

2. Each utility shall give notice, by filing a written statement with the Commission, of any change in the information required herein within five days from the date of any such change.
- C. Time-frames for processing applications for Certificates of Convenience and Necessity
1. This rule prescribes time-frames for the processing of any Application for a Certificate of Convenience and Necessity issued by the Arizona Corporation Commission pursuant to this Article. These time-frames shall apply to applications filed on or after the effective date of this rule.
  2. Within 30 calendar days after receipt of an application for a new Certificate of Convenience and Necessity, or to amend or change the status of any existing Certificate of Convenience and Necessity, staff shall notify the applicant, in writing, that the application is either administratively complete or deficient. If the application is deficient, the notice shall specify all deficiencies.
  3. Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.
  4. After receipt of a corrected application, staff shall notify the applicant within 30 calendar days if the corrected application is either administratively complete or deficient. The time-frame for administrative completeness review shall be suspended from the time the notice of deficiency is issued until staff determines that the application is complete.
  5. Within 150 days after an application is deemed administratively complete, the Commission shall approve or reject the application.
  6. For purposes of A.R.S. § 41-1072 et seq., the Commission has established the following time-frames:
    - a. Administrative completeness review time-frame: 30 calendar days,
    - b. Substantive review time-frame: 150 calendar days,
    - c. Overall time-frame: 180 calendar days.
  7. If an applicant requests, and is granted, an extension or continuance, the appropriate time-frames shall be tolled from the date of the request during the duration of the extension or continuance.
  8. During the substantive review time-frame, the Commission may, upon its own motion or that of any interested party to the proceeding, request a suspension of the time-frame rules.
- D. Accounts and records
1. Each utility shall keep general and auxiliary accounting records reflecting the cost of its properties, operating income and expense, assets and liabilities, and all other accounting and statistical data necessary to give complete and authentic information as to its properties and operations.
  2. Each utility shall maintain its books and records in conformity with the NARUC Uniform Systems of Accounts for Class A, B, C and D Sewer Utilities.
  3. A utility shall produce or deliver in this state any or all of its formal accounting records and related documents requested by the Commission. It may, at its option, provide verified copies of original records and documents.
  4. All utilities shall submit an annual report to the Commission on a form prescribed by it. The annual report shall be filed on or before the 15th day of April for the preceding calendar year. Reports prepared by a certified or licensed public accountant on the utility, if any, shall accompany the annual report.
5. All utilities shall file with the Commission a copy of all reports required by the Securities and Exchange Commission.
- E. Maps. All utilities shall file with the Commission a map or maps clearly setting forth the location and extent of the area or areas they hold under approved certificates of convenience and necessity, in accordance with the Cadastral (Rectangular) Survey of the United States Bureau of Land Management, or by metes and bounds with a starting point determined by the aforesaid Cadastral Survey.
- F. Variations, exemptions of Commission rules and regulations. Variations or exemptions from the terms and requirements of any of the rules included herein (Title 14, Chapter 2, Article 6) shall be considered upon the verified application of an affected party to the Commission setting forth the circumstances whereby the public interest requires such variation or exemption from the Commission rules and regulations. Such application will be subject to the review of the Commission, and any variation or exemption granted shall require an order of the Commission. In case of conflict between these rules and regulations and an approved tariff or order of the Commission, the provisions of the tariff or order shall apply.
- G. Prior agreements. The adoption of these rules by the Commission shall not affect any agreements entered into between the utility and customers or other parties who, pursuant to such contracts, arranged for the extension of facilities in a provision of service prior to the effective date of these rules.

#### Historical Note

Adopted effective March 2, 1982 (Supp. 82-2). Amended effective December 31, 1998, under an exemption as determined by the Arizona Corporation Commission (Supp. 98-4). Amended to correct subsection numbering (Supp. 99-4).

#### ARTICLE 7. RESOURCE PLANNING

##### R14-2-701. Definitions

The following definitions shall apply unless the context otherwise requires:

1. "Appliance efficiency" - the energy usage per unit of output of a particular type of energy-using equipment.
2. "Appliance saturation" - the proportion of customers in a given customer class who have a particular type of energy-using equipment.
3. "Average price" - revenue from the customer class divided by the number of kilowatt hours sold to that customer class.
4. "Baseload demand" - demand for energy that is insensitive to temperature.
5. "Benchmark" - to calibrate against a known set of values or standards.
6. "Book life" - the expected time period over which a power supply source will be available for use by the utility.
7. "Capacity" - the amount of electric power which a power source is rated to provide, either by the user, the supplier, or the manufacturer.
8. "Capital costs" - the construction and installation cost of facilities including land, land rights, structures, and equipment.
9. "Cogeneration" - the sequential production of electricity and heat, steam, or useful work from the same fuel source.
10. "Customer class" - a group of customers with similar characteristics such as amount of energy consumed, amount of demand placed on the energy supply system at the system peak, hourly, daily, or seasonal load pattern,

