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BEFORE THE ARIZONA CORPORATION COMMISSION

2007 FEB 28 P 1:42

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

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF TUCSON ELECTRIC) DOCKET NO. L-00000C-95-0084
POWER COMPANY'S REQUEST FOR AN)
EXTENSION OF TIME ON THE CERTIFICATE)
OF ENVIRONMENTAL COMPATIBILITY FOR A) Case No. 84
PORTION OF PHASE II TO THE CYPRUS)
SIERRITA SUBSTATION)

TEP'S COMMENTS ON STAFF REPORT

Tucson Electric Power Company ("TEP"), through undersigned counsel, submits its comments on the October 13, 2006 Staff Report in this docket.

I. BACKGROUND.

On December 21, 2005, Tucson Electric Power Company ("TEP") filed a request for a time extension to construct a portion of the transmission facilities approved by the subject Certificate of Environmental Compatibility ("CEC"). TEP's authorization to construct those transmission facilities was originally granted by Arizona Corporation Commission ("ACC" or "Commission") in Decision No. 59221. TEP offered two reasons for its requested time extension. First, TEP was in condemnation proceedings with Marley Cattle Company for an easement needed to complete construction of the certificated project. Secondly, TEP stated load growth in the vicinity of its Green Valley Substation was actually lower than anticipated a decade ago. TEP indicated that a time extension would facilitate consideration of alternative system solutions more suited to currently prevailing conditions.

Arizona Corporation Commission
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1 On June 27, 2006, the Commission extended the expiration date of TEP's CEC to
2 December 31, 2006. *See* Decision No. 68799. This time extension was expressly for the purpose
3 of allowing sufficient time for conclusion of TEP's condemnation proceedings with Marley Cattle
4 Company and allowing TEP sufficient time to perform due diligence regarding possible alternative
5 system improvements. It also allowed Staff sufficient time to ascertain the level of CEC
6 compliance already achieved by TEP and to file a responsive Staff Report.

7 On October 13, 2006 the Commission Staff issued its Staff Report considering the merits
8 of TEP's original request for extension of the CEC expiration date to June 27, 2013. The Staff
9 Report was filed in response to the August 31, 2006, TEP report as required by Decision No.
10 68799. TEP's report formed the core foundation for Staff's assessment. Staff's assessment
11 considers the presumption of need for the CEC authorized facilities and the status of TEP's
12 compliance with the CEC and subsequent Commission Decisions. In the conclusions of the
13 report, Staff recommended to extend the CEC expiration date with modified and new conditions.
14 If the Commission approves the requested extension the CEC date would be extended to 2013
15 subject to certain conditions.

16 By Procedural Order issued February 6, 2007, TEP was requested to file comments on the
17 Staff Report by February 28, 2007. In these comments, TEP will clarify certain issues raised by
18 Staff in its report.

19 **II. TEP COMPLIANCE STATUS.**

20 Decision No. 68799 required TEP report the findings of any and all system improvements
21 considered as an alternative to the portion of the certificated Phase Two Project not yet
22 constructed¹. TEP's report incorporated the adoption of an alternative that defers construction of
23 the remaining portion of the Phase Two line between Green Valley Substation and Cyprus Sierrita
24 Substation until 2013. In response, Staff has asserted that this alternative perpetuates a practice of
25 relying on restoration of service to customers following an outage of either of two radial 138 kV
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¹ Decision No. 68799, Finding No. 8.

1 transmission lines in the area. Apparently Staff misunderstood TEP's filing relative to the issue of
2 backup of the Green Valley area by TEP's 46kV system. TEP's 46kV system operates in parallel
3 with its 138kV system in the Green Valley area. Except at the point of peak load, a loss of the
4 138kV line from South to Green Valley will not result in the interruption of Green Valley load. In
5 actuality the load will automatically transfer from the 138 kV system to the 46kV system. This in
6 no way indicates reliance by TEP on restoration of load after a single contingency as a matter of
7 course.

8 **III. PRESUMPTION OF NEED.**

9 Exhibit A to these comments is a system diagram of the Green Valley Area 138 kV and 46
10 kV transmission system reported by TEP. TEP plans to begin using the newly constructed portion
11 of the Phase Two 138 kV line between Green Valley and Cyprus Raw Water Substation to serve a
12 new Canoa Ranch Substation in 2009. TEP then plans to commence construction of the remainder
13 of the Phase Two 138 kV line between Canoa Ranch and Cyprus Sierrita Substation in 2012 with
14 project completion expected in 2013.

