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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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- SUSAN BITTER SMITH, Chairman
- BOB STUMP
- BOB BURNS
- DOUG LITTLE
- TOM FORESE

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IN THE MATTER OF ARIZONA ELECTRIC
POWER COOPERATIVE, INC.'S FILING OF
RESOURCE PLANNING AND PROCUREMENT
INFORMATION PER A.A.C. R14-2-701 *et seq.*
FOR 2015 AND 2016

Docket No. E-00000V-15-0094

**WORK PLAN FOR ARIZONA
ELECTRIC POWER
COOPERATIVE, INC.**

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Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Cooperative") submits this work plan as required by Arizona Administrative Code R14-2-703.G (the "Resource Planning Rules" or the "Rules") concerning the resource plan the Cooperative anticipates submitting by April 1, 2016. As described in greater detail herein, 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) its supply-side role at wholesale is quite limited.

Background

AEPCO is a not-for-profit, generation cooperative that supplies all or part of the wholesale power needs of its six not-for-profit Class A Member distribution cooperatives. 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 Members 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

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1 to their retail supply function. This greatly restricts AEPCO's planning role in relation to the
2 Rules. For example, AEPCO cannot select resources based upon "a wide range of... demand-
3 side options." R14-2-703.F.1. However, the forecasts AEPCO receives from its Members will
4 reflect historic impacts and include any assumptions the Members may make as to their future
5 Commission-approved demand-side management or renewables programs' effects on their
6 supply-side needs.

7 Another factor influencing AEPCO's work plan is its unique member mix. Prior to 2001,
8 all of AEPCO's Class A Members were all-requirements members ("ARMs"). Commencing in
9 2001 and continuing through today, AEPCO's wholesale supply role has dramatically
10 diminished because its three largest, most rapidly growing Members converted to partial-
11 requirements member ("PRM") status.

12 Thus, AEPCO has two types of power supply responsibilities. The first is to its three
13 ARMs – Graham County Electric Cooperative, Inc. and Duncan Valley Electric Cooperative,
14 Inc. (which are located in Arizona) and Anza Electric Cooperative, Inc. (which is located in
15 south-central California). AEPCO must plan for and meet those ARMs' current, as well as their
16 future anticipated, wholesale power and energy needs. However, the ARMs are also AEPCO's
17 smallest Member cooperatives, with a current total annual peak demand of less than 70 MW.
18 They are also the slowest growing of AEPCO's Members. As a result, these three ARMs require
19 very little in terms of AEPCO planning for new supply resources.

20 AEPCO's second and more restricted type of power supply responsibility is to its PRMs:
21 Mohave Electric Cooperative, Inc., Sulphur Springs Valley Electric Cooperative, Inc. and Trico
22 Electric Cooperative, Inc. In their cases, AEPCO's only responsibility is to continue to make
23 available to each PRM the maximum capacity (sometimes referred to as the PRM's Allocated

1 Capacity or "AC") which the PRM is contractually entitled to from AEPCO's existing resources.
2 AEPCO has no responsibility or authority in relation to its PRMs to plan for, build, contract for
3 or supply any additional power and energy above the PRM's AC which the PRM may need in
4 the future to meet its members' retail demands. That planning and supply responsibility, instead,
5 rests with each PRM.

6 The Commission recognized these unique attributes of AEPCO in its Decision in the
7 2012 IRP docket, Decision No. 73884. For example, the Commission acknowledged the fact
8 that AEPCO is exempt from the requirements of the Annual Renewable Energy Requirement, the
9 Distributed Renewable Energy Requirement, and the Energy Efficiency Standard.¹ Additionally,
10 the Commission and the Utilities Division Staff concluded that AEPCO's unique circumstances
11 warrant a modified application of the Rules:

12 Staff notes that AEPCO is unique among the LSEs covered by the IRP
13 Rules since all of its energy sales are at the wholesale level and it serves no retail
14 load. Therefore, AEPCO serves no demand-side role in the IRP process. In
15 addition, AEPCO's wholesale, supply-only role has shrunk dramatically since
16 2001 with the conversion of its three largest, most rapidly growing members to
17 partial-requirements status. With the conversion of these members to partial-
18 requirements status, AEPCO no longer has responsibility for growth planning or
19 resource acquisition for these members. Consequently, Staff recommends that the
20 Commission acknowledge AEPCO's unique situation by requiring AEPCO to
21 continue in the IRP process but without the necessity of having its future IRPs
22 acknowledged by the Commission.