## Corporation Commission - Fixed Utilities

- type of activity engaged in by the customer, and location. Customer classes may include residential, commercial, industrial, agricultural, municipal, and other categories.
11. "Decommissioning" - the process of safely and economically removing a unit from service.
  12. "Degree day" - the difference in degrees Fahrenheit between the reference temperature and the average temperature for a particular day. The average temperature is the high temperature plus the low temperature divided by 2. If a day's average temperature exceeds the reference temperature, the day is a cooling degree day; if the day's average temperature is less than the reference temperature, the day is a heating degree day.
  13. "Demand management" - beneficial reduction in the total cost of meeting electric energy service needs by reducing or shifting in time the demand for electricity.
  14. "Derating" - reduction in a unit's capacity.
  15. "Discount rate" - the interest rate used to calculate the present value of a cost or other economic variable.
  16. "End use" - the final application of electric energy such as heating, cooling, running a particular appliance, or lighting.
  17. "Energy losses" - electric energy not available for sale to end users, for resale, or for use by the utility, attributable to transmission, conversion, distribution, and unaccounted for losses.
  18. "Escalation" - the change in costs due to inflation, changes in manufacturing processes, availability of labor or materials, or other factors.
  19. "Forced outage rate" - the proportion of hours in a period, excluding those hours set aside for planned outages, in which a power source, such as a generating unit, suffers unplanned outages due to unplanned component failures or other conditions requiring that the source be removed from service immediately or before the next planned outage.
  20. "Heat rate" - a measure of generating station thermal efficiency expressed in British thermal units (Btus) per net kilowatt hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt hours of electricity generated.
  21. "Household income pattern" - the proportion of households falling in each of several income ranges.
  22. "Interchange" - electric energy received by the electric utility from another provider of electricity or supplied by the electric utility to another provider of electricity which is not purchased or sold under the terms of a long-term agreement.
  23. "Interruptible power" - power made available under agreements which permit curtailment or cessation of delivery by the supplier.
  24. "In-service date" - the date a power supply source becomes available for use by the utility.
  25. "Maintenance" - the repair of generation, transmission, distribution, and administrative and general facilities, replacement of minor items, and installation of materials to preserve the efficiency and working condition of the facilities.
  26. "Maintenance schedule" - the specific days during which a power production unit is removed from service for inspection or overhaul of one or more major components; such work is planned well in advance.
  27. "Mothballing" - the temporary removal of a unit from active service and accompanying long-term storage activities.
  28. "Operate" - to manage or otherwise be responsible for the production of electricity from a generating facility, whether that facility is owned by the operator, in whole or in part, or whether that facility is owned by another entity.
  29. "Operating costs" - the power production costs that are directly related to producing electricity.
  30. "Participation rate" - the proportion of customers who take part in a specific program.
  31. "Probabilistic analysis" - a systematic evaluation of the effect on costs, reliability, or other measures of performance of the range of possible events affecting factors which influence performance, considering the chances that the events will occur.
  32. "Production cost" - the variable operating and maintenance cost (including fuel cost) of producing electricity through generation and purchases of power sufficient to meet demand.
  33. "Refurbish" - to make major changes in the power production, transmission, or distribution characteristics of a component of the power supply system more extensive than maintenance or repair, such as changing the fuels which can be used in a generating unit or changing the capacity of a generating unit.
  34. "Reliability" - a measure of the ability of the utility's generation, transmission, and distribution systems to provide power without failures. Reliability should be measured separately for generation, transmission, and distribution systems. Measures may reflect the proportion of time that each system is unable to meet demand or the kilowatt hours of demand that could not be supplied.
  35. "Reserve requirements" - the capacity which the utility must maintain in excess of its peak load to provide for scheduled maintenance, forced outages, unforeseen loads, emergencies, system operating requirements, and power pool requirements.
  36. "Resource planning" - integrated supply and demand analysis for the purpose of identifying the means of meeting electric energy service needs at the lowest total cost, taking into account uncertainty.
  37. "Self generation" - the production of electricity by an end user by any means including cogeneration.
  38. "Sensitivity analysis" - a systematic assessment of the degree of response of costs, reliability, or other measures of performance to changes in assumptions about factors which influence performance.
  39. "Spinning reserve" - the capacity which the utility must maintain connected to the system and ready to deliver power promptly. The capacity may be expressed as a percentage of peak load, as a percentage of the largest unit, or as fixed megawatts.
  40. "Total cost" - all capital, operating, maintenance, fuel, and decommissioning costs incurred in the provision or conservation of electric energy services borne by end users, utilities, or others, and any adverse environmental effects.
  41. "Unit" - a specific device or set of devices that converts one form of energy (such as heat or solar energy) into electric energy such as a turbine and generator or set of photovoltaic cells; a power plant may have multiple units.
  42. "Utility" - the entity providing electric service to the public.

## Historical Note

Adopted effective February 3, 1989 (Supp. 89-1).

**R14-2-702. Applicability**

- A. All electric utilities under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40 which operate or own (in part or in whole) generating facilities, whether the power generated is for sale to end users or is for resale, are subject to the provisions of this Article.
- B. Any other electric utility under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40 is subject to the provisions of this Article upon two years' notice by the Commission.
- C. The Commission may exempt a utility from these requirements upon a demonstration by the utility that the burden of compliance with this Article exceeds the potential for cost savings resulting from its participation.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).

