

Recent Integrated Resource Plans filings in Arizona

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Both **Arizona Public Service Company (“APS”)** and **Tucson Electric Power (“TEP”)** described their plans to expand their renewable resources in their respective preliminary 2017 Integrated Resource Plans (“IRPs” or “Plans”) filed with the Arizona Corporation Commission (“ACC”) earlier this month. See ACC Docket No. E-00000V-15-0094. The planning period for these reports is 2017 through 2032. These preliminary Plans are part of the ACC resource planning process and included stakeholder input. They will now be the subject of the ACC Utilities Division Staff review, stakeholder workshops and ACC Open Meeting discussions. Final Plans will be filed in April 2017, with final ACC review and acknowledgement in February 2018.

Renewable Highlights of the APS Plan

The APS Plan contains several action items that could positively impact development of renewables. First, APS plans to conduct an all source request for proposal for resources to be delivered in 2020. The all source RFP is seeking 400 to 600 megawatts and will consider a variety of technologies, including renewable. Second, APS plans to complete its Solar Intervention Study which is a 75 home study on advanced technologies and a 125 home study that assists third party designed customer owned technology packages. Third, APS plans to complete its Solar Partners program and related pilots which focus on APS owned rooftop solar research to enable rooftop solar and battery storage integration with the grid. Finally, APS plans to construct a 40 megawatt SAT solar PV project at its existing Saguaro Power Plant.

APS anticipates annual load growth of 2.7%, prior to the effects of energy efficiency and rooftop solar generation. To help meet this growth, APS will increase renewable energy beyond the requirements of the state mandated renewable energy standard. APS notes that flexible generation also is needed to manage the load characteristics resulting from increased solar generation. Flexibility requires having units that can rapidly respond and can be ramped down when solar energy production is at its highest and then ramped up to meet the customer needs as the sun starts to set. Its Ocotillo Modernization Project and the potential increase in battery storage and other advance technologies should help add flexible generation.

Renewable Highlights of the TEP Plan

TEP’s Plan contains an expectation that its renewable energy portfolio will exceed 370 megawatts by the end of 2016. TEP predicts that 30% of its retail energy needs will be met with renewable energy resources by 2030. This target is double that required by Arizona’s renewable energy standards. TEP’s action plan anticipates an additional 1100 megawatts of new renewable capacity by the end of 2030, raising the total utility scale renewable capacity on TEP’s system to approximately 1500 megawatts. TEP expects that about 26% of its portfolio to be utility scale renewables and 4% distributed generation by 2032. As was also noted by APS, TEP discusses the challenges of integrating renewable energy due to the peak generation hours not totally coinciding with peak demand hours. TEP is studying technology such as reciprocating engines and battery storage to help support TEP’s need to integrate its renewable resources. TEP’s consideration of energy storage includes pump hydropower and compressed air energy storage. To assist with this integration challenge, TEP is investing in two 10 megawatt energy storage projects as well as smart grid technologies. TEP’s renewable acquisition strategy focuses on developing a number of small to mid-scale renewable projects diversified across a wide range of

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technologies. TEP's Plan includes a list of 11 current or potential PPAs along with another 10 projects which are or will be owned by the utility.

Interestingly, both APS and TEP have included as part of their Plans consideration of small nuclear reactors. Both TEP and APS are cautious about the Clean Power Plan which was recently stayed by the Supreme Court, but they are considering appropriate plans should the Clean Power Plan ultimately be implemented.

In light of these Plans, renewable energy developers should consider opportunities for development in Arizona and consider ways to participate in the APS and TEP studies.

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