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September 11, 2015

Docket Control
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RE: Arizona Public Service Company's Update to 2014 IRP Action Plan
Docket No. E-00000V-13-0070

Attached please find Arizona Public Service Company's ("APS") Update to its 2014-2018 IRP Action Plan contained in its 2014 IRP, as required by Commission Decision No. 75068 (May 8, 2015).

If you have any questions regarding this information, please contact me at (602)250-3341.

Sincerely,

Kerri A. Carnes

KC/sb

cc: Parties of Record

Arizona Corporation Commission
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SEP 11 2015

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ORIGINAL

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2014 IRP ACTION PLAN UPDATE (September 11, 2015)

APS provides this update to the 2014-2018 Action Plan contained in its 2014 IRP pursuant to Commission Decision No. 75068 (May 8, 2015). This update supplements the Action Plan contained on pages 77-80 of the 2014 IRP; please note that the item numbers in this document reference the item numbers in the Action Plan.

2. UPDATE CONVENTIONAL GENERATION RESOURCE: OCOTILLO MODERNIZATION PROJECT (OMP)

In the first half of 2015, APS voluntarily conducted a Request For Proposal (RFP) to evaluate additional capacity associated with the OMP against other potential peaking resources. APS solicited proposals for 300 MW of peaking capacity to be capable of commercial operation in 2018, or alternatively no later than May of 2019. An independent monitor was retained by APS to monitor, review, and report on the RFP process in accordance with the procurement rules.

APS evaluated proposals for conventional thermal peaking capacity as well as energy storage resources. The proposal provided by APS for three simple cycle turbines, with an in-service date of summer 2019 was selected as the most cost-effective peaking resource for customers relative to all other proposals, including APS's original plan for a summer 2018 in-service date. APS plans to continue operating the existing Steam Units at Ocotillo until the initial two combustion turbines of the OMP have achieved commercial operation. APS anticipates that any short-term resource needs can be addressed through short-term market purchases.

4. EVALUATE AND DECIDE ON REMAINING COAL FLEET

In the Amendment to APS's 2014 IRP filed September 17, 2014, APS changed its selected portfolio to the Managed Coal Strategy (formerly referred to as the Coal Reduction Portfolio) and requested approval of its decision to retire Cholla Unit 2 by April of 2016 in order to avoid the substantial costs associated with installing pollution control equipment on that Unit. The retirement of Cholla Unit 2 was approved by the Commission as provided in A.A.C. R14-2-704(E) in Decision 75068 (May 8, 2014). Based on current conditions, APS announced plans retire Unit 2 by October 1, 2015, barring any unforeseen circumstances.

5. CONTINUE EXPANSION OF RENEWABLE RESOURCES

Implementation of the Solar Partners Program (SPP)

APS is currently in the process of developing approximately 10 MW of residential roof-top solar resources through its SPP. APS is seeking applications from approximately 1,500 customers to participate in this roof-top solar research program that is designed not only to generate solar energy, but to allow APS to study and gain a greater understanding of the effects of roof-top solar on individual distribution lines, the impact of high solar penetration on distribution lines, and the capabilities and integration of advanced inverter controls. Additionally, the SPP provides an opportunity for low-income customers to engage in a solar program.

Other – Technology Pilot Programs

APS is launching two pilot programs in 2015 that are designed to study ways to reliably integrate leading-edge renewable energy, demand management technologies, and energy storage into the grid. The pilots will offer approximately 200 participating customers ways to adopt solar and ancillary technologies, lower demand, and conserve energy by using price signals from the

existing residential demand rate (ECT-2). Program implementation is slated to begin in November of 2015.

6. CONTINUE IMPLEMENTATION OF CUSTOMER-SIDE RESOURCES

Distributed Energy

APS continues its existing commitments regarding the schools and government distributed energy program, but no new or expanded projects are planned for this program at this time.

Micro-grid Projects

APS is currently working with customers to develop mutually beneficial, APS-owned micro-grid capabilities at customer locations. These projects are in the planning phase and are anticipated to consist of multiple MWs of fast acting generation with state of the art emission control equipment. The micro-grid projects will provide value and cost reducing synergies by deferring a portion of additional generation capacity needs while adding to system reliability. All customers will benefit from quick-starting, fast ramping capacity in APS's portfolio that can be called upon to help maintain reliability and manage intermittency of renewable resources on the system. Additionally, these fast acting generators offer autonomous frequency response capabilities to manage system contingencies, further increasing system reliability. The development of each project will vary by customer based on their need for on-site, back-up power due to security, regulatory, and redundancy requirements, among others, as well as customer specific sustainability goals.

Customer Solar

APS is currently in discussions with customers who have requested larger scale, dedicated solar resources, to help meet their long-term carbon-reduction goals. These resources would be owned, installed and operated by APS as system resources. Under such an agreement, the specific customer would pay incremental costs for the requested resources, while some potential system benefits, such as emission-free energy and resource diversity would accrue to APS's larger portfolio.

Energy Efficiency

APS completed its Pre-Pay Pilot Program and filed its Residential Prepaid Energy Conservation End of Pilot Report on February 13, 2015 in Docket No. E-01345A-10-0075.

Demand Response

APS has completed its Home Energy Information (HEI) Pilot Program and filed its HEI End of Pilot Report on February 13, 2015 in Docket No. E-01345A-10-0075.

NEW ACTION PLAN ITEMS

1. APS TO JOIN CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO) ENERGY IMBALANCE MARKET (EIM)

APS has signed an agreement with the CAISO to participate in the EIM beginning in October of 2016. Analyses have demonstrated that participation in EIM will save customers money through improved coordination with other utilities and refined dispatch of its resources. The EIM allows for rebalancing supply and demand in 15-minute blocks with dispatching every 5 minutes before the energy is needed, instead of the traditional and less flexible one hour blocks. This real-time market finds the most efficient generation resources to serve the next increment of load or respond to variable renewable energy production by optimizing the grid across the entire footprint of the EIM market. It is anticipated that the net annual customer benefit will be approximately \$7 million per year. Other utilities currently participating, or planned to participate in the EIM, include PacifiCorp, NV Energy, Puget Sound Energy and all of the generators in the CAISO footprint.

2. ALL SOURCE REQUEST FOR PROPOSALS (RFP) SLATED FOR 2016

To help facilitate meeting its procurement needs, APS plans to conduct an all-source RFP in 2016. APS's portfolio needs additional resources that can effectively meet future summer-time peak. At this point, the expected commercial operation date would be 2020. More information will be available by the end of 2015 or beginning of 2016 on APS's website under Doing Business with Us at <https://www.aps.com/en/ourcompany/doingbusinesswithus/rfp/Pages/home.aspx>.