**R14-2-703. Utility reporting requirements**

- A. Demand side data. Each utility shall provide the Commission staff the demand data in subsections (A)(1) through (9) below, within 90 days of the effective date of these rules and shall provide staff with updated and revised data by April 1 of each year thereafter. If records are not maintained for any item, the utility shall provide its best estimates, such as sample survey data, application of factors from one year's data to another year, or other methods, and fully describe how such estimates were made.
  1. Hourly demand for the previous calendar year disaggregated by:
    - a. Sales to end users,
    - b. Sales for resale,
    - c. Energy losses, and
    - d. Other disposition of energy such as energy furnished without charge and energy used by the utility.
  2. If available, hourly demand for the previous calendar year disaggregated by:
    - a. Residential customers,
    - b. Nonresidential customers by customer class and by type of business,
    - c. Entitles purchasing power for resale.
  3. Coincident peak demand (megawatts) and energy demand (megawatt hours) by month for the previous 10 years disaggregated by customer class and, for nonresidential customers, if available, disaggregated by type of business.
  4. Number of customers by customer class by year for the previous 10 years.
  5. Heating and cooling degree days by month for the previous 10 years. The utility may provide these data by climatic region at its option.
  6. Residential customer characteristics and end use data collected in the last 10 years which the utility has available, including:
    - a. Mix of dwelling unit types (single family, multi-family, mobile homes),
    - b. Household income patterns,
    - c. Appliance saturation by types of appliance,
    - d. Appliance saturation by household income pattern and dwelling unit type,
    - e. End use metering data,
    - f. Appliance efficiency data,
    - g. Appliance connected load data, and
    - h. Data relating customer usage and heating and cooling degree days or temperature.

7. Nonresidential customer characteristics and usage data collected in the last 10 years which the utility has available, including:
    - a. Number of customers by type of business,
    - b. Number of employees by type of business,
    - c. Electricity usage by major end use of power including space cooling, and
    - d. Hourly demand for major types of industrial and commercial customers for baseload, heating, and cooling uses.
  8. Reduction in load due to existing demand management measures, by type of demand management measure, in the previous calendar year.
  9. Annual average prices of electricity charged to each non-residential customer class, by type of business, and to residential customers, for the previous 10 years.
- B. Supply side data. Each utility shall provide the Commission staff the supply data indicated in subsection (B)(1) through (4) within 90 days of the effective date of these rules and shall provide staff with updated and revised data by April 1 of each year thereafter. If records are not maintained for any item, the utility shall provide its best estimates and fully describe how those estimates were made.
    1. For each generating unit and purchased power contract for the previous calendar year:
      - a. In-service date,
      - b. Book life or contract period,
      - c. Capacity in megawatts (utility share),
      - d. Maximum unit or contract capacity by hour, day, or month, if such capacity varies over the year.
      - e. Forced outage rate (generating units only),
      - f. Average heat rate of generating units and, if available, heat rates at selected output levels,
      - g. Fuel cost for generating units in dollars per million Btu for each type of fuel,
      - h. Other variable operating and maintenance costs for generating units in dollars per megawatt hour,
      - i. Purchased power energy costs for contract purchases in dollars per megawatt hour,
      - j. Fixed operating and maintenance costs of generating units in dollars per megawatt for the year,
      - k. Demand charges for purchased power,
      - l. Fuel types for generating units,
      - m. Minimum capacity at which the unit would be run or power must be purchased,
      - n. Whether, under standard operating procedures, the generating unit must be run if it is available to run,
      - o. Maintenance schedules for generating units,
      - p. Other data related to generation units and purchased power contracts which the utility uses in its production, planning, and supply models.
    2. For the power supply system for the previous calendar year:
      - a. A description of unit commitment procedures,
      - b. Production cost,
      - c. Reserve requirements,
      - d. Spinning reserve,
      - e. Reliability of generating, transmission, and distribution systems,
      - f. Interchange purchase and sale prices, and
      - g. Energy losses.
    3. The level of cogeneration and other forms of self generation in the utility's service area for the previous calendar year.

