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November 18, 1998

**VIA FACSIMILE & U. S. MAIL**

Arizona Public Service Corporation  
c/o Steve Wheeler  
Snell & Wilmer, LLP  
One Arizona Center  
Phoenix, Arizona 85004-0001

Arizona Corporation Commission  
**DOCKETED**

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DOCKETED BY *od*

Tucson Electric Power Company  
c/o Bradley Carroll  
220 West Sixth Street, DB 203  
Tucson, Arizona 85702-0711

**RE: THIRD DATA REQUEST re: November 4, 1998 Settlement Agreements  
between APS and TEP and Arizona Corporation Commission, In re Docket E-  
01933A-98-0471, E-01933A-97-0772, E-01345A-98-0473, E-01345A-97-0773 and  
RE-00000C-94-0165**

Gentlemen:

The Attorney General, a party to this proceeding, hereby requests that Arizona Public Service Corporation and Tucson Electric Power Company provide answers to the following third set of questions, and produce the requested documents within twenty-four (24) hours in accordance with the Procedural Order in the above referenced dockets dated November 6, 1998. This may not be the last request for information propounded by the Attorney General. Given that Staff proposes an unreasonably short time to analyze the agreements, complete discovery, prepare and file testimony, and prepare to participate in the hearings on the proposed Agreements, these requests are propounded despite the possibility that they may contain errors or misunderstood matters that more time to analyze the Agreements would have prevented.

**DEFINITIONS**

"Load Pocket" shall mean a geographic area such that the load within the area exceeds the simultaneous import capability into the area.

"Agreements" shall mean the Settlement Agreement dated November 4, 1998, between Tucson Electric Power Company and Arizona Corporation Commission, and the Settlement Agreement dated November 4, 1998, between Arizona Public Service Company and the Arizona Corporation Commission. The "TEP Agreement" shall mean the agreement signed by TEP, and the "APS Agreement" shall mean the agreement signed by APS.

"Affiliate" shall mean, with respect to any person, any other person directly or indirectly controlling, controlled by, or under common control with that person, and includes any agents of that person.

"ACC" or "Commission" shall mean the Arizona Corporation Commission.

"TEP" shall mean Tucson Electric Power Company, Inc. and all parents, subsidiaries and affiliates thereof.

"APS" shall mean Arizona public Service Company and all parents, subsidiaries and affiliates thereof.

"SRP" shall mean Salt River Project and all parents, subsidiaries and affiliates thereof.

"Identify" shall mean to state the date, time, location with respect to an event, and to state the name, address and title of any individual.

"Person" or "you" shall mean the corporate entities TEP and APS and all of their affiliates, and the Commission Staff.

"Staff" shall mean the Staff of the Arizona Corporation Commission.

## DATA REQUESTS

1. Identify all transmission paths involving Arizona or states contiguous to Arizona that are subject to the WSCC Unscheduled Flow Mitigation Procedure, the conditions under which the transmission capacity of each path in each direction is likely to be fully utilized, and the number of hours during which line loading relief or other flow mitigation procedures were applied to each path during 1997 and during 1998. Provide all relevant documents.

2. Identify all cases in which APS or TEP has denied a transmission service request since January 1, 1997. Identify the requesting party, the nature of the requested service (points of origin and delivery, firm or nonfirm, time period, MW), and the reason for the denial. Produce all relevant documents.
3. Identify all cases in which APS or TEP requested line loading relief or otherwise curtailed scheduled transfers into, out of, or within Arizona since January 1, 1996. Produce all relevant documents.
4. Identify all cases in which APS or TEP was denied transmission service for transactions on contract paths wholly or partially in Arizona since 1/1/97. Identify the denying party, the nature of the requested service (points of origin and delivery, firm or nonfirm, time period, MW), and the reason for the denial. Produce all relevant documents.
5. Identify and explain all cases in which a change in the energy and/or reactive power output level (including an outage) of a generator owned, leased, or controlled, in whole or in part, by APS or TEP, can affect by 20% or more the transmission capacity or available transfer capability of any transmission line, path, or interface within, into, or out of Arizona. Produce all relevant documents.
6. Produce all documents that address the effect of a generation or transmission facility outage in Arizona or any contiguous state on wholesale power or energy prices in Arizona.
7. For each of the transmission constraints identified below, please explain the nature and frequency of the constraint and whether, how and when the constraint has affected or may affect transfers by any party within, into, or out of Arizona. Produce all relevant documents.
  - 1) Limited Glen Canyon generation and limited transfer capability on the Shiprock-Glen Canyon path at times prevent delivery of SRP's full Hayden, Craig, and Four Corners entitlements to the Phoenix area.
  - 2) Phase-shifting transformers in the southern Utah-Colorado-Nevada transmission system have been used to help control clockwise loop flows in the WSCC.
  - 3) The transmission path between northeastern Wyoming and Colorado often becomes heavily loaded, and the WSCC Unscheduled Flow Mitigation Procedure has evidently been invoked to Produce line load relief on this path.

