

Notices of Proposed Rulemaking

6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

The agency did not review any study and does not propose to rely on or not rely on any study for this rulemaking.

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

The rule affects state agencies and state service employees only and will not have an impact on small businesses or consumers. The rulemaking will allow, through policies established by the ADOA Director, for a financial benefit to state agencies and a negative financial impact to employees, but the benefit and negative financial impact cannot be determined until specific situations are addressed.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Christine Bronson, Employee Relations Manager
Address: ADOA Human Resources
100 N. 15th Ave., Suite 261
Phoenix, AZ 85007
Telephone: (602) 542-1423
Fax: (602) 542-1980
E-mail: Christine.Bronson@azdoa.gov

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

An oral proceeding regarding the proposed rules will be held as follows:

Date: Wednesday, February 9, 2010
Time: 2:00 p.m.
Location: Department of Administration
100 N. 15th Ave., Room 204
Phoenix, AZ 85007

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Any material incorporated by reference and its location in the rule:

None

13. The full text of the rule follows:

TITLE 2. ADMINISTRATION

**CHAPTER 5. DEPARTMENT OF ADMINISTRATION
PERSONNEL ADMINISTRATION**

ARTICLE 3. CLASSIFICATION AND COMPENSATION

Section

R2-5-306. ~~Expired~~ Salary Reductions

ARTICLE 3. CLASSIFICATION AND COMPENSATION

R2-5-306. ~~Expired~~ Salary Reductions

A. General. Subject to budget reductions, the Director may establish guidelines to reduce employee pay. In establishing these guidelines, the Director shall consider such factors as the amount of the budget reductions, current economic conditions, and future economic conditions.

- B.** Salary reduction limits. The Director shall determine employee criteria and the minimum and maximum percentage for a salary reduction.
- C.** Salary reductions.
 - 1. The Director shall issue salary reduction guidelines.
 - 2. All employees who meet the criteria listed in the guidelines shall be subject to a salary reduction that takes effect on the date set in the guidelines.
 - 3. An employee may not receive a salary reduction greater than the percentage limit set in the guidelines issued by the Director.
- D.** Exception. An agency head may request an exception to the salary reduction guidelines. An agency head seeking an exception shall submit a written request to the Director that contains the reason for the exception. The Director may approve, modify, or deny the request.

NOTICE OF PROPOSED RULEMAKING

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

**CHAPTER 2. CORPORATION COMMISSION
FIXED UTILITIES**

Editor's Note: The following Notice of Proposed Rulemaking is exempt from Laws 2009, 3rd Special Session, Ch. 7, § 28. (See the text of § 28 on page 74.)

[R09-140]

PREAMBLE

- 1. Sections Affected**

Article 7	<u>Rulemaking Action</u>
R14-2-701	Amend
R14-2-702	Amend
R14-2-703	Amend
R14-2-704	Amend
R14-2-705	New Section
R14-2-706	New Section
- 2. The specific authority for the rulemaking, including both the authorizing statute (general) and the statutes the rules are implementing (specific):**

Authorizing statute: Arizona Constitution Article XV § 3; A.R.S. §§ 40-202; 40-203; 40-321, 40-322, 40-281, 40-282
Implementing statute: Arizona Constitution Article XV § 3; A.R.S. §§ 40-202; 40-203; 40-321, 40-322, 40-281, 40-282
- 3. A list of all previous notices appearing in the Register addressing the proposed rule:**

Notice of Rulemaking Docket Opening: 16 A.A.R. 72, January 8, 2010 (*in this issue*)
- 4. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**

Name:	Maureen A. Scott, Esq. Attorney, Legal Division, Corporation Commission
Address:	1200 W. Washington St. Phoenix, AZ 85007
Telephone:	(602) 542-3402
Fax:	(602) 542-4870
E-mail:	msscott@azcc.gov
or	
Name:	Barbara Keene Public Utilities Analyst, Corporation Commission
Address:	1200 W. Washington St. Phoenix, AZ 85007

Notices of Proposed Rulemaking

Telephone: (602) 542-0853
Fax: (602) 364-2270
E-mail: bkeene@azcc.gov

5. An explanation of the rule, including the agency's reasons for initiating the rule:

The purpose of Resource Planning is for load-serving entities to meet the electric needs of their customers by choosing the best mix of resources, with input from stakeholders in a transparent process, with consideration of reliability, deliverability, cost, environmental impacts, risk, other utilities' plans, and public policy. In its planning process and in meeting its load obligations, a load-serving entity shall consider all available options.

