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20 August 2009

Comments for the Record

Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007
Attn: Docket Control (13 copies)

Arizona Corporation Commission
DOCKETED
AUG 24 2009
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Re: SVECC Rate Case, ACC Docket No. E-01575A-08-0328

1. This letter provides a copy of my Public Comments of 17 August 2009 (Enclosure 1) and responses to several comments made by parties after closure of the Public Comment period.

2. Responses to comments made by parties after closure of the Public Comment period.

a. Notebook. The utility stated it had provided a "notebook" to the Commissioners and ACC Staff in response to information provide by the coalition of customers concerning renewable energy projects to serve customers in Sonoita, Patagonia, and Elgin. This document is not found in the ACC "e-Docket" nor is an Exhibit in this case. It is not in the public record for this case. Information contained in these documents should be important for use in the FEASIBILITY STUDY.
Recommendations. The utility should make this document available to the key persons in the coalition and furnish at least five complete copies to Mrs. Getzwiller.

b. Existing 25 kV Right of way. The ACC Staff considered information, apparently in the "notebook" that the company had said there was a mandate that prohibited upgrading the existing 23-mile line from Mustang Corner to Sonoita and that this was not a right of way. No such "mandate" has been made public knowledge. Further, since this distribution line has been used more than ten years across land owned by others without complaint, this becomes a "permissive" right of way with certain attributes, even through the present landowners are not being paid for its use. Further, due to use prior to the mid-1970s, additional "grandfather" rights also exist for this line, being a prescriptive easement.
Recommendations. As a part of the Feasibility Study, that the existing 25 kV line "right of way" issue be examined in detail, for each type of land involved, including determination of ways that a expanding the easement or right of way can be established and the process to accomplish this for upgrades including double-circuit 25 kV or as a 69 kV line.

c. Docket Number. My oral Public Comments suggested that a new docket control number be established for the FEASIBILITY STUDY.
Recommendation. The ACC establish a unique docket control number to collocate all information and documentation pertaining to the FEASIBILITY STUDY, including the "notebook" in "a" above.

d. Outages Per Customer. The utility presented information that was very confusing as to the

actual outage situation in the V-7 feeder service area. Based on data from the company, during the 12-month period January 2008 through January 2009 (Nov. 2008 missing), outage data were provided and summarized in Enclosure 2. This shows there were a total of 179.98 hours of outage that impacted 3,057 customers for an average of 0.06 hours (3.6 minutes) per customer. The utility used an average outage of 45 minutes per day per customer. The relationship between these two extremes has not been explained. Distribution reliability data for Feeder V-7 in the IEEE Standard format used by the ACC have not been made available.
Recommendations. The FEASIBILITY STUDY resolves the difference and determines and validates reliability data and statistical results.

e. Capacity on V-7 Feeder. The utility indicated that it exceeded the 7 MW capacity of the V-7 feeder several times during the 2008-2009 winter. Data, as shown in Enclosure 3 show otherwise.
Recommendations The FEASIBILITY STUDY resolves the differences.

f. Generation Sets – The utility proposed, during rebuttal, a 2 MW diesel generator for $1 M, with a 70,000-gallon diesel tank, because natural gas is not available. The El Paso Natural Gas line runs from I-10 south, parallel to SR-83, to within a mile of the Sonoita Crossroads, then south parallel to SR-21 via Patagonia to Nogales. UNS Gas has the CC&N to provide natural gas for all of Santa Cruz County, thus the utility should contact UNS Gas for natural gas service.
Recommendation. Later on 17 August, during the ACC Public Comment session in Nogales for the ongoing UNS Gas rate case, I recommended that UNS Gas contact SSVEC to inform them of the need for natural gas service in Santa Cruz County. A senior UniSource Energy VP was in attendance when this comment was made. The FEASIBILITY STUDY must include power storage or "peaking" generation dispatching capabilities to handle all anticipated loads.

g. Mustang Corners Customers – There are several hundred residences very close to the SSVEC Mustang Corner 69:25 kV substation, within a mile or so, connected to the V-7 feeder. Removing them from the V-7 feeder would significantly reduce demand on the V-7 feeder at minimal expense compared to the cost of a proposed 69 kV line.
Recommendation: The utility should develop a plan in the FEASIBILITY STUDY (or prior) to rapidly remove the many Cochise County customers from the V-7 feeder line that services customers mostly in Santa Cruz County.

