

OPEN MEETING ITEM



0000073689

COMMISSIONERS
MIKE GLEASON - Chair
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

ORIGINAL



ARIZONA CORPORATION COMMISSION

22

DATE: JUNE 6, 2007

DOCKET NO: L-00000C-95-0084

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Jane Rodda. The recommendation has been filed in the form of an Order on:

TUCSON ELECTRIC POWER COMPANY
(EXTENSION OF TIME FOR DECISION NO. 59221)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

JUNE 7, 2007

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JUNE 26, 2007, AND JUNE 27, 2007

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.

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BRIAN C. McNEIL
EXECUTIVE DIRECTOR

Arizona Corporation Commission
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON - Chairman
4 WILLIAM A. MUNDELL
5 JEFF HATCH-MILLER
6 KRISTIN K. MAYES
7 GARY PIERCE

8 IN THE MATTER OF TUCSON ELECTRIC
9 POWER COMPANY'S REQUEST FOR AN
10 EXTENSION OF TIME ON THE CERTIFICATE
11 OF ENVIRONMENTAL COMPATIBILITY FOR A
12 PORTION OF PHASE II TO THE CYPRUS
13 SIERRITA SUBSTATION.

DOCKET NO. L-00000C-95-0084

DECISION NO. _____

ORDER

11 Open Meeting
12 June 26 and 27, 2007
13 Phoenix, Arizona

14 **BY THE COMMISSION:**

15 Having considered the entire record herein and being fully advised in the premises, the
16 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

17 * * * * *

18 FINDINGS OF FACT

19 1. On August 8, 1995, the Commission issued Decision No. 59221 in Docket No. L-
20 00000C-95-0084 ("Case No. 84"). Decision No. 59221 granted Tucson Electric Power Company
21 ("TEP") a Certificate of Environmental Compatibility ("CEC") authorizing construction of a 138 kV
22 transmission line from South Substation to Cyprus Sierrita Substation with an interim interconnection
23 at Green Valley Substation. The Green Valley Substation to Cyprus Sierrita Substation segment of
24 the project was referred to as "Phase Two" in the CEC.

25 2. The third condition of the CEC provides:

26 (3) that the Applicant: (a) commence construction of Phase Two of said
27 transmission line, being that portion between the Green Valley and Cyprus
28 Sierrita Substations, no later than ten (10) years from the date of granting
of this Certificate by the Committee, and (b) complete construction of said
Phase Two within one year of the date of the commencement of

1 construction. The Applicant shall have the right to apply to the
2 Corporation Commission for an extension of these time limitations to be
3 exercised at any time at the Applicant's option.

4 3. The Commission approved the CEC on June 27, 1995. Therefore, TEP was to
5 commence construction on the Phase Two facilities by June 27, 2005, and such construction was to
6 be completed by June 27, 2006.

7 4. On December 21, 2005, TEP filed a request for a time extension to construct the
8 portion of the transaction facilities between the Canoa Ranch and Cyprus Sierrita Substations
9 approved by the CEC. TEP offered two reasons for requesting a time extension: (1) it was in
10 condemnation proceedings with Marley Cattle Company for an easement needed to complete
11 construction; and (2) the actual load growth in the vicinity of the Green Valley Substation was lower
12 than anticipated a decade earlier and there is not a current need for the Phase Two Project facilities.
13 TEP indicated that a time extension would facilitate consideration of alternative system solutions
14 more suited to the currently prevailing conditions.

15 5. On June 26, 2006, Staff filed a memorandum which requested the Commission issue a
16 Decision or Procedural Order that grants a temporary time extension until December 31, 2006.

17 6. On June 27, 2006, in Decision No. 68799, the Commission extended the expiration
18 date of TEP's CEC to December 31, 2006. The time extension was for the purpose of allowing
19 sufficient time for the conclusion of TEP's condemnation proceedings with Marley Cattle Company
20 and allowing TEP sufficient time to perform due diligence regarding possible alternative system
21 improvements. It also allowed Staff sufficient time to ascertain the level of CEC compliance already
22 achieved by TEP and to file a responsive Staff Report. Decision No. 68799 ordered TEP to file a
23 report that would address the status of the condemnation proceeding, forecast when the additional
24 Phase Two alternative facilities are needed, and present any and all system improvements considered
25 as an alternative to the portion of the certificated Phase Two Project not yet constructed. The
26 Decision also ordered Staff to file a Staff Report regarding TEP's request.

