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ARKANSAS PUBLIC SERVICE COMMISSION

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IN THE MATTER OF RESOURCE PLANNING GUIDELINES FOR ELECTRIC UTILITIES AND CONSIDERATION OF SEC. 111(d)(12) OF THE ELECTRIC POLICY ACT OF 2005	))))	DOCKET NO. 06-028-R ORDER NO. 6

ORDER

The Arkansas Public Service Commission ("APSC" or "Commission") initiated this rulemaking proceeding by its Order No. 1, issued February 8, 2006. The docket was initiated to achieve the following purposes: (1) to recognize the changes which have occurred in the electric industry over the last ten years, including the growing need to consider, plan, and optimize the cost efficiency of generation and transmission services in a manner that captures the benefits of a growing wholesale electricity market and enhanced regional transmission planning efforts; (2) to meet the Commission's responsibilities under the "Electric Utility Regulatory Reform Act of 2003" ("Act 204"), among other statutes, which create a regulatory framework that requires electric utilities in the state to plan for and meet their service obligations in the most prudent, reliable, and cost-effective manner possible, and; (3) to meet the Commission's responsibilities under the newly-enacted Energy Policy Act of 2005 ("EPAct '05"), with specific regard to considering and implementing new utility requirements under the Public Utility Regulatory Policies Act of 1978 ("PURPA").

By Order No. 1, the Commission issued proposed *Resource Planning Guidelines for Electric Utilities* ("Guidelines") which electric utilities would be required to follow regarding the planning for electric resources sufficient to meet customer needs. The Commission designated as parties to the docket the General Staff of the Commission

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("Staff"), Entergy Arkansas, Inc. ("EAI"), AEP-Southwestern Electric Power Company ("SWEPCO"), Oklahoma Gas and Electric Company ("OG&E"), Empire District Electric Company ("Empire"), and the Arkansas Electric Cooperative Corporation ("AECC"). The Commission further ordered that other entities could petition for a leave to intervene no later than March 10, 2006. Parties to the docket were ordered to file Initial Comments on the Guidelines no later than April 7, 2006, and Reply Comments no later than May 5, 2006, with a Public Hearing established for May 23, 2006.

By subsequent Orders the Commission granted Intervenor party status to Arkansas Western Gas Company ("AWG"), Centerpoint Energy Arkla, a division of Centerpoint Energy Resource Corporation ("Centerpoint"), William R. Ball, *pro se*, Union Power Partners, L.P. ("Union"), Arkansas Electric Energy Consumers, Inc. ("AEEC"), Nucor-Steel Arkansas, a Division of Nucor Corporation and Nucor-Yamato Steel Company (collectively, "Nucor"), the Southwest Power Pool, Inc. ("SPP"), Comverge, Inc. ("Comverge"), Suez Energy North America, Inc. ("Suez"), and the Electric Power Supply Association ("EPSA") filed its Petition to Intervene. Also, a letter of intent to be an active party in the docket was filed by the Attorney General of Arkansas ("AG").

On April 7, Initial Comments were filed by Suez, SWEPCO, OG&E, the AG, AWG, Empire, AEEC, Staff, William R. Ball, Nucor, and EAI, with Direct Testimonies of AECC witness Andrew Lachowsky and Forest C. Kessinger filed in lieu of comments. On April 12, 2006, Initial Comments were filed by EPSA.

On May 5, 2005, Reply Comments were filed by Suez, Staff, AWG, OG&E, SWEPCO, William Ball, SPP, EAI, Nucor, the AG, AEEC, and Empire, with Reply

Testimonies of Forest C. Kessinger and Andrew Lachowsky filed by AECC in lieu of Reply Comments. On May 23, 2006, the Commission conducted a hearing on the proposed Guidelines. Parties making an appearance included EAI, SWEPCO, OG&E, AECC, SPP, AWG, Union, Nucor, William Ball, AEEC, AG, and the Staff.

General Comments

There are several issues of general concern. First, although utilities have always engaged in resource planning, the initiation of stakeholder involvement in the process is a fundamental change brought about by this docket. The reason for stakeholder involvement is to open up the planning process and provide an opportunity for others with an interest in the planning process to provide input as a check on the reasoning of a utility during the development of the resource plan. Utilities should be able to design a forum for stakeholder input at appropriate places along the process timeline in accordance with Section 4.8 of the Guidelines.