## Corporation Commission - Fixed Utilities

4. As available, a description and map of the utility's transmission system, including the capacity of each segment of the transmission system.
- C. Demand forecasts. Each utility shall provide the following data and analyses to the Commission by December 31, 1989, and every three years thereafter. If no changes are forecast for any item, the utility may refer to previous filings for that item.
  1. Ten-year forecast of system coincident peak load (megawatts) and energy demanded (megawatt hours) by month and year, separately for residential, commercial, industrial, interruptible, and other customers, for resale, and for energy losses.
  2. Hourly demand forecasts for 10 years, if requested by staff.
  3. Disaggregation of the demand forecast of subsection (C)(1) into a component in which no additional demand management measures are assumed, and a component indicating the change in load due to forecasted demand management measures.
  4. Descriptions of demand management programs and measures included in the demand forecast, including:
    - a. Plans for implementing the demand management measures,
    - b. The participation rate of customers by customer class with regard to each demand management measure,
    - c. The expected change in demand resulting from each of the measures, and
    - d. The life of each program.
  5. Description of each demand management program which was considered but rejected and the reasons for rejecting each program.
  6. The capital and operating and maintenance costs of each demand management measure considered, including practical measures which were rejected.
  7. Documentation of all data, analyses, methods, and assumptions used in making the demand forecasts, including:
    - a. A description of how the forecasts were benchmarked,
    - b. Justifications for selecting the methods and assumptions used, and
    - c. If requested by the staff, data used in the analyses.
- D. Supply plans. Each utility shall provide the following data and analyses to the Commission by December 31, 1989, and every three years thereafter. If no changes are forecast for any item, the utility may refer to previous filings for that item.
  1. Ten-year plan providing for each year:
    - a. The data required in subsection (B)(1)(a) through (p) of this Section for each generating unit and purchased power source, and the data required in subsection (B)(2)(a) through (g) of this Section.
    - b. For each generating unit that is new or refurbished during the period:
      - i. The data required in subsection (B)(1) of this Section for applicable years, and
      - ii. The capital cost, construction time, and construction spending schedule.
    - c. The escalation levels assumed for each component of cost for each generating unit and purchased power source.
    - d. For the discontinuation, decommissioning, or mothballing of any power source and permanent deratings of any generating facility:
      - i. Identification of the power sources or units involved,
      - ii. The costs and spending schedule of such discontinuation, decommissioning, mothballing, or derating, and
      - iii. The reasons for discontinuation, decommissioning, mothballing, or derating.
  - e. The capital and operating and maintenance costs of new or refurbished transmission and distribution facilities, and a description of the need for and purpose of such facilities.
  2. Documentation of the data, assumptions, and methods or models used to forecast production costs and power production in subsection (D)(1) of this Section, including the method by which the forecast was calibrated or benchmarked.
  3. Description of each potential power source which was rejected, the capital and operating and maintenance costs of each rejected source, and the reasons for rejecting each source.
  4. Ten-year forecast of cogeneration and other self generation by customers of the utility in terms of annual peak production (megawatts) and annual energy production (megawatt hours).
  5. Disaggregation of the forecast of subsection (D)(4) of this Section into a component in which no additional efforts are made to encourage such generation, and a component consisting of the change in supply due to additional forecasted cogeneration and self generation measures.
  6. Ten-year forecast of capital and operating and maintenance costs by year of all cogeneration and other self generation included in subsection (D)(5) of this Section.
  7. Documentation of the analysis of cogeneration and other self generation in subsection (D)(4) through (6) of this Section.
- E. Analyses of uncertainty. Each utility shall provide to the Commission the following information by December 31, 1989, and every three years thereafter:
  1. Analyses using appropriate methods such as sensitivity analyses and probabilistic analyses, to assess errors and uncertainty in:
    - a. Demand forecasts,
    - b. The costs of demand management measures and power supply,
    - c. The availability of sources of power,
    - d. Changes in fuel prices, and
    - e. Other factors which the utility wishes to consider.
  2. Identification of those options which enable the utility to best respond to significant changes in conditions whose future characteristics are uncertain, including:
    - a. Continual monitoring of critical variables and making commensurate changes in plans if those variables deviate significantly from the forecast,
    - b. Building several smaller units instead of one large unit,
    - c. Sharing capacity with other utilities, and
    - d. Conducting well monitored pilot programs.
- F. Integrated resource plan. Each utility shall provide the Commission with an integrated resource plan by December 31, 1989, and every three years thereafter containing:
  1. The 10 year plan or flexible set of plans which, on the basis of the analyses required in this Article, including the uncertainty analysis, will tend to minimize the present value of the total cost of meeting the demand for electric energy services.
  2. Complete description and documentation of the least cost plan, including supply and demand side conditions, costs, and discount rates utilized.

3. An action plan indicating the supply and demand-related actions to be undertaken by the utility over the next three years in furtherance of the ten-year plan.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).

**R14-2-704. Commission review of utility plans**

- A. Within 120 days of the submission of demand forecasts, supply plans, uncertainty analyses, and integrated resource plans by the utilities, the Commission shall schedule a hearing or hearings to review utility filings and to determine the degree of consistency between these filings and analyses conducted by the staff and information provided by other parties.
- B. The Commission may request additional analyses to be conducted by the utilities to improve specified components of the utilities' analyses.
- C. In making its consistency determination, the Commission shall consider the following factors:
1. The total cost of electric energy services.
  2. The degree to which the factors which affect demand, including demand management, have been taken into account.
  3. The degree to which non-utility supply alternatives, such as cogeneration and self generation, have been taken into account.
  4. Uncertainty in demand and supply analyses, forecasts, and plans, and the flexibility of plans enabling response to unforeseen changes in supply and demand factors.
  5. The reliability of power supplies.
- D. The Commission may subsequently consider its consistency determination in its review of financing applications, in general rate cases, and in other matters in which the supply of or demand for energy services is a significant factor.

**Historical Note**

Adopted effective February 3, 1989 (Supp. 89-1).

**ARTICLE 8. PUBLIC UTILITY HOLDING COMPANIES AND AFFILIATED INTERESTS**

**R14-2-801. Definitions**

In this Article, unless the context otherwise requires:

1. "Affiliate," with respect to the public utility, shall mean any other entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, the public utility. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any entity, shall mean the power to direct the management policies of such entity, whether through ownership of voting securities, or by contract, or otherwise.
2. "Commission." The Arizona Corporation Commission.
3. "Entity." A corporation, partnership, limited partnership, joint venture, trust, estate, or natural person.
4. "Holding Company" or "Public Utility Holding Company." Any affiliate that controls a public utility.
5. "Reorganize" or "Reorganization." The acquisition or divestiture of a financial interest in an affiliate or a utility, or reconfiguration of an existing affiliate or utility's position in the corporate structure or the merger or consolidation of an affiliate or a utility.
6. "Subsidiary." Any affiliate controlled by a utility.
7. "System of Accounts." The accounting system or systems prescribed for utilities by the Commission.
8. "Utility" or "Public Utility." Any Class A investor-owned public service corporation subject to the jurisdiction of the Arizona Corporation Commission.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-802. Applicability**

- A. These rules are applicable to all Class A investor-owned utilities under the jurisdiction of the Commission and are applicable to all transactions entered into after the effective date of these rules.
- B. Information furnished to the Commission in compliance with these rules will not be open to public inspection, or made public, except on order of the Commission, or by the Commission, or a Commissioner in the course of a hearing or proceeding.