The Arizona Corporation Commission ("Commission") adopted the existing Resource Planning rules in 1989. In 2007, the Commission issued Decision No. 67744 which ordered Commission staff to schedule workshops on resource planning issues to focus on developing needed infrastructure and developing a flexible, timely, and fair competitive procurement process. If necessary, the workshops would be followed with rulemaking to amend existing rules.

The proposed rulemaking would update the existing Resource Planning rules and add Sections on Procurement and on Independent Monitor Selection and Responsibilities.

6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None

7. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

The public at large will benefit from expanded resource planning that considers the total cost of electric energy services, reliability, and risk. A fair and transparent procurement process will encourage the lowest prices for the acquisition of resources.

Load-serving entities will be required to increase their analyses and reporting activities. Although the load-serving entities are now engaging in some of the required activities, they may incur additional costs of complying with the rules.

Probable costs to the Commission of the proposed rulemaking would include costs associated with reviewing filings, and participating in meetings and hearings.

9. The name and address of agency personnel with whom persons may communicate regarding the accuracy of the economic, small business, and consumer impact statement:

Name: Maureen A. Scott, Esq.
Attorney, Legal Division, Arizona Corporation Commission

Address: 1200 W. Washington St.
Phoenix, AZ 85007

Telephone: (602) 542-3402
Fax: (602) 542-4870
E-mail: mscott@azcc.gov

or

Name: Barbara Keene
Public Utilities Analyst, Arizona Corporation Commission

Address: 1200 W. Washington St.
Phoenix, AZ 85007

Telephone: (602) 542-0853
Fax: (602) 364-2270
E-mail: bkeene@azcc.gov

10. The time, place, and nature of the proceedings for the making, amendment, or repeal of the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

Public comment will be held on March 4, 2010, beginning at 10:00 a.m. or as soon as practicable thereafter, in Hearing Room 1 at the Commission's Phoenix offices of the Arizona Corporation Commission located at 1200 W. Washington St., Phoenix, AZ 85007. Hearing Division requests initial written comments be received on or before February 16, 2010, and responsive comments be received on or before February 23, 2010. Comments should be submitted to Docket Control at the above address. Please reference docket number RE-00000A-09-0249 on all documents.

11. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

12. Incorporations by reference and their location in the rules:

None

13. The full text of the rules follows:

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

**CHAPTER 2. CORPORATION COMMISSION
FIXED UTILITIES**

ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

Section

R14-2-701.	Definitions
R14-2-702.	Applicability
R14-2-703.	Utility reporting requirements <u>Load-serving Entity Reporting Requirements</u>
R14-2-704.	Commission review of utility plans <u>Review of Load-serving Entity Resource Plans</u>
<u>R14-2-705.</u>	<u>Procurement</u>
R14-2-706.	<u>Independent Monitor Selection and Responsibilities</u>

ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

R14-2-701. Definitions

The following definitions shall apply unless the context otherwise requires. In this Article, unless otherwise specified:

- ~~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.
1. "Acknowledgment" means a Commission determination, under R14-2-704, that a plan meets the basic requirements of this Article.
2. "Affiliated" means related through ownership of voting securities, through contract, or otherwise in such a manner that one entity directly or indirectly controls another, is directly or indirectly controlled by another, or is under direct or indirect common control with another entity.
- ~~5-3.~~ "Benchmark" - means to calibrate against a known set of values or standards.
- ~~6-4.~~ "Book life" - means the expected time period over which a power supply source will be available for use by ~~the utility~~ a load-serving entity.
5. "Btu" means British thermal unit.
- ~~7-6.~~ "Capacity" - means the amount of electric power, measured in megawatts, ~~which that~~ a power source is rated to provide, either by the user, the supplier, or the manufacturer.
- ~~8-7.~~ "Capital costs" - means 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.
8. "Coincident peak" means the maximum of the sum of two or more demands that occur in the same demand interval, which demand interval may be established on an annual, monthly, or hourly basis.
- ~~10-9.~~ "Customer class" - means a ~~group~~ subset of customers categorized according to ~~with~~ similar characteristics, such as amount of energy consumed; amount of demand placed on the energy supply system at the system peak; hourly,

Arizona Administrative Register / Secretary of State
Notices of Proposed Rulemaking

