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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

2007 APR -5 P 4: 06

MIKE GLEASON, Chairman
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JEFF HATCH-MILLER
KRISTIN K. MAYES
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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION
OF SOUTHERN CALIFORNIA EDISON
COMPANY AND ITS ASSIGNEES IN
CONFORMANCE WITH THE
REQUIRMENTS OF ARIZONA REVISED
STATUTES SECTIONS 40-360.03 AND
40-360.06 FOR A CERTIFICATE OF
ENVIRONMENTAL COMPATIBILITY
AUTHORIZING CONSTRUCTION OF A
500 kV ALTERNATING CURRENT
TRANSMISSION LINE AND RELATED
FACILITIES IN MARICOPA AND LA PAZ
COUNTIES IN ARIZONA ORIGINATING
AT THE HARQUAHALA GENERATING
STATION SWITCHYARD IN WESTERN
MARICOPA COUNTY AND
TERMINATING AT THE DEVERS
SUBSTATION IN RIVERSIDE COUNTY,
CALIFORNIA.

CASE NO. 130

DOCKET NO. L-00000A-06-0295-00130

**ARIZONA CORPORATION
COMMISSION STAFF'S REQUEST FOR
REVIEW**

Arizona Corporation Commission
DOCKETED

APR -5 2007

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On March 21, 2007, the Arizona Power Plant and Line Siting Committee ("Committee") submitted for filing with the Arizona Corporation Commission ("Commission") its Decision and Certificate of Environmental Compatibility ("CEC") in the above-captioned matter. Pursuant to A.R.S. § 40-360.07.A and B, Utilities Division Staff ("Staff") hereby submits this request for review of the CEC issued by the Committee.

As provided by A.R.S. § 40-360.07.B, this Request for Review is based upon the grounds as stated in the following Memorandum. Staff hereby requests that the Commission require written briefs or oral argument as the Commission may deem appropriate.

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MEMORANDUM

I. INTRODUCTION

This matter was commenced by Southern California Edison's filing on May 1, 2006, of an Application for a Certificate of Environmental Compatibility of a 500 kV Alternating Current Transmission Line and Related Facilities in Maricopa and La Paz Counties in Arizona. The line is intended to originate at the Harquahala Switchyard West of Phoenix, Arizona and terminate at the Devers Substation in Riverside County, California ("PVD-II"). On May 2, 2006, the Chairman of the Committee issued Notice of hearings in the matter, indicating that the initial hearings would be held on June 26 and 27, 2007, with subsequent continued hearings to be noticed separately as needed.

A number of Parties intervened in the proceeding. Staff submitted a Notice of Intervention on May 12, 2006. In addition to Staff, intervening Parties included the Residential Utility Consumer Office ("RUCO"); the Sierra Club-Grand Canyon Chapter ("Sierra Club"); Arizona Utility Investors Association ("AUIA"); Harquahala Valley Irrigation District; Donald G. Begalke; Central Arizona Water Conservation District ("CAWCD"); Harquahala Valley Power District; Gila River Power, LP; Langley Properties, LLC; Tucson Electric Power Company; and Mohave Electric Cooperative.

The matter was the subject of extensive public hearings. Hearings were held on a total of fifteen (15) days between June 26, 2006 and February 28, 2007. Staff was an active participant; cross examining witnesses, submitting briefs, and filing written testimony in support of Staff's position in the matter. Staff's position is that Staff is opposed to the Application. As proposed, Staff does not believe that the project would provide benefits to Arizona that justify the environmental effects imposed. Consideration of the issue of whether there is a need for this project to support an adequate, economical and reliable supply of electric power in Arizona yields a conclusion that does not support the project. Economic analysis demonstrates that the economic benefits from the project will primarily occur to California, with primarily economic detriment to Arizona. However, Staff proposed a series of proposed conditions that should be imposed by any CEC that might be awarded. Staff's proposed conditions are intended to secure benefits to Arizona in the form of enhanced reliability as a means to partially offset the lack of economic benefit. It is Staff's position that, if

1 Staff's proposed conditions are imposed, Staff would no longer be opposed to the granting of a CEC.
2 Rather, while Staff would not support the granting of a CEC, Staff would no longer oppose one.