The Commission is not persuaded by the general objections to the use of the proposed resource planning process. EAI voiced concern over the concept of planning generation on a regional basis (Tr. at 39-41) as expressed on page 2 of Order No. 1. However, the Commission notes, per the records in Federal Energy Regulatory Commission ("FERC") Docket No. ER82-616-000 and EL01-88-000 that Entergy has been utilizing its own self-styled brand of "regional" generation planning for quite some time, through its corporately-controlled Operating Committee. Thus, Entergy's concerns are without merit and stand in stark contrast to its historic and current practices. Moreover, all of the other Arkansas-jurisdictional electric utilities also evaluate and plan their generation and transmission on a regional basis, so not only is this NOT an uncommon practice, but it is a universally applied and well-established process.

It is this Commission's intent, however, on a going-forward basis, to capture for Arkansas ratepayers the benefits of a more expansive wholesale power market than has heretofore existed, along with the existence of regional transmission planning processes and modeling capabilities that encompass the entirety of the State of Arkansas and this region. Accordingly, hereafter, any Arkansas-jurisdictional electric utility, in order to be deemed prudent in the provision of electricity service to its customers, must be cognizant of all potential generation, transmission and demand response options in the region and utilize an integrated planning and acquisition/implementation process that will maximize available cost savings and benefits for its customers. Although the results of the planning, construction, acquisition and delivery of electricity service ultimately remain the responsibility of the utility, it is this Commission's responsibility to require that the Arkansas utilities perform these functions in the most prudent manner possible, and to thereby promulgate Guidelines to ensure that the utilities conduct these activities in ways that will minimize costs, and maximize benefits, to ratepayers. These Guidelines will therefore also necessitate the integration of concepts such as independence, transparency, openness and collaboration – concepts which are not new, and are in fact required by these very same utilities in the provision of their federal jurisdictional services to customers.

EAI also expresses concern over the language in Order No. 1 regarding participation in an independent power market, stating that "no such capacity, fuel, or energy market operated by a third party, including SPP, is currently available" (Tr at 42, 43). Interestingly enough, however, EAI, as part of its corporate parent that operates on a regional basis, will be developing and participating in a regional power market through a "Weekly Procurement Process" operated independently by its newly FERC-approved Independent Coordinator of Transmission ("ICT"), which is an Arkansas-jurisdictional utility and FERC-approved Regional Transmission Organization ("RTO"), the Little Rock-based SPP. Furthermore, SPP will soon be launching a new regional power market for real-time energy, and may subsequently develop other markets, thereby creating both the opportunity, and this Commission's full expectation, that its Arkansas-jurisdictional utilities shall avail themselves of any and all cost-saving opportunities that may arise as markets continue to develop and evolve in this region.

In addition, several issues overlap with Docket No. 06-004-R[1] and may not be resolved in this instant docket. These include in particular modeling techniques such as the role of "non-monetized" costs in resource planning, whether end-use modeling should be required, the use of full fuel-cycle modeling, comparable consideration of both supply- and demand-side resources, and which screening tests to apply. In keeping with the flexible nature of the Guidelines, the Commission will grant the utilities latitude to explore these techniques for use when appropriate and with stakeholder involvement.

Review of the Guidelines

The Guidelines have been revised to respond to some of the concerns of the parties. References below to the Guidelines are to the revised version, which is attached to this Order, and not the original version attached to Order No. 1. In addition to comments from the parties on the Commission proposal, Staff, the AG, and the

[1] APSC Docket No. 06-004-R, "In the Matter of a Notice of Inquiry Regarding a Rulemaking for Developing and Implementing Energy Efficiency Programs".

jurisdictional electric utilities provided alternative planning guidelines as attachments to their Initial or Reply Comments. The Commission appreciates the input provided from the parties, and has fully considered that input, in addition to its own knowledge and expertise in ongoing regional and national electricity matters, including recent Congressional legislation and activity before federal regulatory agencies.

In Section 1: Purpose of Guidelines, the Joint Electric Utility Suggested Guidelines (Tr. at 167) ("Electrics") language is identical to the Purpose first proposed by the Commission. Staff, in their Proposed Guidelines (Tr. Exhibits at 75), suggests that the Resource Plan be submitted for informational purposes rather than as a formal filing (Tr. at 388). The Commission accepts Staff's suggestion as discussed in Section 4.

