



**Sulphur Springs Valley  
Electric Cooperative, Inc.**

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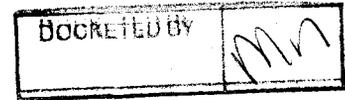
November 20, 2009

HAND DELIVERED

Prem Bahl, Utility Engineer  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

NOV 20 2009



**Re: Sulphur Springs Valley Electric Cooperative, Inc.'s Meetings with Staff  
Regarding Independent Feasibility Study Required by Decision No. 71274  
Docket No. E-01575A-08-0328**

Dear Mr. Bahl:

The purpose of this letter is to set forth the meetings that representatives of Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") have had with Staff in connection with the Cooperative's compliance with the Arizona Corporation Commission's ("Commission") Decision No. 71274 issued on September 8, 2009 ("Decision") which prohibited SSVEC from constructing a 69 kV sub-transmission line and required the Cooperative to conduct and file an independent feasibility study ("Study") by December 31, 2009.

Background

As you know, pursuant to the Decision, SSVEC was ordered to have prepared by an independent third party a Study that included alternatives (including the use of distributed renewable generation) that could mitigate the need for construction of the proposed 69 kV power line project. At the August 17 and 25, 2009, Open Meetings of the Commission, the Commissioners had requested that SSVEC keep Staff informed as to the selection process the Cooperative would initiate relating to the Study.



Prem Bahl, Utility Engineer  
November 20, 2009  
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In order to assist SSVEC in the preparation and issuance of a Request for Proposal ("RFP"), SSVEC engaged the services of TRC Companies, Inc. ("TRC") of Albuquerque, New Mexico. TRC has extensive experience in Utility infrastructure, energy, and environmental planning and engineering. Although SSVEC was not expressly required to garner input from the Save the Scenic Sonoita Elgin Grasslands ("3SEG") group (aka Sonoita Mountain Empire) on the Scope of Work ("SOW") for the RFP, SSVEC invited representatives from the group to review the SOW and provide their requests for the Study. On or about October 12, 2009, TRC completed the RFP and final list of potential bidders. The bidder list was prepared by TRC, and included input from the 3SEG representatives. It was determined that in order to give potential bidders sufficient time to bid on the RFP, and for SSVEC to award the bid to provide sufficient time for the winning bidder to complete the Study for the December 31, 2009, compliance deadline, the RFP needed to be released as soon as possible.

#### October 13, 2009 Meeting with Staff

On or about October 12, 2009, SSVEC, 3SEG, and TRC completed the RFP and potential list of bidders. On October 13, 2009, Mr. Jack Blair, the Cooperative's Chief Member Services Officer, came to Phoenix and met with you to discuss the RFP and the process that SSVEC had engaged in to that point. Mr. Blair explained that there were two meetings with the 3SEG group which opposed the 69 kV line and who are interested in renewable alternatives. Input from those members was included in the SOW for the RFP and three additional entities were added to the potential list of bidders at their request. Mr. Blair indicated that although not expressly required, SSVEC wanted to be sure there was community involvement in the process to ensure that there would be no objection to the RFP or the Study that was ultimately prepared and filed. Mr. Blair then went over with you the entire process SSVEC went through including the selection of TRC, the contents of the RFP, and the list of potential bidders. Mr. Blair also provided you a copy of the RFP and list of bidders and indicated that it was SSVEC's intention to issue the RFP unless you had an objection. You indicated that the RFP was a very good document and that the list of potential bidders was very comprehensive and included those engineering firms that had the requisite expertise and standing to conduct the Study. Mr. Blair then indicated that SSVEC was going to move forward and issue the RFP, which was released for bid that very afternoon.

#### October 28, 2009 Meeting with Staff

Responses to the RFP were due on October 27, 2009. Accordingly, SSVEC pre-arranged to meet with you and Mr. Olea on October 28, 2009, to discuss the responses and the selection of the winning bidder. On October 28, 2009, Deborah White and I

came to Phoenix for the meeting. In attendance for Staff were yourself, Del Smith and Elijah Abinah. We were told that Mr. Olea was unable to attend the meeting because he was on the "A Team" and was an advisor to the Commission.

