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**ARIZONA PUBLIC SERVICE COMPANY'S
COMMENTS ON DRAFT BIENNIAL TRANSMISSION ASSESSMENT**

Docket No. E-00000D-02-0065

Arizona Corporation Commission
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October 4, 2002

I. INTRODUCTION

Pursuant to Staff's request and the timetable outlined for the Second Biennial Transmission Assessment, Arizona Public Service Company ("APS" or "Company") submits these comments on the Draft Second Biennial Transmission Assessment ("Draft BTA"). APS appreciates the very significant amount of work and thought that is already evident from the Draft BTA, and looks forward to working closely and cooperatively with Staff, its consultant, and the other parties to further this collaborative process. The following comments include a narrative discussion of the few areas with which APS has some substantive or policy-related comments, as well as more technical corrections or clarifications that are presented in summary manner. APS reserves the right to supplement or amend its comments as the Draft BTA is refined, and to comment on the Reliability Must Run section that was not included in the Draft BTA.

II. NARRATIVE COMMENTS

Section 2.5

As APS has noted in prior comments, APS disagrees with any characterization of Rule R14-2-1609(B) that suggests that the use of local generation is somehow inappropriate. (See Draft BTA at p. 15.) The rule by its terms requires adequate transmission import capability to meet a utility's obligation to serve customers, in conjunction with existing and future local generation resources. However, the rule has never required that all load be served over transmission facilities, without consideration of local generation resources. The necessary balancing of transmission and local generation was specifically recognized in the Concise Explanatory Statement adopting the Electric Competition Rules in Decision No. 61969 (Sept. 29, 1999).

APS also disagrees that there is any link between Rule 1606(B) and Rule 1609(B). Neither rule could reasonably have intended that Affected Utilities redesign and rebuild their transmission infrastructure in a one- to three-year period to satisfy an unknown and likely changing pattern of generation supply.¹ With those clarifications to the context of the statement, APS does not oppose reciting the text of the rule in the Draft BTA in the first sentence on page 15, but believes that the last sentence of the first paragraph is incorrect and should be deleted.

The reference to Mr. Deise's testimony on the ability to deliver competitively procured power should also be clarified. More specifically, Mr. Deise commented that the existing transmission system was developed over time knowing the sources and paths of electricity to serve a utility's customers. Thus, a relatively short-notice shift of generation supply patterns

¹ This is particularly true when the time needed to construct significant new transmission is considered. For example, underlying siting work on the APS-SRP Southwest Valley 500 kV Project, which is adding additional transmission import capability to the Valley, was commenced in 1999 when Rule 1609(B) was adopted. That transmission line is being constructed on an expedited basis and is expected to be in service by Summer 2003.

suggested that it would be unwise to attempt such a large scale change from the status quo and would necessarily depend on the results of any competitive procurement. Thus, APS would recommend changing the second full sentence on page 15 to read: "...established that the existing transmission system could limit the ability to reliably deliver competitively-procured power."

Section 7.2

The first paragraph discussing the Phoenix Area Import Assessment states that approximately "80% of [Valley] load is served by local transmission imports." That statement may be correct on a capacity basis, although APS would recommend deleting the word "local" in the quoted passage to avoid potential confusion. However, this statement should also include the more relevant point that 94 percent of Valley energy requirements can be met from transmission imports. Local generation has been required for only 6 percent of Valley energy load.

Section 7.2.1

One concern that Staff identified in this section is that the divergence between the Simultaneous Import Limit (SIL) and Maximum Load Serving Capability (MLSC) lines on Figure 9.3 is growing over time, reflecting additional local generation. APS does not believe that additional load serving capability for the Phoenix area is either a problem or an issue. First, SIL will only grow with transmission additions, while MLSC grows with both generation and transmission additions, so it is not surprising that over time the two lines will diverge. Second, system improvements like additional generation capacity or new transmission lines are "lumpy." Essentially all the future "divergence" of the SIL and MLSC lines comes from two local generation projects, which is not sufficient to establish a "pattern" of concern but simply reflects two specific projects that have the effect of increasing MLSC for some period of time. Also, the 2007 and later time frame is less reliable from a planning perspective because other future system improvements or additions may affect the SIL and MLSC.