Staff would add a provision that resource plans that are submitted may require a protective order to maintain the confidential nature of some of the information and that utility acquisition of resources will be done separately from these reporting requirements. The Commission understands that the potential for a protective order exists and that the Guidelines do not address resource acquisition or a procurement process other than tangentially in Section 4.6, *the Action Plan*. However, the utilities will retain their ability to request a protective order under A.C.A. §23-2-316. Therefore, the Commission declines to include these modifications to the Guidelines.

For Section 2: Resource Planning Defined, while the Commission's Guidelines and the version suggested by the Staff are very similar, the proposal by the Electrics is more prescriptive in that they include seven specific, rigid steps to the process for all to follow. It is the intention of the Commission to retain a more general and flexible process in these Guidelines. Staff suggested replacing the word "known" with "reasonable" and suggested other changes that would refine the language in the Section. The Commission has incorporated many of the suggestions Staff offered for Section 2.

For Section 3: Relationship of the Commission and Utilities with Resource Planning, the proposals from the Staff, the Electrics and the original proposal by the Commission are nearly identical. The attached Guidelines reflect minor changes to Section 3.

As discussed previously, in Section 4: General Guidelines, the Commission accepts the suggestion by Staff (Tr. at 386), SWEPCO (Tr. at 137), and OG&E (Tr. at 186) that the plan should be submitted for informational purposes. Staff explains that little purpose is served by docketing and approving the plan, as subsequent actions—e.g., resource acquisition, generation and transmission plant construction, demand-side tariffs—will require separate approval. The Electrics would add language that the utility may seek Commission approval of its Resource Plan in order to establish a rebuttable presumption of reasonableness and prudence of costs necessary to implement the Plan, pursuant to A.C.A. §23-18-106. AEEC (Tr. at 289) and the AG (Tr. at 346) object to this suggestion on the grounds that following the Guidelines should not preclude future prudence reviews. Staff believes that seeking approval of its Resource Plan should be an option for the utility (Tr. at 397). The Commission does not intend for the Guidelines to interfere with any statutory restrictions, rights, or privileges of a utility, and agrees with Staff. However, a utility request for formal approval would result in docketing the Resource Plan and opening the process to discovery.

The Staff proposed Section 4.1, *Objectives*, generally agrees with the language proposed in the Commission's proposed Guidelines. However, the Electrics' proposal would restrict the objectives to provide "long-term reliability to utility customers at a reasonable cost, including the cost of constructing transmission upgrades required to deliver capacity and energy resources to utility customers while maintaining the financial integrity of the utility" (Tr. at 168). AEEC also stresses an objective of assured reliability at lowest cost (Tr. at 291). Nucor warns against such a narrowed approach and supports the broader view contained in the Commission's proposed Guidelines (Tr. at 252). The AG also supports the breadth of the Commission objectives (Tr. at 317).

The Commission believes the objectives provided in the proposed Guidelines are reasonable and consistent with sound public policy and statutory responsibilities, and do not detract from the objectives inclusive of low cost and reliability. The Commission understands that objectives can change, particularly with stakeholder support and potential change in weight of emphasis with each planning cycle. However, the list of objectives in the Guidelines at Section 4.1 is a reasonable starting point for consideration in each utility resource planning cycle.

The AG (Tr. at 347, 348) and Nucor (Tr. at 234) support equal consideration of demand and supply resources as a planning objective. Staff (Tr. Exhibits at 68), and the Electrics (Tr. at 168) do not. EAI states that the demand-side resources can be accounted for in the load forecast (Tr. at 50). Nucor correctly points out that some demand-side resources can have characteristics of supply-side resources (Tr. at 253). Given these comments, the Commission will substitute the word "comparable" for "equal" in Section 4.1 as that more accurately characterizes the procedure.

In Section 4.2, *Development of Range of Demand Forecasts,* the various proposals are again very similar. The AG, however, recommends that all utilities develop end-use modeling capability by 2010 (Tr. at 318-320). End-use modeling involves aggregating and forecasting separately identified loads by function—lighting, cooling, heating, electric motor horsepower, etc. AECC objects to end-use modeling (Tr. at 87) on the basis that a requirement to use end-use modeling would unnecessarily restrict the flexibility of the utilities. AECC also argues that the AG does not provide any basis for the assertion that end-use modeling is more accurate than econometric modeling. We agree. While useful and perhaps appropriate for measuring demand-side program impacts, the Commission declines to require end-use modeling by 2010 at this time because the need to require it has not yet been demonstrated.