3 The CEC issued on March 21, 2007, adopted conditions that appear designed to address the
4 issues raised by each of Staff's seven proposed conditions. However, none of Staff's conditions
5 were adopted in the form proposed by Staff. Upon consideration of the changed form of the
6 conditions which were adopted in lieu of Staff's proposal, Staff must continue its opposition to the
7 grant of this CEC.

8 Based on the failure of the Committee to adopt Staff's proposed conditions, Staff hereby
9 requests that the Commission review the award of a CEC in this matter. Staff believes that the
10 Commission, upon review should either deny the CEC, or at a minimum modify the CEC to impose
11 Staff's proposed conditions in the form initially proposed by Staff. In conducting its review, Staff
12 believes that only by adopting one of these two alternatives will the Commission find that the project
13 can be found to comply with the provisions of A.R.S. § 40-360.06 and be justified in the context of
14 the Commission's balancing in the broad public interest of the need for an adequate, economical and
15 reliable supply of electric power with the desire to minimize the effect thereof on the environment
16 and ecology of the state.

17 Accordingly, the remainder of this Request for Review will set forth for comparison purposes
18 the conditions as proposed by Staff and the form of condition as adopted by the Committee. In each
19 instance, Staff will provide a brief explanation as to why the Commission should modify the CEC to
20 impose Staff's condition as proposed.

21 **II. COMPARISON OF STAFF'S PROPOSED CONDITIONS WITH CEC**

22 **A. CEC Condition Number 23**

23 The CEC adopted condition number 23 in the following form:

- 24 23. Applicant agrees to make good faith efforts for the term of the Certificate, but not
25 less than ten (10) years, to work within California and Federal Regulatory
26 Commission ("FERC") proceedings to encourage regional access to natural gas
27 storage facilities in California in a manner that addresses natural gas service
28 reliability and efficiency in the region, including Arizona.

1 Staff's proposed condition is as follows:

2 Southern California Edison agrees to make good faith efforts to work within
3 future California and regional proceedings to encourage regional access to
4 natural gas storage facilities in California in a manner that addresses natural
5 gas service reliability and efficiency in the region, including Arizona.

6 As adopted, the CEC makes two significant changes to Staff's proposal. First, it contains a
7 ten year time limitation, and secondly it limits the required proceedings in which Applicant must act.
8 Staff continues to support our proposed condition as originally presented. Issues relating to the need
9 for access to natural gas storage are likely to exist for much longer than ten years and Staff believes
10 that it is important for Applicant to encourage access to natural gas storage across a wide range of
11 proceedings, including but certainly not limited to California and FERC proceedings. Staff notes
12 that our notes indicate that on November 17, 2006, all parties indicated acceptance of Staff's
13 proposed condition as written.

14 B. CEC condition Number 24

15 The CEC adopted condition number 24 in the following form:

16 24. To ensure the Project does not adversely affect the reliability of the Arizona Extra
17 High Voltage ("EHV") grid and power plants interconnected at the Palo Verde Hub,
18 the WECC rated Path 49 shall not be operated above the level at which a North
19 American Electric Reliability Corporation (sic) ("NERC") Category C.5 common
20 mode outage of the two Devers to Palo Verde lines would cause cascading outages.
21 Studies will be performed annually to establish with WECC such a Path 49
22 Operational Transfer Capability ("OTC") limit for the common mode outage of the
23 two Devers to Palo Verde transmission lines.

24 Staff's proposed condition is as follows:

25 To ensure the second Palo Verde to Devers 500 kV transmission line does not
26 adversely affect reliability of the Arizona Extra High Voltage (EHV) grid and power
27 plants interconnected at the Palo Verde Hub, one of the following options must be
28 adopted by Southern California Edison for construction of the new line:

1 a. The line must be constructed on separate towers or monopoles for its entire
2 length and have sufficient physical separation from the existing Palo Verde to Devers
3 line to assure a common mode outage frequency of less than one in thirty years (per
4 NERC/WECC Planning Standards S-2) or that no cascading outages would occur for
5 such a common mode outage (per NERC Category C.5) without the use of a special
6 protection scheme,

7 **OR**

8 b. The WECC rated Path 49 shall not be operated above a level at which a,
9 NERC Category C.5, common mode outage of the two Palo Verde to Devers lines
10 would cause cascading outages unless a special protection scheme were activated.
11 Studies are to be performed annually to establish with WECC such a Path 49
12 Operational Transfer Capability (OTC) limit for the common mode outage of the two
13 Palo Verde transmission lines.

