

Arizona's Cooperatives Summer Preparedness Report to ACC 2013

Presented by Arizona's G&T Cooperatives

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Summary

- Arizona's G&T Cooperatives – AEPCO, SWTC and SSW
- Distribution Cooperatives Represented
 - G&T Member Distribution Cooperatives
 - All Requirements Members
 - Partial Requirements Members
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Summary (continued)

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- 2013 Projected Peak Load vs Resources
- AEPCO Generation Preparedness
- AEPCO Fuel Procurement
- SWTC Transmission Preparedness
- G&T Operational Preparedness

Arizona's G&T Cooperatives



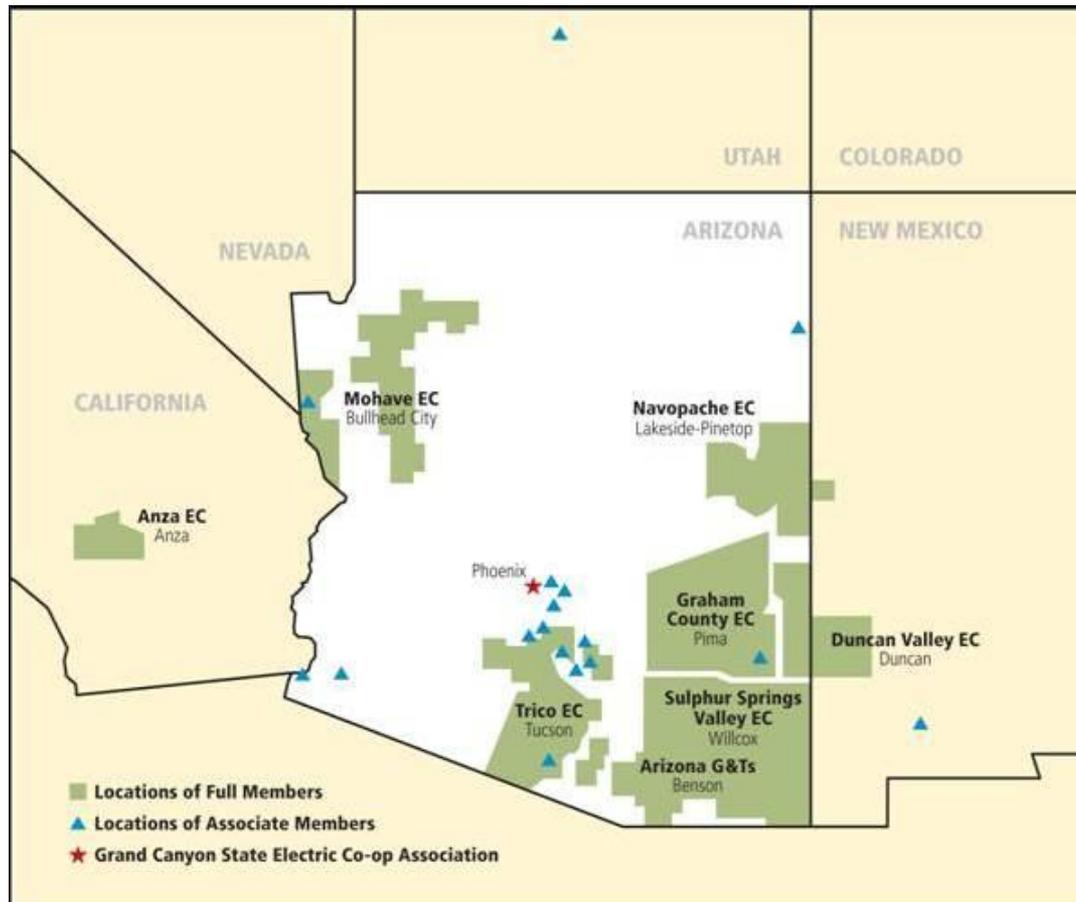
- Arizona Electric Power Cooperative (AEPCO)
 - Generation Owner & Provider for 3 All Requirements Member (ARM) and 3 Partial Requirements Member (PRM) Distribution Cooperatives
 - Power Supply Entity for ARMs and PRMs
- Southwest Transmission Cooperative (SWTC)
 - Transmission Owner & Provider for AEPCO and Members
- Sierra Southwest Cooperative Services (Sierra)
 - Manpower organization for AEPCO and SWTC

Distribution Cooperatives Represented



- G&T ARMs (CARM):
 - Anza Electric Cooperative (Anza, California)
 - Duncan Valley Electric Cooperative (Duncan, AZ)
 - Graham County Electric Cooperative (Pima, AZ)
- G&T PRMs:
 - Mohave Electric Cooperative (Bullhead City, AZ)
 - Sulphur Springs Valley Electric Cooperative (Sierra Vista, AZ)
 - Trico Electric Cooperative (Marana, AZ)
- Navopache Electric Cooperative (Lakeside, AZ)

Cooperatives' Service Territory



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Cooperatives' Resources - 2013



- G&T Cooperatives
 - Apache 350 MW Coal Fired Units
 - Apache 205 MW Gas Fired Units
 - 100 MW Hydro & Other Purchased Power
 - Southwest Reserve Sharing Group Capacity
 - Supplemental Market Purchases
- Navopache
 - Federal Hydro Allocation
 - PNM All Requirements Wholesale Power Contract

