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Arizona Corporation Commission

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**Re: In the Matter of Resource Planning and Procurement in 2015 and 2016
Docket No. E-00000V-13-0070**

Tucson Electric Power Company ("TEP") and UNS Electric, Inc. ("UNS Electric") (jointly "Companies"), hereby submit their joint response to Commissioner Burns' July 9, 2015 letter.

The Companies encourage the Arizona Corporation Commission ("ACC" or "Commission") to defer the filing of the next Integrated Resource Plans ("IRP") to April 1, 2017, given the uncertainty around the final rule of the Clean Power Plan ("CPP")¹ and the subsequent Arizona State Implementation Plan ("SIP") that must be submitted to EPA within thirteen months of the final rule (presumably by the end of September 2016). However, the Companies also believe that preliminary drafts of the IRPs reflecting the proposed SIP could be provided to the Commission shortly after the submission of the proposed SIP to EPA.

A majority of the parties who filed comments on July 2, 2015 in this docket have acknowledged that an extension of the April 1, 2016 filing date is reasonable in light of the potential impact that the CPP will have on Arizona. This deferral should not be framed as a delay to resource planning for the regulated utilities in Arizona. Rather, it will allow the utilities to better address utility resource planning in the context of the CPP and the SIP, which will incorporate state-wide resource planning provisions. It is important to note that with the release of the final rule, the Arizona Department of Environmental Quality

¹ EPA's Proposed Rule: Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units [79 FR 34830] was issued on June 18, 2014. The final rule is expected to be released in August 2015.

("ADEQ") will be forming a Technical Work Group ("TWG") comprised of a diverse group of knowledgeable stakeholders from a number of different organizations². As of this filing date ADEQ anticipates that TWG membership will include representatives from the following organizations or areas of expertise to participate:

ADEQ Technical Work Group Participants³

- Arizona Corporation Commission
- Arizona Public Service
- Tucson Electric Power
- Arizona Electric Power Cooperative
- Salt River Project
- Freeport McMoRan
- Rural Electric Cooperative
- Gila River Generating Station
- Environmental Defense Fund
- South West Energy Efficiency Project
- The Ormond Group L.L.C
- Arizona State University

The ADEQ TWG's mission is to better understand the impact that EPA's final rule has on Arizona, and to help formulate potential solutions that ADEQ could advance in support of its proposed SIP. The work of the TWG will be posed to the public through an open and transparent stakeholder process that will provide ADEQ with broad and diverse stakeholder input. Deferring the ACC IRP filings to April 1, 2017 is a reasonable, strategic approach within Arizona's future resource planning process in two ways. First, this extension will enable the utilities, Commission Staff and other key stakeholders to devote their limited resources⁴ on the work required by the ADEQ TWG. This work will be time

² As of this filing date, a majority of the parties who filed comments to this docket have been asked to participate in the ADEQ's TWG process.

³ ADEQ is expected to confirm the TWG participants in August 2015.

⁴ UNS Electric filed a rate case in May 2015 and a number of Arizona utilities are in the process of filing or are planning to file rate cases in the next 6 - 12 months at the ACC. (Including TEP, Arizona Public Service, Southwest Gas and Trico Electric Cooperative).

and resource intensive as described in our previous comments.⁵ Second, the work promulgated by the ADEQ TWG will provide a meaningful basis for continued stakeholder dialogue on resource planning and will provide some of the major modeling assumptions used in the next IRPs filed by the Arizona utilities. Some of these assumptions are necessary prerequisites to utility integrated resource planning such as statewide levels of renewable energy and energy efficiency, as well as future utilization rates for fossil-fuel electric generating units.

Although the proposed two-step, three year filing cycle should increase stakeholder collaboration and facilitate more input from the Commission on the final IRP plans, the Companies have questions and concerns on the timeline proposed by Staff. If the next IRP filing is deferred to April 1, 2017, then the implementation of a two-step filing requirement makes sense with some modification to Staff's timeline to reflect the SIP process (See Exhibit A). However, without an appropriate deferral of the IRP process, the Companies believe that the timeline proposed by ACC Staff would likely result in premature IRP filings that are out of sync with the proposed SIP. This lack of alignment of the Arizona IRP process with the Arizona SIP process could potentially leave the utilities, the Commission and Staff spending time and resources on reviewing resources plans that do not reflect the proposed SIP.⁶

Finally, the Companies are open to further discussions to address any additional timing concerns the Commission or other stakeholders may have regarding the proposed schedules (Exhibits A or B). The Companies appreciate the Commission's proactive approach to the IRP process and the opportunity to provide comments on these proposals.

