

**APS'S 2010 RESOURCE PLANNING  
STAKEHOLDER MEETING #1 SUMMARY  
April 20, 2010**

**A. 2010 Stakeholder Meeting Approach and Objectives - Jim Wilde**

Jim Wilde, APS's Director of Resource Planning, informed attendees that the agenda for this meeting would be as follows:

- APS Existing Resources
- Transmission for Resource Planning
- Climate Change and Resource Planning
- Identify critical topics for upcoming Stakeholder meetings (May and June 2010)

Jim informed the attendees that the approach for the 2010 Stakeholder meetings would be different than the 2008 Stakeholder meetings. The previous meetings were more educational in order to set a foundation of understanding for the stakeholders. Much of this foundational information is still valid and is located on the APS Resource Planning website at [www.aps.com/resources](http://www.aps.com/resources) for review. This set of meetings however, would be more focused on current issues in resource planning. Jim encouraged dialogue with the meeting participants and mentioned the dialogue would be considered as APS explores future alternatives.

Jim anticipated that once the Arizona Corporation Commission's new Resource Planning Rules become effective, the Stakeholder meetings for future Resource Planning filings would likely occur in the odd years and the filing of APS's Resource Plan would occur in the even years.

Jim also stated that there are many factors that are impactful to resource planning. These factors include: the Renewable Energy Standard rules and distributed energy requirement, energy efficiency rulemaking, APS's 2009 rate case settlement decision, the externalities workshops, etc.

**B. APS Existing Resources – Paul Smith**

Paul Smith, APS's Manager of Resource Analysis, reviewed existing resource capacity and energy, future resource needs and provided an outlook for existing generation. Paul explained that APS's peak load growth has slowed considerably and that by 2020, 3,900 MW of resources will be needed, but that new resources will be partially met by energy efficiency and renewables. Paul clarified that APS views the Renewable Energy Standard and proposed energy efficiency standard as a requirement and that they are considered a floor from an analysis standpoint. Paul also explained that it would be difficult to estimate energy efficiency costs for years into the future but that the topic could be further discussed at the next Stakeholder meeting, which will include energy efficiency.

Paul also reported:

- The Palo Verde Unit 2 sale/leaseback is subject to renewal in 2016;
- The Environmental Protection Agency is expected to promulgate final rules on the Best Available Retrofit Technology (“BART”) by next year; and
- Other pending issues for the Four Corners Generating Plant include treatment of coal ash and mercury control, site lease, coal supply and water agreements.

### **C. Transmission for Resource Planning: Brian Cole**

Brian Cole, APS’s Manager of Stakeholder and Planning Integration, reported that approximately 80-85% of APS’s load is in the Valley’s load pocket.

There are four main transmission paths that contribute to the delivery of power from remote areas to the Valley load center:

- Eastern Path (which is contractually full on peak basis)
  - Currently used for wind from NM, biomass in Snowflake, Pacificorp Diversity Exchange, Cholla, Four Corners and Saguaro
- Navajo Path (has some available transmission)
  - Currently used for generation from the Navajo Generating Station
- Mead Path (has some available transmission)
  - Currently used for a “call option” contracts
- Palo Verde (“PV”) and Related Area Paths (these are coordinated paths with ten-year plans for increased transmission build)
  - PV East (from Palo Verde to Valley load pocket)
    - Currently used for Palo Verde, Redhawk, merchant summer toll, other short-term power purchases
  - Gila Bend to Valley
    - Currently used for merchant toll and in the future will serve the Solana Concentrated Solar Plant that is in development
  - PV to North Gila (serves Yuma load pocket)

Brian also reported that the Renewable Transmission Action Plan (“RTAP”) identified top potential renewable transmission projects in APS’s service territory that would support the development of renewable resources in Arizona. The RTAP was filed at the ACC in January with ACC approval requested.

### **D. Climate Change and Resource Planning: Paul Smith**

Paul reported that 39% of projected 2010 energy will come from coal and that 27% is expected to come from natural gas. Paul also reported that coal is expected to represent 79% of APS’ carbon emissions in 2010, while gas is expected to represent 21%.

Paul also discussed the potential for a myriad of possible carbon outcomes and the fact that the certainty of the final federal legislation is more questionable today than it was as recently as six months ago.

Paul reported the potential approximate impacts on customers of a carbon cost (without mitigation) are:

- \$20 ton x 16 million tons/year  
\$320 mil/year = 10% rate increase
- \$50 ton x 16 million tons/year  
\$800 mil/year = 25% rate increase

Discussion/Input: After the uncertainty of carbon legislation was discussed, the group indicated its desire to see APS include an amount for carbon in its baseline analysis and indicated that the carbon price should be moderate to begin with and escalate over time.

## **E. Recap**

Jim and Brian reviewed topics that were raised during the meeting. Stakeholders asked for information on these additional topics:

- Load Forecast
- Energy Efficiency
- Coal fleet – analysis of sensitivities
- Life cycle analysis.
- Energy and natural gas storage.
- Future technology choices.
- Water
- Emerging renewable energy technologies.
- Procurement decisions.
- Technological changes – looking at other loads, i.e., Plug-in Hybrid Electric Vehicle
- Integration of intermittent resources.
- Smart grid technology.

Jim explained that Stakeholder participation is important for APS's resource planning efforts, and he invited the Stakeholders to make presentations at future meetings. The meeting ended with general discussion on future meeting dates.