27 7. On August 31, 2006, TEP filed the Report as required by Decision No. 68799.
28

1 8. On October 13, 2006, Staff issued its Staff Report considering the merits of TEP's
2 request for extension of the CEC expiration date to June 27, 2013. Staff concluded that TEP has been
3 compliant with its CEC conditions for the transmission facilities currently constructed and is
4 compliant with Decision No. 68799. However, Staff states that TEP is at risk of not being in
5 compliance with its CEC conditions for portions of the Phase Two line not yet constructed. Staff
6 recommended extending the expiration of the CEC to June 27, 2013, and offered revisions to the
7 original CEC conditions.

8 9. By Procedural Order dated February 6, 2007, the Commission ordered TEP to file
9 comments to the Staff Report by February 28, 2007.

10 10. On February 28, 2007, TEP filed its Comments on the Staff Report. TEP proposed
11 modifications to some of Staff's recommended conditions.

12 11. On April 6, 2007, Staff filed a Staff Report analyzing the merits of TEP's proposed
13 modifications of the conditions.

14 12. TEP began construction on 4.7 miles of the Phase Two transmission line between
15 Green Valley Substation and the existing Cyprus Raw Water Substation on June 27, 2005, and that
16 portion of Phase Two is now complete. The remaining portion of the Phase Two line (8.5 miles) is
17 the portion that had been slowed by easement condemnation proceedings. In its August 31, 2006
18 filing, TEP reported that it had reached settlement with the Marley Cattle Company over the
19 easement. In addition, TEP reported that it plans to begin using the newly constructed portion of the
20 Phase Two 138 kV line between Green Valley and Cyprus Raw Water Substation to serve a new
21 Canoa Ranch Substation in 2009, and plans to commence construction of the remainder of the Phase
22 Two 138 kV line between Canoa Ranch and Cyprus Sierrita Substation in 2012, with project
23 completion in 2013.

24 13. TEP reports that Cyprus Sierrita Substation will continue to be served via a radial 138
25 kV line from South Substation until Phase Two construction is completed. Similarly, Green Valley
26 and Canoa Ranch Substations will continue to be served via a second radial 138 kV line from South
27 Substation until the Phase Two construction is completed. Two radial 46 kV lines connected at South
28 Substation provide system restoration capability at Green Valley, Cyprus Raw Water, Cyprus

1 Esparanza, and Canoa Substations. TEP stated that its 46 kV system provides a means of restoring
2 service to customers for the loss of either radial 138 kV line.

3 14. After reviewing TEP's August 2006 Report, Staff states it would appear there has
4 been a shift in the presumption of need for the new 138 kV line from South Substation to Cyprus
5 Sierrita Substation through an expanded 138 kV Green Valley Substation. Staff notes that as
6 originally certificated the new transmission line served two purposes: 1) it provided 138 kV
7 transmission service to a growing Green Valley area; and 2) it increased service reliability by
8 providing looped 138 kV transmission service for both the Green Valley Substation and the Cyprus
9 Sierrita Substation. Staff states that looped transmission service pre-empts the need to rely on time
10 consuming restoration of service via the 46 kV or 138 kV systems following a transmission line
11 outage. October 13, 2006, Staff Report at 3.

12 15. Staff further states that the first purpose of the certificated transmission project was
13 achieved by the initial construction of the 138 kV line from South Substation to Green Valley
14 Substation. Staff states that that purpose will be bolstered when Canoa Ranch Substation is placed in
15 service in 2009. Canoa Ranch Substation will make use of that portion of the Phase Two line that
16 was completed in 2006. Id.

17 16. Staff states that achievement of the second purpose of the project can only be
18 accomplished by completion of Phase Two construction. Staff believes that because TEP proposed to
19 defer construction of the portion of the Phase Two line between Canoa Ranch Substation and Cyprus
20 Sierrita Substation until 2013, it implies that TEP now believes restoration of service via its 46 kV
21 and 138 kV systems for a 138 kV transmission line outage is an acceptable and desirable alternative
22 to looped 138 kV transmission service. Staff believes that such shift in presumption of need for
23 looped 138 kV service is not well founded.