23 ...

24 IT IS FURTHER ORDERED that Arizona Electric Power Cooperative
shall continue in the IRP process but without the necessity of having its future
IRPs acknowledged by the Commission.

IT IS FURTHER ORDERED that Arizona Electric Power Cooperative
shall, in future IRP filings, submit whatever information, data, criteria, and studies
it has used in its 15-year planning scenarios.

¹ Decision No. 73884, p. 3, ll. 11-13, Finding 5.

1 IT IS FURTHER ORDERED that Arizona Electric Power Cooperative
2 shall provide its PRMs' load forecasts to Staff on a confidential basis when
AEPCO files its IRP.²

3 This work plan, as well as AEPCO's anticipated 2016 resource planning product, reflects the
4 foregoing unique circumstances and limited obligations.

5 **Work Plan**

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

8 1. Given the Cooperative's unique circumstances as acknowledged by the
9 Commission, AEPCO will pattern its process to conform, as nearly as possible, to the Resource
10 Planning Rules requirements under R14-2-703.F. AEPCO, however, does not anticipate that any
11 new resource or portfolio of resources will need to be selected as part of the 2016 resource plan
12 process in order to reliably serve the ARMs' demands over the planning horizon. With regard to
13 the PRMs, AEPCO will supply Staff those load forecasts on a confidential basis when it files its
14 2016 IRP, as required by Decision No. 73884.

15 In relation to the requirements of R14-2-703.F.4, 5 and 6, the Commission previously
16 acknowledged that AEPCO does not sell at retail and is not subject to the requirements of the
17 Annual Renewable Energy Requirement, the Distributed Renewable Energy Requirement, or the
18 Energy Efficiency Standard. As indicated above, AEPCO's five Arizona Members are
19 responsible for the renewables plan filing requirements of R14-2-1814 as well as the retail
20 energy efficiency efforts, subject to periodic Commission review and approval. Given that,
21 AEPCO's IRP will not include provision by it of renewable resources or energy efficiency
22 measures. However, to the extent included in Member load data submittals, the Member

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24 ² Decision No. 73884, p. 6, ll. 10-18, Finding 14, and page 8, ll. 1-7.

1 forecasts AEPCO uses in its 2016 IRP process will reflect the effects of the ARMs' and PRMs'
2 Commission-approved renewables and energy efficiency plans.

3 2. Although AEPCO does not believe that its 2016 resource plan will indicate any
4 significant need for potential resources, in general, its method for assessing potential resources
5 includes the analysis of resource options available using "Strategist." Strategist is a
6 sophisticated, power-industry-specific software that compares any forecast need to the present
7 value of a number of generating or purchase power options.

8 3. The primary sources of the Cooperative's current assumptions are (i) the most
9 recent 20-year load forecast as approved by the ARM Boards for their respective member loads,
10 combined with AEPCO's contractual obligation to supply the PRMs from existing resources, and
11 (ii) the contract end dates relating to AEPCO's existing generating fleet and purchase power
12 agreements.

13 4. AEPCO anticipates two primary methods of including public communication and
14 participation in its resource planning process, both of which involve close communication with
15 the ARMs. First, each ARM has two representatives who serve on AEPCO's Board of Directors.
16 Those Directors will be kept advised of developments in relation to the resource plan. They will
17 also be requested to report such developments to the ARM Boards, as well as to use the
18 distribution cooperatives' member communication methods to relay that information to their
19 retail members. Second, AEPCO also intends to use the ARMs' annual meetings as an
20 additional opportunity for communication in relation to resource planning issues.

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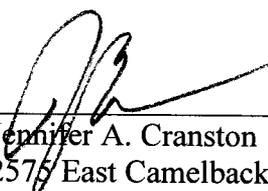
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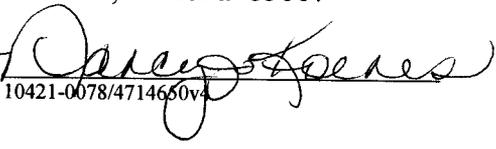
RESPECTFULLY SUBMITTED this 1st day of April, 2015.

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