

Regulatory Assistance Project Electric Resource Long-range Planning Survey¹

State: **Arizona** Date: 6/11/03
Name of Agency: Arizona Corporation Commission (ACC)
Source: Phone Interview, some website review, email
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Policies

1. Is any form of long-range electrical resource and/or investment planning required?

Yes, in three areas: generator and transmission siting, transmission adequacy, and potentially in supply procurement.

2. What is it called?

Siting: Certificate of Environmental Compatibility (“CEC”)

Transmission Adequacy: Biennial Transmission Assessment (“BTA”)

Supply Procurement: current docket known as “Track B.”

Current information on all three of these topics can be seen under “Hot Topics” at the above web page.

3. What is the process?

Siting: This is a two tiered process for companies planning to build generation and/or transmission facilities. Companies apply to the Siting Committee for a CEC. There is a formal, contested hearing before the Siting Committee. The Siting Committee is made up of representatives of State agencies, as well as appointed members of the public. The Siting Committee proposes a recommended order to the ACC. The ACC makes a final decision in a public meeting.

Special note re: Generator siting: 90 days before filing for a CEC for generation, a company must submit its project plan to the ACC. The plan is confidential during this time. The ACC staff reviews the plan and advises the company of any concerns.

Special note re: Transmission siting: AZ Statute requires each party constructing Transmission facilities to file a ten-year plan in January of each year. This ten-year transmission plan filing is required prior to filing for a CEC. Annual updates must be

¹ All responses written from notes compiled and edited by Cathie Murray at RAP. Corrections to the draft document suggested by the contact person have been incorporated.

filed thereafter until the party has no other transmission construction planned over the next ten-year period.

Transmission Adequacy: Every two years, the ACC staff examines existing and planned transmission systems to determine whether they are adequate to meet the State's needs over the next ten years. The staff requires technical studies from transmission owners and generators, and looks at the entire, integrated grid of lines 115KV and above. This has led to collaborative planning among generator and transmission owners, and between transmission owners and the State. Workshops are held to review information and staff assessments. Industry representatives, new industry players and policy interest groups generally participate. The ACC staff assesses the adequacy or deficiency of transmission to meet needs. This process takes about 8 months. The staff submits the BTA report to the ACC for adoption, and recommends rulemaking, planning requirements or other policy strategies to the ACC.

Track B: Arizona Public Service (APS) and Tucson Electric Power (TEP), and other retail electric providers regulated by the ACC, must at a minimum procure any wholesale power they cannot supply themselves through a competitive solicitation process. The ACC has provided some guidance through Track B proceedings regarding the initial solicitation, but details for future solicitations have not yet been determined.

4. Describe the analysis required by the regulatory body

Siting: the basic mandate the ACC is operating under is to balance the project's environmental impact on Arizona with the state's need for adequate and reliable electricity at a reasonable cost.

For generator proposals, the ACC looks at demand (usually from outside Arizona), environmental impact, and the ability of the generator to access and deliver power to the market. Generators must assure and demonstrate through technical studies that, when their plant is operational, it can deliver power to the market. This forces the generator and transmission owners to work together.

For transmission, the ACC looks at need, capital costs and environmental impact.

Transmission Adequacy: Since AZ is in a position of excess capacity (present capacity exceeds demand of 16,000 MW; additional generation capacity of 18,000 MW is planned), the ACC is concerned with transmission constraints and regional transmission issues.

Track B: Rules are in place for retail competition. The ACC now requires competitive procurement of wholesale supplies. The ACC has combined many dockets into "Track B" to explore how best to meet this requirement. The ACC expects to look at supply, demand, contestable load, transmission constraints and

other issues. Competitive procurement is supposed to assure benefits to consumers in the form of reliable power at the most reasonable cost.

5. Is it statewide or utility-specific planning? What types of entities are required to participate?

Siting requirements are project-specific. Any generation project of 100 MW or above and any transmission project of 115 KV or above must apply for a CEC. The only exceptions are federally-owned facilities, or facilities that are solely on Indian or federal land. Those must meet federal planning/siting requirements.

The BTA reviews the adequacy of all existing and planned transmission of 115 KV or higher to reliably meet the energy needs of Arizona.

Competitive procurement procedures will be required of all retail suppliers subject to ACC regulation. This includes IOUs and cooperative electric suppliers, but excludes the Salt River Project, municipal utilities, the Western Arizona Power Administration and rural electric and irrigation districts. The primary parties are the two IOUs: APS and TEP.

6. This form of planning has been required since what date?

The siting statutes originated in the early 70's. The ten year transmission plans were part of those statutes. The Biennial Transmission Assessment requirement was added in 1999. Track B is an outcome of the electric restructuring activity of the last few years.