15 Cyprus Sierrita Substation will continue to be served via a radial 138 kV line from South
16 Substation until Phase Two construction is completed. The Cyprus Sierrita load is a mining load
17 that is served under a special contract with the mine. The customer understands the implications
18 of being served by a radial line. Similarly, Green Valley and Canoa Ranch Substations will
19 continue to be served via a second radial 138 kV line from South until the Phase Two construction
20 is completed. As noted above, TEP's 46 kV system provides a means of providing back up service
21 to Green Valley customers for the loss of the radial 138 kV line from South to Green Valley. Two
22 radial 46 kV lines connected at South Substation provide this system backup capability at Green
23 Valley, Cyprus Raw Water, Cyprus Esparanza, and Canoa Substations.

24 Although Staff indicated that it "would appear there has been a shift in the presumption of
25 need originally proffered by TEP in it CEC application for a new 138 kV line from South
26 Substation to Cyprus Sierrita Substation through an expanded 138 kV Green Valley Substation",
27 TEP has not shifted its presumption of need. However, growth in the Green Valley area is slower

1 than anticipated growth. As a result, the original need for the line to provide 138 kV transmission
2 service to a growing Green Valley area has been slower to materialize. The increased service
3 reliability by providing looped 138 kV transmission service for both the Green Valley Substation
4 and the Cyprus Sierrita Substation has not reached a critical concern because, as indicated in
5 TEP's filings, the load in Green Valley can be served alternatively by the 46kV system for all but a
6 small number of hours. Unfortunately, the confusion regarding Staff's perception that "the need to
7 rely on time consuming restoration of service via the 46 kV or 138 kV systems following a
8 transmission line outage" has led Staff to require some extreme, but unnecessary, conditions in
9 their extension recommendation.

10 Moreover, as identified by Staff, the first purpose of the certificated transmission project
11 was achieved by the initial construction of the 138 kV line from South Substation to Green Valley
12 Substation. That purpose will be bolstered when Canoa Ranch Substation is placed in service in
13 2009. Canoa Ranch Substation will make use of that portion of the Phase Two line that was
14 completed in 2006.

15 Finally, while Staff states that "achievement of the second purpose of the certificated
16 project can only be accomplished by completion of the Phase Two construction," TEP believes
17 that, without the originally-anticipated load growth in the Green Valley area, TEP's 46kV system
18 can provide the Phase Two goal of reliability by providing back up to the 138kV system. Staff
19 correctly indicated that TEP proposes to defer construction of the portion of the Phase Two line
20 between Canoa Ranch Substation and Cyprus Sierrita Substation until 2013. This does not imply
21 that TEP believes restoration of service via its 46 kV and 138 kV systems for a 138 kV
22 transmission line outage is a long-term acceptable and desirable alternative to looped 138 kV
23 transmission service. However, in the short-term, the alternative allows TEP to provide reliable
24 service to its customers at the lowest possible cost. Looping the 138kV system when the 46kV
25 system can provide adequate backup to its customers will advance costs to TEP's customers before
26 required by the level of load.

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1 **IV. ADDITIONAL CONDITIONS.**

2 Given the situation that now exists, TEP cannot meet the current conditions of its CEC to
3 complete such construction within one year of the date construction of Phase Two commenced
4 (reported by TEP as July 27, 2005). TEP's proposed deferral of the CEC construction completion
5 date for the remaining portion of the Phase Two line until 2013 is intended to allow TEP to
6 complete the 138kV loop as dictated by customer load growth. The 2013 time frame is intended to
7 be the outside window for construction and should TEP identify that load growth requires
8 construction sooner TEP would construct accordingly. As noted above, TEP's current system
9 allows necessary and adequate backup for the short-term increase in load.

10 TEP certainly agrees with Staff that the Commission should not endorse any utility's
11 adoption of a practice that would defer construction of transmission facilities beyond a date at
12 which it would not have the ability to serve all of its customers following a single transmission
13 line outage.

14 **V. TEP's RESPONSE TO STAFF RECOMMENDATION**

15 TEP proposes (in the attached Exhibit B) changes to conditions in the proposed
16 amendment of the CEC. TEP understands and concurs with the intent of Staff's proposed
17 conditions but has suggested the wording changes in Exhibit B to eliminate the prescriptive MW
18 value and allow TEP to indicate how the Green Valley and Santa Cruz loads will be served under
19 the indicated conditions as part of TEP's preparedness filing.

20 **VI. CONCLUSION.**

21 TEP supports the concepts set forth by Commission Staff regarding transmission capability
22 in the Green Valley area, and offers the attached suggested language change in Paragraph 4 of
23 Exhibit B to better align with the intended outcome – i.e., accurate annual reporting by TEP on
24 how it intends to meet the load requirements of Green Valley in conjunction with supporting UNS
25 Electric's Santa Cruz load as needed. TEP requests that the Commission adopt TEP's proposed
26 revisions to the conditions in its order granting the extension of the CEC.

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1 RESPECTFULLY SUBMITTED this 28th day of February 2007.