At the meeting, we informed you, Mr. Smith, and Mr. Abinah that there were only two responses to the RFP from the 14 potential bidders. We then presented Staff with the attached TRC RFP Summary and Statement of Work and discussed the entire RFP process and subsequent responders, as well as the Cooperative's intended selection of Navigant Consulting Inc. ("Navigant") for bid award. We also discussed the following topics:

- Who TRC is; SSVEC's relationship with TRC; TRC's coordination with 3SEG.
- TRC's work in preparing the SOW and the SOW itself.
- The process and rationale for pre-qualifying bidders, as opposed to an open bid solicitation including:
  - a) SSVEC's effort to obtain nationally recognized firms with the staffing capabilities to meet the requirements with known comprehensive experience in fields of study that had the ability to respond in a timely manner; and
  - b) The avoidance of conflicts of interest.
- The list of 14 pre-qualified bidders including those specifically suggested by the 3SEG representatives.
- SSVEC's selection process of Sonoita representatives including the:
  - a) Names of the representatives;
  - b) Invitation process; and
  - c) Number of meetings.
- Bid estimates of costs, and other related costs for study.

During the meeting, we also provided detailed answers to questions posed by Mr. Abinah, and discussed issues associated with SSVEC's pending application for a moratorium. At the conclusion of the meeting, the Cooperative and Staff were in agreement that SSVEC should move forward to award the bid to Navigant which SSVEC has since done. Navigant has commenced work on the Study and is required to provide the Study to the Cooperative no later than December 29, 2009, to be filed with the Commission by December 31, 2009.

Prem Bahl, Utility Engineer  
November 20, 2009  
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The Cooperative is committed to continue working with Staff and keeping Staff informed in regard to this matter. If any of what I have stated above does not meet with your understanding, please do not hesitate to contact me. Thank you for the opportunity to work with you and Staff on this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "Ron Orozco". The signature is written in a cursive style with a large initial "R" and a long horizontal stroke at the end.

Ron Orozco, P.E.  
Engineering Manager  
Sulphur Springs Valley Electric Cooperative, Inc.

Cc: Steve Olea, Director of Utilities  
Elijah Abinah, Assistant Director of Utilities  
Del Smith, Utilities Engineer  
Docket Control (13 copies)

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October 27, 2009

Ms. Deborah White  
Right-of-Way Services Manager  
Sulphur Springs Valley Electric Cooperative  
P.O. Box 820  
Willcox, AZ 85644

Subject: Sonoita Reliability Project – Feasibility Study  
Request for Proposal Response Results

Dear Ms. White,

TRC submitted the Sonoita Reliability Project – Feasibility Study Request for Proposal (RFP) to fourteen firms on October 13, 2009 with a response due date of October 27, 2009 at 2:00 pm MDT. The following is a summary of the responses from the fourteen firms that received the RFP.

Five companies responded that they did not intend to submit a proposal in response to the RFP. The five companies indicating no intent to bid were Synapse Energy Economics, Commonwealth Associates, Burns & McDonnell, URS and Stanley Consultants. The no bids were due mostly to staff unavailability due to the number of other projects currently underway.

Five companies did not provide any response to the RFP at all. The five companies that provided no response were Black & Veatch, HDR, Natural Capitalism, Ecos, and Sargent Lundy.

TRC received four responses of intent to bid. The four intend to bid responses were from Navigant, KEMA, CH2M HILL, and Eulteig. Only Navigant and Eulteig participated in the Pre-Bid conference call on October 16. Subsequent to the pre-bid conference call KEMA and CH2M HILL did not submit a proposal. KEMA notified TRC today they did not have time available to complete the project due to ongoing commitments. Bid proposals were received from Navigant Consulting and Ulteig.