24 17. In its October 13, 2006 Staff Report, Staff opined that the Commission should not
25 endorse a practice that would defer construction of transmission facilities beyond a time when it
26 would not have the ability to serve all of its customers following a single transmission line outage. A
27 TEP affiliate UNS Electric ("UNSE") provides service to Santa Cruz County by means of a radial
28 115 k V transmission line. As explored in Docket No. E-01032A-99-0401, restoration of service to

1 UNSE's Santa Cruz County customers after loss of the 115 kV radial transmission line to Nogales is
 2 dependent upon emergency service via a 46 kV tie line interconnected at TEP's Canoa Substation.
 3 Therefore, Staff notes, TEP's 46 kV system out of South Substation provides emergency backup
 4 service to both its Green Valley area and UNSE's Santa Cruz County service area. October 13, 2006
 5 Staff Report at 4. Staff states there is no evidence that TEP's 46 kV system out of South Substation
 6 is sufficiently robust to concurrently serve as an emergency backup to loss of TEP's 138 kV line and
 7 the UNSE 115 kV line.

8 18. In its October 13, 2006, Staff Report, Staff concluded that a reasonable presumption
 9 of need continues to exist for the certificated Phase Two 138 kV transmission line, and disagreed
 10 with "TEP's shift in presumption of need for looped 138 kV service in its Green Valley area in favor
 11 of perpetuating emergency restoration of service via its 46 kV system." October 13, 2006 Staff
 12 Report at 4. Staff recommended that to assure adequate quality of service is timely achieved and
 13 maintained for all consumers in the area, the Commission grant the requested extension until June 27,
 14 2013, with modifications and new conditions to the CEC. Staff recommended that the Commission
 15 modify the CEC by replacing the language of existing Condition 3 as follows:

- 16
- 17 3. That the Applicant: a) must complete construction of Phase Two of
 18 said transmission line, being that portion between Green Valley and
 19 Cyprus Sierrita Substations, no later than June 27, 2013, and b)
 20 complete construction of that portion of the Phase Two line between
 21 Canoa Ranch Substation and Cyprus Sierrita Substation within one
 year of commencing of construction. The Applicant shall have the
 right to apply to the Corporation Commission for an extension of
 these time limitations, to be exercised at any time at the Applicant's
 option.

22 Further, in extending the expiration date of the existing CEC approved in Decision No. 59221, Staff
 23 recommended the Commission should add the following four new conditions:

- 24 4. The Applicant shall annually submit by April 30, commencing in 2007,
 25 a summer preparedness report to Docket Control that documents the
 26 ability of TEP's Green Valley area 46 kV system to timely restore
 27 service to: a) all customers served from Green Valley Substation and
 28 Canoa Ranch Substation following outage of the 138 kV South to Green
 Valley line outage, b) 20 megawatts of UNES customers via the 46 kV
 tie from Canoa Substation to Canez Substation for an outage of the
 UNES 115 kV line to Nogales, and c) all TEP customers and 20 MW of
 UNES customers for the concurrent outage of the South to Green Valley

1 138 kV line and the UNES 115 kV line to Nogales.

2 5. Condition 4(a) shall remain in effect until the 138 kV line is operational
3 between Canoa Ranch Substation and Cyprus Sierrita Substation.

4 6. Condition 4(b) shall remain in effect until a second UNES transmission
5 line is operational in Santa Cruz County.

6 7. TEP must complete construction of the Canoa Ranch to Cyprus Sierrita
7 portion of the Phase Two 138 kV line prior to the date that the summer
8 preparedness report required in Condition 4 would indicate TEP's 46 kV
9 system is no longer capable of assuring full restoration of service
10 following a transmission outage.

11 19. Staff believed its recommended conditions would assure the original purpose of the
12 CEC authorized transmission facilities would be achieved in a timely manner. Staff stated the new
13 conditions are proposed to assure that emergency restoration of service is maintained concurrently for
14 all TEP Green Valley area customers and all UNSE Santa Cruz County customers.

15 20. In its February 28, 2007 Comments, TEP states that Staff has appeared to
16 misunderstand TEP's filing relative to the issue of backup of the Green Valley area by TEP's 46 kV
17 system. TEP states that its 46 kV system operates in parallel with its 138 kV system in the Green
18 Valley area, and that except at the point of peak load, a loss of the 138 KV line from South to Green
19 Valley will not result in the interruption of Green Valley load. TEP states the load will automatically
20 transfer from the 138 kV system to the 46 kV system, and that this "in no way indicates reliance by
21 TEP of restoration of load after a single contingency as a matter of course." TEP February 28, 2007
22 Comments at 3.