- daily, or seasonal load pattern; primary type of activity engaged in by the customer, including residential, commercial, industrial, agricultural, and governmental; and location. Customer classes may include residential, commercial, industrial, agricultural, municipal, and other categories.
- ~~11-10.~~ “Decommissioning” - means the process of safely and economically removing a generating 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.
- ~~13-11.~~ “Demand management” - means beneficial reduction in the total cost of meeting electric energy service needs by reducing or shifting in time the demand for electricity usage.
- ~~14-12.~~ “Derating” - means a reduction in a generating unit’s capacity.
- ~~15-13.~~ “Discount rate” - means the interest rate used to calculate the present value of a cost or other economic variable.
- ~~14.~~ “Docket Control” means the office of the Commission that receives all official filings for entry into the Commission’s public electronic docketing system.
- ~~15.~~ “Emergency” means an unforeseen and unforeseeable condition that:
- a. Does not arise from the load-serving entity’s failure to engage in good utility practices.
 - b. Is temporary in nature, and
 - c. Threatens reliability or poses another significant risk to the system.
- ~~16.~~ “End use” - means the final application of electric energy, for activities such as, but not limited to, heating, cooling, running a particular an appliance; or motor, an industrial process, or lighting.
- ~~17.~~ “Energy losses” - means the quantity of electric energy generated or purchased that is not available for sale to end users, for resale, or for use by the utility load-serving entity, ~~attributable to transmission, conversion, distribution, and unaccounted for losses.~~
- ~~18.~~ “Escalation” - means the change in costs due to inflation, changes in manufacturing processes, changes in 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.
- ~~19.~~ “Generating unit” means 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 a set of photovoltaic cells.
- ~~20.~~ “Heat rate” - means a measure of generating station thermal efficiency expressed in British thermal units (Btus) per net kilowatt hour kilowatt-hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt hours 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.
- ~~21.~~ “Independent monitor” means a company or consultant that is not affiliated with a load-serving entity and that is selected to oversee the conduct of a competitive procurement process under R14-2-706.
- ~~22.~~ “Integration” means methods by which energy produced by intermittent resources can be incorporated into the electric grid.
- ~~23.~~ “Intermittent resources” means electric power generation for which the energy production varies in response to naturally occurring processes like wind or solar intensity.
- ~~23-24.~~ “Interruptible power” - means power made available under ~~agreements which~~ an agreement that permit permits curtailment or cessation of delivery by the supplier.
- ~~24-25.~~ “In-service date” - means the date a power supply source becomes available for use by the utility a load-serving entity.
- ~~26.~~ “Load-serving entity” means a public service corporation that provides electricity generation service and operates or owns, in whole or in part, a generating facility or facilities with capacity of at least 50 megawatts combined.
- ~~27.~~ “Long term” means having a duration of three or more years.
- ~~25-28.~~ “Maintenance” - means 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.
- ~~27-29.~~ “Mothballing” - means the temporary removal of a generating unit from active service and accompanying ~~long-term~~ storage activities.
- ~~28-30.~~ “Operate” - means to manage or otherwise be responsible for the production of electricity ~~from~~ by 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.~~
- 30-31. ~~“Participation rate” - means the proportion of customers who take part in a specific program.~~
- 31-32. ~~“Probabilistic analysis” - means a systematic evaluation of the effect, on costs, reliability, or other measures of performance, of the range of possible events affecting factors which that influence performance, considering the chances likelihood that the events will occur.~~
- 32-33. ~~“Production cost” - means the variable operating costs and maintenance cost (including fuel cost) costs of producing electricity through generation and plus the cost of purchases of power sufficient to meet demand.~~
- 33-34. ~~“Refurbish” - means to make major changes, more extensive than maintenance or repair, in the power production, transmission, or distribution characteristics of a component of the power supply system more extensive than maintenance or repair, such as by changing the fuels which that can be used in a generating unit or changing the capacity of a generating unit.~~
- 34-35. ~~“Reliability” - means a measure of the ability of the utility’s a load-serving entity’s generation, transmission, and or distribution systems system to provide power without failures. Reliability should be, measured separately for generation, transmission, and distribution systems. Measures may to reflect the proportion portion of time that each a system is unable to meet demand or the kilowatt-hours kilowatt-hours of demand that could not be supplied.~~
36. ~~“Renewable energy resource” means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel.~~
- 35-37. ~~“Reserve requirements” - means the capacity which the utility that a load-serving entity 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 reserve sharing arrangements.~~
38. ~~“Reserve sharing arrangement” means an agreement between two or more load-serving entities to provide backup capacity.~~
- 36-39. ~~“Resource planning” - means 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 analyses completed as described in this Article.~~
40. ~~“RFP” means request for proposals.~~
- 37-41. ~~“Self generation” - means the production of electricity by an end user by any means including cogeneration.~~
- 38-42. ~~“Sensitivity analysis” - means a systematic assessment of the degree of response of costs, reliability, or other measures of performance to changes in assumptions about factors which that influence performance.~~
43. ~~“Short term” means having a duration of less than three years.~~
- 39-44. ~~“Spinning reserve” - means the capacity which the utility a load-serving entity must maintain connected to the system and ready to deliver power promptly in the event of an unexpected loss of generation source. The capacity may be, expressed as a percentage of peak load, as a percentage of the largest generating unit, or as in fixed megawatts.~~
45. ~~“Staff” means individuals working for the Commission’s Utilities Division, whether as employees or through contract.~~
46. ~~“Third-party independent energy broker” means an entity, such as Prebon Energy or Tradition Financial Services, that facilitates an energy transaction between separate parties without taking title to the transaction.~~
47. ~~“Third-party online trading system” means a computer-based marketplace for commodity exchanges provided by an entity that is not affiliated with the load-serving entity, such as the Intercontinental Exchange, California Independent System Operator, or New York Mercantile Exchange.~~
- 40-48. ~~“Total cost” - means all capital, operating, maintenance, fuel, and decommissioning costs, plus the costs associated with mitigating any adverse environmental effects, incurred; by end users, load-serving entities, or others, 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.~~