In Section 4.3, *Identifying and Characterizing Supply and Demand Resources,* the Electrics, Staff, and AEEC, all object to the inclusion of non-monetized costs and benefits in the utility resource plan. AEEC states that the Commission should not "use its guidelines to promote any particular social agenda such as increased economic activity, job creation, conservation or environmental protection" (Tr. at 278). Alternatively, the AG supports their inclusion (Tr. at 347). While several techniques are available to incorporate non-monetized costs into models, the Commission is not requiring their use at this time due to a number of uncertain factors including the possibility of federal legislation. However, the Commission does require that the more significant non-monetized costs and benefits be identified and acknowledged. This requirement should neither be burdensome nor determinative in resource selection, but rather a recognition of future risks and potential side benefits.

AWG proposes that utilities use full fuel-cycle analysis in their resource planning. Full fuel-cycle analysis examines all impacts of consumer energy use. It combines the end-use efficiency of an appliance with the impacts from obtaining, processing, generating and delivering energy to determine the total energy used by that appliance (Tr. at 215). AWG states that "effective electric resource planning should shift natural gas use from the power plant to the consumer" (Tr. at 218). AECC disagrees with this assertion. AECC argues that it uses gas generation only "to the extent that the use of gas produces or is forecast to produce the lowest power cost..." AECC points out that the use of gas is also a tool for mitigation of fuel procurement risk (Tr. at 103). The Commission agrees with AECC, particularly the assertion that gas is a tool to mitigate risk, and will not, at this time, require the use of full fuel-cycle analysis.

The Staff and Electrics' proposed language for Section 4.4, *Development of Multiple Integrated Resource Portfolios,* is very similar to the language contained in the proposed Guidelines. Nucor raises the issue of an examination of the electric generation reserve requirement as part of the planning process (Tr. at 236). OG&E states that it follows the SPP requirement of a 12% capacity reserve and changing that for Arkansas alone could have adverse consequences (Tr. at 185, 186). The reserve requirement is clearly a legitimate issue for examination in resource planning. However, at this time, the Commission will continue to rely on the regional reliability councils' reserve requirements. As OG&E explains, if reserve margins differ in different jurisdictions, the utility would face difficulty in planning and cost allocation (Tr. at 186).

Turning to the appropriate economic tests to use in screening resource options, the utilities and AEEC (Tr. at 291-294) prefer the rate impact measure ("RIM") rather that the total resource cost ("TRC") test. The AG supports the TRC and states that "if the RIM test is used for demand resources, then demand and supply resources will not be evaluated on a similar basis. If a different metric is used for efficiency resources than supply resources, Arkansas could end up wastefully spending more money to achieve the same level of energy services by skipping cheaper demand resources in favor of more expensive power plants" (Tr. at 315, 316). The Commission finds that, consistent with the *Commission Rules and Regulations Governing Promotional Practices of Electric and Gas Public Utilities,* many of the comments filed in Docket No. 06-004-R and the Commission's proposed Guidelines in that docket, the results of all of the tests that are currently used to evaluate promotional practices provide valuable information and should be considered in conjunction with all other relevant information in a comprehensive manner. Accordingly, the Commission will require utilities to provide the results of all tests, as well as any other economic impact or comparative cost analysis that the utility deems relevant or helpful to the overall analysis, and the Commission will determine their relative weight, as appropriate, in subsequent approval proceedings.

With Section 4.5, *Evaluation and Selection of the Utility's Resource Plan*, and Section 4.6, *The Action Plan*, there are no substantive differences between the Commission Guidelines and the Staff's proposed language or the Electrics' suggested Guidelines. When a utility is implementing its action plan and acquiring resources, EPSA (Comments at 4, 5) and Suez (Reply Comments at 5) recommend using an independent evaluator to select the winning bids in a competitive solicitation. EAI opposes the required use of an independent evaluator (Tr. at 66). The Commission agrees with EAI because of the rigidities introduced as to design of the RFP and what bidders may offer. While an independent evaluator will not be required, such an independent evaluator would clearly be of benefit to the perception of fairness. In addition, in some ways a strong stakeholder process can take the place of an independent evaluation. Regardless, the utility will be responsible for the results. Furthermore, the Commission will expect a legitimate competitive solicitation to occur before acquiring new resources.