The third paragraph in page 74 should also be corrected. First, it would be inappropriate for the MLSC to reflect generation outages, because it simply reflects the "maximum" available capacity for serving load in the Valley. Further, a reduction in the MLSC by the largest local generation unit would constitute an N-2 contingency, not an N-1 contingency, because the SIL is already derived assuming an N-1 contingency. In any event, the 2003-2010 period shows a minimum 700 MW of capacity margin over peak load, which is an ample margin regardless of whether one looks at local generation or transmission contingencies.

Section 7.7

APS will provide additional comments on RMR requirements, which were not included in the Draft BTA, at a later date.

Section 8.2

The statement that there "is not enough transmission to serve the customers" in Central Arizona should be clarified. There are some transmission loading issues in the Central Arizona area, but there is sufficient transmission to serve Central Arizona load. In fact, additional load in Central Arizona would actually relieve loading on the transmission system. APS agrees, however, that the study process underway will help narrow and clarify these loading issues.

Section 8.3

APS is not aware of the basis for the comment that transmission in the Northern Arizona area (Prescott, Flagstaff and Holbrook) is inadequate. APS has adequate existing and planned transmission to serve all loads in this area. APS would suggest the following language:

The planned APS/WAPA interconnection in the Flagstaff area should resolve any existing limits in load serving capability for the reasonable future, including the area from Prescott to the West, Holbrook to the East, and Flagstaff in the middle as shown in Figure 8.2. There are two existing 345 kV WAPA lines from Glen Canyon to Pinnacle Peak. The proposed APS interconnection would have APS add a 345/230 kV transformer at WAPA's Flagstaff substation and build a double circuit 230 kV line to the existing APS Cholla-Coconino 230 kV line. APS and Western have had preliminary discussions on this project.

Section 10.2.2

APS agrees that new transmission at the 230/115 kV level is needed to meet load growth. However, APS believes that the HV transmission projects reflected in APS' 10-Year Plan will allow APS to adequately and reliably meet its load serving obligations, including APS customers in Central and Northern Arizona.

Section 10.3

In general, APS agrees with many of the recommendations in the Draft BTA. APS offers the following specific comments on the recommendations:

- APS has previously expressed its concerns with the Guiding Principles, which have not been subject to a formal rulemaking proceeding, but does not oppose Staff using this document for either internal guidance or as the basis for discussions with industry participants.
- APS does not believe that the Commission should try to establish guidelines and procedures regarding local voltage and reactive power (var) support. Specific criteria are already established by the North American Electric Reliability Council ("NERC") and the Western Electricity Coordinating Council ("WECC"). Further, because the Valley includes three non-jurisdictional electric utilities (the Western Area Power

Administration, Salt River Project and the City of Mesa), the problem of conflicting operational requirements is likely to arise. The NERC and WECC are the appropriate entities to address local voltage and reactive power (var) support for all Arizona utilities and there has been no suggestion that their current policies and criteria are inadequate.

- APS supports Staff acquiring additional resources to assist in their ability to independently assess plans submitted by transmission providers and generators.