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. This Article applies to each load-serving entity, whether the power generated is for sale to end users or is for resale.
- 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. An electricity public service corporation that becomes a load-serving entity by increasing its generating capacity to at least 50 megawatts combined shall provide written notice to the Commission within 30 days after the increase and shall comply with the filing requirements in this Article within two years after the notice is filed.

Notices of Proposed Rulemaking

- C. ~~The Commission may, by Order, exempt a utility load-serving entity from these requirements complying with any provision in this Article, or the Article as a whole, upon a demonstration by the utility determining that:~~
- ~~1. the The burden of compliance with this the provision, or the Article as a whole, exceeds the potential for cost savings resulting benefits to customers in the form of cost savings, service reliability, risk reductions, or reduced environmental impacts that would result from its participation the load-serving entity's compliance with the provision or Article; and~~
 - ~~2. The public interest will be served by the exemption.~~
- D. A load-serving entity that desires an exemption shall submit to Docket Control an application that includes, at a minimum:
1. The reasons why the burden of complying with the Article, or the specific provision in the Article for which exemption is requested, exceeds the potential benefits to customers that would result from the load-serving entity's compliance with the provision or Article;
 2. Data supporting the load-serving entity's assertions as to the burden of compliance and the potential benefits to customers that would result from compliance; and
 3. The reasons why the public interest would be served by the requested exemption.
- E. A load-serving entity shall file with Docket Control, within 120 days after the effective date of these rules, the documents that would have been due on April 1, 2010, under R14-2-703(C), (D), (E), (F), and (H) had the revisions to those subsections been effective at that time.

R14-2-703. Utility reporting requirements Load-serving Entity 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. A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of demand-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was 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 load-serving entity;~~
 - ~~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. Entities purchasing power for resale.~~
 - ~~3. Coincident peak demand (megawatts) and energy demand consumption (megawatt hours 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 each of the previous 10 years; and~~
 - ~~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.~~

- 8.4. Reduction in load (kilowatt and kilowatt-hours) in the previous calendar year 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 nonresidential 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. A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of supply-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was made:
1. For each generating unit and purchased power contract for the previous calendar year:
 - a. ~~In-service date and book life or contract period;~~
 - b. ~~Book life or contract period~~ Type of generating unit or contract;
 - c. ~~Capacity~~ The load-serving entity's share of the generating unit's capacity, or of capacity under the contract, in megawatts (utility share);
 - d. Maximum generating unit or contract capacity, by hour, day, or month, if such capacity varies ~~over~~ during the year;
 - e. ~~Foreed outage rate~~ Annual capacity factor (generating units only);
 - f. Average heat rate of generating units and, if available, heat rates at selected output levels;
 - g. ~~Fuel~~ Average 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~~ long-term contracts, in dollars per ~~megawatt-hour~~ mega-watt-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;~~ Fuel type for each generating unit;
 - m. Minimum capacity at which the generating 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;~~ Description of each generating unit as base load, intermediate, or peaking;
 - p. ~~Other data related to generation units and purchased power contracts which the utility uses in its production, planning, and supply models.~~ Environmental impacts, including air emission quantities (in metric tons or pounds) and rates (in quantities per megawatt-hour) for carbon dioxide, nitrogen oxides, sulfur dioxide, mercury, particulates, and other air emissions subject to current or expected future environmental regulation;
 - q. Water consumption quantities and rates; and
 - r. Tons of coal ash produced per generating unit;
 2. For the power supply system for the previous calendar year:
 - a. A description of generating unit commitment procedures;
 - b. Production cost;
 - c. Reserve requirements;
 - d. Spinning reserve;
 - e. Reliability of generating, transmission, and distribution systems;
 - f. ~~Interchange purchase~~ Purchase and sale prices, averaged by month, for the aggregate of all purchases and sales related to short-term contracts; and
 - g. Energy losses;
 3. The level of ~~egeneration and other forms of~~ self generation in the ~~utility's~~ load-serving entity's service area for the previous calendar year; and
 4. As available, a description and map of the utility's transmission system, including the capacity of each segment of the transmission system. An explanation of any resource procurement processes used by the load-serving entity during the previous calendar year that did not include use of an RFP, including the exception under which the process was used.
- 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. A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following items of load data and analyses, which may include a reference to the last filing made under this subsection for each item for which there has been no change in forecast since the last filing:
1. ~~Ten-year~~ Fifteen-year forecast of system coincident peak load (megawatts) and energy ~~demand~~ consumption (~~megawatt-hours~~ megawatt-hours) by month and year, expressed separately for residential, commercial, industrial, ~~interruptible~~, and other ~~customers;~~ customer classes; for interruptible power; for resale; and for energy losses;

