at system peak load for the year,
  - b. at average load during the peak month,
  - c. at average annual load,
  - d. at average load during the lowest load month?
- 5) Are there reasons to believe that maintaining and even increasing the existing excess reserve capacity in the short-term will mitigate rate increases in the future when an eventual economic recovery will inevitably increase electric demand?

I ask the utilities to respond to these specific requests for information and to provide whatever additional information they believe is relevant to the questions raised in this letter by February 1, 2013. I would hope that Staff then be given the opportunity to evaluate and docket its analysis of the utilities’ responses. The Commissioners could then either vote on this matter based on the information filed or it could hold a workshop pursuant to A.A.C. R14-2-704(C) to discuss these issues and any others related to the IRP process.

Sincerely,

  
Commissioner Gary Pierce

cc  
  
Janice Alward  
Jodi Jerich  
Steve Olea  
Lynn Farmer