

Arizona Corporation Commission

Fifth Biennial Transmission Assessment Commission Decision 70635

**Workshop on Transmission to Support
Renewable Energy Development**

**General Comments on Policy Issues
Arizona G&T Cooperatives
AEPCO & SWTC**

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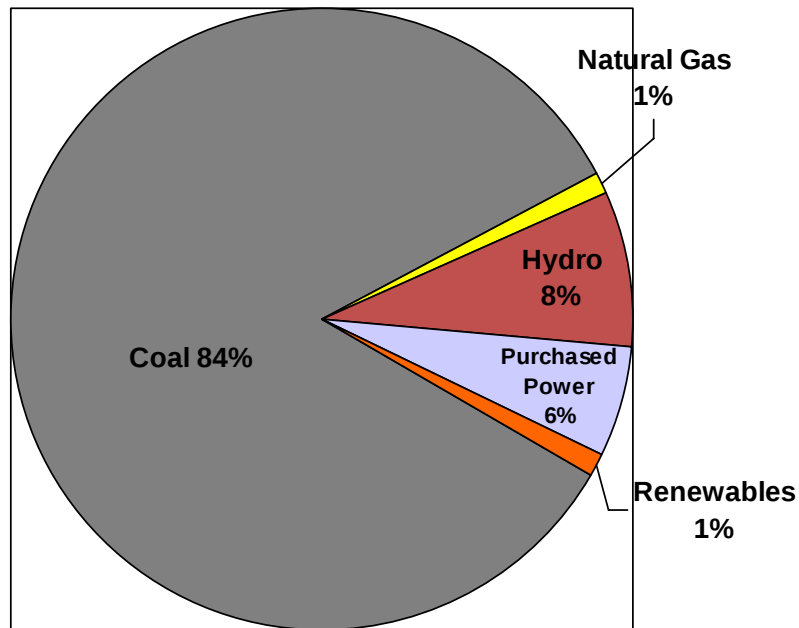
Docket E-00000D-07-0376

AEPCO Organization

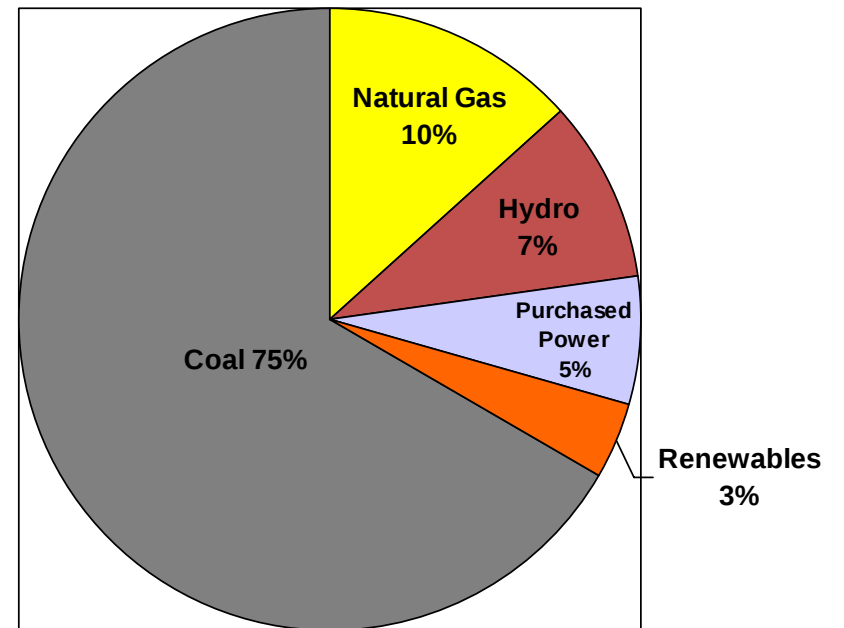
- AEPCO is non-profit corporation as defined and organized under the generation and transmission electric cooperative laws of the state of Arizona.
 - Generation company only.
 - No retail service area.
 - Wholesale agreements with Six Distribution Cooperatives (five of whom are organized as non-profit electric cooperatives in the state of Arizona) to provide generation resources.

AEPCO Generation Mix

2008



2015



Renewable Procurement Process

- Step 1: Determine resource need by analyzing the distribution Cooperatives retail energy sales.
 - Step 2: Prioritize the development of distributed renewable sources and fund those projects first.
 - Step 3: Determine if additional resources are needed and “if yes” move to Open a Request for Proposals and solicit project proposals from resource developers.
 - Step 4: Evaluate large scale project proposals based on an evaluated least cost basis.
- ***Projects located in Cooperative service areas, serving Cooperative members, and providing the largest community benefit are given preference.

Resource Procurement

- The Cooperatives are held to strict resource procurement standards stipulated by the Rural Utilities Service (RUS).
- RUS is an organization that works with Cooperatives to serve their financing needs.
- RUS insists on Cooperatives following a competitive selection process for all resource procurement, including renewables, that is based on a least cost model.

SWTC Organization

- SWTC is non-profit corporation as defined and organized under the generation and transmission electric cooperative laws of the state of Arizona.
 - Wires company only.
 - No retail service area.
 - Wholesale transmission agreements with Six Distribution Cooperatives (five of whom are organized as non-profit electric cooperatives in the state of Arizona) to deliver AEPCO resources.

RUS Requirements

- SWTC is also a Rural Utilities Service (RUS) Borrower.
 - Follows RUS rules and regulations for all Workplan and loan submittals. RUS timeline for loan package approval is approx. 18 months.
 - An operating committee of the six Distribution Cooperatives reviews the Workplan prior to SWTC submitting it to the SWTC Board of Directors.
 - SWTC Board of Director approval is necessary before submittal to RUS.
 - Timeframe from Workplan inception to start of construction is approx. 32 months.

RUS Requirements (cont.)

- Timeframes could be greater than 32 months for certain HV & EHV projects requiring ACC line-siting.
- Current RUS regulations:
 - Do not allow transmission in place prior to when it is needed.
 - Do not allow for funding of transmission for non-REAct beneficiaries, unless through a lien accommodation.

Other Concerns

- Small Distribution Cooperative customer base results in high cost per customer; less consumers per mile of line.
- Access to market hubs limited.

Questions?