14 Staff opposes condition number 24 as adopted. Staff continues to support its original
15 condition as proposed. The condition as adopted ignores an important tenet of the Commission in
16 Arizona transmission planning which requires new facilities to be designed to accomplish their
17 intended function without the use of protection schemes, commonly referred to as special protection
18 schemes (“SPS”) or remedial action schemes (“RAS”).

19 C. CEC condition number 25.

20 The CEC adopted condition number 25 as follows:

21 25. The Project shall terminate at the new Harquahala Junction Switchyard (Case 128)
22 and the existing Harquahala to Hassayampa 500kV line shall interconnect at the
23 Harquahala Junction Switchyard in order to mitigate prevailing reliability risks
24 associated with extreme contingencies in the vicinity of the Palo Verde Hub. The
25 Harquahala Junction Switchyard is to be jointly owned by the Palo Verde to TS5
26 participants and Applicant. The Harquahala Junction Switchyard to Hassayampa
27 Switchyard line is to be jointly owned by Applicant and the Palo Verde to TS5
28 participants.

1 Staff's proposed condition is as follows:

2 The second Palo Verde to Devers 500 kV line shall terminate at the new Harquahala
3 Junction Switchyard along with the existing Harquahala to Hassayampa 500 kV line
4 in order to mitigate prevailing reliability risks associated with extreme contingencies
5 in the vicinity of the Palo Verde trading hub. The Harquahala Switchyard is to be
6 jointly owned by the Palo Verde to TS5 participants. The Harquahala Junction
7 Switchyard to Hassayampa Switchyard line is to be jointly owned by Southern
8 California Edison and the same Palo Verde to TS5 transmission participants.

9 Staff finds the CEC condition to be generally acceptable. Staff does believe that the
10 Commission should modify the condition in its last line to make clear that the Palo Verde to TS5
11 transmission participants should be the same entities in each instance. Staff notes that on November
12 17, 2006, all parties were in agreement that this was the proper termination point contingent on APS
13 and SRP completing the new switchyard on time. APS and SRP have subsequently indicated that the
14 new switchyard should be ready in time to terminate PVD2.

15 D. CEC condition number 26.

16 The CEC adopted condition number 26 as follows:

17 26. Applicant must, prior to commencing operation, file with FERC a request in
18 conjunction with all interested Palo Verde Hub interconnecting parties, for
19 modification of the transmission tariff free zone at the Palo Verde Hub to include all
20 transmission lines currently interconnecting power plants to the Palo Verde
21 Switchyard or the Hassayampa Switchyard. Applicant commits to work with APS so
22 that the Harquahala Power Plant can schedule its full capacity from the Harquahala
23 Junction Switchyard to the Hassayampa Switchyard.

24 Staff's proposed condition is as follows:

25 To assure that prevailing Palo Verde Hub commercial practices are not compromised
26 by the transmission interconnections at Harquahala Junction Switchyard, Southern
27 California Edison must prior to commencing operation:

28 a. File with the Federal Energy Regulatory Commission and receive approval

1 of a request, on behalf of all Palo Verde Hub interconnecting parties, for modification
2 of the transmission tariff free zone at the Palo Verde Hub to include all transmission
3 lines currently interconnecting power plants to either the Palo Verde Switchyard or
4 the Hassayampa Switchyard,

5 **OR**

6 b. File with the Arizona Corporation Commission (ACC) an executed
7 transmission agreement with Harquahala Power Plant and the participants of the Palo
8 Verde to TS5 transmission line that establishes that Harquahala Power Plant can
9 schedule its full capacity over the Harquahala Junction Switchyard to Hassayampa
10 Switchyard transmission line without transmission tariff costs and that all three
11 parties will assume pro-rata obligations to share in the cost of an additional
12 transmission line between these two switchyards as needed at some future date.