h. Growth – it is doubtful that any moderate to large (50 or more) projects can be supported due to meeting water resource requirements necessary for approval in Santa Cruz County. Based on overwhelming rejection in last general election of two large developments, when over 72% of the voters and every precinct in the county voted to not change the land use requirements. In the past 12 months less than a dozen new homes have been constructed, no industrial activities are being developed, and ongoing renewable energy and energy efficiency programs are all reducing total demand, not only in Santa Cruz County but nationally for the past two consecutive years. Growth is not a significant factor at this time, nor will there be significant growth in this area, as the water resources cannot support any significant additional demands. The company cited it had three potential developers who wanted commitments for electricity. Of course, SSVEC has to provide electricity, but in today's economic environment, and the low growth policies in the Northeast Character

Area, it is extremely doubtful that any moderate or larger projects will meet county approval.
Recommendations. The issue concerning growth should be considered in the FEASIBLILITY STUDY but such growth will not impact a 12-month delay (see my Public Comments in Enclosure 1 for a suggested mitigation solution).

i. Meetings with the Public. There has been only one real working session held between the Company and Renewable Energy Committee of the Crossroads Forum held on 13 June 2009. Excellent discussion occurred, post-meeting detailed minutes provided to all attendees; PowerPoint Notes were used and updated for all attendees based on discussions at the meeting. It was recommended we meet again in two or so weeks. Some action items were established (but no responses were received afterward from SSVEC or TEP). There was no feedback from SSVEC this first meeting sent to the attendees (maybe the "notebook" discussed in 2.a above was developed from this meeting and not used for further dialog but specifically to discredit information presented).

Further, when I made the first presentation of the proposed Renewable Energy Plans to the SSVEC BOD, I was given 5 minutes to cover over 20 slides. Actually I used 12 or so minutes. No real feedback was provided other than the CEO who interrupted and said to me that your capacity data are lies (see Enclosure 3) and my response was simply that this is your company's data, not mine. No questions.
Recommendations. There should be regularly scheduled discussions, meetings with agenda and minutes to record action items and above accomplishments. The proposed RFP for the FEASIBLITY STUDY and forum in both Mayes and Newman amendments should setup such a process. As stated in the RFP, we want a collaborative, internet-oriented process so all can work to achieve the goals for this study.

j. Cost of FEASIBILITY STUDY. The company that drafted the RFP provided to SSVEC for the FEASIBILITY STUDY estimated it to cost between $50,000 and $75,000. It appears that SSVEC has "gold-plated" this study to cost some $250,000.
Recommendations. The Arizona Corporation Commission needs to have a third party or staff issues this RFP to qualified organizations so that bids can be received and compared without bias. Without such data, especially since on organization appears to be able to accomplish the FEASIBILITY STUDY for much less, exaggeration does not appear beneficial.

k. Pre-Purchased equipment – The Company did not to know what it had purchased for the proposed 69-kV line. The 69:25 kV transformer is a standard throughout SSVEC service area, along with poles, thus can be used as spares or for other ongoing projects.
Recommendations. Since this is SSVEC-standard equipment, then holding as emergency spares or installation on other 69 kV projects will amount to no loss for the company. This should not be an issue as when used and useful, it will then be added to the rate base and charged to the customers.

l. Moratorium on Building – Due to decreased electricity demand (see 2.h above), and the fact that there is no building, making such premature statements is nothing more than "fear mongering.
Recommendations. Until the company can show it cannot provide services (especially after changing the feeder services for those in Cochise County on the V-7 feeder), making such premature statements do not help resolve any issues in this case. The FEASIBLITY

STUDY results obviously will avoid any need for a building moratorium.

m. Independent Contractor-Led FEASIBILITY STUDY. As was obvious from the public comments, there is very low credibility to the veracity of most comments made by SSVEC on the 69 kV line issue, thus there is strong support that a third-party contractor be selected and determined to be independent and competent by the Commission. This will help all have confidence in the results of this study. If SSVEC picks its "favorite" contractor, the public will have NO confidence in its results. A valid, competent and creative contractor should be able to coordinate all views, establish an atmosphere to collaborate various views using validated information and data, so each step of the way, each option or alternative is properly reviewed and assessed for application in this area, then there will be no problem with all customers accepting the resultant FEASIBILITY STUDY report.