Regarding Section 4.7, *Transmission Plan*, SWEPCO recommends deleting the consideration of transmission planning from the Guidelines (Tr. at 169). EAI would also remove the section (Tr. at 69), but additionally asserts that the utility, rather than any third-party entity, retains the obligation and authority to make decisions regarding transmission (Tr. at 54). Both of these comments, however, stand in stark contrast to the existing procedures that are currently being used by these utilities and have been approved by either the FERC and/or this Commission in the context of regional resource planning. In the case of all Arkansas-jurisdictional electric utilities with the exception of EAI, this Commission recently approved their own requests and applications to become members of the SPP RTO, which requires independent regional transmission planning in the context of a broad multi-stakeholder process. And, even in the case of EAI, the FERC recently approved, at the behest of this Commission and others, the arrangement whereby SPP would function as Entergy's ICT and independently perform Entergy's regional transmission planning, both for reliability (e.g., Base Plan) and economic upgrade purposes. Consequently, these regional transmission planning processes, under the management of an independent entity, are already being utilized by all Arkansas-jurisdictional electric utilities, and it is this

Commission's expectation that they will and should continue. Accordingly, such a requirement will be incorporated in these Guidelines.

In Section 4.8, *Stakeholder Process*, views on the stakeholder process divided the parties into two camps. The AG (Tr. at 356) and Suez (Reply comments at 4) believe that the active participation early on of stakeholders, particularly with regard to the objectives and modeling assumptions, would be beneficial. The Electrics (Tr. at 169), Staff (Tr. at 391), and Nucor (Tr. at 245) believe that such an approach would be burdensome. They would have the utility prepare its plan and submit it to the Commission. Other parties could then submit comments, which the utility may then take into consideration in the next planning cycle. In other words, their proposal would be that there not be a requirement of active stakeholder participation from the inception of the planning process, and thereby no timely involvement in developing the plan or assurance of accuracy of the results. Not only is this entirely contradictory to this Commission's long-standing and recently-espoused position in federal dockets, but it is contradictory to this Commission's expectations with respect to these Guidelines.

Moreover, the FERC has recently proposed the generic requirement of a Joint Regional Planning Process for all transmission-owning utilities in the nation in the pending rulemaking proceeding on Open Access Transmission Tariff reform.[2] There is little doubt that such a process will be included in FERC's final rules, which are expected to be issued within a matter of weeks.

Accordingly, the Commission adopts the position of the AG and Suez on this issue, and sets forth in Section 4.8 the description of the stakeholder process that will be

[2] Docket No. RM05-25-000.

utilized, which is consistent with that already being utilized by SPP and the Arkansas utilities who are members of the SPP RTO, as well as that being developed for purposes of SPP's role as Entergy's ICT.

For Section 5: Implementation report, Staff would require an annual report of progress and a schedule for the next year (Tr. at 391, 392). The utilities and the AG agree with the Commission's version, which will remain as is.

Turning to Section 6: Scheduling, EAI, SWEPCO, OG&E, and Empire (Tr. at 65, 164, 181, Empire Reply comments at 1) want to coordinate planning schedules and use plans developed under the requirements of other jurisdictions. To the extent that planning schedules can be coordinated, that is certainly a laudable objective, particularly in order to achieve regional synergies and cost optimization. However, in order to meet this Commission's prudence expectations for a comprehensive and inclusive resource evaluation and planning process as set forth in these Guidelines, and in order to be deemed in compliance with these Guidelines, the attached procedures and processes must be followed. The Commission anticipates that there will be a significant degree of overlap between the requirements of this Commission and those of neighboring states, and over time this Commission expects a heightened degree of coordination and sharing of "best practices" between multiple jurisdictions on an integrated regional resource planning basis.

Furthermore, after additional consideration, the Commission has renamed this section "Scheduling and Compliance Requirements". Section 6.1, *Scheduling*, retains the general requirement in the original proposed Guidelines. Section 6.2, *Compliance Requirements*, provides for the orderly and expeditious review of and transition from each electric utility's current resource planning process to a process that is in compliance with these *Guidelines*.