**Historical Note**

Adopted effective July 30, 1992 (Supp. 92-3).

**R14-2-803. Organization of Public Utility Holding Companies**

- A. Any utility or affiliate intending to organize a public utility holding company or reorganize an existing public utility holding company will notify the Commission's Utilities Division in writing at least 120 days prior thereto. The notice of intent will include the following information:
1. The names and business addresses of the proposed officers and directors of the holding company;
  2. The business purposes for establishing or reorganizing the holding company;
  3. The proposed method of financing the holding company and the resultant capital structure;
  4. The resultant effect on the capital structure of the public utility;
  5. An organization chart of the holding company that identifies all affiliates and their relationships within the holding company;
  6. The proposed method for allocating federal and state income taxes to the subsidiaries of the holding company;
  7. The anticipated changes in the utility's cost of service and the cost of capital attributable to the reorganization;
  8. A description of diversification plans of affiliates of the holding company; and
  9. Copies of all relevant documents and filings with the United States Securities and Exchange Commission and other federal or state agencies.
  10. The contemplated annual and cumulative investment in each affiliate for the next five years, in dollars and as a percentage of projected net utility plant, and an explanation of the reasons supporting the level of investment and the reasons this level will not increase the risks of investment in the public utility.
  11. An explanation of the manner in which the utility can assure that adequate capital will be available for the construction of necessary new utility plant and for improvements in existing utility plant at no greater cost than if the utility or its affiliate did not organize or reorganize a public utility holding company.
- B. The Commission staff will, within 30 days after receipt of the notice of intent, notify the Applicant of any questions which it has concerning the notice or supporting information. The Commission will, within 60 days from the receipt of the notice of intent, determine whether to hold a hearing on the matter or approve the organization or reorganization without a hearing.
- C. At the conclusion of any hearing on the organization or reorganization of a utility holding company, the Commission may reject the proposal if it determines that it would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.

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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission  
DOCKETED

AUG 29 1997

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
RENZ D. JENNINGS  
COMMISSIONER

DOCKETED BY *cm*

IN THE MATTER OF THE A.A.C. R14-2-704 )  
HEARING FOR RESOURCE PLANNING. )  
 )  
 )  
 )

DOCKET NO. U-0000-95-506

DECISION NO. 60385

ORDER

Open Meeting  
August 26 and 27, 1997  
Phoenix, Arizona

**BY THE COMMISSION:**

DISCUSSION

The Arizona Corporation Commission ("Commission") adopted rules A.A.C. R14-2-701 *et seq.* for electric utility integrated resource planning ("IRP rules") in Decision No. 56180 (October 14, 1988), as amended in Decision No. 56313 (January 12, 1989). The rules require an electric utility with generating facilities to submit a resource plan every three years and historical data every year. A hearing is held to determine the degree of consistency between the filings and analyses conducted by the Commission's Utilities Division Staff ("Staff") and information provided by other parties. Pursuant to R14-2-704.D, the Commission may consider its consistency determination in its review of financing applications, general rate cases, and other matters in which the supply of or demand for energy services is a significant factor.

The utilities subject to the IRP rules are Arizona Electric Power Cooperative ("AEPSCO"), Arizona Public Service Company ("APS"), Citizens Utilities Company ("CUC") and Tucson Electric Power Company ("TEP"). In addition, Salt River Project Agricultural Improvement and Power District ("SRP") has voluntarily participated in the IRP process.

The most recent resource plans were filed with the Commission in accordance with the December 31, 1995 deadline ("1995 plans"). A hearing was scheduled for December 10, 1996, but was continued to March 11, 1997 and subsequently stayed indefinitely pending Staff's proposed modifications to the IRP rules. AEPSCO, APS, CUC, TEP, SRP and the Residential Utility Consumer Office either have

1 indicated that the rules need to be revised or repealed in light of impending electric industry competition,  
2 the passage of the Commission's competition of electric services rules in Decision No. 59943 (December  
3 26, 1996), and other changes in the industry. The October 25, 1996 Staff Report indicated Staff's plans  
4 to propose rules to modify the IRP process to reflect changes in the electric industry. All parties agreed  
5 that the 1995 plans were prepared without full consideration of the electric competition rules or  
6 impending competition.

7 The Commission did not have sufficient information to determine whether the IRP rules should  
8 remain in effect, be revised or repealed, or whether the electric services competition rules should be  
9 revised to accommodate the concepts contained within the IRP rules. Pursuant to Procedural Order dated  
10 February 25, 1997, Staff set up a Task Force to review the IRP rules and submit proposed modifications  
11 to the Commission by September 4, 1997. The Commission indefinitely stayed the hearing on the 1995  
12 plans, pending Staff's proposed modifications to the IRP rules. The IRP rules remained in effect until  
13 further Order of the Commission.