13 Staff understands the rationale for the adopted condition. However, Staff would request the
14 Commission to modify the CEC condition to require that Applicant actually receive approval of its
15 request to modify the transmission tariff free zone as described. In the event FERC fails to modify
16 the transmission tariff free zone, Staff believes its alternative (b) should be made mandatory, rather
17 than simply requiring that Applicant "work with" APS.

18 E. CEC condition number 27.

19 The CEC adopted condition number 27 as follows:

20 27. The Staff maintains that control area authority and associated operational reliability
21 obligations placed by the ACC upon power plants originally interconnected at the
22 Palo Verde Hub are to be maintained with the new interconnection at the Harquahala
23 Junction Switchyard and that such power plant obligations can be transferred to the
24 transmission control area to which they are interconnected in the event that they
25 desire to discontinue as a generator-only control area operator. Applicant will not
26 object to Staff's position in any forum.

27 Staff's proposed condition is as follows:

28 Control area authority and associated operational reliability obligations placed by the

1 ACC upon power plants originally interconnected at the Palo Verde Hub are to be
2 maintained with the new interconnection at Harquahala Junction. Such power plant
3 obligations can be transferred to the transmission control area to which they are
4 interconnected in the event that they desire to discontinue as a generator only control
5 area operator.

6 On November 17, 2006, Staff acceded to the addition of the final sentence to condition
7 number 27. Staff continues to believe that its original proposed condition is appropriate, but is
8 willing to accept condition number 27 as adopted.

9 F. CEC condition number 28.

10 The CEC adopted condition number 28 as follows:

11 28. Applicant shall support an Arizona-based utility having operational control of the
12 Harquahala Junction Switchyard, the Harquahala Junction Switchyard to
13 Hassayampa Switchyard transmission line, and the Harquahala Junction Switchyard
14 termination of the Project and the Harquahala Power Plant line. Applicant shall not
15 have operational control of the above facilities.

16 Staff's proposed condition is as follows:

17 To assure that non-discriminatory open-access transmission principles are not
18 compromised, commercial barriers to Arizona transmission users do not occur on
19 lines serving as tie lines between CAISO and the forming WestConnect RTO
20 operational footprint, and that no new seams issues between the two RTOs result
21 from the construction of the Palo Verde to Devers 2 transmission line:

22 a. Arizona Public Service Company shall have operational control of the
23 Harquahala Junction Switchyard, the Harquahala Junction Switchyard to Hassayampa
24 Switchyard transmission line and the Harquahala Junction Switchyard termination of
25 the second Palo Verde to Devers transmission line and the Harquahala Power Plant
26 line.

27 b. The Applicant executes a binding written agreement with the CAISO to
28 limit its control area. The CAISO operational control and transmission tariff

1 application shall initially end at the Devers termination of the Palo Verde to Devers 2
2 transmission line and may extend eastward to any future switchyard interconnecting
3 with the line between Devers and the Colorado River. This implies a new Southern
4 California Edison transmission tariff will be required should a future switchyard
5 interconnect occur with the Palo Verde to Devers 2 line between Harquahala Junction
6 and the Colorado River. The Applicant must file the executed agreement with the
7 Commission prior to commencing operations of the line.

8 Staff opposes condition number 28 as adopted. While the condition appears to be an attempt
9 to partially address Staff's concerns, it is plainly inadequate to do so. Staff's proposed condition is
10 intended to insure that operational control of these Arizona facilities remains with an Arizona utility.
11 In addition, Staff's proposed condition is plainly intended to avoid a situation in which a significant
12 segment of Arizona transmission assets become subject to CAISO operational control and
13 transmission tariffs. Condition number 28 as adopted only addresses a small part of Staff's concern.
14 Specifically, CEC condition number 28 would generally result in an Arizona-based utility having
15 operational control of the Harquahala Junction Switchyard, the Harquahala Junction Switchyard to
16 Hassayampa Switchyard transmission Line, and the Harquahala Junction Switchyard termination of
17 the Project and the Harquahala Power Plant line. None of those requirements address the issue of
18 preserving non-discriminatory open-access transmission principles and avoiding new seams issues
19 between CAISO and the forming WestConnect RTO.

