

ORIGINAL

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AZ CORP COMMISSION
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ROBERT R. TAYLOR, ESQ.
Senior Director
Regulatory Policy & Public Involvement

January 28, 2013

Chairman Bob Stump
Commissioner Gary Pierce
Commissioner Brenda Burns
Commissioner Robert L. Burns
Commissioner Susan Bitter Smith

Arizona Corporation Commission
DOCKETED

JAN 29 2013

DOCKETED BY 

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

Dear Commissioners:

SRP would like to clarify the figures cited for SRP in a recent letter docketed by Commissioner Pierce regarding the Staff Report issued in the Integrated Resource Planning (IRP) docket. Commissioner Pierce's January 11, 2013 letter suggests that SRP had nearly 2,000 megawatts of excess resources available for its 2011 retail peak of 6,369 megawatts. The comparison of SRP's retail peak with the total available resources unfortunately fails to capture the full impact to SRP's system at peak. SRP serves additional load beyond our retail peak and must maintain certain reserve requirements to reliably maintain the system. These numbers are not accounted for in the retail system peak and their absence when making a comparison can be misleading.

SRP's 2011 system peak load was 7,072 megawatts. The system peak includes load within SRP's balancing area, firm and contingent sales for resale, interruptible industrial loads, surplus sales, and exchange deliveries.

In addition to meeting anticipated system load requirements, SRP must also maintain a certain level of reserve capacity, additional generation, for reliability purposes to meet unexpected demands and contingencies. Specifically, SRP must comply with various operating reserve requirements set by the North American Electric Reliability Corporation and the Western Electricity Coordinating Council. SRP's operating reserve requirements are also defined by our participation in the Southwest Reserve Sharing Group (SRSB). Our participation in the SRSB allows SRP to reduce the amount of total reserves it must carry by sharing that obligation with other utilities in the Southwest. These standards and SRSB obligations resulted in SRP maintaining an operating reserve margin of about 900 megawatts when our system peak occurred.

Letter to Commissioners

January 28, 2013

Page 2

When comparing total system peak load to total available resources and taking into account required operating reserve margins and slight variations in forecast versus actual load, SRP's generation resources were appropriate to meet the needs of its customers. With a total system peak load of 7,072 megawatts and a reserve margin of about 900 megawatts, SRP needed almost 8,000 megawatts of available resources to meet its 2011 peak load.

SRP would also note that while it had some amount of capacity in excess to its retail and reserve requirements in 2011, that excess no longer exists. In addition to setting a record retail peak load in 2012, various power purchase contracts expired. Recognizing the availability of wholesale market capacity and energy currently available, SRP's resource plan for 2013 includes well over 200 MW of unspecified short-term purchases to meet the traditional planning reserve margin of approximately 12%.

In terms of managing the costs of maintaining a reserve margin, there is another aspect that may be helpful for the Commission to understand, and that is the role that SRP's older, less-efficient natural gas generation plays. While these less-efficient resources are generally expected to have very low capacity factors relative to the modern units, they are almost completely depreciated and represent a very cost effective means of maintaining reserve capacity. SRP has almost 800 MW of generation that would fit this description.

Please be assured that SRP's elected Board and its management take very seriously our obligation to provide low cost, reliable energy in an environmentally responsible manner.

I hope you find this explanation helpful. Please feel free to contact me at (602) 236-3487 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Taylor". The signature is fluid and cursive, with a long horizontal stroke at the end.

Rob Taylor

Senior Director, Regulatory Policy and Public Involvement

cc: Docket Control (original and 13 copies)