Respectfully submitted,

Marshall Magruder

Enclosures:
1 – Marshall Magruder, Public Comments at the ACC Open Meeting on 17 August 2009
2 – "2009 V-7 and Other Feeders (Connectivity) Outage Data," Notes page 10 of SSVEC Discussions 13 July 2009 (corrected)
3 – "Demand and Capacity in Past 12 months", Notes page 12 of SSVEC Discussions 13 July 2009 (corrected)

Enclosure 1

Marshall Magruder
PO Box 1267
Tubac, Arizona 85646

17 August 2009

Public Comments

Re: SSVEC Rate Case, ACC Docket No. E-01575A-08-0328

1. Since last fall, I have been working with a group of concerned citizens in the Mountain Empire of communities of Sonoita, Elgin and Patagonia who want to improve electric reliability though use of today's technologies instead of those decided by SSVEC over a quarter century ago. And as an Energy Commissioner for Santa Cruz County, considered this my obligation.

2. The company proposed a radial 69-kV subtransmission line because these communities are near the 7 MWs capacity of its present 25 kV distribution line and to provide a distribution substation with four reliability loops for at least $13.5 million. The 25 kV line will be a loop.

3. Initially, several powerline alternatives were considered, including backup support from TEP on its 46 kV line and an option to tie UNS Electric and SSVEC distribution lines south of Patagonia. Both remain as valid options but more importantly provide two second sources instead of only one at present or as proposed.

4. The most inexpensive and obvious solution is to double-circuit the existing 25 kV line to provide 14 MW for these communities.

5. In the January-February timeframe, it became obvious that renewable energy options would greatly enhance local reliability on the V-7 feeder line when reasonably inexpensive generators could handle "sunless" or "windless" excursions. Interconnections to a nearly adjacent EPNG natural gas line in UNS Gas service area could service if demand exceeds 7 MW.

6. The community has fully supported becoming independent with clean distributed generation to reduce its dependence on coal-power electricity generated from Wilcox.

7. There are many residential and business owners who have or plan to apply for solar PV and heating systems, at least 1 MW, that will reduce demand. Further, several small solar arrays or biogas 1 to 3 MW generation units are under active discussions. This will significantly reduce load on the existing 25 kV line.

8. The ACC REST, netmetering and DSM programs being implemented by this utility improve reliability and distributed generation. Stimulus funding options was not discussed until about six months ago and can provide funding not available last year.

9. What does this mean? MANY <u>new options</u> are now on the table, with more expected in the near term, and from our view, <u>all appear less expensive than the utility's 1982 proposal</u>.

10. In May-June we suggested that a FEASIBILITY STUDY be conducted to collaboratively work with these communities to determine their best solution. In July we discussed this with the utility to see if they agreed to conduct such a study. If they had, I wouldn't be here today.

11. Thus, we are here today requesting that an INDEPENDENT organization, acceptable to the ACC Staff, be funded by the utility to conduct a FEASIBILITY STUDY we outlined.

12. This FEASIBILITY STUDY must look at all aspects of the issue, from technical and environmental views, including public relations and financial, and summarized so management can make a decision. Our outline has all these elements and includes biweekly reviews with the public to baseline results as the study progresses with written monthly status reports to SSVEC Board of Directors and to the ACC Staff.

13. I have read Commissioner Newman's Proposed Amendment No. 1. It establishes a requirement for SSVEC to conduct such a FEASIBILITY STUDY by an independent third party. This amendment requires the study filed with the ACC in a (new) docket, and monthly progress status reviews and reports are also filed for additional public review and comment.

