

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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7
8 IN THE MATTER OF RESOURCE
PLANNING AND PROCUREMENT.

Docket No. E-00000V-13-0070

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11 **JOINT COMMENTS FOR REFORMING THE ARIZONA CORPORATION**
12 **COMMISSION'S INTEGRATED RESOURCE PLANNING PROCESS**
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14 The Arizona Competitive Power Alliance (ACPA), Efficiency First AZ (EFAZ),
15 Residential Utility Consumer Office ("RUCO"), Southwest Energy Efficiency Project
16 (SWEET), Solar City, Solar Energy Industries Association (SEIA), Western Grid Group,
17 and Western Resource Advocates ("Joint Parties") offer the following joint comments in
18 response to the Staff sponsored assessment of the 2014 Integrated Resource Plans (IRP)
19 of the Arizona electric utilities and the November 7, 2014, IRP stakeholder workshop.

20 In the Staff Draft IRP Report assessment and during the November workshop, Staff
21 expressed concerns about the current IRP process and asked parties for suggestions on
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1 how to improve it.¹ In response to Staff's request, several parties provided preliminary
2 suggestions during the November workshop and have subsequently developed these
3 ideas in more detail. This joint filing attempts to offer Staff a series of solutions to address
4 the weak points identified by Staff. We believe the suggestions offered below would
5 improve the IRP process by providing more effective opportunities for stakeholder input,
6 more independent analysis and review of the plans as they are being developed, and
7 enhance the Commission's oversight of near term resource decisions via approval of near-
8 term Action Plans. We believe that the changes being proposed could be implemented
9 within the structure of the current rules.

10 **1. AREAS FOR IMPROVEMENT IN THE ACC IRP PROCESS**

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12 The current Arizona Corporation Commission (ACC) IRP process has provided some
13 valuable information to the ACC and other stakeholders. However, there is substantial
14 room for improvement from a process and informational perspective. Increasing the
15 amount of independent analysis during critical elements of the IRP process and collecting
16 more useful data would alleviate several concerns, including (but not limited to) the ones
17 described below.

18 19 *A) Concern 1: Inappropriate Planning Assumptions*

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22 ¹ For example, during the November 7th, 2014 workshop, a member of the Utilities Division staff
23 stated the following: *"We're concerned that even though [load-serving entities] are complying with
24 the intent of the IRPs, important resource decisions are being made outside of the IRP. We're
grappling with what to do. I wish I had an answer for you today but in that regard I would like to
open it up and see if anyone has some ideas."*

1 In the current ACC IRP process, inputs and assumptions drive the IRP in a direction that
2 may not accurately reflect actual market conditions or customer preferences. Objective
3 analysis is crucial to evaluating assumptions. Examples of critical inputs include:

- 4 • Load forecasts,
- 5 • Resource costs,
- 6 • Adoption rates of new technologies,
- 7 • Assessment of impacts of future regulations,
- 8 • Customer preferences.

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10 *B) Concern 2: Disconnect between Resource Procurement and Resource Planning*

11 The current IRP process does not hold utilities accountable for making investment
12 decisions based upon the plans they submit. Consequently, resource procurement
13 decisions can — and have been — made outside the IRP framework without a full
14 evaluation of alternatives and without stakeholder input. Furthermore, the IRP process
15 often overlooks the role of new market entrants and may not correctly appraise new
16 technologies.

17 *C) Concern 3: Insufficient Data and Analysis*

18 Rapidly changing technology, new consumer preferences, and federal environmental
19 regulations (e.g. EPA 111(~~Dd~~) Clean Power Plan) present challenges and opportunities
20 that the current IRP process fails to fully capture. More data and analysis are needed to
21 understand the trends shaping the electric industry in order for Arizona to prepare and
22 benefit when possible.

23 *D) Concern 4: Absence of Independent Analysis*

1 Greater use of independent analysis would increase the objectivity, value, and usefulness
2 of the IRP documents and IRP process. To date, the Commission has used a consultant
3 to provide a basic review and summary of the IRPs submitted. However, the consultant
4 has provided little critical analysis of the costs, benefits, or risks of the alternative
5 portfolios, nor provided information to the Commission that could be used for it to evaluate,
6 consider and acknowledge a preferred plan. We believe that a more comprehensive
7 analysis of resource planning issues is needed. A consultant to the Commission could
8 provide the needed expertise and help guide the IRP process. This consultant should
9 review and comment on the utility-developed IRPs, and should also compile the utility-
10 developed IRPs and analyze and develop, based on available data, a statewide
11 assessment of energy needs to provide context for Commission decision-making. A
12 Consultant would also analyze the near-term needs and resources proposed by the utilities
13 in their Near-Term Action Plans [\(see proposal below\)](#) submitted to the Commission for
14 review and approval and make recommendations on the consistency of each Action Plan
15 with the selected IRP resource portfolio.

16 ***2. PROPOSED REFORMS TO THE ACC IRP PROCESS***

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18 To address these issues, the Joint Parties propose to modify the current IRP process as
19 outlined below. We believe these modifications can be accomplished under the current
20 IRP rules with sufficient direction from the Commission. The Joint Parties also believe that
21 the process below should be applied to the 2014 utility IRPs to the extent practical.
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1 A request for proposals (RFP) would be issued by the Commission to hire a Consultant to
2 conduct an independent analysis of utility resource needs and provide a critical analysis of
3 the IRPs and three year action plans. In addition, Arizona energy planning and decision-
4 making would benefit from having a more integrated statewide examination. The proposed
5 revisions help accomplish this by placing the ACC in front of the process with actionable
6 information. We believe that the consultant would most likely consist of a team of experts.

