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May 1, 2007

Mr. Ernest Johnson
Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Re: Proposed Workshop to Examine the Re-introduction of Integrated Resource Planning

Dear Mr. Johnson:

I write to voice my support for Staff's proposed Resource Planning Workshop and to propose a few areas of inquiry in addition to those outlined in your April 20 memo.

First, ramping up resource planning is critical as Arizona's electric utilities attempt to adequately meet the burgeoning electricity needs of the fastest growing state in the nation. So far, the state has managed to keep ahead of the growth curve by siting transmission lines and new power plants when those resource additions were warranted. For eight years, the Commission has been particularly focused on transmission planning through its Biennial Transmission Assessment. However, we have not been engaged in a similarly structured approach to planning generation resources.

As you know, integrated resource planning ("IRP") was conducted by the Commission every three years from 1989 until 1999 when the IRP rules were formally suspended. Under the IRP rules, energy needs were modeled and forecasted out five to ten years based on growth and other factors. The utilities currently conduct such modeling, but that data, and the utilities' decisions based on that data, are not subject to input by Staff, Commissioners, or other interested parties until the utilities come in seeking rate relief for projects already completed.

Under the suspended, IRP rules, the Commission was to consider, among other things, the following when analyzing resource plans submitted by electric utilities:¹

- the total cost of electric energy services;
- the degree to which the factors which affect demand, including demand side management and energy efficiency efforts, have been taken into account;

¹ Pursuant to A.A.C. R14-2-704

Mr. Ernest Johnson

May 1, 2007

Page 2

- the degree to which non-utility supply alternatives such as cogeneration and self-generation, have been taken into account;
- uncertainty in demand and supply analyses, forecasts and plans, and the flexibility of plans enabling response to unforeseen changes in supply and demand factors;
- the reliability of various power supplies.

In addition to these determinations, I would like the participants in the workshop to consider whether other factors should be examined in the IRP process, including:

- the likely or projected costs associated with building additional coal-fired units if the federal government imposes a carbon tax, a national cap and trade system, or if there is a regional cap and trade system put into place, and the effect these regulations should have on utility generation and transmission choices.
- The most beneficial location of new resources, i.e. the need to build within or near to load pockets as determined by growth projections.
- The degree to which renewable energy is becoming a more integrated aspect of a given utility's energy portfolio, and any barriers that stand in the way of a utility's efforts to incorporate renewable energy into their resource mix.

As you noted in your memorandum, the suspended 1989 IRP rules required that resource plans be presented to and analyzed by Staff every three years. However, I would propose that the workshops examine whether this requirement should be altered to every two years, such that utilities' resource plans could be submitted in an alternating fashion with the Commission's Biannual Transmission Assessment. This would provide for the opportunity to more accurately synchronize the state's transmission planning with its generation goals.

Arizona's rapid growth and the accompanying energy requirements argue strongly for the Commission to re-establish some form of integrated resource planning. I look forward to participating in the workshops outlined by Staff in its memorandum.

Sincerely,



Kris Mayes
Commissioner

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
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Heather Murphy