23 21. Attached hereto as Exhibit A is a system diagram of the Green Valley area 138 kV and
24 46 kV transmission system reported by TEP. TEP states that Cyprus Sierrita Substation will continue
25 to be served via a radial 138 kV line from South Substation until Phase Two construction is
26 completed. TEP states the Cyprus Sierrita load is a mining load that is served under a special
27 contract with the mine, and the customer understands the implications of being served by a radial
28 line. TEP states that Green Valley and Canoa Ranch Substations will also continue to be served via a
second radial 138 kV line from South Substation until Phase Two construction is completed. TEP
asserts its 46 kV system provides a means of providing backup service to Green Valley customers for
the loss of the radial 138 kV line from South Substation to Green Valley Substation. Two radial 46

1 kV lines connected at South Substation provide this system backup capability at Green Valley,
2 Cyprus Raw Water, Cyprus Esparanza and Canoa Substations.

3 22. TEP states it has not shifted its presumption of need. It notes that growth in the Green
4 Valley area is slower than had been anticipated, and thus, the original need for the line to provide 138
5 kV transmission service to a growing Green Valley area has been slower to materialize. TEP states
6 the increased service reliability by providing looped 138 kV transmission service for both the Green
7 Valley Substation and the Cyprus Sierrita Substation has not reached a critical concern because the
8 load in Green Valley can be served alternatively by the 46 kV system for all but a small number of
9 hours. TEP asserts that the Staff's misperception that TEP was relying on restoring service has led
10 Staff to require some extreme, but unnecessary, conditions in their recommendation.

11 23. TEP believes that with the slower load growth in the Green Valley area, TEP's 46 kV
12 system can provide the Phase Two goal of reliability by providing backup to the 138 kV system.
13 Although TEP acknowledges that it proposed to defer construction of the portion of the Phase Two
14 line between Conoa Ranch Substation and Cyprus Sierrita Substation until 2013, TEP states it does
15 not believe that restoration of service via its 46 kV and 138 kV systems for a 138 kV transmission
16 line outage is a long-term acceptable and desirable alternative to looped 138 kV transmission service.
17 In the short-term, however, TEP asserts this alternative allows TEP to provide reliable service at the
18 lowest possible costs. TEP states that looping the 138 kV system while the 46 kV system is still able
19 to provide adequate backup to its customers will advance costs to TEP's customers before required
20 by the level of load.

21 24. TEP proposes changes to Staff's recommended conditions as follows:

- 22
- 23 3. That the Applicant: a) must complete construction of
24 Phase Two of said transmission line, being that portion
25 between Green Valley and Cyprus Sierrita Substations, no
26 later than June 27, 2013, and b) complete construction of
27 that portion of the Phase Two line between Conoa Ranch
28 Substation and Cyprus Sierrita Substation within one year
of commencing of construction. The applicant shall have
the right to apply to the Corporation Commission for an
extension of these time limitations, to be exercised at any
time at the Applicant's option.

1 4 The Applicant shall annually submit by April 30,
2 commencing in 2007, a summer preparedness report to
3 Docket Control that documents the ability of TEP's Green
4 Valley area 46 kV system to timely restore service to: a) all
5 customers served from Green Valley Substation and Canoa
6 Ranch Substation following outage of the 138 kV South to
7 Green Valley line outage, b) ~~20 megawatts~~ of UNSES
8 customers via the 46 kV tie from Canoa Substation to
9 Canez Substation for an outage of the UNSES 115 kV line
10 to Nogales, and c) all TEP customers and ~~20-MW~~
11 applicable load of UNSES customers for the concurrent
12 outage of the South to Green Valley 138 kV line and the
13 UNSES 115 kV line to Nogales.

14 5 Condition 4(a) shall remain in effect until the 138 kV line
15 is operational between Canoa Ranch Substation and Cyprus
16 Sierrita Substation.

17 6 Condition 4(b) shall remain in effect until a second UNSES
18 transmission line is operational in Santa Cruz County.