Arizona Administrative Register / Secretary of State
Notices of Proposed Rulemaking

2. Hourly demand forecasts for 10 years, if requested by staff.
 - 3-2. Disaggregation of the demand load forecast of subsection (C)(1) into a component in which no additional demand management measures are assumed, and a component ~~indicating~~ assuming the change in load due to additional forecasted demand management measures; ~~and~~
 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;~~
 - e. ~~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.~~
 - 7-3. Documentation of all sources of data, analyses, methods, and assumptions used in making the demand load forecasts, including:
 - a. ~~A~~ a description of how the forecasts were benchmarked; ~~and~~
 - b. ~~Justifications~~ justifications for selecting the methods and assumptions used; ~~and~~
 - e. ~~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. A load-serving entity shall, by April 1 of each even year, file with Docket Control the following prospective analyses and plans, which shall compare a wide range of resource options and take into consideration expected duty cycles, cost projections, other analyses required under this Section, environmental impacts, and water consumption and may include a reference to the last filing made under this subsection for each item for which there has been no change since the last filing:
1. ~~Ten-year~~ A 15-year resource plan, providing for each year:
 - a. ~~The data required in subsection (B)(1)(a) through (p) of this Section~~ Projected data for each of the items listed in subsection (B)(1), for each generating unit and purchased power source, including each generating unit that is expected to be new or refurbished during the period, which shall be designated as new or refurbished, as applicable, for the year of purchase or the period of refurbishment; and
 - b. ~~the data required in subsection (B)(2)(a) through (g) of this Section.~~ Projected data for each of the items listed in subsection (B)(2), for the power supply system;
 - b-c. ~~For~~ The capital cost, construction time, and construction spending schedule for each generating unit that is expected to be 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.~~
 - e-d. ~~The~~ escalation levels assumed for each component of cost, such as, but not limited to, operating and maintenance, environmental compliance, system integration, backup capacity, and transmission delivery, for each generating unit and purchased power source;
 - d-e. ~~For the~~ If discontinuation, decommissioning, or mothballing of any power source and or permanent deratings derating of any generating facility is expected:
 - i. ~~Identification of the each power sources source or units generating unit involved;~~
 - ii. ~~The costs and spending schedule of such for each discontinuation, decommissioning, mothballing, or derating;~~ and
 - iii. ~~The reasons for each discontinuation, decommissioning, mothballing, or derating;~~
 - e-f. ~~The capital costs and operating and maintenance costs of all new or refurbished transmission and distribution facilities expected during the 15-year period; and~~
 - g. ~~a description~~ An explanation of the need for and purpose of ~~such~~ all expected new or refurbished transmission and distribution facilities, which explanation shall incorporate the load-serving entity's most recent transmission plan filed under A.R.S. § 40-360.02(A) and any relevant provisions of the Commission's most recent Biennial Transmission Assessment decision regarding the adequacy of transmission facilities in Arizona; and
 - h. Cost analyses and cost projections;
 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~~ for the 15-year resource plan, including the method by which the forecast was ~~calibrated or benchmarked;~~
 3. ~~Description~~ A description of:
 - a. ~~each~~ Each potential power source ~~which that~~ was rejected; and
 - b. ~~the~~ The capital costs, ~~and~~ operating costs, and maintenance costs of each rejected source; and
 - c. An explanation of the reasons for rejecting each source;
 4. ~~Ten-year~~ A 15-year forecast of ~~eogeneration and other~~ self generation by customers of the ~~utility~~ load-serving entity.