Consideration of PURPA Standard

As to consideration of the Sec. 111(d)(12) of Sec. 1251 of the Energy Policy Act of 2005, the Commission agrees with EAI (Tr. at 44) that fuel diversity alone is not sufficient to manage price risk and volatility. With regard to the directive to Staff to search for best practices in planning for diversity, including renewable resources, the purpose is to hone diverse resource evaluation considerations, not to require acquisition of renewables. Renewable resources, when available, should be fairly evaluated in the planning process. The purpose of the study is to determine whether Arkansas utilities are already using diverse fuel sources or not, so that the Commission can determine if the standard will be needed or not, and so that it will have been fairly considered. After the study is submitted, the Commission will consider in a future order whether to adopt the PURPA standard.

Accordingly, the Commission finds that the attached Resource Planning Guidelines for Electric Utilities are in the public interest and, therefore, should be and hereby are adopted.

BY ORDER OF THE COMMISSION.

This 4th day of January, 2007.

Sandra L. Hochstetter

Sandra L. Hochstetter, Chairman

Daryl E. Bassett

Daryl E. Bassett, Commissioner

Randy Bynum

Randy Bynum, Commissioner

Diana K. Wilson

Diana K. Wilson
Secretary of the Commission

I hereby certify that the following order issued by the Arkansas Public Service Commission has been served on all parties of record this date by U.S. mail with postage prepaid, using the address of each party as indicated in the official docket file.

Diana K. Wilson

Diana K. Wilson
Secretary of the Commission
Date 1/4/07

ARKANSAS PUBLIC SERVICE COMMISSION
ATTACHMENT 1 TO ORDER NO. 6 – DOCKET NO. 06-028-R
RESOURCE PLANNING GUIDELINES FOR ELECTRIC UTILITIES

SECTION 1: PURPOSE OF GUIDELINES

Electric utilities regulated by the Arkansas Public Service Commission will use these Guidelines to establish the informational report that will meet the planning expectations of the Commission. The general approach of the Guidelines will allow utilities to formulate plans that reflect their specific circumstances.

SECTION 2: RESOURCE PLANNING DEFINED

Resource planning is a utility planning process which requires consideration of all reasonable resources for meeting the demand for a utility's product, including those which focus on traditional supply sources and those which focus on conservation and the management of demand. The process results in the selection of that portfolio of resources which best meets the identified objectives while balancing the outcome of expected impacts and risks for society over the long run. The resource planning process should define and assess costs and benefits as they appear in the market, including known and identifiable social and environmental costs. Significant non-monetized social and environmental effects should be identified. They need not be monetized as a future risk factor, but they may. The resource planning process should be associated with efforts to augment traditional regulatory review with both regional planning information and cooperative stakeholder consensus building in the preparation of utility plans.

SECTION 3: RELATIONSHIP OF THE COMMISSION AND UTILITIES WITH RESOURCE PLANNING

Resource planning under these Guidelines does not change the fundamental regulatory relationship between the utilities and the Commission. Resource Planning Guidelines do not mandate a specific outcome nor do they mandate specific investment decisions. Resource planning should reflect each utility's unique circumstances and the judgment of its management, who will continue to bear full responsibility for the consequences of their decisions. Resource planning will be relevant to future resource investment decisions and approval proceedings, as well as revenue requirements and rate design. Consistency of a utility's Resource Plan with the Guidelines will be an additional factor for the Commission to consider in evaluating the prudence of investments, construction and rate applications, as will changed circumstances and other evidence.

SECTION 4: GENERAL GUIDELINES

A Resource Plan must contain certain elements. Sections 4.1 – 4.8 are the Guidelines the Commission will use to review the completeness of the efforts to produce the utility Resource Plan. The Resource Plan shall be submitted to the Commission for informational purposes.

4.1 Objectives

The utility shall clearly state and support its objectives. The objectives of the Resource Plan include, but are not limited to, low cost, adequate and reliable energy services; economic efficiency; financial integrity of the utility; comparable consideration of demand and supply resources; mitigation of risks; consideration of environmental impacts; and consistency with governmental regulations and policies. In meeting the objectives, the utility should put itself in a position to respond to anticipated economic conditions and technological advancements and changes, including environmental requirements.