19 7 TEP must complete construction of the Canoa Ranch to
20 Cyprus Sierrita portion of the Phase Two 138 kV line prior
21 to the date that the summer preparedness report required in
22 Condition 4 would indicate TEP's 46 kV system is no
23 longer capable of assuring full restoration of service
24 following a transmission outage.

25 TEP states that it understands and concurs with the intent of Staff's proposed conditions, but has
26 suggested the working changes above to eliminate the prescriptive MW value and allow TEP to
27 indicate how the Green Valley and Santa Cruz loads will be served under the indicated conditions as
28 part of TEP's preparedness filing. TEP believes that its suggested language is better aligned with the
intended outcome – i.e. accurate annual reporting by TEP on how it intends to meet the load
requirements of Green Valley in conjunction with supporting UNS Electric's Santa Cruz load as
needed.

29 25. In its April 6, 2007 Staff Report, Staff considers the merits of TEP's proposed
30 conditions. Staff recommends extending the CEC expiration date to June 27, 2013, with TEP's
31 substantively modified Condition No. 4, other minor modifications and one additional new Staff-
32 proposed condition to provide a performance metric for monitoring electric service reliability in the
33 affected area. Staff states its newly proposed condition applying performance metrics will also

1 4. The conditions set forth in Exhibit B are reasonably necessary to achieve the original
2 purpose of the CEC certificated transmission facilities given TEP's system service capability
3 prevailing today and projected to exist in the foreseeable future.

4 5. Amending Decision No. 59221 set forth in Exhibit B is in the public interest.

5 **ORDER**

6 IT IS THEREFORE ORDERED that Decision No. 59221, approving a Certificate of
7 Environmental Compatibility for Tucson Electric Power Company to construct a 138 kV
8 transmission line form South Substation to Cyprus Sierrita Substation is hereby amended to
9 incorporate the conditions set forth in Exhibit B.

10 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

11 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

12
13
14 CHAIRMAN

COMMISSIONER

15
16 COMMISSIONER

COMMISSIONER

COMMISSIONER

17
18 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
19 Director of the Arizona Corporation Commission, have
20 hereunto set my hand and caused the official seal of the
21 Commission to be affixed at the Capitol, in the City of Phoenix,
22 this ____ day of _____, 2007.

23
24 _____
25 BRIAN C. McNEIL
26 EXECUTIVE DIRECTOR

27
28
29 DISSENT _____

DISSENT _____

1 SERVICE LIST FOR: TUCSON ELECTRIC POWER COMPANY

2 DOCKET NO.: L-00000C-95-0084

3

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Tucson Electric Power Company
Docket No. L-00000C-95-0084
STAFF Exhibit A