III. SUMMARY COMMENTS

- Page 3, last sentence. Decision No. 65154 has stayed the requirement to competitively procure 50 percent of Standard Offer requirements.
- Page 4, footnote 55. Footnote numbering appears to be incorrect.
- Page 6, last paragraph. The second workshop date is incorrect.
- Page 7, first paragraph. Same comment.
- Page 14, third paragraph and footnote 56. Decision No. 65154 was signed on September 10, 2002.
- Page 14, last paragraph. The 50 percent competitive bidding requirement was made effective on September 29, 1999 with Decision No. 61969, not on January 1, 1999.
- Page 19, Section 3.2. Both "WECC" and "WSCC" are used here and several other places. We recommend WECC be used in all instances.
- Page 26, Section 4.1. The note referencing Figure 4.1 states there are three areas with import constraints. Section 10.2.1 and 10.2.2 and Figure 7.1 identify five constrained areas.
- Page 27, Section 4.2. Table 4.1 should be modified to include Childs/Irving generation (69kv, 4 units, 5MW capacity total, 5 MW AZ capacity, 100% AZ capacity); Saguaro should be modified (5 units, 400 MW capacity, 400 MW AZ capacity); include Yucca (161kv, 1 unit, 22MW capacity, 0 MW AZ capacity, 0% AZ capacity); include YCA (69kv, 1 unit, 55 MW, 0 MW AZ capacity, 0% AZ capacity). The summation line will also need to be modified.
- Page 28, Section 4.2. Figure 4.1 indicates three transmission constrained areas while Figure 7.1 indicates five and Figure 8.1 indicates four. Section 10.2.1 and 10.2.2 also identify multiple areas. The name Hassayampa could be added after Palo Verde to help in identification.
- Page 29, Section 4.2. The White Tanks-West Phoenix is listed as only one line. There are two.

- Page 30, Section 4.2. The title of Table 4.3 is 'Changes...', but the table doesn't show changes, just in service dates and output. The 'Online' dates for Gila River 1 & 2 are not correct. They aren't expected to be on line until just before summer 2003. The same is true for the West Phoenix (Phase 2).
- Page 37, Section 5.1. The seventh line has the words planned and transmission connected with an 'h'.
- Page 38, Section 5.1. Figure 5.1 includes planned 500kv lines from Gila Bend to Agua Caliente to Yuma West to Blythe. These lines are not included in the Tables 5.1, 5.2, or 5.3.
- Page 46, Section 5.1. Table 5.2 has the new in-service date and prior in-service dates for the Gila Bend-Yuma 230kv line, the Santa Rosa-Gila Bend 230kv line, and the Westwing-El Sol 230kv line reversed. The prior years for these projects are 2004,2006, and 2008. The new years are 2006, 2005, and 2009.
- Page 48, Table 5.4. The Pinal to Ice House project has been changed from a 115 kV project to a 69 kV project and thus will not require a CEC.
- Page 60, first bullet point. "Jojoba" is misspelled.
- Page 68, Section 7.2. Browning substation is listed as one of the major delivery points into Phoenix. We believe that Liberty is the delivery point instead of Browning.
- Page 71, Section 7.2. For clarification, change the sentence on line three of the first full paragraph from 'That nomogram includes a lower ...' to 'That nomogram includes three curves which are 1) a lower... 2) a curve representing... 3) and an upper boundary...'
- Page 74, Section 7.2.1. The second paragraph has Figure 7.3 mistyped as 9.3.
- Page 74, Section 7.2.1. The next to last paragraph states '11,000 MW import capability...' when it should state '11,000 MW load serving capability...'
- Page 80, Section 7.4. The report lists a projected 2006 load for Yuma of 375 MW. Testimony of APS listed the load for 2006 at 256 MW. Local generation listing did not include the IID Yucca 75 MW steam unit or the YCA 55 MW turbine. These should be included. The line discussing capacities into Yuma needs to be clarified. It could be rewritten as 'The line capacity is made up of 38 MW on Western's 161 kV Parker-Yuma line, 140 MW on the Palo Verde-North Gila 500 kV transmission line (APS 11% share), plus short term purchases ...'. Further, it is unclear whether there is any transfer capability from Blythe into Yuma.
- Page 80, first paragraph in Section 7.4. APS' transmission allocation on the North Gila line is 140 MW, not 40 MW.

- Section 8.2, page 88: The first complete sentence reads 'The Arizona Power Authority is looking...' when actually they are the chair of a CATS subcommittee doing the work.

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