5. Disaggregation of the forecast of subsection (D)(4) of this Section into a component in which two components, one reflecting the self generation projected if no additional efforts are made to encourage such generation self generation, and a component consisting of one reflecting the change in supply due to self generation projected to result from the load-serving entity's institution of additional forecasted eogeneration and self generation measures;
 6. Ten-year A 15-year forecast of the annual capital costs and operating and maintenance costs by year of all the eogeneration and other self generation included in subsection (D)(5) of this Section, identified under subsections (D)(4) and (5);
 7. Documentation of the analysis of the eogeneration and other self generation in subsection under subsections (D)(4) through (6) of this Section;
 8. A plan that considers using a wide range of resources and promotes fuel and technology diversity within its portfolio;
 9. A calculation of the benefits of generation using renewable energy resources;
 10. A plan that factors in the delivered cost of all resource options, including costs associated with environmental compliance, system integration, backup capacity, and transmission delivery;
 11. Analysis of integration costs for intermittent resources;
 12. A plan to increase the efficiency of the load-serving entity's generation using fossil fuel;
 13. Data to support technology choices for supply-side resources;
 14. A description of the demand management programs or measures included in the 15-year resource plan, including for each demand management program or measure:
 - a. How and when the program or measure will be implemented;
 - b. The projected participation level by customer class for the program or measure;
 - c. The expected change in peak demand and energy consumption resulting from the program or measure;
 - d. The expected reductions in environmental impacts including air emissions, solid waste, and water consumption attributable to the program or measure;
 - e. The expected societal benefits, societal costs, and cost-effectiveness of the program or measure;
 - f. The expected life of the measure; and
 - g. The capital costs, operating costs, and maintenance costs of the measure, and the program costs;
 15. For each demand management measure that was considered but rejected:
 - a. A description of the measure;
 - b. The estimated change in peak demand and energy consumption from the measure;
 - c. The estimated cost-effectiveness of the measure;
 - d. The capital costs, operating costs, and maintenance costs of the measure, and the program costs; and
 - e. The reasons for rejecting the measure;
 16. Analysis of future fuel supplies that are part of the resource plan; and
 17. A plan for reducing environmental impacts related to air emissions, solid waste, and other environmental factors, and a plan for reducing water consumption. The costs for compliance with current and projected future environmental regulations shall be included in the analysis of resources required by R14-2-703(D) and (E). A load-serving entity or any interested parties may also provide, for the Commission's consideration, analyses and supporting data pertaining to environmental impacts associated with the generation or delivery of electricity, which may include monetized estimates of environmental impacts that are not included as costs for compliance. Values or factors for compliance costs, environmental impacts, or monetization of environmental impacts may be developed and reviewed by the Commission in other proceedings or stakeholder workshops.
- E.** Analyses of uncertainty. Each utility shall provide to the Commission the following information by December 31, 1989, and every three years thereafter: A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following analyses and plan:
1. Analyses to identify and assess errors, risks, and uncertainties in the following, completed using appropriate methods such as sensitivity analyses analysis and probabilistic analyses analysis, 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. The costs of compliance with existing and expected environmental regulations;
 - e. Any analysis by the load-serving entity in anticipation of potential new or enhanced environmental regulations;
 - ~~f.~~ Changes in fuel prices; and availability;
 - g. Construction costs, capital costs, and operating costs; and
 - ~~h.~~ Other factors which the utility load-serving entity 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;

Notices of Proposed Rulemaking

- b. Building several smaller units instead of one large unit,
- e. Sharing capacity with other utilities, and
- d. Conducting well-monitored pilot programs.
- 2. A description and analysis of available means for managing the errors, risks, and uncertainties identified and analyzed in subsection (E)(1), such as obtaining additional information, limiting risk exposure, using incentives, creating additional options, incorporating flexibility, and participating in regional generation and transmission projects; and
- 3. A plan to manage the errors, risks, and uncertainties identified and analyzed in subsection (E)(1).
- 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.
- F. A load-serving entity shall, by April 1 of each even year, file with Docket Control a 15-year resource plan that:
 - 1. Selects a portfolio of resources based upon comprehensive consideration of a wide range of supply- and demand-side options;
 - 2. Will result in the load-serving entity's reliably serving the demand for electric energy services;
 - 3. Will address the adverse environmental impacts of power production;
 - 4. Will include renewable energy resources so as to meet at least the greater of the Annual Renewable Energy Requirement in R14-2-1804 or the following annual percentages of retail kWh sold by the load-serving entity:

<u>Calendar Year</u>	<u>Percentage of Retail kWh Sold During Calendar Year</u>
<u>2010</u>	<u>2.5%</u>
<u>2011</u>	<u>3.0%</u>
<u>2012</u>	<u>3.5%</u>
<u>2013</u>	<u>4.0%</u>
<u>2014</u>	<u>4.5%</u>
<u>2015</u>	<u>5.0%</u>
<u>2016</u>	<u>6.0%</u>
<u>2017</u>	<u>7.0%</u>
<u>2018</u>	<u>8.0%</u>
<u>2019</u>	<u>9.0%</u>
<u>2020</u>	<u>10.0%</u>
<u>2021</u>	<u>11.0%</u>
<u>2022</u>	<u>12.0%</u>
<u>2023</u>	<u>13.0%</u>
<u>2024</u>	<u>14.0%</u>
<u>after 2024</u>	<u>15.0%</u>