Navigant Consulting is a publicly traded company (NYSE: NCI) with 28 offices and a local office in Phoenix, AZ. They have 1925 employees and 2008 revenues of \$810,000,000. Navigant's Energy Practice is organized around Power Systems & Pricing, Business Planning & Performance Improvement, and Emerging Technologies & Energy Efficiency. The staff that will be assigned to the project have experience in system planning,



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reliability, and distributed energy resource technologies including distributed generation, photovoltaic, demand response and storage. However, Navigant did not address the resources in the company that would be working on the environmental tasks stated in the RFP. The environmental task in the RFP is an area that needs further clarification by Navigant. The price Navigant quoted for the study is \$126,000 for labor plus an estimated direct expense cost of 15 to 20 percent of labor. Including the upper end of the estimated expense cost, the total price from Navigant is \$151,200.

Ulteig is an employee owned firm of 350 professionals working in engineering, planning, energy, routing & permitting and right-of-way located in Minneapolis, MN. Their proposal did not include much information documenting the company's experience in renewable energy or distributed generation project experience and was not very substantive. Ulteig does have experience in system planning and reliability studies. The environmental resource assigned to the project was addressed but the project experience seems limited. The price quoted for the study was \$174,000 and included \$5,000 for two study team members to make a two day field visit to the Sonoita area.

If you need any additional information or have any questions, please call me at (505)-264-9539.

Sincerely,

A handwritten signature in cursive script that reads "Rick Goodwin".

Rick Goodwin, P.E.  
Manager, New Mexico Operations  
Power Delivery Engineering

**REQUEST FOR PROPOSAL (RFP)**

**FOR**

**Sulphur Springs Valley Electric Cooperative, Inc  
Sonoita Reliability Project – Feasibility Study**

**Issue Date: 10/13/09**

## SECTION 2 – Statement of Work

### 2.01 TASKS TO BE PERFORMED

The purpose of the Sonoita Reliability Project Feasibility Study is to perform an independent evaluation of the operational performance, and to identify deficiencies in the performance, of SSVEC's 24.9kV V-7 distribution circuit at current and projected peak load levels and to evaluate options to mitigate performance deficiencies. It is not the intent of the Feasibility Study to either rebut or support previous studies or recommendations contained in documents provided for background information purposes. All options and alternatives considered for mitigation of operational deficiencies must only be for mature, commercially available, economically viable technologies, must provide a long term solution to correct deficiencies and must be evaluated over a twenty year project life.

Communications with SSVEC staff, local communities, other utilities, or the ACC are not being required or requested as part of this scope of work.

1. Using data provided by SSVEC, assess the operational performance of the SSVEC 24.9kV distribution feeder circuit V-7 and Huachuca West Substation and identify operational deficiencies for current peak load conditions. Performance should be evaluated using RUS planning and operations criteria and other utility industry criteria if applicable.
2. Using historic peak load data and other data provided by SSVEC as well as data from other resources, forecast the peak load on circuit V-7 for 5, 10 and 20 years into the future.
3. Assess the operational performance of circuit V-7 and Huachuca West Substation under projected peak load conditions 5 years, 10 years and 20 years into the future and identify operational deficiencies. Performance should be evaluated using RUS planning and operations criteria and other utility industry criteria if applicable. If necessary, interpolate the projected peak load on circuit V-7 to identify the specific year or load level at which deficiencies initially occur.
4. Review the outage and interruption history for circuit V-7 and Huachuca West Substation for the past 5 and 10 year periods. Calculate outage indices using RUS indices such as CHPC as well as SAIDI, SAIFI and CAIDI indices.
5. Evaluate the technical ability of renewable energy distributed generation technologies, either utility or non utility-owned, to mitigate existing and future deficiencies in the operational performance of circuit V-7 and Huachuca West Substation. Renewable energy technologies considered should include at a minimum solar and wind resources. Solutions should have a twenty year project life to be considered viable.
6. Evaluate the technical ability of fossil fuel distributed generation resource technologies to mitigate existing and future deficiencies in the performance of circuit V-7 and Huachuca West Substation. In addition to operational performance, capital costs and operating costs include an assessment of the potential environmental impacts of air emissions, water consumption and noise levels in the evaluation. Solutions should have a twenty year project life to be considered viable.