- 4) In the WSCC's Rocky Mountain Power Area (RNPA), the Northeast/Southeast separation scheme separates RMPA from the Arizona/New Mexico area.
  - 5) Economy energy transfers during certain hours may have been restricted on certain critical transfer paths in the Rocky Mountain Power Area of the WSCC. In particular, transmission constraints often arise for transmission through Utah.
  - 6) There is a simultaneous import constraint (the Southern California Import Transmission Nomogram) into Southern California.
8. Produce a list of all entities with which TEP is directly interconnected.
  9. Produce a list of all existing (a) APS and (b) TEP power purchase and sales contracts that will expire prior to June 1, 1999. Identify the parties to the contract, the time periods the contract is in effect, the number of MW, whether baseload, intermediate, or peaking, and any restrictions on MWh or load factor.
  10. Produce a copy of the latest WSCC EIA-411 (Loads and Resources, Coordinated Bulk Power Supply Program) report.
  11. Produce a copy of the APS and TEP FERC Form 1 for 1996 and 1997.
  12. For each month during 1997 and 1998, specify the number of hours during which each of the following was operated to relieve line loadings on East of Colorado River (EOR) transmission lines. Separately, for each month during 1997 and 1998, specify the number of hours during which each of the following was used to increase the flow limit on EOR transmission lines  
  
Perkins phase shifters  
Liberty phase shifter  
Bypassed series compensation  
Reduction in scheduled flows so they are within schedule rights  
Unscheduled (loop) flow curtailment  
Out of merit order generation at Navajo
  13. For each of measures listed in question 12. above that was used in 1997-1998, describe in non-technical terms what the measure involves and what effects it has.
  14. Identify each generating unit that is, in whole or in part, owned or leased or operated by APS

- or TEP and that is, or during the next five years is reasonably likely to be, a must run unit.
15. For each such must run unit, explain (i) why it is a must run unit (e.g., to meet local load given an import constraint, or to supply reactive power), (ii) the conditions under which it is a must run unit, and (iii) the number of hours during each month of the year that it is likely to be must run.
  16. Identify all sets of two or more generating units of APS or TEP such that at least one but not all of the generating units in the set must run under some conditions.
  17. For each such set, explain (i) why at least one but not all generating units in that set must operate, (ii) the conditions under which at least one but not all generating units in that set must operate, and (iii) the number of hours during each month of the year during which at least one but not all generating units in the set must operate.
  18. For each generating unit that is, in whole or part, owned or leased or under the control of APS or TEP, identify all load pockets including that unit that exist or are likely to exist for some or all hours of the year.
  19. Produce all documents dealing with load pockets in Arizona.
  20. For each such load pocket, identify (i) the peak load in the load pocket, (ii) the number of hours in each month during which the load pocket is likely to exist, and (iii) all generating units regardless of owner inside the load pocket.
  21. For each generating plant in which APS has a partial (not 100%) ownership interest: Suppose that APS sells power from that plant to a customer using a contract path across the APS transmission system. Suppose also that one of the plant's other owners sells identical power from the same plant to the same customer using a contract path across the APS transmission system. Would total costs for transmission (regardless of to whom the transmission payments are made) from the plant to the customer be the same for APS and for the other plant owner? Alternatively, would the total payments for transmission be greater for sales by the other plant owner, because the other owner would have to pay for transmission service on its own transmission system and on APS's transmission system, while APS would not have to pay for transmission service on the other plant owners' transmission system.
  22. Answer Question 21. substituting TEP for APS.
  23. Under the terms of the Settlement Agreements and any other applicable rules:

- a) Is there any restriction on which entities can purchase TEP's "local" generating units (units other than Navajo and Four Corners), provided the entities in question are the highest bidders?
- b) Specifically, can each of the following purchase TEP's local generating units:
- (i) a TEP affiliate, (ii) APS, (iii) an APS affiliate, (iv) any other entity (aside from TEP) that owns generation or transmission assets in Arizona?
- c) Is there any restriction that would prevent any single entity from buying all TEP assets that will be auctioned?
- d) Is TEP free to auction its generating plants as a single package, even though doing so would exclude from the bidding non-affiliated entities that might otherwise submit the highest bids for individual units? If not, what restrictions exist on how TEP would be allowed to package the units?
24. Suppose that an entity other than the ACC (e.g., FERC, acting under the Federal Power Act, or a federal antitrust agency, the Arizona Attorney General, or a private party, seeking to enforce the Clayton Act) rejects or successfully challenges a purchase by the highest bidder for some or all of TEP's local generation assets. In that case, will TEP be permitted to retain ownership of the generating units in question and recover 100% of stranded costs?
25. If the answer to the preceding question is yes, why do the Settlement Agreements not require that an acceptable buyer be found?
26. Identify each generating unit that is (i) under construction in Arizona, (ii) planned for construction in Arizona during the next five years, or (iii) announced for construction in Arizona during the next five years. For each, identify the owner, location, type of plant (e.g., CT, CC), fuel type, MW capacity, status of permitting, and expected completion date.
27. Produce all internal documents regarding the value of APS's generation assets.
28. State all circumstances under which TEP or any of its affiliates will own or lease generating capacity or have long-term (over 1 year) contracts for the purchase of generating capacity or energy after 1/1/2001, and identify the generating capacity in question.
29. Identify all APS transmission facilities that are subject to a right of first refusal, identify the parties that have a right of first refusal, and identify the terms on which they could exercise a right of first refusal.