14. The community's proposal for frequent public reviews should be in a forum atmosphere, as proposed in Commissioner Mayes Amendment No. 1. These public progress status review forums should be coordinated by the third party during the FEASIBILITY STUDY as community participation will lead to better understandings between the utility and the public and create the basis necessary to implement a renewable distributed energy "model" for these and other rural communities "at the end of the line."

15. From my role as consultant to the Mountain Empire communities, the Commission should approve both Commissioners Mayes No. 1 and Newman No. 1 AMENDMENTS as they are based on what these communities believe are the best approach towards resolution of these issues and are in the public interest.

16. Commissioner Newman's Amendment orders that the 69 kV line construction not be commenced until the FEASIBILITY STUDY has been reviewed. SSVEC is concerned it will not have adequate power for these communities this winter. Because electricity consumption has decreased for past two years for most Arizona utilities, less than a dozen homes were built in the past 12 months, local renewable energy systems are being installed today, public participation in energy efficiency programs is reducing demand, and since 7 MW was not exceeded last winter, there should be a very low risk of exceeding the 7 MW capacity on the existing 25 kV line. Further, and if such a risk is deemed, then renting a 500 kW generation set for backup would be a simple, cost-effective way to resolve any such risk while more prudent and cost-effective options are being fully evaluated in an ongoing FEASIBILITY STUDY.

17. RECOMMEND APPROVAL of both the NEWMAN and MAYES AMENDMENTS No. 1.

Sincerely,

Marshall Magruder

Enclosure 2

2008 V-7 AND OTHER FEEDERS (CONNECTIVITY) OUTAGE DATA

Feeder Line	Hours Off	Number of Customers	Customer Hours OFF	Hours OFF/ customer
V-7 Sonoita/Patagonia	179.98	3057	3839.91	0.06
R-3 Ramsey	64.16	1006	2988.66	0.06
K-2 Chri	259.75	1828	4299.75	0.13
O-5 Mescal	392.22	2639	4657.97	0.15
J-3 Kansas Settlement	197.05	1202	3409.05	0.16

1. Three feeder lines have higher outages than V-7, with twice the outage hours per customer.
2. Only 1 V-7 outage was due to "overload" impacting 1 customer.

Analysis prepared by Jeanne Horsmann and Gail Getzwiller, Sonoita.
Ref: SSVEC 2008 Feeder Outage Data (without November)

In 2008, there were 80 outages for total of 180 hours on the V-7 feeder. Note November 2008 data was not provided; however, 12 months of data are shown as January 2008 and 2009 were provided.

- 50 Outages (63%) impacted 1 meter (Causes: 18 unknown, 11 birds, 11 lightning, 3 animals, 3 wind, 3 other, 1 overload)
- 7 Outages (9%) impacted 2 meters (Causes: 3 lightning, 2 birds, 2 unknown, 1 Other)
- 5 Outages(6%) impacted 3 meters (Causes: 2 lighting, 1 birds, 1 tree, 1 unknown)

ONLY 3 Outages (4%) impacted a significant number of people on the main line with causes as indicated:

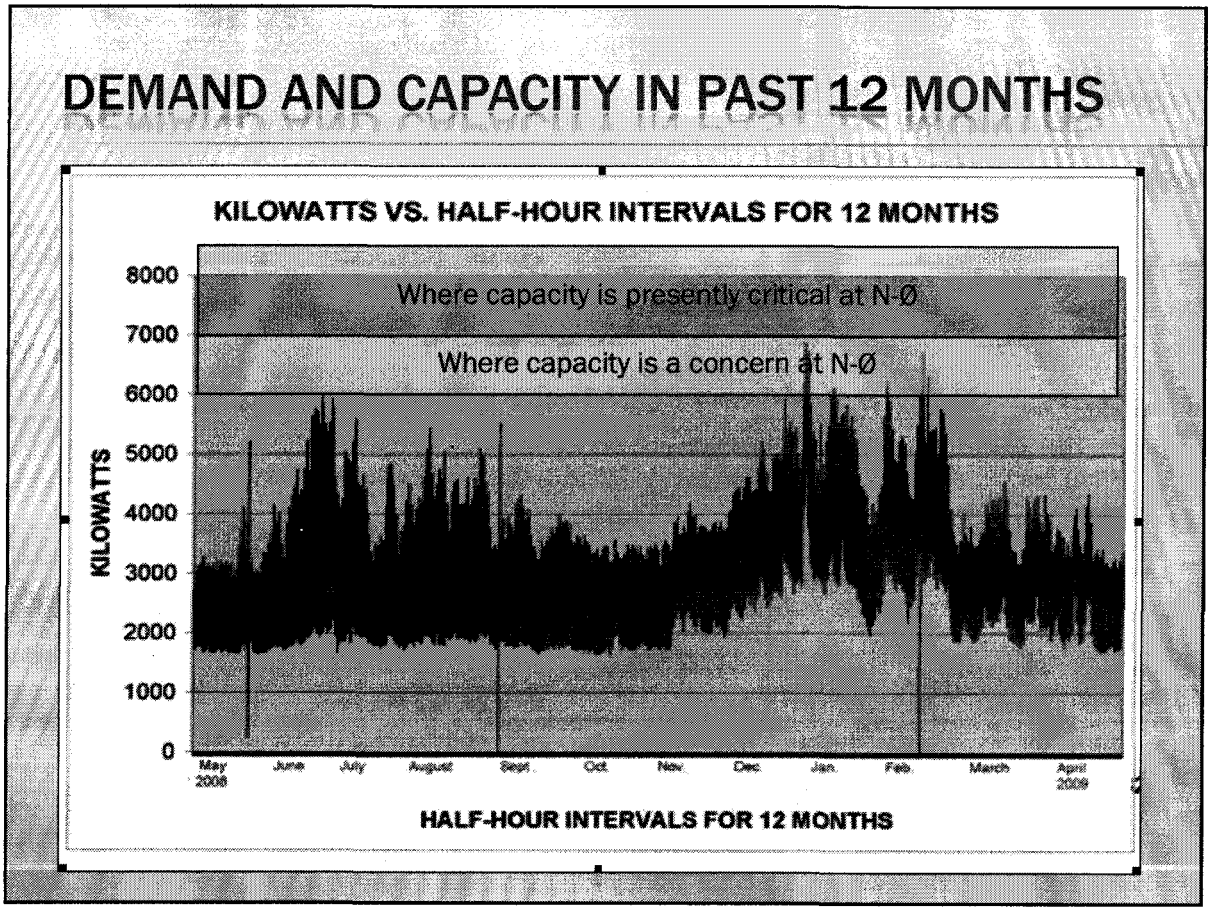
- 1 impacted 1,700 meters– cause "Other"
- 1 impacted 580 meters – cause wind
- 1 impacted 450 meters – cause wind

Others, 1 impacted 60 meters (cause "accident"), 1 impacted 45 meters (wind), 1 impacted 40 meters (lightning), 1 impacted 20 meters (birds), 1 impacted 12 meters (underground fault)

The causes for V-7 outages in 2008 were as follows:

Cause	No. of Outages	Hours
Overload	**1**	**2.0**
Tree	**1**	**2.0**
Underground Fault	**2**	**10.0**
Accidents	**3**	**10.5**
Animals	**3**	**25.0**
Other	**5**	**6.5**
Wind	**7**	**21.0**
Birds	**15**	**22.3**
Lightning	**21**	**39.9**
Unknown	**25**	**42.8**

Enclosure 3



This shows the measured demand at the V-7 Feeder at Mustang Corner substation. It is obvious the existing situation needs a solution.

The V-7 Feeder 25 kV distribution line is reported to have a 7 MW capacity which was not reached in the past 12-months.

Only on a few days in January and February, did the demand exceed 6 MW from the Mustang Corner. There are three probable service outages to this substation when generation or transmission to this point failed. During these time periods, a TEP 46 kV backup connection would have reduced the outage time for V-7 feeder customers. Without that ability or any other backup, all customers on the V-7 Feeder lost power in early September and in mid-February and a great number in early June of 2008. These three outages were NOT caused by anything in the V-7 Feeder's service area but were external "service" outages.

Since the present 25kV line to Mustang Corner is not being retained, there will be NO reliability connectivity improvements by replacing the 25 kV with one of a higher capacity, as a single radial line will remain to service these customers.