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3
4 By 

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16 Original and 25 copies of the foregoing
17 filed this 28th day of February 2007 with:

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22 Copy of the foregoing hand-delivered/mailed
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EXHIBIT

"A"

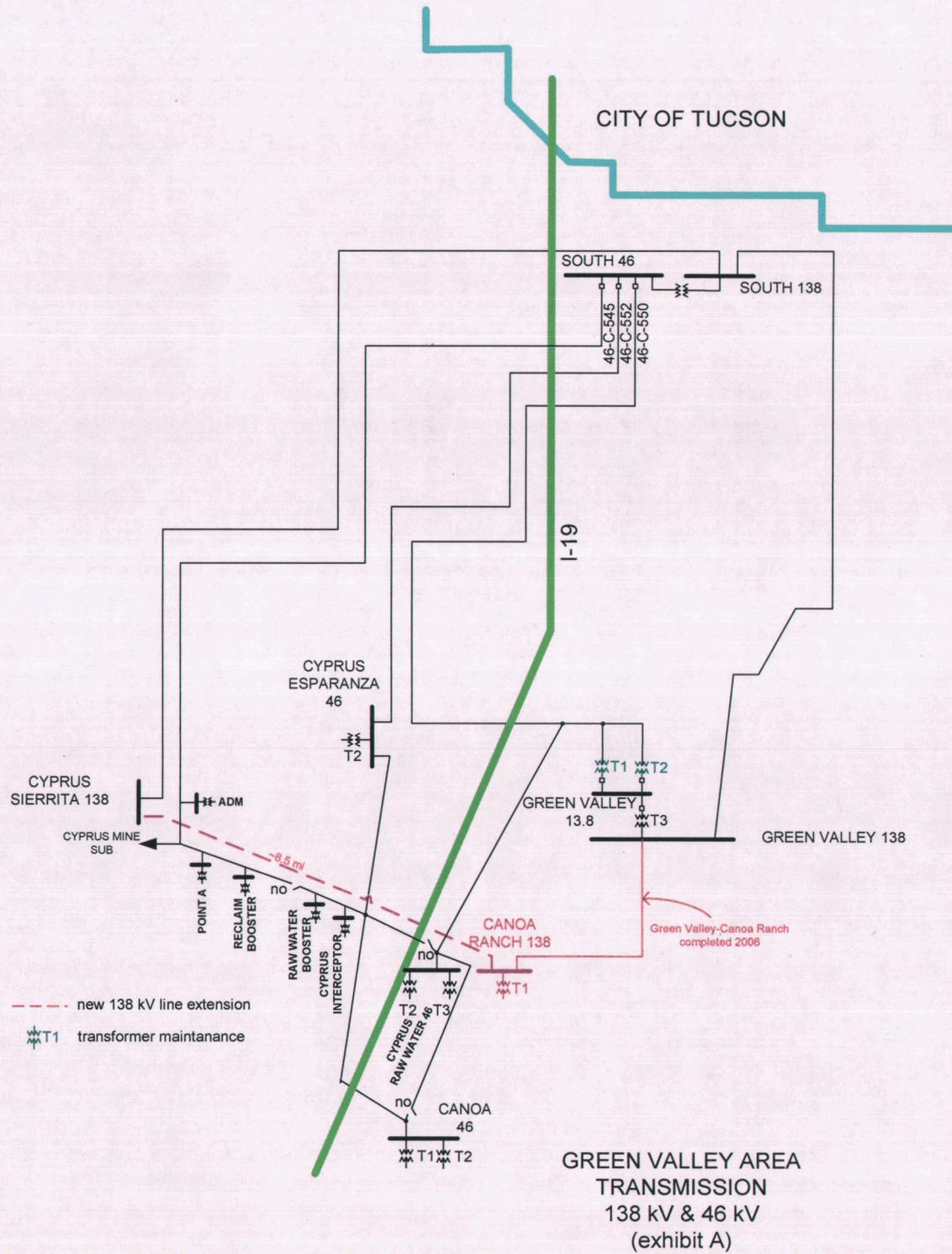


EXHIBIT A

EXHIBIT

"B"

TUCSON ELECTRIC POWER COMPANY
PROPOSED CHANGES TO STAFF'S PROPOSED NEW AND AMENDED CEC
CONDITIONS
DOCKET NO. L-00000C-95-00084
January 22, 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:

The Commission modifies the CEC by replacing 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) complete construction of that portion of the Phase Two line between 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.

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

4. The Applicant shall annually submit by April 30, commencing in 2007, 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) ~~20 megawatts of 20 megawatts of applicable load of UNSES~~ customers via the 46 kV tie from Canoa Substation to Cañez Substation for an outage of the UNSES 115 kV line to Nogales, and c) all TEP customers and ~~20 MW~~ 20 MW applicable load of UNSES customers for the concurrent outage of the South to Green Valley 138 kV line and the UNSES 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 UNSES transmission line is operational in Santa Cruz County.
7. 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.