- 5. Will include distributed generation energy resources so as to meet at least the greater of the Distributed Renewable Energy Requirement in R14-2-1805 or the following annual percentages as applied to the load-serving entity's Annual Renewable Energy Requirement:

<u>2007</u>	<u>5%</u>
<u>2008</u>	<u>10%</u>
<u>2009</u>	<u>15%</u>
<u>2010</u>	<u>20%</u>
<u>2011</u>	<u>25%</u>
<u>After 2011</u>	<u>30%</u>
- 6. Will address energy efficiency so as to meet any requirements set in rule by the Commission;
- 7. Will effectively manage the uncertainty and risks associated with costs, environmental impacts, load forecasts, and

- other factors;
8. Will achieve a reasonable long-term total cost, taking into consideration the objectives set forth in subsections (F)(2) through (7) and the uncertainty of future costs; and
 9. Contains all of the following:
 - a. A complete description and documentation of the plan, including supply and demand conditions, availability of transmission, costs, and discount rates utilized;
 - b. A comprehensive, self-explanatory load and resources table summarizing the plan;
 - c. A brief executive summary;
 - d. An index to indicate where the responses to each filing requirement of these rules can be found; and
 - e. Definitions of the terms used in the plan.
- G.** A load-serving entity shall, by April 1 of each odd year, file with Docket Control a work plan that includes:
1. An outline of the contents of the resource plan the load-serving entity is developing to be filed the following year as required under subsection (F);
 2. The load-serving entity's method for assessing potential resources;
 3. The sources of the load-serving entity's current assumptions; and
 4. An outline of the timing and extent of public participation and advisory group meetings the load-serving entity intends to hold before completing and filing the resource plan.
- H.** With its resource plan, a load-serving entity shall include an action plan, based on the results of the resource planning process, that:
1. Includes a summary of actions to be taken on future resource acquisitions;
 2. Includes details on resource types, resources capacity, and resource timing; and
 3. Covers the three-year period following the Commission's acknowledgment of the resource plan.
- I.** If a load-serving entity's submission does not contain sufficient information to allow Staff to analyze the submission fully for compliance with this Article, Staff shall request additional information from the load-serving entity, including the data used in the load-serving entity's analyses.
- J.** Staff may request that a load-serving entity complete additional analyses to improve specified components of the load-serving entity's submissions.
- K.** If a load-serving entity believes that a data-reporting requirement may result in disclosure of confidential business data or confidential electricity infrastructure information, the load-serving entity may submit to Staff a request that the data be submitted to Staff under a confidentiality agreement, which request shall include an explanation justifying the confidential treatment of the data.
- L.** Data protected by a confidentiality agreement shall not be submitted to Docket Control and will not be open to public inspection or otherwise made public except upon an order of the Commission entered after written notice to the load-serving entity.

R14-2-704. Commission ~~review of utility plans~~ Review of Load-serving Entity Resource 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. By October 1 of each even year, Staff shall file a report that contains its analysis and conclusions regarding its statewide review and assessments of the load-serving entities' filings made under R14-2-703(C), (D), (E), (F), and (H).
- B.** The Commission may request additional analyses to be conducted by the utilities to improve specified components of the utilities' analyses. By February 1 of each odd year, the Commission shall issue an order acknowledging a load-serving entity's resource plan or issue an order stating the reasons for not acknowledging the resource plan. The Commission shall order an acknowledgment of a load-serving entity's resource plan, with or without amendment, if the Commission determines that the resource plan, as amended if applicable, complies with the requirements of this Article and that the load-serving entity's resource plan is reasonable and in the public interest, based on the information available to the Commission at the time and considering the following factors:
- 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 that~~ affect demand, including demand management, have been taken into account;
 3. The degree to which ~~non-utility~~ supply alternatives, such as ~~co-generation 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 whether plans are sufficiently flexible to enable the load-serving entity to respond~~ to unforeseen changes in supply and demand factors;
 5. The reliability of power supplies, including fuel diversity and non-cost considerations;
 6. The reliability of the transmission grid;

