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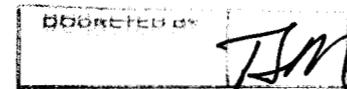


February 8, 2013

Arizona ~~HAND DELIVERED~~

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FEB 08 2013



Commissioner Gary Pierce
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Arizona Electric Power Cooperative, Inc. (AEPSCO) Data in Response to Your Letter of January 11, 2013; Integrated Resource Planning (Docket No. E-00000A-11-0113)*

Dear Commissioner Pierce:

In response to your January 11, 2013 request to parties to the Integrated Resource Planning Docket, Attachment A contains responses and responsive data which AEPSCO has been able to assemble for the five categories of information you identified: 1) current and past reserve capacity; 2) current and past off-system sales; 3) the future outlook for off-system sales; 4) the aggregate capacity factor under four different load assumptions; and 5) AEPSCO's position concerning maintaining or increasing reserve capacity currently in order to mitigate future rate increases.

In relation to the data requested on current and past reserve capacity, off-system sales and aggregate capacity factor, the information provided is what AEPSCO has been able to assemble and analyze for the 11-year period 2002 through 2012. The primary reason the data has not been supplied for the 10 years prior to 2002 is that in 2001, the Commission authorized a restructuring of AEPSCO, which has very significantly changed its business profile as well as its planning, and power procurement responsibilities. Commencing with the conversion of Mohave Electric Cooperative, Inc., from an all-to a partial-requirements member in late 2001, and continuing through the all requirement member (ARM) to partial requirements member (PRM) conversions of Sulphur Springs Valley Electric Cooperative, Inc., and Trico Electric Cooperative, Inc., about 90% of AEPSCO's current 555 MW of generation is now dedicated to, and the cost responsibility of, these three PRMs.

As importantly, those three PRMs, not AEPSCO, are also responsible to plan for, determine the nature and timing of, and then procure the facilities and/or the power and energy needed to meet the future needs of their members—which comprise more than 90% of the total retail

[Http://coops.ecm/ecm/Resource Planning/Managed Documents/Letter to Accompany Data Responses.docx](http://coops.ecm/ecm/Resource Planning/Managed Documents/Letter to Accompany Data Responses.docx)

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load served by all of AEPSCO's Arizona members. Given this significant shift to its PRMs of post-2001 power supply and procurement responsibilities as compared to what AEPSCO did in the prior decade, AEPSCO does not believe its 1990s data would be helpful in providing data relative to these issues going forward.

Very truly yours,

ARIZONA ELECTRIC POWER COOPERATIVE, INC.



Richard P. Kurtz
Vice President of Power Services and Planning

cc: Commissioner Pierce (delivered)
IRP Service List

Original and 13 copies
filed with Docket Control this 8th day of February, 2013.

ATTACHMENT

“A”

Question 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?

AEPCCO's actual reserve margin over the past eleven years has ranged between 11 and 49 percent. The reserve margin is based on the loads of AEPCCO's All Requirement Members plus the scheduled take of AEPCCO's Partial Requirement Members at the time of the AEPCCO Class A Member billing peak and excludes the capacity dedicated to off-system sales contracts.

Arizona Electric Power Cooperative, Inc.												
Annual Reserve Capacity	Jul 2002 ⁽¹⁾	Jul 2003	Aug 2004	Jul 2005	Jul 2006	Jul 2007	Jul 2008 ⁽²⁾	Jul 2009	Jul 2010	Jul 2011 ⁽³⁾	Jul 2012	Aug 2012
Class A Member Load, Annual Peak - MW ⁽⁴⁾	370	411	428	456	492	529	434	446	446	421	448	448
Member Load Serving Capacity - MW ⁽⁵⁾	428	494 ⁽⁷⁾	520	539	554	589	559	578	588	628 ⁽⁸⁾	637	637
Peak Month Reserve Capacity - MW	58	83	92	83	62	60	125	131	142	207	190	190
Resulting Peak Month Reserve Margin - %	16%	20%	21%	18%	13% ⁽⁶⁾	11% ⁽⁶⁾	29%	29%	32%	49%	42%	42%

Notes:

- ⁽¹⁾ Reflects Mohave Electric Cooperative as a Partial Requirements Member.
- ⁽²⁾ Reflects Sulphur Springs Valley Electric Cooperative as a Partial Requirements Member beginning in 2008.
- ⁽³⁾ Reflects Trico Electric Cooperative as a Partial Requirements Member beginning in 2011.
- ⁽⁴⁾ Coincident Class A Member ARM load + PRM Scheduled Take at time of AEPCCO billing peak.
- ⁽⁵⁾ Capacity available for serving Class A Members; includes capacity of purchase power agreements (PPAs); excludes capacity associated with off system contract sales.
- ⁽⁶⁾ Sulphur Springs Valley Electric Cooperative's Partial Requirement Agreement was executed in 2005 but wasn't implemented until 2008. Its 2006 and 2007 load was served as an ARM.
- ⁽⁷⁾ The increase in Load Serving Capacity between 2002 and 2003 is due to AEPCCO's GT4 coming online.
- ⁽⁸⁾ The increase in Load Serving Capacity between 2010 and 2011 is due to the expiration of an 100 MW off-system sales contract coupled with a 25 MW decrease in a PPA.

Question 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?

All four of the off-system firm power sale contracts AEPCCO has held during the past eleven years have expired. A contract for 17.5 MW expired in May of 2003. A 15 MW contract expired in December of 2008. A 100 MW contract expired in December of 2010 and an 8 MW contract expired in September of 2012. As these contracts expired, the capacity previously dedicated to these off-system sales became available for Class A Members' use. The annual energy delivered under the off-system sales contracts is reported below. The capacity associated with these energy deliveries is excluded from member load-serving capacity in the reserve margin calculation.