14 On August 7, 1997, Staff filed a Staff Report on resource planning to provide recommendations  
15 to the Commission regarding the IRP rules. Staff recommended vacating the hearing on the 1995 plans  
16 and suspending sections of the IRP rules for one year, while continuing the obligation to file annual  
17 historical data. The annual filings are used for the evaluation of tariff filings, special contracts, demand-  
18 side management programs, and payments to cogenerators. Staff also indicated that the filings are useful  
19 in a review of utility pricing proposals during the transition from monopoly to competitive markets.

20 Staff requested comments on its Report to be made by August 12, 1997. On August 12, 1997,  
21 comments were filed by the Arizona Utility Investors Association ("AUIA"), which stated that the advent  
22 of competition rendered the Commission's IRP rules obsolete and that the rules are inappropriate because  
23 they do not impose equal requirements on all market entrants. AUIA requested that the Commission  
24 vacate the pending hearing, suspend the IRP rules indefinitely; and assign the evaluation of any  
25 continuing data needs to one of the working groups which arose from Decision No. 59943. The Land  
26 and Water Fund of the Rockies ("LWF") filed comments requesting that Staff submit its Task Force  
27 working group conclusions by the end of November, 1997. AEPCO filed comments requesting that all  
28 IRP rules be suspended, including the annual historical data filing requirements. AEPCO also requested

1 that the suspension period should include all of 1998, including resource plans due on December 31,  
2 1998. APS filed its agreement with Staff's recommendations.

3 The Commission finds that Staff's recommendation to suspend all but annual historical data  
4 filings is a reasonable interim balancing of the desire for utilities to concentrate their efforts on impending  
5 competition against the Commission's need to obtain information which will assist in fulfilling the  
6 obligation to protect the public's interest, and will adopt that recommendation. We agree with AEPCO  
7 that the suspension period should include all of 1998, and that the obligation to file resource plans on  
8 December 31, 1998 should be suspended until further Order of the Commission, to avert the expenditure  
9 of resources in preparing a plan based upon the suspended rules.

10 The Commission recognizes that electric competition issues remain unresolved, and will not at  
11 this time impose a deadline for Staff's filing of recommended modifications to the IRP rules. However,  
12 we do expect Staff to propose modifications as soon as possible.

13 \* \* \* \* \*

14 Having considered the entire record herein and being fully advised in the premises, the  
15 Commission finds, concludes, and orders that:

16 **FINDINGS OF FACT**

17 1. Pursuant to A.A.C. R14-2-701 *et seq.*, an electric utility with generating facilities is  
18 required to submit a resource plan every three years and historical data every year.

19 2. Pursuant to R14-2-704, the Commission is required to hold a hearing to determine the  
20 degree of consistency between the filings, Staff analyses and information provided by other parties. This  
21 determination may be considered in the Commission's review of financing applications, general rate  
22 cases and other matters in which the supply of or demand for energy services is a significant factor.

23 3. AEPCO, APS, CUC and TEP submitted 1995 plans in compliance with the rules; and SRP  
24 voluntarily submitted a 1995 plan.

25 4. The hearing on the resource plans was stayed indefinitely pending Staff's proposed  
26 modifications to the IRP rules, in light of impending electric industry competition, Decision No. 59943  
27 authorizing such competition, and other changes in the industry.

28 5. Pursuant to our February 25, 1997, Procedural Order, Staff set up a Task Force to review

1 the IRP rules and submit proposed modifications to the Commission by September 4, 1997.

2 6. Staff filed a Staff Report on August 7, 1997, which recommended as follows:

3 (a) the hearing on the presently submitted resource plans should be permanently  
4 vacated;

5 (b) the following sections of the IRP rules should be suspended for one year:

6 R14-2-703.A.2	hourly demand by customer class and entity
R14-2-703.A.4	number of customers by class
7 R14-2-703.A.5	heating and cooling degree days
R14-2-703.A.6	residential customer characteristics
8 R14-2-703.A.7	nonresidential customer characteristics
R14-2-703.A.8	reduction in load due to demand-side management
9 R14-2-703.A.9	annual average prices of electricity
R14-2-703.C	demand forecasts
10 R14-2-703.D	supply plans
R14-2-703.E	analyses of uncertainty
11 R14-2-703.F	integrated resource plan
R14-2-704	Commission review of utility plans; and

12 (c) the IRP Task Force will continue to meet to work on modifying the IRP rules to  
13 better meet future needs in the competitive electricity marketplace.

14 7. AUIA, LWF, APS and AEPCO filed comments which agreed with Staff's conclusion that  
15 the hearing on the 1995 plans should be vacated permanently. LWF requested that proposed  
16 modifications to the IRP rules be submitted by November 1997; AUIA stated that the IRP rules should  
17 be suspended permanently; and APS stated its support of Staff's recommendations.

18 8. AEPCO requested that all filings, even of annual historical data, be suspended, and that  
19 the duration of the suspension be through 1998.

20 9. It is reasonable to suspend the IRP rules as recommended by Staff, leaving intact the  
21 requirement to file annual historical data, with the suspension duration to include all of 1998; and the  
22 obligation to file resource plans due on December 31, 1998 should be suspended until further Order of  
23 the Commission.

#### 24 CONCLUSIONS OF LAW

25 1. AEPCO, APS, CUC, and TEP are public service corporations, and SRP has voluntarily  
26 complied with the Commission's IRP rules.