Resource Providers' Services



- G&T Cooperatives
 - All Requirements Members receive all necessary resource-related scheduling, trading and ancillary services under their G&T All Requirements contracts.
 - PRMs need to contract for such services from G&T or third party providers. Changes for 2013 include:
 - Mohave transferred to SWTC subsystem of Western Balancing Area; AEPCO is now Scheduling & Trading Agent.
 - Sulphur Springs will transfer to SWTC subsystem of Western Balancing Area by June; AEPCO will be Scheduling & Trading Agent.
 - Trico transferred to TEP Balancing Area; TEP is Scheduling & Trading Agent.
- Navopache
 - Receives all necessary resource-related services from PNM and is in PNM Balancing Area

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2012 Actual Peak Load vs Resources

- G&T Cooperatives
 - All Requirements Members collectively had excess net resource compared to their collective 2012 annual peak load of 61.6 MW. AEPCO as agent scheduled the ARM's share of AEPCO Resources (Base, Gas-fired and certain PPAs) to meet that peak.
 - Each PRM's capacity in AEPCO Resources is no longer sufficient to meet its annual summer peak load.
 - Mohave met its 2012 annual peak load of 201.8 MW by scheduling its maximum from AEPCO Base Resources, making small block purchases, and having Western as its agent buy against its share of AEPCO Gas fired Resources and buy supplemental firm energy as needed.

2012 Actual Peak Load vs Resources

- G&T Cooperatives (cont'd)
 - Each PRM's...(cont'd)
 - Sulphur Springs met its 2012 annual peak load of 205.7 MW by scheduling its maximum from AEPCO Base Resources, purchasing forward blocks of firm energy for its needs above its capacity in AEPCO Resources and having its agent (Western) buy against AEPCO Gas-fired Resources day ahead and real time as needed.
 - Trico met its 2012 annual peak load of 169.5 MW (net of customer hydro) by having AEPCO as its agent schedule its share of Base and Gas-fired Resources, and a portion of its share of certain PPA's, and buy supplemental firm energy day ahead and real time as needed.
- Navopache - met its annual summer peak load of 63.3 MW by having Public Service Co of NM (PNM) as its agent use its federal hydro and provide the balance from PNM resources.

2013 Projected Peak vs Resources

- G&T Cooperatives
 - All Requirements Members project a summer peak load of approximately 61 MW. AEPCO will economically dispatch the ARM's interest in AEPCO Resources (Base then Gas-fired) to meet that peak. If market prices are better than energy cost of AEPCO Gas-fired Resources, AEPCO will purchase against those units.
 - Each PRM's capacity in AEPCO Resources is insufficient to meet its projected annual summer peak load.
 - Mohave's projected peak is 205.6 MW. Load greater than its share of AEPCO Base Resources will be served by the most economic dispatch of a combination of the following: (a) scheduling from AEPCO Gas-fired Resources (b) buying against it's the balance of its share of AEPCO Gas fired Resources in the market, and (c) buying supplemental firm energy as needed. Mohave financially hedged natural gas to about 50% of its capacity in AEPCO Gas-fired Resources.

2013 Projected Peak vs Resources

- G&T Cooperatives (cont'd)
 - Each PRM... (cont'd) .
 - Sulphur Springs' projected summer peak load is 220.7 MW. SSVEC has purchased firm energy blocks for needs above its interest in AEPCO Resources. Remaining load greater than its share of AEPCO Base Resources will be served by economic dispatch of a combination of (a) scheduling from AEPCO Gas-fired Resources (b) buying against its share of AEPCO Gas-fired Resources, and (c) buying supplemental firm energy as needed.
 - Trico projected summer peak of 188.1 MW will likely be met by TEP as Trico's agent using Trico's interest in AEPCO Base Resources as supplemented by economic dispatch of a combination of (a) its hedged interest in AEPCO Gas-fired Resources (about 75%), (b) buying firm energy against the balance of its interest in AEPCO Resources, and (c) buying supplemental firm energy as needed.
- Navopache's projected summer peak load of 64 MW will be met by its 7 MW of federal hydro and the balance will be supplied by PNM as firm energy from PNM resources.

AEPCO Generation Preparedness



- Spring 2013
 - Two-week outage for summer preparedness of Apache Unit ST3.
 - Completion of primary coal unloading conveyor belt fire protection project.
 - Apache Gas Turbine 1, 2, 3 & 4 borescope inspection

AEPCO Fuel Procurement

- 2013 coal inventory projected to stay above 45 day supply
- Coal blending facility; primarily PRB & New Mexico
- Firm contracts for acquisition and RR delivery of coal and pipeline contracts for natural gas supplies
- Reduced Delivered Coal Cost Continues
- Changes effected through ACC filings to AEPCO's Purchased Power and Fuel Adjustment Clause (PPFAC) to provide better commodity fuel cost signals vs energy cost for market purchases for G&T's PRMs

SWTC Transmission Preparedness

- Spring 2013 Activities
 - Completion of preventative maintenance activities prior to summer loads
 - Focused line-inspection and vegetation management activities
 - Ongoing right-of-way renewals
 - Ongoing regulatory (NERC) compliance analysis

G&T Operational Preparedness



- Participated in the WECC Reliability Coordinator regional restoration training
- Review with System Controllers intercompany backup service agreements (McNeal & Bagdad Ties)
- G&T Joint Generation Contingency Reserve Plan for outage of Apache Units