7
8 *Step 1: Define Key Assumptions, Resource Options, etc.*

- 9 • Stakeholder workshops would be conducted by the Commission to help determine
key assumptions, (e.g. future fuel prices, load growth rates, discount rates, etc.).
- 10 • The consultant team would obtain reliable information on such topics as:
 - 11 ○ Cost and availability of various resources
 - 12 ○ Timing of resource procurement
 - 13 ○ Resource operating characteristics
- 14 • If certain additional information is needed, an RFI could be issued to collect
15 information on resource options.

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17 *Step 2: Obtain Data and Conduct Analyses to Provide Guidance to Utilities*

- 18 • The Commission's Consultant would gather and analyze data to recommend
19 additional scenarios and portfolios in the IRP plans for utilities to analyze. The
20 consultant would:
 - 21 ○ Recommend multiple sensitivity analyses that combine scenarios for fuel,
22 water, federal regulations, etc.
 - 23 ○ Evaluate cost projections of new and emerging technologies.
 - 24 ○ Identify risks and offer risk management strategies.
 - Assess the potential and consumer desire for new and emerging
technologies, the role of new market entrants, and adoption of new
technologies by customers, vendors, and utilities.
 - Obtain key statistics like revenue requirement per customer on a historical
and projected basis.
- This process of recommending portfolios and scenarios should consider:
 - Customer preferences (deliberative polling of customers could be used to
inform the ACC of customer preferred resources).
 - State-enacted policies.
 - Federal regulations.

1 *Step 3: Develop IRP and Near Term Action Plan*

- 2 • Based upon input and results from the previous steps, the utilities would develop
3 their 15 year IRPs in accordance with existing rules.
4 ○ As in the current process, each IRP would include a base portfolio and
5 additional resource portfolios. Portfolios should be substantially different
6 from the base to provide a useful perspective on portfolio tradeoffs.
7 ○ As done currently, each portfolio would be subject to scenario or sensitivity
8 analysis.
- 9 • Utilities should address generation integration with transmission and distribution
10 planning in the IRP including:
11 ○ Identification of beneficial locations for customer-sited investments.
12 ○ More robust evaluation of how resource portfolios drive transmission needs
13 and additional anticipated capacity needs for each scenario.
14 ○ Consideration of operational changes, such as joining the Energy Imbalance
15 Market, that will provide system benefits.
- 16 • To the extent possible, the Consultant and utilities should take a statewide
17 perspective.
- 18 • The Consultant would then review and analyze the plans.
19 ○ If needed, the Consultant would have the opportunity to suggest
20 modifications to specific areas in the IRP to produce revised outputs.
- 21 • Once the IRP review is finalized the utilities would develop a Near-Term Action
22 Plan, with stakeholder input, to identify upcoming procurement decisions needed to
23 achieve the selected portfolio. The Action Plan should be based on the long-term
24 plan, and should include actions necessary to accomplish future objectives beyond
three to five years.
- The Commission would approve the Action Plan and acknowledge a long-term IRP
with a selected portfolio if it concluded that doing so is in the public interest.

16 *Step 4: Review Near Term Action Plan and Specify Details of the Resource Needs*

- 17 • If near-term resource needs were identified by the utility in its Action Plan, the
18 Independent Consultant would evaluate and verify these needs. This would not
19 establish prudence for rate making purposes.
- 20 • Based on the needs in the Action Plan, the Consultant in partnership with the utility
21 and stakeholders, would also establish specific parameters of the needs for the
22 purposes of resource procurement.
23 ○ For example, the Consultant may determine that, in the next 3 years, the
24 utility needs to procure 200 MW of peak capacity, 100 MW of flexible
ramping capacity (capable of ramping in less than 3 hrs.), and 50 Mvars of
reactive power in a specific location.

23 *Step 5: Conduct Competitive Resource Procurement*

- 1 • Utilities would follow the established rule to procure resources, as identified in an approved Action Plan, through a competitive Request for Proposal (RFP) process².
2 The Commission, its Consultant, and stakeholders would be provided an opportunity to review and comment on the RFP prior to its release.
- 3 • This RFP process would include an Independent Monitor as specified in existing policy (A.A.C. R14-2-706). The results of the RFP would be subject to an
4 independent review and comment by the ACC Consultant.
- 5 • We recognize that certain types of demand side resources (e.g. EE) would be
6 unable to compete effectively through this type of procurement mechanism because of challenges in aggregating the resource, even if they are much lower in cost. Instead, these resources would be procured directly by the utility.

7 CONCLUSION

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9 Staff identified several limitations of the current resource planning process (Staff Report, starting on page 101). The Joint Parties have provided these suggestions in an attempt to
10 assist the Commission in improving its IRP process. By strengthening the process under
11 the current IRP rule, the Commission can better ensure that the mix of resources chosen
12 by utilities to serve customers is in the public interest. We request that the Commission
13 and Staff consider and adopt changes to the process of reviewing resource plans as
14 outlined above. The Joint Parties thank the Commission and Staff for taking these
15 comments into consideration and look forward to working with Staff and the utilities to
16 strengthen the IRP process.

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18 RESPECTFULLY SUBMITTED this 5th day of December, 2014.

19
20 ² R14-2-705B on Procurement indicates that an “A load-serving entity shall use an RFP process as
21 its primary acquisition process for the wholesale acquisition of energy and capacity, unless one of
22 the following exceptions applies....” R14-2-705 in its entirety can reasonably be interpreted as
23 requiring utilities to competitively seek resources that meet specified criteria (such as the ability to
24 provide capacity or ramping ability) and invite providers of a variety of technologies and projects to offer proposals.

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Arizona Competitive Power Alliance

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Western Grid Group

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