⁵ TEP and UNS Electric's July 2, 2015 joint response to Commissioner Bob Burns' June 19, 2015 letter and Commissioner Little's July 16, 2015 letter in Docket No. E-00000V-15-0094.

⁶ The Companies want to make clear that preliminary drafts of the IRPs that reflect the proposed SIP may not reflect the actual SIP approved by the EPA. EPA's proposed rule calls for state plans to be submitted within thirteen months of the final rule (2016), with a provision that the state could seek an additional year (to 2017) for certain components of the plan. Furthermore, if a state plan includes a multi-state approach, it could be granted an additional year (to 2018) to submit a complete plan. [79 FR 34838, 34915]. Moreover, EPA approval of the SIP may not occur until September 2017 (or later) (See Exhibit B - the text in italics highlight some of Companies' concerns). However, the preliminary drafts under the two step process would likely advance the IRP dialogue.

Respectfully submitted this 23rd day of July 2015,



Michael Sheehan
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cc: Docket Control (original and 13 copies)

Exhibit A – Proposed Schedule

As proposed by UNS Energy with 1-year extension to align with the Arizona CPP SIP process.

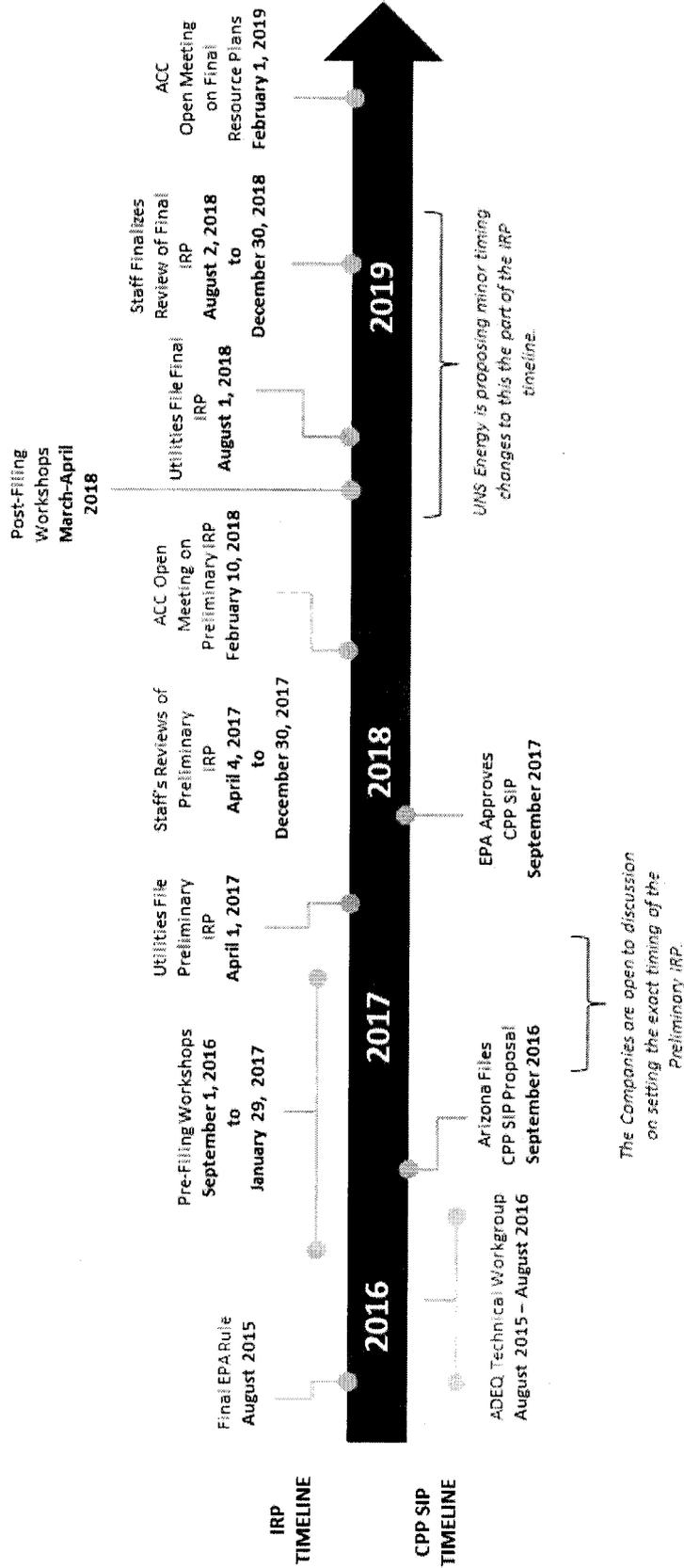
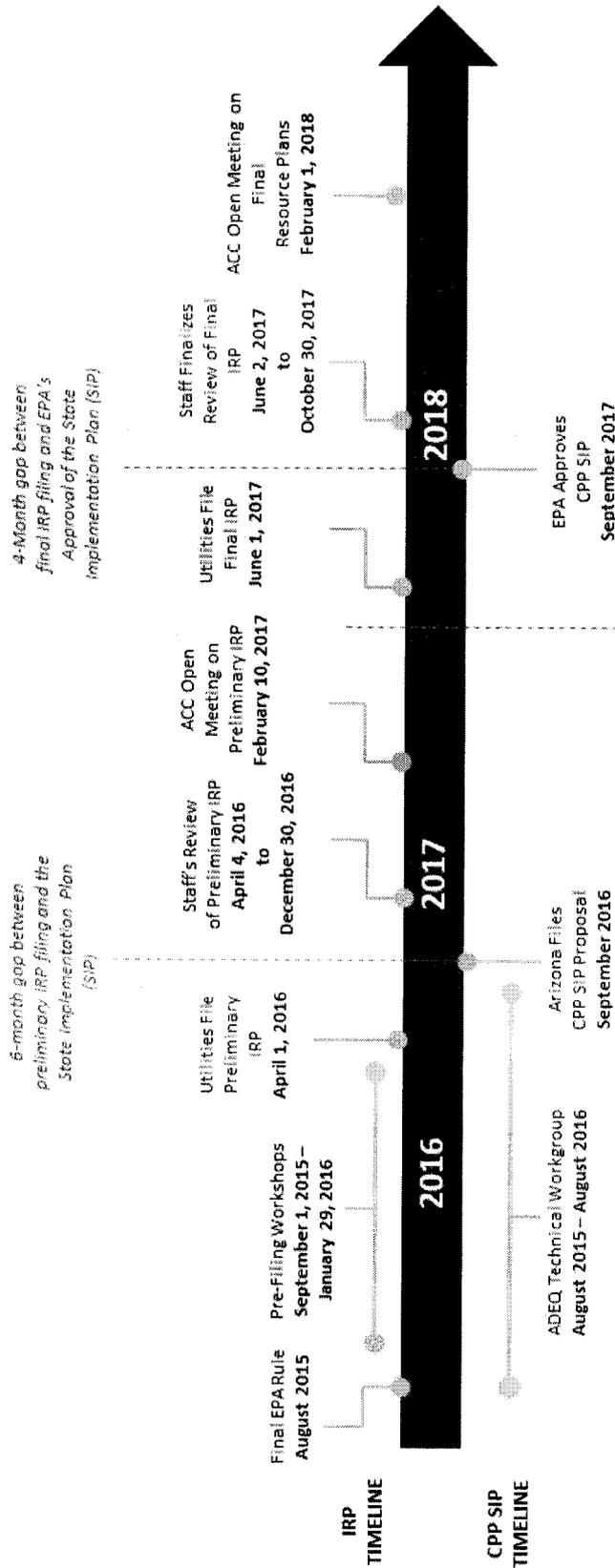


Exhibit B – Staff Proposed Schedule

As shown on Page 2 of Bob Burns letter dated July 9th 2015 [Docket No. E-00000V-13-0070]



Staff's proposed schedule shows 2/13 to 5/31 for workshops and revisions to the IRP with a June 1st filing date. Depending on the filing requirements, the Companies are concerned the timeframe may be inadequate for the utilities to comply. See UNS Energy timeline (Exhibit A) for suggested changes.