Required Elements

7. Which of the following resources must be evaluated/included:

Generation	Yes, for generator siting
Transmission	Yes, for both generator and transmission siting
Distribution	No
Energy efficiency	No
Load Management	No*
Other	No

*Because AZ is in an export situation, they haven't developed demand response strategies like real time pricing. There is no incentive.

Track B (supply procurement): During Arizona's initial competitive wholesale supply solicitation the respective utilities were required to bid their "contestable load" requirements. The contestable load was defined as unmet supply (capacity and energy), local reliability must run supply (capacity and energy) and planned economy purchases (capacity and energy). The utilities were required to evaluate transmission deliverability of all bids submitted.

15. What monitoring or other processes are used to determine consistency of investments with plans?

The ratemaking process will review consistency only for those utilities over which the ACC has jurisdiction. There are no proceedings for merchant plants. The siting process provides review of the financial ability of the project sponsor. Transmission investments are updated annually. Prudency reviews, in or outside of rate cases, can look at whether the utility made the right decision.

16. Are environmental issues considered in the planning process? Yes

The Siting process for generation and transmission explicitly reviews the environmental impacts of proposed projects on Arizona.

One outcome of Track B proceedings is that APS and TEP must quantify and evaluate the environmental effects of their power procurement decisions, and compare them to costs. Also, the ACC must hold workshops exploring the development of an environmental risk management policy.

Agency Process

17. Agency holds public hearings on utility plans Yes

18. Other ways public participates and comments on plans are:

All proceedings are public meetings, at hearings or before the Commission. The ACC does provide a “listen line” for those who cannot be physically present. Citizens generally participate in siting and rate cases, but are less involved in transmission planning.

19. What action does the Commission take on the plan(s)?

With regard to generator or transmission siting plans the ACC will:

Approve;

Reject; or

Approve with conditions. The ACC does not send plans back for modifications.

If the Siting Committee rejects a plan, an appeal is possible to the ACC.

With regard to the Biennial Transmission Assessment, prepared by ACC staff, the policies proposed in the report are not in force until approved by the ACC.

With regard to competitive procurement, Track B rules have not been finalized.

20. Have resource acquisition decisions changed as a result of the planning process?

Yes, two projects were rejected during the last few years for environmental reasons. They were the “Big Sandy” and the “Toltec” gas-fired power plants. The environmental impacts were deemed too large compared to the need the projects would meet. The siting statutes have been in place for over 30 years, but these are the only projects rejected.

21. Are competitive processes used to acquire new resources? Yes

22. Do utilities file an energy efficiency or DSM plan? No

23. Is competitive bidding used to acquire EE resources?

Arizona's energy efficiency (EE) program is managed by the Energy Office in the Department of Commerce. To the respondent's knowledge EE generally is not bid and is not considered in the ACC competitive wholesale supply solicitation process. However, Arizona's competitive supply solicitation (Track B) did assure that renewable portfolio standard resources had an opportunity to bid in the same fashion as any other resource. Each utility utilizes its own internal procurement process to acquire the amounts of RPS resources required by Commission rules.

24. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes

25. Citation and description:

The “Generic Docket for Electrical Restructuring” combines a variety of docket filings covering retail competition rules and supply procurement. The overall docket number is E-00000A-02-0051. The proceedings have been divided into Track A (market power, divestiture, code of conduct/affiliate transactions, and jurisdictional issues) and Track B (competitive procurement of supplies).

26. Are filed plans available on-line?

The most recent Biennial Transmission Assessment is available at:

<http://www.cc.state.az.us/utility/electric/biennial.htm>

Siting plans are not routinely available on line. However, current information on all these issues can be seen under “Hot Topics” at:

<http://www.cc.state.az.us/utility/electric/index.htm>

27. Citation and description of State policies (legislation, rules/regs, PUC orders) governing planning:

ARS 40-360 governs generator and transmission siting, and the Biennial Transmission Assessment. Statutes may be viewed at:

<http://www.azleg.state.az.us>

Administrative Code 14-2-1600 governs retail competition rules.

Administrative Code 14-3-201 through 219 governs the siting committee.

Those rules may be viewed at:

http://www.sosaz.com/public_services/Title_14/14-02.htm, and

http://www.sosaz.com/public_services/Title_14/14-03.htm, respectively.

28. Do you anticipate any changes to this process in the near future?

There may be some tweaking as AZ goes forward. The process appears to lay a strong foundation that works. The competitive procurement process will be refined.

29. Does your state do performance-based regulation? No

State Energy Plan

30. Is there a State Energy Plan? No, other than the Biennial Transmission Plan.

31. Is it connected to the planning described above? N/A

32. If yes, who is responsible for the Plan? N/A

33. What is included in the Plan, apropos of long-range electrical planning? N/A