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# Memorandum

Arizona Corporation Commission

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SEP 16 2008

To: Prem Bahl

From: Ken Bagley

Date: September 15, 2008

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Re: BTA Cochise County Recommendation, **Docket No. E-00000D-07-0376**

Recommendation (d), in the 2<sup>nd</sup> draft of the 5<sup>th</sup> BTA, places on APS, SSVEC and TEP the responsibility of establishing a plan to ensure "continuity of service" for Cochise County loads. This recommendation is repeated on pages 5 and 74 of the second draft. The basis for placing this "continuity of service" obligation on the Cochise County UDCs is expressed on page 27 of the second draft where it states:

"Utility Distribution Companies have the obligation to assure that adequate transmission import capability is available to meet the load requirements of all distribution customers within their service areas."

Arizona Administrative Code R14-2-1609.B, titled "Transmission and Distribution Access," is referenced as the basis for this obligation. However, when interpreting the obligations imposed by Section 1609 it is important to remember the intent of this section. Section 1609 B was written as a component of the State's retail access efforts. Its intent was to ensure that a UDC did not restrict the ability of an ESP to serve retail customers by limiting access to transmission import capacity. It was not intended to place on UDCs the obligation to construct transmission.

With regards to Recommendation (d) in the BTA, the obligation imposed has very different implications on the three entities given the responsibility of ensuring "continuity of service" in Cochise County. Both APS and TEP are vertically integrated utilities which include operating transmission facilities (lines with voltages greater than 100 kV). SSVEC, on the other hand, is purely a distribution cooperative with only 69 kV and below facilities. They are solely dependent upon SWTC for all transmission service. Since SSVEC cannot force SWTC to do anything, is it the Staff's recommendation that SSVEC be obligated to construct its own transmission facilities in order to comply with Recommendation (d)? If not, then may I suggest a modification to Recommendation (d) as follows:

APS, SSVEC, and TEP are to perform collaborative studies and file a report of those studies for the next BTA that establishes a long range system plan for Cochise County that is

founded on the principle of continuity of service following a transmission line outage. As the sole transmission service provider for SSVEC, SWTC shall participate in this study effort. Relevant elements of that plan are to be incorporated in APS', SWTC's, and TEP's respective ten-year plans, which will include a defined in-service date for all required facilities, and filed with the Commission in January 2010.

Again, since SSVEC has no transmission facilities (>100 kV) it does not file a ten-year plan with the Commission. As the sole transmission service provider SWTC files the ten-year plan for any transmission system expansion required to serve SSVEC distribution loads. It is therefore essential that SWTC be incorporated into Recommendation (d) and be given the obligation to file the associated ten-year plan, which fulfills this obligation, with the Commission.

Ec: David Bryan (SSVEC)