7. Evaluate the applicability and cost impact of mature, commercially available energy storage technologies to compliment renewable energy or fossil fuel distributed generation technologies mentioned above to replace the need for the proposed 69kV line and substation. Solutions should have a twenty year project life to be considered viable.
8. Evaluate the ability and feasibility of the 24.9kV distribution line options identified by SSVEC in its studies to mitigate the existing and future deficiencies in the operational performance of circuit V-7 and Huachuca West Substation. Previously identified SSVEC options include 24.9kV line upgrades, new 24.9kV express feeder construction, connection to foreign 13.8kV distribution circuit and connection to a foreign 46kV line. Technical analyses of the operational performance of foreign 13.8kV and 46kV lines are not being required for these evaluations. Solutions should have a twenty year project life to be considered viable.
9. Evaluate the ability of the new 69kV transmission line and new 69kV-24.9kV substation options identified by SSVEC in its studies to mitigate the existing and future deficiencies in the operational performance of circuit V-7 and Huachuca West Substation over a twenty year project life.
10. Identify feasible construction options, if any, not considered by SSVEC in its previous studies of the V-7 circuit and evaluate their ability to mitigate existing and future operational deficiencies in the performance of circuit V-7 and Huachuca West Substation. Solutions should have a twenty year project life to be considered viable.
11. Based on available information, evaluate potential impacts to cultural, biological and aesthetic resources resulting from the feasible line construction, distributed generation and renewable energy alternatives considered for mitigating operational deficiencies in circuit V-7 and Huachuca West Substation. Feasible suggestions to reduce any substantial impacts should be provided as part of the evaluations.
12. Consider the potential impact, if any, of EMF from renewable energy, distributed generation and line construction alternatives considered for mitigating operational deficiencies in V-7 and Huachuca West Substation. Literature search findings are sufficient for this task. Quantitative studies of EMF levels for alternatives considered are not being required as part of this task.
13. Using substation and line construction cost data provided by SSVEC, as well as cost data not provided by SSVEC, prepare a present worth economic comparison of technologically feasible distributed generation and electric system construction options identified above to mitigate existing and future deficiencies in the performance of circuit V-7 and Huachuca West Substation. Economic comparisons should be based on a 30 year project life.
14. Identify potential contractual, regulatory, rights-of-way or legal issues that could cause either significant delays in completing technologically feasible options or which could significantly increase costs.

## **2.02 TASKS NOT REQUIRED**

Communications with SSVEC staff, local communities, other utilities, or the ACC are not being required or requested as part of this scope of work.

## 2.03 AVAILABLE DATA

Data to be provided for the feasibility study include, but are not necessarily limited to:

