ORIGINAL

0000143927

RECEIVED

2013 APR -1 P 1:2

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED
APR 01 2013
DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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-00000V-13-0070 **WORK PLAN FOR ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

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") concerning the resource plan the Cooperative anticipates submitting by April 1, 2014. This work plan takes into account the facts that (1) AEPCO does not have a demand-side role in the resource planning process, because it serves no retail customers and (2) in recent years, its supply-side role at wholesale has also been reduced dramatically.

The Utilities Division Staff made both of these points in its December 21, 2012 Assessment of the 2012 Integrated Resource Plans ("2012 Assessment"). At page 2, it stated:

> [E]ach IRP (other than AEPCO's) must meet the requirements of the Annual Renewable Energy Requirement, the Distributed Renewable Energy Requirement, and the Energy Efficiency Standard. (Emphasis supplied.)

Further, at page 5 of its 2012 Assessment, Staff stated as follows:

> Staff notes that AEPCO is unique among the LSEs covered by the IRP Rules since all of its energy sales are at the wholesale level and it serves no retail load. Therefore, AEPCO serves no demand-side role in the IRP process. In addition, AEPCO's wholesale, supply only role has shrunken dramatically since 2001 with the conversion of its three largest, most rapidly growing members to

3338713v1/10421-0042

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

> partial-requirements status. With the conversion of these members to partial-requirements status, AEPCO no longer has responsibility for growth planning or resource acquisition for these members. Consequently, Staff recommends that the Commission acknowledge AEPCO's unique situation by requiring AEPCO to continue in the IRP process but without the necessity of having its future IRPs acknowledged by the Commission.

AEPCO's work plan, as well as its 2014 resource planning product, obviously are impacted substantially by this limited, wholesale-only role.

Background

AEPCO is a not-for-profit, generation cooperative which supplies all or part of the wholesale power needs of its six not-for-profit member distribution cooperatives. As noted, AEPCO is unique among the other load-serving entities covered by the Rules, because it supplies no power at retail and serves 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. Through periodic filings with the Commission, the Arizona distribution cooperatives are also responsible for development and deployment of any efficiency or renewable programs in relation to their retail supply function. This greatly restricts AEPCO's planning role in relation to the Rules. For example, AEPCO cannot select resources based upon "a wide range of… demand-side options." R14-2-703.F.1. However, the forecasts AEPCO receives from its members will include any assumptions they make as to the Commission-approved demand-side management or renewables programs' effects on their supply-side needs.

Second, prior to 2001, all of AEPCO's Class A members were all-requirements members ("ARMs"). But, commencing in 2001 and continuing through today, AEPCO's wholesale supply role has also dramatically diminished with the conversion of its three largest, most rapidly growing members to partial-requirements ("PRM") status.

Thus, AEPCO has two types of power supply responsibilities. The first is to its three ARMs, i.e., Graham County Electric ("GCEC") and Duncan Valley Electric ("DVEC") which are located in Arizona and Anza Electric ("Anza") which is located in south-central California. AEPCO must plan for and meet those ARMs' current, as well as their future anticipated, wholesale power and energy needs. However, they are also AEPCO's smallest member cooperatives, with a current total annual peak demand of less than 65 MW. They are also the slowest growing of AEPCO's members. As a result, these three ARMs require very little in terms of AEPCO planning for new supply resources.

AEPCO's second and more restricted type of power supply responsibility is to its PRMs: Mohave Electric ("MEC"), Sulphur Springs Valley Electric ("SSVEC") and Trico Electric ("Trico"). In their cases, AEPCO's only responsibility is to continue to make available to each PRM the maximum capacity (sometimes referred to as the PRM's Allocated Capacity or "AC") which the PRM is entitled to from AEPCO's <u>existing</u> resources. AEPCO has <u>no</u> responsibility or authority in relation to its PRMs to plan for, build, contract for or supply any additional power and energy above the PRM's AC which the PRM may need in the future to meet its members' retail demands. That supply planning responsibility, instead, rests with MEC, SSVEC and Trico.

Work Plan

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

1. Given these unique circumstances, AEPCO will pattern its process to conform, as nearly as possible, to the Resource Planning Rules requirements. AEPCO, however, does not anticipate that any new resource or portfolio of resources will need to be selected as part of the 2014 resource plan process in order to reliably serve Anza, DVEC and GCEC's demands over

the planning horizon. Obviously, no new resources will need to be acquired by AEPCO to serve PRM demand growth, because AEPCO has no responsibility to meet that growth. In response to the Staff recommendation at page 6 of its 2012 Assessment, AEPCO will supply Staff the PRMs' load forecasts on a confidential basis when it files its 2014 IRP. It should be noted, however, that AEPCO is working with the Environmental Protection Agency on regional haze issues which may impact the Apache Generating Station. It will incorporate the results of these impacts, if any, on power production into its resource plan. In relation to the requirements of R14-2-703.F.4, 5 and 6, AEPCO does not sell at retail. Its five Arizona member cooperatives are subject to the renewables plan filing and approval requirements of R14-2-1814 and, as explained, those member distribution cooperatives are also responsible for retail energy efficiency efforts—again subject to periodic Commission plan approvals. Given that, AEPCO's IRP won't include provision by it of renewable resources as specified in R14-2-703.F.4 and 5 or deployment of energy efficiency measures as stated in R14-2-703.F.6. However, the member forecasts AEPCO uses in its IRP process will reflect the anticipated effects of the ARM and PRMs' commission-approved renewables and energy efficiency plans.

2. Although AEPCO does not believe that its 2014 resource plan will indicate a need for any potential resources, in general, its method for assessing potential resources includes the analysis of resource options available using "Strategist." Strategist is a sophisticated and power-industry-specific software that compares any forecast need to the present value of a number of generating or purchase power options.

3. The primary sources of the Cooperative's current assumptions are (i) the most recent 2012 20-year load forecast as approved by Anza, DVEC and GCEC's Boards for their respective member loads, as well as the contractual supply responsibility of AEPCO to each

PRM and (ii) the contract end dates relating to AEPCO's existing generating fleet and purchase power agreements.

4. AEPCO anticipates two primary methods of including public communication and participation in its plan. First, Anza, DVEC and GCEC have six members which serve on AEPCO's Board of Directors. Those Directors—five of whom are also Board members of the cooperatives' Boards—will be kept advised of developments in relation to the resource plan. They will also be requested to report such developments to the ARM Boards, as well as to use the distribution cooperatives' member communication methods to relay that information to their retail members. Second, AEPCO also intends to use the ARMs' annual meetings as an additional opportunity for communication in relation to resource planning issues.

RESPECTFULLY SUBMITTED this 1st day of April, 2013.

GALLAGHER & KENNEDY, P.A.

By Michael M. Grant

Michael M. Grant
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for Arizona Electric Power
Cooperative, Inc.

Original and 13 copies filed this
1st day of April, 2013, with:

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