27 2. The Commission has jurisdiction over AEPCO, APS, CUC and TEP, and SRP has  
28 consented to comply with the Commission's jurisdiction regarding the issue herein.

3. The Commission has jurisdiction over the subject matter herein.

4. Staff's recommendations in Findings of Fact No. 6 are reasonable, and should be adopted, except that the duration of the suspension should be as modified below.

**ORDER**

IT IS THEREFORE ORDERED that the hearing on the resource plans submitted in compliance with the December 31, 1995 deadline shall be, and is hereby, vacated.

IT IS FURTHER ORDERED that the following sections of the IRP rules shall be suspended through the end of 1998:

- R14-2-703.A.2 hourly demand by customer class and entity
- R14-2-703.A.4 number of customers by class
- R14-2-703.A.5 heating and cooling degree days
- R14-2-703.A.6 residential customer characteristics
- R14-2-703.A.7 nonresidential customer characteristics
- R14-2-703.A.8 reduction in load due to demand-side management
- R14-2-703.A.9 annual average prices of electricity
- R14-2-703.C demand forecasts
- R14-2-703.D supply plans
- R14-2-703.E analyses of uncertainty
- R14-2-703.F integrated resource plan
- R14-2-704 Commission review of utility plans; and

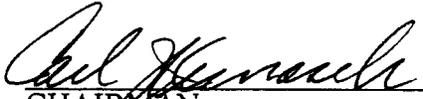
IT IS FURTHER ORDERED that the obligation to file resource plans due on December 31, 1998 shall be suspended until further Order of the Commission.

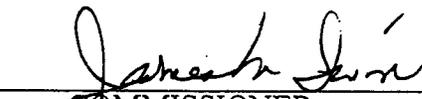
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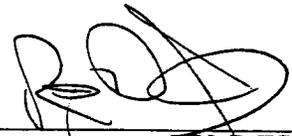
1 IT IS FURTHER ORDERED that the IRP Task Force shall continue to meet to work on  
2 modifying the IRP rules to better meet future needs in the competitive electricity marketplace.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

5  
6   
7 CHAIRMAN

8   
9 COMMISSIONER

10   
11 COMMISSIONER

12 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona  
13 Corporation Commission, have hereunto set my hand and caused the official seal  
14 of the Commission to be affixed at the Capitol, in the City of Phoenix, this  
15 29th day of August, 1997.

16   
17 JACK ROSE  
18 EXECUTIVE SECRETARY

19 DISSENT \_\_\_\_\_  
20 BMB/kjd

*[Handwritten signature]*

*[Handwritten signature]*

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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JIM IRVIN  
COMMISSIONER-CHAIRMAN  
TONY WEST  
COMMISSIONER  
CARL J. KUNASEK  
COMMISSIONER

IN THE MATTER OF THE A.A.C. R14-2-704  
HEARING FOR RESOURCE PLANNING.

**PROCEDURAL ORDER**

**BY THE COMMISSION:**

On February 5, 1999, Tucson Electric Power Company ("TEP") filed with the Arizona Corporation Commission ("Commission") a request to modify Decision No. 60385 (August 29, 1997). Decision No. 60385 indefinitely suspended the filing of the December 31, 1998 Integrated Resource Plans and suspended the filing requirements under the following sections of the Integrated Resource Planning Rules ("IRP Rules") that were due through 1998:

- R14-2-703.A.2 hourly demand by customer class and entity
- R14-2-703.A.4 number of customers by class
- R14-2-703.A.5 heating and cooling degree days
- R14-2-703.A.6 residential customer characteristics
- R14-2-703.A.7 nonresidential customer characteristics
- R14-2-703.A.8 reduction in load due to demand-side management
- R14-2-703.A.9 annual average prices of electricity
- R14-2-703.C demand forecasts
- R14-2-703.D supply plans
- R14-2-703.E analyses of uncertainty
- R14-2-703.F integrated resource plan
- R14-2-704 Commission review of utility plans

Decision No. 60385 effectively suspended the filing of resource planning information, while maintaining the requirement to file historical data. TEP requested that the Commission modify Decision No. 60385 to either indefinitely suspend the entire filing due April 1 of each year, or to indefinitely suspend the filing of the non-historical information which was temporarily suspended in Decision No. 60385.

On February 22, 1999, the Commission's Utilities Division Staff ("Staff") filed a Response to TEP's Request for Modification of Decision No. 60385. Staff agreed that the parts of the IRP Rules that were suspended through 1998 should continue to be suspended indefinitely. Staff requested that until competition is firmly established, historical filings by utilities should continue to be made so

1 that Staff can prepare reliable marginal cost estimates. Staff stated that the marginal cost estimates  
 2 are used to evaluate tariff filings, special contracts, and demand-side management programs.

3 It is reasonable to suspend the IRP Rules as recommended by Staff, leaving intact the  
 4 requirement to file annual historical data.