AEPCCO also made opportunity energy sales into the economy market when it had resources available above ARM load, scheduled PRM take, and the takes under off-system sales contracts if the market price was favorable. The annual totals from these sales are listed below for the past eleven years. Opportunity sales do not affect reserve margin calculations.

Arizona Electric Power Cooperative, Inc.											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Energy Sales from Off-System Contracts - MWh⁽¹⁾	954,628	1,054,114	1,156,991	1,172,367	1,175,232	1,195,509	1,192,289	487,799	531,212	39,996	14,884
Opportunity Energy Sales in Economy Market - MWh⁽²⁾	482,430	179,598	130,380	96,702	78,240	119,317	113,877	101,639	96,051	86,204	89,676
Total Sales:	1,437,058	1,233,712	1,287,371	1,269,069	1,253,472	1,314,826	1,306,166	589,438	627,263	126,200	104,559

Notes:

⁽¹⁾ Off-system energy sales related to the power sales contracts with entities other than AEPCCO's Class A Members.

⁽²⁾ Opportunity energy sales do not affect the calculation of reserve margins.

Question 3

What is the outlook for off-system sales for each load-serving entity in the future?

All four of the off-system sale contracts that AEPCCO has held during the past eleven years have expired. AEPCCO projects zero future off-system long term power sales contracts, as all AEPCCO capacity is now fully allocated to its Class A Members by contract as approved by the ACC in AEPCCO's latest rate case.

Under the current situation where 88.6% of AEPCCO's resources is under the control of its PRMs, AEPCCO's projected excess energy is limited and therefore AEPCCO does not expect to make more than a nominal amount of opportunity economy sales into the future.

Question 4 What has been the aggregate capacity factor (actual load served divided by the system load serving capacity) 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?

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Arizona Electric Power Cooperative, Inc.											
4.a - Aggregate Capacity Factor at System Peak Load for the Year											
Class A Member Load, Annual Peak - MW ⁽¹⁾	370	411	428	456	492	529	434	446	446	421	448
Member Load Serving Capacity, Annual Peak - MW ⁽²⁾	428	493	520	539	554	589	559	578	588	628	637
Aggregate Capacity Factor - %	86%	83%	82%	85%	89%	90%	78%	77%	76%	67%	70%
4.b - Aggregate Capacity Factor at Average Load During the Peak Month											
Average Class A Member Load, Peak Month - MW ⁽³⁾	265	308	293	345	347	367	319	318	308	353	325
Member Load Serving Capacity, Peak Month - MW ⁽²⁾	428	493	520	539	554	589	559	578	588	628	637
Aggregate Capacity Factor - %	62%	62%	56%	64%	63%	62%	57%	55%	52%	56%	51%
4.c - Aggregate Capacity Factor at Average Annual Load											
Average Load, Annual - MW ⁽⁴⁾	206	231	242	256	267	289	267	251	248	266	247
Member Load Serving Capacity, Annual Average - MW ⁽⁵⁾	409	460	488	498	504	471	464	468	473	571	576
Aggregate Capacity Factor - %	50%	50%	50%	51%	53%	61%	58%	54%	53%	47%	43%
4.d - Aggregate Capacity Factor at Average Load During Lowest Load Month											
Average Class A Member Load, Lowest Load Month - MW ⁽⁶⁾	175	190	203	223	231	235	245	211	229	209	211
Member Load Serving Capacity, Lowest Peak Month - MW ⁽⁷⁾	439	439	472	472	467	467	472	471	471	566	566
Aggregate Capacity Factor - %	40%	43%	43%	47%	49%	50%	52%	45%	49%	37%	37%

Notes:

- ⁽¹⁾ Coincident Class A Member ARM load + PRM Scheduled Take at time of AEPSCO billing peak.
- ⁽²⁾ Capacity available for serving Class A Members; includes capacity of PPAs.
- ⁽³⁾ Coincident Class A Member ARM load + PRM Scheduled Take during AEPSCO highest peak month.
- ⁽⁴⁾ Coincident Class A Member ARM load + PRM Scheduled Take (energy summed by year/number of hours in year).
- ⁽⁵⁾ Annual Average Capacity available for serving Class A Members; includes capacity of PPAs.
- ⁽⁶⁾ Coincident Class A Member ARM load + PRM Scheduled Take at time of AEPSCO's lowest peak month (energy summed for month/hours in month).
- ⁽⁷⁾ Lowest Peak Month Capacity available for serving Class A Members; includes capacity of PPAs.

Question 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?

In certain circumstances, it is possible that maintaining or even increasing reserve capacity in the immediate future might be a viable, cost-effective way to meet future expected load growth in a least or reduced cost manner. However, in AEPCCO's case, due to the fact that its three largest members (accounting for 88.6% of AEPCCO resources) are Partial Requirement Members, AEPCCO doesn't need to plan to build or acquire any new firm resources for the foreseeable future. AEPCCO already has sufficient resources to meet the forecast power requirements of the three small distribution cooperatives for which it still has planning responsibility through 2020. There is also a possibility of a small peaking need of 12 MW growing to 18 MW from 2021 to 2026. However, even that need is likely to be reduced to near zero if the members' contract end date for the gas units at Apache Station is extended. Given this profile, there certainly is no need, from either a power security or economic standpoint, for AEPCCO to increase reserve capacity at this time.