

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION

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- GARY PIERCE
- BRENDA BURNS
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- SUSAN BITTER SMITH

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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

OCT 29 2014

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IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY, IN CONFORMANCE WITH THE REQUIREMENTS OF ARIZONA REVISED STATUTES 40-360 ET SEQ., FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AUTHORIZING THE OCOTILLO MODERNIZATION PROJECT, WHICH INCLUDES THE INSTALLATION OF FIVE 102 MW GAS TURBINES AND THE CONSTRUCTION OF TWO 230-KILOVOLT GENERATION INTERCONNECTIONS AND OTHER ANCILLARY FACILITIES, ALL LOCATED WITHIN THE BOUNDS OF THE EXISTING OCOTILLO POWER PLANT SITUATED ON PROPERTY OWNED BY ARIZONA PUBLIC SERVICE COMPANY AND LOCATED AT 1500 EAST UNIVERSITY DRIVE, TEMPE, ARIZONA, IN MARICOPA COUNTY.

DOCKET NO. L-00000D-14-0292-00169

Case No. 169

**APS AND RUCO JOINT BRIEF  
RESPONDING TO COMMISSIONER  
BURNS' OCTOBER 17, 2014  
QUESTIONS**

**ORIGINAL**

Arizona Public Service Company ("APS") and the Residential Utility Consumers Office ("RUCO") jointly respond to Commissioner Bob Burns' questions as stated in his October 17, 2014 letter. The Ocotillo Modernization Project provides an opportunity to develop a resource with unique characteristics and benefits for both the APS system and its customers. The joint conditions proposed by APS and RUCO in their September 26, 2014 Request for Review support APS's ability to ensure an adequate, reliable and economical supply of electric power for Arizona today and in the future. APS and RUCO respectfully

1 request that the Commission approve CEC 169, including the conditions put forth in APS's  
2 and RUCO's Joint Request for Review.

3       The conditions put forth in the Joint Request for Review may appropriately be  
4 included as conditions in the CEC. There is detailed evidence in the record about the  
5 potential for storage and how, in the future, it may be able to work in conjunction with other  
6 portfolio resources to help supply peaking capability and renewable integration. Such  
7 evidence supports the proposed conditions. In addition, the conditions are consistent with the  
8 public interest and meet the balancing test in A.R.S. § 40-360.07(B). First, proposed  
9 condition No. 1 on Ex. A of the Joint Request will provide valuable information about costs,  
10 technologies and the viability of alternative resources. This information will be useful for  
11 future load growth planning. Second, proposed condition No. 3 will provide 10 MWh of  
12 storage by the end of 2018 that can be used to help APS understand further the costs and  
13 benefits of energy storage in supporting the overall energy system. Finally, proposed  
14 condition No. 2 provides the potential for further storage beyond the 10 MWh in the event  
15 that APS needs to develop a simple-cycle combustion turbine project with an in-service date  
16 before 2021. This process will provide valuable planning information, and the potential  
17 storage solutions, if cost effective and reliable, would assist APS in meeting its needs for  
18 times of peak demand and integrating renewable generation along with simple-cycle turbines,  
19 such as will be built at Ocotillo. For these reasons, the three proposed conditions are  
20 reasonable and the Commission should adopt them as part of the Ocotillo CEC consistent  
21 with A.R.S. § 360.06(A).

22       The proposed conditions also are consistent with APS's 2014 Integrated Resource Plan  
23 (IRP) and could be included in the IRP. However, APS and RUCO prefer that they be  
24 addressed now and included with the CEC given the certainty and prompt resolution that it  
25 provides. Since these conditions, particularly condition one, are energy resource inclusive  
26 and storage is fuel neutral, it may not be appropriate to include these conditions in future  
27 Renewable Energy Standard Implementation Plans. Again, APS and RUCO support moving  
28 ahead with these conditions now rather than waiting for a future proceeding.

1 Below are specific responses to the other questions posed by Commissioner Burns.

2 **1. Why was the date of December 31, 2016 selected in condition #1?**

3 This date was derived from the timing of anticipated resource needs as depicted in the  
4 APS 2014 Integrated Resource Plan in consultation with RUCO. The IRP identifies resource  
5 needs beginning in 2017 and those needs are anticipated to increase through the 2021 period.  
6 Given the initial projected resource needs in 2017, a request for proposal (RFP) solicitation  
7 no later than the end of 2016 provides time to conduct a solicitation and evaluate proposals.  
8 APS will update the magnitude, duration and timing of projected resource needs in its 2016  
9 IRP prior to conducting an RFP, in order to determine the nature of any solicitation.

10 **2. Who will be the independent monitor conducting the RFP?**

11 APS will be selecting an independent monitor for this RFP at a later date and will  
12 select from those companies on the Staff approved independent monitor vendor list for APS.  
13 The current vendor list includes the following companies: Accion Group; Boston Pacific  
14 Company; Merrimack Energy Group; and Navigant Consulting Group. The independent  
15 monitors report will be provided to the Commission.

16 **3. Why was a duration of no less than 3 hours daily selected for energy storage**  
17 **procurement in condition #2?**

18 The minimum 3-hour window is needed to provide energy storage proposals the ability  
19 to be considered as an alternative to peaking units based on APS system needs. During the  
20 Ocotillo Line Siting Committee hearing, APS demonstrated the need for flexible peaking  
21 resources that operate for a relatively low number of hours during the year, but operate for  
22 several hours at a time during peak load conditions or when ramping conditions exist for  
23 balancing electric supply and demand (such as renewable integration). While a higher or  
24 lower number of daily hours is feasible for the technology, the three hour daily number best  
25 suits anticipated needs.

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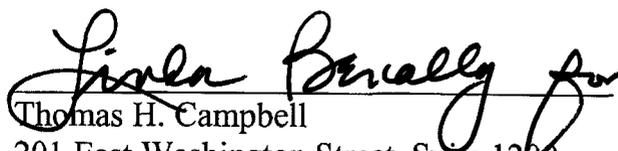
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**CONCLUSION**

For the above stated reasons, APS and RUCO reiterate their joint request that the Commission adopt and include in CEC 169 the three CEC conditions proposed by RUCO in these proceedings.

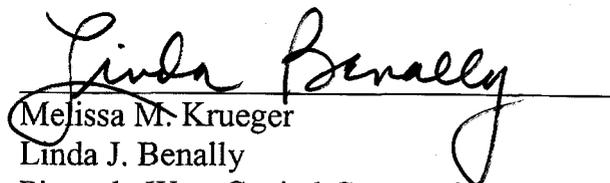
RESPECTFULLY SUBMITTED this 29th day of October, 2014.

LEWIS ROCA ROTHGERBER, LLP



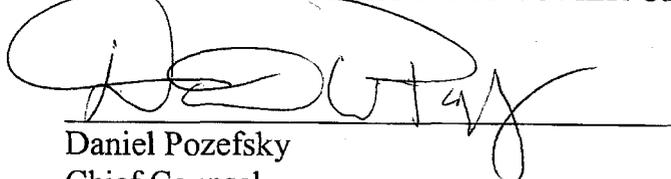
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1 ORIGINAL and twenty-five (25) copies  
2 of the foregoing filed this 29th day of  
3 October, 2014, with:

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6 COPY of the foregoing delivered/mailed  
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