Tucson Electric Power Company
Docket No. L-00000C-95-0084
STAFF Exhibit A

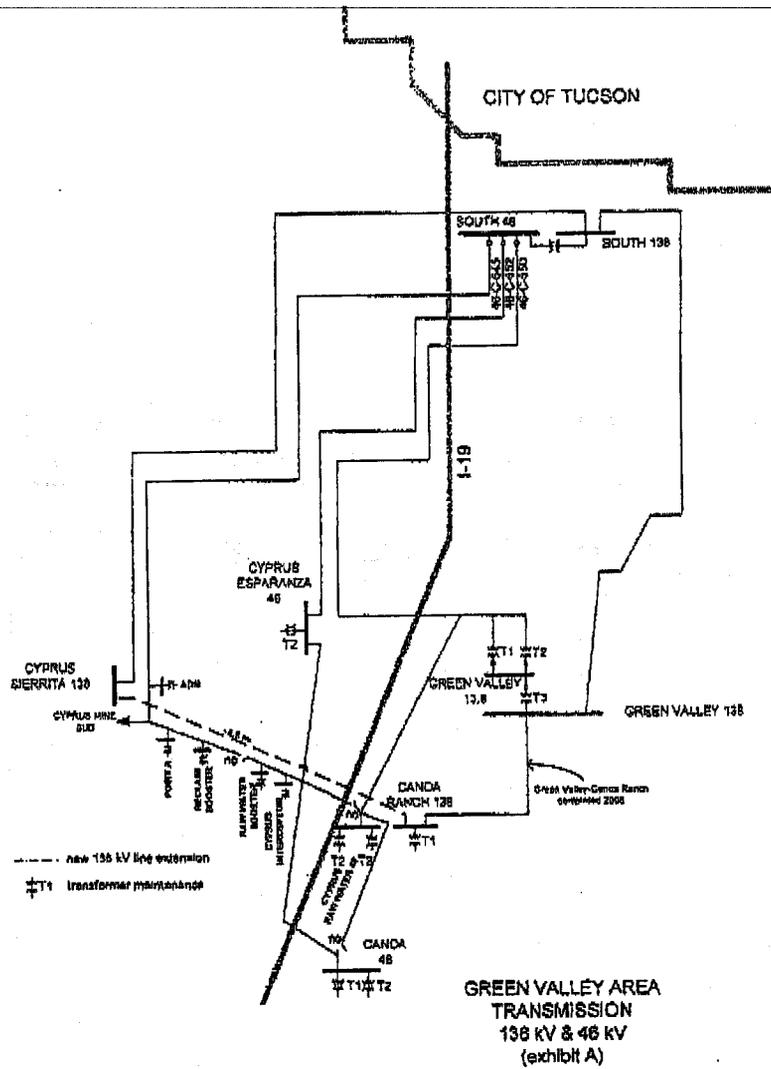


EXHIBIT A

EXHIBIT A

DECISION NO. _____

TUCSON ELECTRIC POWER COMPANY
PROPOSED NEW AND AMENDED CEC CONDITIONS
DOCKET NO. L-00000C-95-0084
April 4, 2007

Staff recommends Commission adoption of the following language concerning amended and new conditions for TEP's South Substation to Cyprus Sierrita Substation 138 kV Transmission CEC:

Replace the language of Condition 3 as follows:

3. That the Applicant: a) must complete construction of Phase Two of said transmission line, being that portion between Green Valley and Cyprus Sierrita Substations, no later than June 27, 2013, and b) start construction of that portion of the Phase Two line between Canoa Ranch Substation and Cyprus Sierrita Substation no later than November 1, 2012 to ensure a June 27, 2013 completion. The Applicant shall have the right to apply to the Commission for an extension of these time limitations, to be exercised at any time at the Applicant's option.

In extending the expiration date of the existing CEC approved in Decision No. 59221 the Commission add the following six new conditions:

4. The Applicant shall annually submit by April 30, commencing in April 2007 (or within 30 days of a Commission decision), a summer preparedness report to Docket Control that documents the ability of TEP's Green Valley area 46 kV system to timely restore service to: a) all customers served from Green Valley Substation and Canoa Ranch Substation following outage of the 138 kV South to Green Valley line outage, b) applicable load of UNSE customers via the 46 kV tie from Canoa Substation to Cañez Substation for an outage of the UNSE 115 kV line to Nogales, and c) all TEP customers and applicable load of UNSE customers for the concurrent outage of the South to Green Valley 138 kV line and the UNSE 115 kV line to Nogales.
5. Condition 4(a) shall remain in effect until the 138 kV line is operational between Canoa Ranch Substation and Cyprus Sierrita Substation.
6. Condition 4(b) shall remain in effect until a second UNSE transmission line is operational in Santa Cruz County.
7. Combined performance metrics (SAIFI, SAIDI and CAIDI) will be developed for the Green Valley area of Pima County and the Kantor supplied area of Santa Cruz County. For the 2007 reporting period, a four year average benchmark of the metrics will be compiled and compared to IEEE benchmark data for corresponding quartile determination. For each subsequent year, a comparison of the prior year's metric results will be made to the Four Year (2003-2006) metric and a decline in the three metrics by one or more quartiles will require additional

EXHIBIT B

DECISION NO. _____

TUCSON ELECTRIC POWER COMPANY
PROPOSED NEW AND AMENDED CEC CONDITIONS
DOCKET NO. L-00000C-95-0084
April 4, 2007

analysis and reporting (per Condition 4) as discussed in Staff's April 6, 2007 report.

8. TEP must complete construction of the Canoa Ranch to Cyprus Sierrita portion of the Phase Two 138 kV line prior to the date that the summer preparedness report required in Condition 4 would indicate TEP's 46 kV system is no longer capable of assuring full restoration of service following a transmission outage.
9. The Commission considers the Certificate to be a package of inter-related requirements and conditions that must all remain in force to merit Commission approval.

EXHIBIT B

DECISION NO. _____