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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE ARIZONA CORPORATION COMMISSION'S SIXTH BIENNIAL TRANSMISSION ASSESSMENT, PURSUANT TO THE ADEQUACY OF EXISTING AND PLANNED TRANSMISSION FACILITIES IN A RELIABLE MANNER

DOCKET NO. E-00000D-09-0020

JOINT FILING REQUESTING THE COCHISE COUNTY STUDY GROUP FILINGS DUE IN 2012 BE DEFERRED TO THE SEVENTH BIENNIAL TRANSMISSION ASSESSMENT FOR FURTHER STUDY

I. INTRODUCTION

On December 10, 2010, the Arizona Corporation Commission ("Commission") entered Decision No. 72031, which issued the Commission's biennial transmission assessment ("BTA") in accordance with A.R.S. § 40-320.02(G). In that Decision, the Commission ordered Southwest Transmission Cooperative ("SWTC"), Arizona Public Service Company ("APS"), Tucson Electric Power Company ("TEP"), and Sulphur Springs Valley Electric Cooperative ("SSVEC") (collectively referred to as the "CCSG Participants"), to jointly complete additional actions and file specified information with the Commission related to the Cochise County Study Group ("CCSG") plan of service (as set forth in Section 4.2.1 of the Sixth BTA Staff Report, hereinafter referred to as the "Plan of Service"). In this filing, the CCSG Participants are jointly requesting that the Commission defer the two compliance filings due in 2012 to the Seventh BTA for further evaluation.¹ These two filings are due on June 30, 2012 and December 31, 2012, respectively.

¹ Docket No. E-00000D-11-0017.

1 **II. BACKGROUND**

2 In 2007, the CCSG was formed as a technical review group within the Southern Area
3 Transmission Study Group to examine the high voltage and the sub-transmission systems
4 across Cochise County. In Decision No. 70635 (December 11, 2008) in the Fifth BTA², the
5 Commission ordered the CCSG Participants to perform collaborative studies and establish a
6 long-range system plan for Cochise County founded on the principal of Continuity of Service
7 after a transmission line outage.

8 To comply with the order, the CCSG Participants jointly retained and funded PDS
9 Consulting (“PDS”) to perform studies and assess the Cochise County transmission system
10 over a ten-year period. CCSG Participants provided PDS with transmission (100kV and
11 above), sub-transmission (99kV and below) and/or generation alternatives for evaluation.
12 After concluding the study, PDS recommended a Plan of Service that included transmission
13 and 69kV sub-transmission alternatives that would provide Cochise County with Continuity
14 of Service following a transmission line outage (as defined by the CCSG Participants).³ In
15 the Sixth BTA Decision, the Commission accepted the CCSG’s definition of Continuity of
16 Service⁴ and the recommended Plan of Service.⁵ In that same Decision, the Commission
17 ordered the CCSG Participants to make several compliance filings with regard to the Plan of
18 Service in 2011 and again in 2012.

19 The CCSG Participants made the following three filings in 2011. On June 30, 2011,
20 the CCSG Participants jointly filed the results of a Facilities Evaluation which examined the
21 physical constraints and costs of the Plan of Service. They reported a planning level cost
22 estimate of \$103 million for the 29 projects identified in the 2009 Technical Study. On
23 September 30, 2011, the CCSG Participants filed additional information about the projects,
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25 ² Docket No. E-00000D-07-0376.

26 ³ December 2009 Summary Report and Reference Filing of the Cochise County Technical Study Report filed on
January 29, 2010 in Docket No.E-00000D-09-0020.

27 ⁴ Continuity of Service means “[l]oss of any single high voltage transmission facility will not cause loss of any load that
requires subsequent System Operator intervention, either directly or through Energy Management System, to restore
service.”

28 ⁵ Decision No. 72031.

1 including projected in-service dates and 2011 estimated costs.⁶ The CCSG Participants
2 reported, “[t]he initial phase [of the Plan of Service] is part of a flexible, long range strategy
3 to make continuous improvements to the load serving capability of the 69kV system and
4 provide continuity of service to the region.”⁷ They also reported that they “[h]ad begun
5 discussions on general principles for cost allocation and the development of criteria to
6 objectively assign cost responsibility,” and that “the principles are that cost allocation should
7 be based on benefits/needs associated with projects, cost effectiveness of each project as the
8 best alternative, and flexibility on selection and timing to implement projects.”⁸ However,
9 the CCSG Participants have yet to reach consensus on the critical issues of how costs will be
10 allocated and how benefits will be measured.