- Capacity Study of Huachuca West Substation V-7 Feeder prepared by SSVEC Engineering Division, April 2007 – available for background information purposes only
- Preliminary Option & Cost Estimates and Solution Evaluation Factors prepared by SSVEC Engineering Division, February 1993 – available for background information purposes only
- 15 minute interval SCADA data for 2007, 2008 and through September 2009 for Huachuca West Substation and circuit V-7
- Recommendations For Request for Proposal prepared by the Citizens of the Mountain Empire dated October 4, 2009 – available for background information purposes only
- SSVEC comments on alternatives proposed by 3SEG to the Arizona Corporation Commission on July 22, 2009 – available for background information purposes only
- 10 years of outage history for circuit V-7
- A summary of significant efforts to improve the reliability of circuit V-7 over the past 10 years.
- Historical peak load data for 1998 through September 2009 for circuit V-7 and Huachuca West Substation. Additional historic peak load data will be provided if required and available.
- Average number of meters connected to circuit V-7 for the years included in studies.
- A summary of known new loads anticipated for circuit V-7 and their timing
- Available land use comprehensive plans
- Voltage data for peak load periods from remotely read meters (Turtle System) installed along circuit V-7
- Regulator settings for all voltage regulators on circuit V-7
- Settings for all reclosers and sectionalizers on circuit V-7
- MilSoft WindMil reduced circuit model of circuit V-7 for 2007 load data, including equipment database, in ZIP file format
- MilSoft WindMil detailed circuit model of 2007 circuit V-7 with 2008 allocated load data, including equipment database, in ZIP file format
- GIS data base for circuit V-7
- SCADA data and WindMil circuit model for SSVEC circuits included in study work
- System maps and drawings showing SSVEC circuit V-7, adjacent SSVEC distribution lines, SSVEC 69kV lines as well as foreign 13.8kV distribution and 46kV transmission lines and documentation concerning their availability from the line owners
- Rights-of-way and easement data for existing SSVEC lines and proposed line route options.
- SSVEC current discount rate to be used for economic evaluations
- SSVEC 24.9kV and 69kV unit construction standards
- RUS and NRECA Bulletins applicable to system analysis and planning
- History of the Babocomari Ranch
- Book - The Babocomari Village Site on the Babocomari River of SE Arizona
- Sonoita Service Improvement Project Advisory Committee Meeting Notes- May 12, 1993
- Sonoita Service Improvement Project Advisory Committee Meeting Notes- August 25, 1993

Respondents should identify any additional data that will be required to be provided by SSVEC to complete the circuit performance studies and load projections.

## SECTION 3 – Deliverables

### 3.01 Final Report

The deliverable for this project is a final report that documents:

- The performance of SSVEC's circuit V-7 and Huachuca West Substation for current and future load conditions
- The outage history of SSVEC's circuit V-7 and Huachuca West Substation and SSVEC's projects to improve the reliability of circuit V-7
- Technically feasible options, including fossil fuel and renewable energy distributed generation, to correct deficiencies in the performance and reliability of SSVEC's circuit V-7 for existing and projected future loads
- The methodologies used to identify performance and reliability deficiencies in circuit V-7 and Huachuca West Substation
- The data used to evaluate circuit performance and reliability
- The data used to evaluate the efficacy of options considered as feasible solutions for identified operational and reliability deficiencies
- Potential options considered but not practicable with summary explanation why they were ruled out

Evaluation of technically feasible solutions considered in the deliverable report shall include documentation of:

- The efficacy of each option in correcting identified deficiencies
- Routing alternatives for line construction options including a discussion of easement acquisition, feasibility, timeline, and costs
- The length of time required to implement each option
- The length of time that each option provides a solution for deficiencies
- The potentially substantial impacts for each option, if any, to cultural, biological, aesthetic, air quality and water resources and feasible suggestions to reduce these impacts
- EMF and noise considerations for each option
- Potential regulatory, right-of-way, contractual, legal or other issues that could significantly delay or increase the cost of each option
- The Present Worth cost of each option, including estimated O&M costs, for a thirty year project life

The deliverable final report shall include either a separate section or appendix that contains short, summary discussions of each technically feasible option considered. Each of the option summaries should be no more than one page in length.

The deliverable report shall include a summary of the technically feasible options in a table or matrix format as either a separate section contained in the body of the report or as an appendix.

1. A draft of the deliverable final report shall be provided TRC and SSVEC in both PDF and Microsoft Word document formats no later than 5:00 PM MST on December 17, 2009.

2. The deliverable final report shall be sealed by a professional engineer qualified to carry out and direct the analyses and evaluations contained in the deliverable report.
3. Ten bound copies of the deliverable final report and an electronic copy of the final report and all supporting data, including circuit models, shall be delivered to SSVEC in Willcox, Arizona no later than 5:00 PM MST on December 29, 2009.