20 On November 17, 2006, Staff acceded to the use of the term "Arizona based utility" in lieu of
21 identifying APS in part "a" of Staff's proposed condition. Staff does not object to the continued use
22 of the term "Arizona based utility" if the Commission replaces condition number 28 with Staff's
23 proposed condition. Staff believes the addition of part "b" from Staff's proposed condition is
24 essential if the Commission is to approve a CEC in this matter.

25 The Commission should modify the CEC as follows: insert Staff's introductory statements as
26 shown in the text of Staff's proposed condition; include the language that is currently identified as
27 condition number 28, revising it to be subpart "a" of the revised condition number 28; and, insert
28 part "b" from Staff's proposed condition in order to complete the text of revised condition number

1 28.

2 G. CEC condition number 29.

3 The CEC adopted condition number 29 as follows:

4 29. Applicant may seek approval to change the WECC rating of Path 49 due to changes
5 in the Project after receiving a Certificate. Applicant agrees to seek an amendment
6 pursuant to A.R.S. § 40-252 prior to beginning construction of any facilities or
7 installing any equipment within Arizona necessary to allow and accomplish the
8 operation of the Project at an increased rating.

9 Staff's proposed condition is as follows:

10 Southern California Edison may seek approval to change the WECC rating of PVD2
11 or Path 49 after receiving a CEC. SCE agrees that such a change is substantial under
12 Arizona law, and agrees to seek an amendment pursuant to A.R.S. § 40-252 prior to
13 beginning construction of any facilities necessary to allow and accomplish the
14 operation of PVD2 at the increased rating.

15 Staff opposes condition number 29 as adopted. Condition number 29 is another condition
16 that only partially addresses the concerns that underlie Staff's proposed condition. Staff's concern is
17 that a change in rating of PVD2 or Path 49 would have substantial impact on the balancing of issues
18 that were considered in deciding to approve the CEC for this project. As such, Staff believes that
19 before commencing construction of facilities necessary to operate PVD2 at a higher rating, the
20 Applicant should be required to obtain approval of the Arizona Corporation Commission, by seeking
21 an amendment under A.R.S. § 40-252 to the Commission Decision approving the project. The
22 Commission should modify condition number 29 by specifically referencing PVD2 in the first
23 sentence. The Commission should also modify condition number 29 by including a finding, as
24 proposed by Staff's proposed condition, that a request to increase the rating of PVD2 is a substantial
25 change under Arizona law.

26 **III. CONCLUSION**

27 The process has been long and arduous in getting to this point. Staff appreciates the
28 difficulty of the situation that faced the Committee. Staff recognizes that the Committee has listened

1 carefully and deliberated cautiously. Additionally, during the course of this proceeding, the parties
2 were directed to "meet and confer" regarding proposed conditions. During the "meet and confer"
3 discussions, Staff expressed willingness to amend its proposed conditions in certain respects.
4 Certain of those concessions have been described in this request for review. The amended
5 conditions did not result in agreement with Applicant regarding the totality of conditions to be
6 adopted in a CEC in this matter. As a result, Staff continues to believe that the conditions originally
7 proposed by Staff constitute the appropriate set of conditions under which a CEC for this project
8 should be approved. Staff does not intend to renege on its willingness to amend proposed conditions
9 in the manner agreed to during the "meet and confer". In its written briefs in this matter, Staff will
10 further describe the concessions where appropriate. However Staff continues to believe that the
11 originally formulated conditions as described herein constitute the better results. For that reason,
12 Staff requests that the Commission review the CEC as approved by the Committee. The
13 Commission should either modify the CEC as recommended in this request for review, or,
14 alternatively, reject the CEC.

15 RESPECTFULLY SUBMITTED this 5th day of April, 2007.

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