

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



ARIZONA CORPORATION COMMISSION

BRIAN C. McNEIL
Executive Director
RECEIVED

2007 APR 26 P 4: 36

TO: Docket Control

DATE: April 26, 2007

RE: Resource Planning Workshop (Except Competitive Procurement Issues)—Request for Meeting Notice—Docket No. E-00000E-05-0431

AZ CORP COMMISSION
DOCUMENT CONTROL

Pursuant to Commission Decision No. 67744, the Commission's Utilities Division Staff was ordered to schedule workshops on resource planning issues. To date, two workshops have been conducted: on July 6, 2005 and August 24, 2005. On April 4, 2007, a Notice of Resource Planning Workshops for Competitive Procurement Issues was issued by the Commission's Staff, and a series of three workshops is presently planned for those issues. **This Notice is issued for the remaining resource planning issues.**

Paragraph 79 of the Settlement Agreement adopted as part of Decision No. 67744 states:

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. (Emphasis added)

Parties are advised, through this Notice, that the Commission Staff seeks written responses from the parties for the list of questions, attached hereto as "Exhibit A". Additionally, the Parties are invited to identify additional issues and questions they believe ought to be addressed as part of this Investigation. These responses should be submitted to the Commission for filing **no later than May 25, 2007**. Please file an original and 13 copies of the responses and any additional issues or questions with the Commission's Docket Control Center,

April 26, 2007

Page 2

1200 West Washington Street, Phoenix, Arizona 85007. Please reference Docket No. E-00000E-05-0431 on all submissions. Staff appreciates the input of all interested parties in this matter.

The Commission Staff will hold its next workshop in this Investigation (to consider all resource planning related issues other than competitive procurement issues) on **Friday, June 22, 2007, beginning at 10:00 a.m., in Suite 250, Arizona Department of Environmental Quality ("DEQ") 1110 W. Washington St., Phoenix, AZ 85007.**

This Workshop is subject to change and parties are encouraged to check the Commission's website for updates. <http://www.azcc.gov/>

Staff would like to provide the participants the link to the current electric resource planning rules contained in the Arizona Administrative Code. http://www.azsos.gov/public_services/Title_14/14-02.htm.

If you have any questions, please contact Bing Young at 602-542-5889, and/or Kevin Torrey at 602-542-6031.

Sincerely,



Ernest G. Johnson
Director, Utilities Division

CC: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Kristin K. Mayes
Commissioner Gary Pierce
Parties of Record, Docket No. E-00000E-05-0431

EXHIBIT "A"

QUESTIONS RELATED TO RESOURCE PLANNING

A. Objectives of Resource Planning

1. What should be the primary objectives of a resource planning process?
2. Arizona first promulgated resource planning rules in 1989 (contained at AAC R 14-2-701—14-2-704), but those rules have been suspended indefinitely by the Commission, except for those portions requiring historical reporting of data. (A) Should the Commission look at using or "tweaking" these existing resource planning rules, or are they so outdated that we should we should design something new? (b) Do those rules accomplish the objectives of resource planning? (c) What conditions (if any) in the industry and market have changed fundamentally since 1989 that would impact the way IRP is conducted?
3. To what extent have traditional resource planning functions been adopted by the Commission in other proceedings and rulemakings?
4. Are some traditional IRP processes best left to regional organizations rather than the state?
5. What role should the regional planning processes, particularly regional transmission organizations, play in the process?
6. To what extent, if any, should a Commission decision "accepting" or "approving" a plan (or a part of a plan) be regarded as a finding of "prudence" in subsequent rate cases?
7. What types of information should be included in resource plans? Should this information be organized in a specified manner so that plans from each utility are consistent with each other, containing the same type of information, and in the same part of the filing?

B. Resource Planning Processes

1. Which utilities should be required to file resource plans?
 - (a) Electric
 - (1) All
 - (2) Utilities over a certain size (based on megawatt load or annual sales)
 - (3) Those with generating units
 - (4) Other
 - (b) Natural gas
 - (1) All
 - (2) Utilities over a certain size (based on therms sold or annual sales)
 - (3) None
 - (4) Other
2. Should resource planning consider transmission as well as generation resources?
3. What should the planning horizon be for a resource plan? (i.e. 10 years, 15 years, 20 years, or longer)

4. How frequently should a utility be required to file a resource plan? (i.e. every two, three or four years?)
5. Should there be a "Biennial Resource Assessment" similar to the requirement for a Biennial Transmission Assessment contained in Arizona Revised Statutes §40-360.02 (g)?
6. Should resource plans be filed simultaneously by the utilities as in the past (so the Commission could focus on statewide issues), or should they be individually filed in alternating years or periods (in which the Commission could focus on the specific issues for each utility?)
7. What time limits, if any, should apply to the Commission's processing of a resource plan?
8. Should there be public hearings on resource plans? Should the rules allow for interveners? Should parties be allowed to call and cross examine witnesses?
9. How can a resource planning process be developed which takes into account changes that occur between filings? How can flexibility to adapt to new, unanticipated situations be maximized? Should the utility file annual updates of its resource plan? Should the utility file amendments to its plan as major decisions or changes are made?
10. Should resource plans include a short term "action plan" (such as the time between filing of resource plans) in which utilities could obtain more direct Commission direction and/or approval for certain critical items that must be decided in the short term?
11. How is the resource planning process affected by a building moratorium?
12. To what extent should the process be public? How much data can be discussed and/or debated publicly given competitive considerations that are now a part of the wholesale marketplace?
13. Should standardized RFP/Solicitation procedures be adopted as part of the process?