5 IT IS THEREFORE ORDERED that the following sections of the IRP Rules shall be  
 6 suspended until further Order of the Commission:

7	R14-2-703.A.2	hourly demand by customer class and entity
8	R14-2-703.A.4	number of customers by class
9	R14-2-703.A.5	heating and cooling degree days
10	R14-2-703.A.6	residential customer characteristics
11	R14-2-703.A.7	nonresidential customer characteristics
12	R14-2-703.A.8	reduction in load due to demand-side management
13	R14-2-703.A.9	annual average prices of electricity
14	R14-2-703.C	demand forecasts
15	R14-2-703.D	supply plans
16	R14-2-703.E	analyses of uncertainty
17	R14-2-703.F	integrated resource plan
18	R14-2-704	Commission review of utility plans

19 DATED this 15<sup>th</sup> day of March, 1999.

20   
 21 BARBARA M. BEHUN  
 22 HEARING OFFICER

23 Copies of the foregoing mailed/delivered  
 24 this 15<sup>th</sup> day of March, 1999, to:

25 Steven M. Wheeler  
 26 SNELL & WILMER  
 27 One Arizona Center  
 28 Phoenix, Arizona 85004

Michael M. Grant  
 GALLAGHER & KENNEDY PA  
 2600 N. Central Avenue  
 Phoenix, Arizona 85012

Craig A. Marks  
 CITIZENS UTILITIES COMPANY  
 2901 N. Central Ave., Suite 1660  
 Phoenix, Arizona 85012-2736

...

...

# APS settlement agreement

DOCKET NO. E-01345A-03-0437

- d. The extent to which the request to self-build generation is consistent with any applicable Company resource plans and competitive resource acquisition rules or orders resulting from the workshop/rulemaking proceeding described in paragraph 79.
- e. The anticipated life-cycle cost of the proposed self-build option in comparison with suitable alternatives available from the competitive market for a comparable period of time.
76. Nothing in this section shall be construed as relieving APS of its existing obligation to prudently acquire generating resources, including but not limited to seeking the above authorization to self-build a generating resource or resources prior to 2015.
77. The issuance of any RFP or the conduct of any other competitive solicitation in the future shall not, in and of itself, preclude APS from negotiating bilateral agreements with non-affiliated parties.
78. Notwithstanding its ability to pursue bilateral agreements with non-affiliates for long-term resources, APS will issue an RFP or other competitive solicitation(s) no later than the end of 2005 seeking long-term future resources of not less than 1000 MW for 2007 and beyond.
- a. For purposes of this section, "long-term" resources means any acquisition of a generating facility or an interest in a generating facility, or any PPA having a term, including any extensions exercisable by APS on a unilateral basis, of five years or longer.
- b. Neither PWEC nor any other APS affiliate will participate in such RFP or other competitive solicitation(s) for long-term resources, and neither PWEC nor any other APS affiliate will participate in future APS competitive solicitations for long-term resources without the appointment by the Commission or its Staff of an independent monitor.
- c. Nothing in this section shall be construed as obligating APS to accept any specific bid or combination of bids.
- d. All renewable resources, distributed generation, and DSM will be invited to compete in such RFP or other competitive solicitation and will be evaluated in a consistent manner with all other bids, including their life-cycle costs compared to alternatives of comparable duration and quality.
79. The Commission Staff will schedule workshops on resource planning issues to focus on developing needed infrastructure and developing a flexible, timely, and fair competitive procurement process. These workshops will also consider whether and to what extent the competitive procurement should include an appropriate consideration of a diverse portfolio of short, medium, and long-term purchased power, utility-owned generation, renewables, DSM, and

distributed generation. The workshops will be open to all stakeholders and to the public. If necessary, the workshops may be followed with rulemaking.

80. APS will continue to use its Secondary Procurement Protocol except as modified by the express terms of this Agreement or unless the Commission authorizes otherwise.

#### X. Regulatory Issues

81. The Parties acknowledge that APS has the obligation to plan for and serve all customers in its certificated service area, irrespective of size, and to recognize, in its planning, the existence of any Commission direct access program and the potential for future direct access customers. This section does not bar any Party from seeking to amend APS' obligation to serve.

82. Changes in retail access shall be addressed through the Electric Competition Advisory Group ("ECAG") or other similar process. The ECAG process or similar proceeding shall address, among other things, the resale by Affected Utilities of Revenue Cycle Services ("RCSs") to Electric Service Providers ("ESPs").

83. The Parties further acknowledge that APS currently has the ability, subject to applicable regulatory requirements, to self-build or buy new generation assets for native load, subject to paragraph 81, and subject to the conditions in Section IX of this Agreement.

84. The Parties acknowledge that APS may join a FERC-approved Regional Transmission Organization ("RTO") or an entity or entities performing the functions of an RTO. APS may participate in those activities or similar activities without further order or authorization from the Commission. This paragraph does not establish the ratemaking treatment for costs related to those activities.

85. This section is not intended to create or confirm an exclusive right for APS to provide electric service within its certificated area where others may legally also provide such service, to diminish any of APS' rights to serve customers within its certificated area, or to prevent the Commission or any other governmental entity from amending the laws and regulations relative to public service corporations.

#### XI. Competition Rules Compliance Charge ("CRCC")

86. Included in the total test year revenue requirement is approximately \$8 million for the CRCC. APS may recover \$47.7 million plus interest calculated in accordance with paragraph 19.h through a CRCC of \$0.000338/kWh over a collection period of five years.

87. When the above amount is recovered, the CRCC will terminate immediately. If any amount remains unrecovered/overrecovered after the end of the five year period, APS shall file an application with the Commission to adjust the CRCC to recover/refund the balance.