30. Please explain the reasoning that supports the statement (under V. Divestiture) that either a region-wide postage stamp approach or a license plate approach will prevent transmission constraints from limiting or frustrating competition.
31. Please explain and produce documents that support any claim that APS'S control over transmission facilities rated below 345 kV cannot be used to exercise vertical market power. Specifically set forth the pricing for use of these facilities and the capacity of each. Do you claim that the pricing for use of these facilities will be so low and the capacity of these facilities is so large that terms on which these facilities are available for use will not limit competition? State what facts exist to support such a conclusion.
32. Explain how the prices in the APS-TEP Power Purchase Agreement were determined, demonstrate their relationship to market prices, and produce all relevant drafts and documents.
33. Explain why Execution of the Power Purchase Agreement by both parties is one of the APS Conditions Precedent to Closing but not one of the TEP Conditions Precedent to Closing in the MOU between APS and TEP.

The following are follow-up requests to APS only based on its responses to the Attorney General's Second Set of AG data requests.

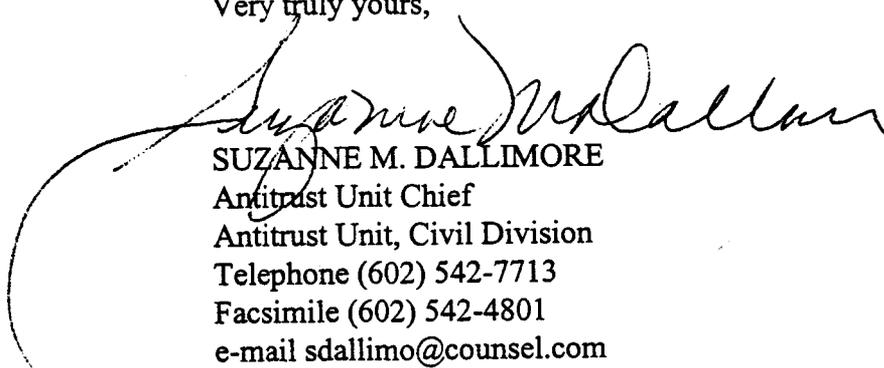
34. Explain what the capacities in Table 1 measure. For example, are they thermal limits on total flows (including unscheduled flows) on individual transmission paths (sets of lines), and are they similar in concept to the capacities listed in the WSCC path rating catalog? Or are they non-simultaneous first contingency total (or incremental) transfer capabilities (FCTTCs or FCITCs), based on thermal and voltage conditions, similar to those in NERC's summer transmission assessments? Or are they available transfer capabilities (ATCs), similar to those posted on OASIS?
35. For each direction on each of the three paths listed in Table 1, please specify the number of hours during each month of 1997 and 1998 during which actual flows were 90% or more of the capacity limit. Also, state the number of hours during which measures were taken to reduce flows on those paths, and explain the measures that were taken and their effects on scheduled transfers into, out of, or within Arizona.
36. Does Table 1 imply that the simultaneous FCTTC into the State of Arizona is 3,593 MW?
37. State your best estimates of the FCTTC and FCITC across each interface, and simultaneously across all interfaces combined, into (a) the smallest area that includes Arizona and the Four

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Corners, San Juan, Mohave, Hoover, Craig, and Hayden plants; (b) Arizona; and (c) the APS control area.

38. Produce a copy of each document listed in the APS response to Question 7, with the exception of documents already provided. Making documents available at an APS location is not a satisfactory alternative, since those locations are not accessible to personnel working on this matter on behalf of the Attorney General.
39. In Response to Question 11, exclude from your production individual load flow analyses, individual documents that exceed 100 pages in length, and documents created prior to 1/1/97. With those exceptions, produce the documents requested. As to the exceptions, provide a document log showing author (person and organization), title, date created, and number of pages.
40. In response to Question 13, produce the latest WSCC Path Rating book.

Very truly yours,



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cc: Parties of Record