Notices of Proposed Rulemaking

7. The degree to which the load-serving entity considered all relevant resources, risks, and uncertainties;
 8. The degree to which the load-serving entity's plan for future resources is in the best interest of its customers;
 9. The best combination of expected costs and associated risks for the load-serving entity and its customers; and
 10. The degree to which the load-serving entity's resource plan allows for coordinated efforts with other load-serving entities.
- C.** The Commission may hold a hearing or workshop regarding a load-serving entity's resource plan. If the Commission holds such a hearing or workshop, the Commission may extend the February 1 deadline for the Commission to issue an order regarding acknowledgment under subsection (B).
- D.** While no particular future ratemaking treatment is implied by or shall be inferred from the Commission's acknowledgment, the Commission may subsequently shall 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 a load-serving entity's filings made under R14-2-703 when the Commission evaluates the performance of the load-serving entity in subsequent rate cases and other proceedings.
- E.** A load-serving entity may seek Commission approval of specific resource planning actions.
- F.** A load-serving entity may file an amendment to an acknowledged resource plan if changes in conditions or assumptions necessitate a material change in the load-serving entity's plan before the next resource plan is due to be filed.

R14-2-705. Procurement

- A.** Except as provided in subsection (B), a load-serving entity may use the following procurement methods for the wholesale acquisition of energy, capacity, and physical power hedge transactions:
1. Purchase through a third-party online trading system;
 2. Purchase from a third-party independent energy broker;
 3. Purchase from a non-affiliated entity through auction or an RFP process;
 4. Bilateral contract with a non-affiliated entity;
 5. Bilateral contract with an affiliated entity, provided that non-affiliated entities were provided notice and an opportunity to compete against the affiliated entity's proposal before the transaction was executed; and
 6. Any other competitive procurement process approved by the Commission.
- B.** A load-serving entity shall use an RFP process as its primary acquisition process for the wholesale acquisition of energy and capacity, unless one of the following exceptions applies:
1. The load-serving entity is experiencing an emergency;
 2. The load-serving entity needs to make a short-term acquisition to maintain system reliability;
 3. The load-serving entity needs to acquire other components of energy procurement, such as fuel, fuel transportation, and transmission projects;
 4. The load-serving entity's planning horizon is two years or less;
 5. The transaction presents the load-serving entity a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, compared to the cost of acquiring new generating facilities, and will provide unique value to the load-serving entity's customers;
 6. The transaction is necessary for the load-serving entity to satisfy an obligation under the Renewable Energy Standard rules; or
 7. The transaction is necessary for the load-serving entity's demand-side management or demand response programs.
- C.** A load-serving entity shall engage an independent monitor to oversee all RFP processes for procurement of new resources.

R14-2-706. Independent Monitor Selection and Responsibilities

- A.** When a load-serving entity contemplates engaging in an RFP process, the load-serving entity shall consult with Staff regarding the identity of companies or consultants that could serve as independent monitor for the RFP process.
- B.** After consulting with Staff, a load-serving entity shall create a vendor list of three to five candidates to serve as independent monitor and shall file the vendor list with Docket Control to allow interested persons time to review and file objections to the vendor list.
- C.** An interested person shall file with Docket Control, within 30 days after a vendor list is filed with Docket Control, any objection that the interested person may have to a candidate's inclusion on a vendor list.
- D.** Within 60 days after a vendor list is filed with Docket Control, Staff shall issue a notice identifying each candidate on the vendor list that Staff considers to be qualified to serve as independent monitor for the contemplated RFP process. In making its determination, Staff shall consider the experience of the candidates, the professional reputation of the candidates, and any objections filed by interested persons.
- E.** A load-serving entity that has completed the actions required by subsections (A) and (B) to comply with a particular Commission Decision is deemed to have complied with subsections (A) and (B) and is not required to repeat those actions.
- F.** A load-serving entity may retain as independent monitor for the contemplated RFP process and for its future RFP processes any of the candidates identified in Staff's notice.

- G.** A load-serving entity shall file with Docket Control a written notice of its retention of an independent monitor.
- H.** A load-serving entity is responsible for paying the independent monitor for its services and may charge a reasonable bidder's fee to each bidder in the RFP process to help offset the cost of the independent monitor's services. A load-serving entity may request recovery of the cost of the independent monitor's services, to the extent that the cost is not offset by bidder's fees, in a subsequent rate case. The Commission shall use its discretion in determining whether to allow the cost to be recovered through customer rates.
- I.** One week prior to the deadline for submitting bids, a load-serving entity shall provide the independent monitor a copy of any bid proposal prepared by the load-serving entity or entity affiliated with the load-serving entity and of any benchmark or reference cost the load-serving entity has developed for use in evaluating bids. The independent monitor shall take steps to secure the load-serving entity's bid proposal and any benchmark or reference cost so that they are inaccessible to any bidder, the load-serving entity, and any entity affiliated with the load-serving entity.
- J.** Upon Staff's request, the independent monitor shall provide status reports to Staff throughout the RFP process.