11 In their December 30, 2011 filing, the CCSG Participants filed a draft memo of
12 understanding (“MOU”) which addressed the three projects they intended to construct. They
13 also reported that they had not reached final agreement on cost allocation for these projects.⁹
14 In a separate filing, SSVEC informed the Commission that the proposed cost allocation is
15 unacceptable. The CCSG Participants anticipate that negotiation of the MOU, including cost
16 allocation, would be ongoing beyond the June 30, 2012 compliance filing due date.¹⁰

17 **III. NEED TO CONTINUE DISCUSSION OF THE CCSG EFFORTS IN THE** 18 **SEVENTH BTA**

19 Since the formation of the CCSG in late 2007, the CCSG has accomplished a
20 significant amount of collaboration and technical work. Pursuant to Decision No 72031, the
21 CCSG Participants identified projects that would provide “the most benefit to customer
22 reliability and can be implemented in the shortest timeframe.” Because the identified projects
23

24 ⁶ Three projects were added to the initial list of 29 projects as a result of the Facilities Evaluation.

25 ⁷ Progress Report, pg. 2, docketed September 30, 2011, Docket No. E-00000D-09-0020.

26 ⁸ *Id.* at pg. 2.

27 ⁹ In a filing on behalf of the CCSG Participants, SWTC stated, “[a]lthough the draft MOU currently includes SSVEC;
28 SWTC, APS and TEP have not reached final agreement with SSVEC on certain provision of the MOU.”

¹⁰ On June 30, 2012, the CCSG Participants must file a progress report with the Commission, including an executed MOU
between the Parties that includes planned in-service dates for all remaining elements of the [Plan of Service] in the 2013-
2018 timeframe. On December 31, 2012, the CCSG Participants must file a progress report on the [Plan of Service]
implementation with the Commission and seek to obtain all required approvals and permits needed to complete remaining
components of the [Plan of Service].

1 would provide back-up and restoration service (not primary service) for a transmission or
2 sub-transmission outage, these projects may be very costly to the customers compared to the
3 benefit the customers may receive. In reviewing cost effectiveness of these projects, the
4 CCSG Participants acknowledge that, although additional reliability has value, the total cost
5 to provide a specific level of back-up service may exceed the social and economic benefit
6 from such enhanced reliability. Furthermore, the assumptions upon which the CCSG
7 Participants relied to set in-service dates and assess the need for these projects may have
8 changed since the date of the initial study work, given the changes to the economy that have
9 occurred since 2008. Finally, recent discussions have centered around cost allocation and the
10 principle of allocating costs commensurate with the level of benefit received by the individual
11 utilities' customers.

12 **IV. CONCLUSION**

13 The Commission's approval to defer the upcoming compliance filings will allow the
14 CCSG Participants to work with Commission Staff to evaluate the cost-effectiveness of the
15 identified projects or to identify other alternatives that may offer improvements which prove
16 to be more cost-effective than the identified projects and to develop a current set of
17 assumptions on which to base the evaluation.¹¹ For these reasons, the CCSG Participants
18 jointly request that the Commission defer the two compliance filings, which are due on
19 June 30, 2012 and December 31, 2012, respectively, to the Seventh BTA for further
20 evaluation.

21 Communications concerning this matter should be directed to:

22
23 Linda J. Arnold
24 Pinnacle West Capital Corporation
25 400 North Fifth Street, MS 8695
26 Phoenix, Arizona 85004
27 Attorney for Arizona Public Service Company

28 ¹¹ On February 29, 2012, the CCSG Participants met with Commission Staff and there was agreement that the CCSG Participants should file a Joint Request to defer the CCSG filings due in 2012 to the Seventh BTA.

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Bradley S. Carroll
Senior Regulatory Attorney
Tucson Electric Power Company
88 East Broadway Boulevard, HQE910
Tucson, Arizona 85701

Jeffrey W. Crockett
Brownstein Hyatt Farber Schreck
One East Washington Street, Suite 2400
Phoenix, Arizona 85004

Michael M. Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016

RESPECTFULLY SUBMITTED this 16th day of March, 2012.

By: 
Michael M. Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016
Attorneys for Southwest Transmission
Cooperative, Inc. on Behalf of the
CCSG Participants

ORIGINAL and thirteen (13) copies
of the foregoing filed this 16th day of
March, 2012, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

1 **COPIES** of the foregoing delivered this
2 16th day of March, 2012 to:

3 Steve Olea
4 Utilities Division
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 Prem Bahl
9 Utilities Division
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washington Street
12 Phoenix, Arizona 85007

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