C. Need Determination (Load Forecasting)

1. How are load forecasts to be conducted? Should there be one consistent methodology used by all utilities, or should each utility have the flexibility to use the methodology that it prefers? Should the Commission specify the methodology by which forecasts are developed?
2. What time period should load forecasts reference?
3. How can the Commission (or should the Commission) review load forecasts when considering a resource plan?
4. What is an acceptable margin of error in viewing actual, experienced, historic peaks compared with forecasted peaks? Should a significant, unexplained deviation between the historic and forecasted peak trigger an amendment or update of the resource plan?

D. Demand Reduction (Demand-Side Management)

1. What role should DSM play in the resource planning process?
2. Should existing Commission activities in DSM be brought within the realm of the resource planning proceedings?
3. How is resource planning affected by existing DSM programs and DSM proceedings presently pending before the Commission?

4. Should the Commission adopt the following PURPA standards included in the Energy Policy Act of 2005: (1) Net metering? (2) Smart Metering?

E. Filling Need Requirements (Supply-Side Planning)

1. What are the supply-side resource requirements that must be planned and filled in the future and how do we decide what those requirements are?
2. What portfolio(s) of options are best for filling increased load demands?
3. How should risk management be factored into the decision making process?
4. How should fuel diversity be evaluated?
5. Can an expanded use of utility-scale solar electric generation be integrated with existing coal-fired operations?
6. How could supply-side planning be affected by the new Renewable Portfolio standards adopted by the Commission for Arizona?
7. What is the risk of future carbon taxes or penalties on existing and future fossil fuel generation options? How can this risk be evaluated and quantified?
8. Should one computer production cost modeling program be utilized?
9. How should non-utility generation (i.e. merchant generation, distributed generation) be considered in resource plans?

Parties of Record, Docket No. E-00000E-05-0431

Mr. Jeff Schlegel
Sweep
1167 W. Samalayuca Drive
Tucson, Arizona 85704

Mr. Robert Annan
Annan Group
6605 East Evening Glow
Scottsdale, Arizona 85262

Ms. Deborah R. Scott
Ms. Kimberly A. Grouse
Snell & Wilmer
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004

Mr. David Berry
Western Resource Advocates
PO Box 1064
Scottsdale, Arizona 85252

Mr. Eric C. Guidry
Western Resource Advocates
2260 Baseline, Suite 200
Boulder, Colorado 80302

Ms. Amanda Ormond
The Ormond Group, LLC
7650 S. McClintock Drive, Suite 103-282
Tempe, Arizona 85284

Mr. Michael Grant
Gallagher & Kennedy
2575 East Camelback Road
Phoenix, Arizona 85016

Mr. C. Webb Crockett
Mr. Patrick J. Black
Fennemore Craig
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012

Mr. Jerry Coffey
Mr. Erick Bonner
Ms. Rebecca Turner
Gila River Power, L.P.
702 North Franklin Street
Tampa, Florida 33602

Mr. Arthur N. Olson
Technology, Energy & Marketing Strategies
PO Box 21446
Mesa, Arizona 85277

Mr. Andrew Bettwy
Southwest Gas Corporation
5421 Spring Mountain Road
Las Vegas, Nevada 89102

Mr. Paul R. Michaud
Michaud Law Firm, P.L.C.
46 Eastham Bridge Road
East Hampton, Connecticut 06424

Mr. Stan Barnes
Copper State Consulting Group
One North Central Avenue, Suite 1120
Phoenix, Arizona 85004

Mr. Larry Killman
Greystone Environmental
401 West Baseline Road, Suite 204
Tempe, Arizona 85283

Mr. Michael Patten
Ms. Laura Sixkiller
Roshka DeWulf & Patten
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Mr. Dave Couture
TEP
PO Box 711
Tucson, Arizona 85702

Mr. Jerry Payne
Cooperative International Forestry
333 Broadway SE
Albuquerque, New Mexico 87102

Mr. brian Hageman
Ms. Caren Peckerman
Mr. Richard Brill
Deluge, Inc.
4116 East Superior Avenue, Suite D3
Phoenix, Arizona 85040

Mr. Jay Moyes
Moyes Storey
1850 North Central Avenue, Suite 1100
Phoenix, Arizona 85004

Mr. Scott S. Wakefield
Mr. Stephen Ahearn
RUCO
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007

Mr. John Wallace
Grand Canyon State Electric Cooperative
Association, Inc.
120 North 44th Street, Suite 100
Phoenix, Arizona 85034

Mr. Clifford A. Cathers
Sierra Southwest Cooperative Services, Inc.
1000 South Highway 80
Benson, Arizona 85602

Ms. Jana Brandt
Ms. Kelly Barr
Salt River Project
PO Box 52025, MS PAB221
Phoenix, Arizona 85072

Mr. Dan Austin
Comverge, Inc.
6509 West Frye Road, Suite 4
Chandler, Arizona 85226

Mr. Troy Anatra
Comverge, Inc.
120 Eagle Rock Avenue, Suite 190
East Hanover, New Jersey 07936

Ms. Donna M. Bronski
Scottsdale City Attorney's Office
3939 North Drinkwater Boulevard
Scottsdale, Arizona 85251

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing
Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007