4.2 Development of a Range of Demand Forecasts

A reasonable set of assumptions for econometric and/or end use variables should be considered in the development of a range of outcomes that complement the long-term forecasts of electricity demand (MW) and energy consumption (kWh). A minimum of 10 years should be used as a planning horizon. Energy usage by customer class should be separately identified.

4.3 Identifying and Characterizing Supply and Demand Resources

The utility should assess existing resources based on their cost effectiveness and considering the utility's planning objectives. For incremental capacity needs, all reasonably useful and economic supply and demand resources that may be available to a utility or its customers should be considered. Utility efforts to encourage energy efficiency, conservation, demand-side management, interruptible load, and price responsive demand should be identified. Identified resources should be investigated to determine costs, effectiveness, and other attributes such as potential future emission control or allowance costs to the extent they are monetizable. Non-monetizable costs and benefits should be recognized. Cost effective resources that do not meet minimum criteria such as risk or environmental or other governmental rules or policy should be eliminated from further consideration in this planning cycle.

4.4 Development of Multiple Integrated Resource Portfolios

The planning process should identify multiple integrated resource portfolios, each of which meets reliability criteria. Utilities will identify and take into consideration risk in developing these different portfolios, such as different levels of load growth, different fuel cost forecasts, or other parameters that are influenced by conditions beyond the utility's control. The portfolios should be compared on the present value of the cost of each.

4.5 Evaluation and Selection of the Utility's Resource Plan

The utility shall identify a preferred Resource Plan that provides a balance of risks of adverse outcomes to its customers and its own financial integrity, while providing flexibility to change as future conditions warrant. The evaluation should fully describe how the utility's preferred plan affects long term utility resource needs and costs.

4.6 The Action Plan

The utility shall submit an action plan consisting of the tasks that are necessary to implement the preferred Resource Plan. The action plan shall include a description of and timeline associated with the utility's competitive bidding process. A self-build option must be compared to market opportunities. The process for the acquisition and approval of resources described in the action plan is separate from the information provided regarding the resource planning process described herein.

4.7 Transmission Plan

The transmission plan necessarily results from a separate planning process and is a separate plan; however, it should be integrated into the overall resource planning process, such that the analysis of generation options and demand response options can be synthesized and optimized. Transmission planning will be done by an independent entity and is regional in scope.

4.8 Stakeholder process

Each utility will organize and facilitate meetings of a Stakeholder Committee for resource planning purposes. The Stakeholder Committee should be broadly representative of retail and wholesale customers, independent power suppliers, marketers, and other interested entities in the service area. The Stakeholders shall develop their own rules and procedures. Stakeholders should review utility objectives, assumptions, and estimated needs early in the planning cycle. The utility shall make a good faith effort to properly inform and respond to the Stakeholder Committee. A Report of the Stakeholder Committee should be included with the Resource Plan submittal. Stakeholders and General Staff may also submit comments to the Commission on each Resource Plan after it has been submitted by the utility. Such comments should be taken into consideration by the utility in its preparation efforts and decisions concerning subsequent approval applications, as well as in its next planning cycle. If comments concerning the process and results warrant, the Commission may require the utility to re-evaluate and resubmit its Resource Plan for the current planning cycle to address concerns raised in the comments.

SECTION 5: IMPLEMENTING REPORT

At approximately the mid-point of the utility's planning cycle, a short written report on the progress and success (or not) of implementing the Resource Plan should be submitted to the Commission.

SECTION 6: SCHEDULING AND COMPLIANCE REQUIREMENTS

6.1 Scheduling

Each utility should determine the term of its resource planning cycle, from one to three years, and schedule its submission with the Commission. However, a Resource Plan shall be submitted at least once in each three-year period.

6.2 Compliance Requirements

Within thirty (30) days of the date of the Order approving these Guidelines, each electric utility shall submit to the Commission a copy of its currently effective Resource Plan that has heretofore served as the basis for its short, intermediate, and long-term resource acquisition and construction plans as well as a separate Status Report, detailing the precise status of such Resource Plan. At the same time each electric utility also shall advise the Commission in writing of its proposed timeline in which it will comply with the provisions of these Guidelines, or alternatively explain in detail why it believes that its current resource planning process already substantially complies with these Guidelines. The Commission reserves the right to issue subsequent orders setting forth utility-specific procedural schedules for filings and other informational reports in order to ensure compliance with these Guidelines.