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BEFORE THE ARIZONA CORPORATION COMMISSION  
Arizona Corporation Commission

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Docket No. L-00000F-09/0190-00144

Case No. 144

**Reply to the UNSE Response to the  
Magruder Motion to Stay Construction of Segment 1 of Line Siting Case No. 144**

The UNSE's response claims three objections to this Motion. Before responding to these claims, what UNSE did NOT include in its objections are the following benefits for UNSE customers in Santa Cruz County:

- a. Rate Payer Cost Savings. The \$3,156,045 in costs of the 5 miles of new 138 kV transmission line between Vail and the Nogales Tap, i.e., Segment 1 that will be passed to UNSE ratepayers. At Magruder Motion (MM) 2:14-18.
- b. Increased Reliability with Multiple Generation Sources. If UNSE continues to use the UNSE-owned Nogales Tap (not abandon this substation), then power from generation sources on both the TEP and WAPA transmission lines are available. This provides more backup or emergency power options than with Segment 1, improving generation reliability. At MM 2:19-21.
- c. Increased Reliability with Two Transmission Systems. Presently, all purchased power for Santa Cruz County physically ONLY uses the WAPA transmission system. Segment 1 will use ONLY the TEP transmission system. Remaining on the WAPA system after the WAPA-upgrade, physical access will be available from both TEP and WAPA transmission line systems, improving transmission reliability. At MM 2:22-23.
- d. Lower Purchase Power Costs. With both TEP and WAPA transmission options, UNSE will have more options available to make decisions for the lowest purchase power cost. At MM 2:24-25.
- e. Reduced CO2. Due to the significant differences in power generated by TEP compared to power generated by others, UNSE will be able to reduce the CO2 emissions (and any potential CO2 cap costs) by having more sources available to purchase its power. At MM 3:1-4.
- f. Reduces Purchase Power Costs. Due to the present low natural gas costs and increasing trends towards even lower costs, connection to non-TEP generation sources may have lower costs in the future. Segment 1 limits Santa Cruz County to power only available only via TEP's transmission line system. At MM 3:5-7.
- g. Additional Interconnections for Potential Renewable Energy Sources. Use of local solar renewable energy "plants" connected to the Nogales Tap can produce some revenue for UNSE while making RE available without transmission energy losses or long-distance wheeling charges. At MM 3:10-11.

The first UNSE objection relates to the approval by the Line Siting Committee of this project due to the need to relieve the current constraints on the Western Area Power Administration (WAPA) system and increase the capacity to its customers in Santa Cruz County. The Magruder Motion agrees with this "need" however, a new transmission system called Southline for upgrading the WAPA lines has been proposed. The new WAPA proposal will make Segment 1 of the approved transmission line redundant and add unwarranted costs to UNSE ratepayers, well over \$5 million for this new transmission line. The WAPA-upgraded line will

eliminate these long-term constraints and use the existing WAPA transmission line rights of way and not create a new ROW required by Segment 1. The Southline project was not discussed during the Line Siting case No. 144; however, due to two years delay by UNSE to start this project, the Southline option became a better alternative for the reasons in the Magruder Motion to Stay Segment 1.

UNSE is wrong when it states these “facts and circumstances have not changed since the Commission approved the Certificate of Environmental Compatibility in Decision 71282 (October 7, 2009).”

The second UNSE objection claims inaccuracies and misstatements are in the Magruder Motion and include comments on the following:

- a. “UNS Electric will *not* be limited to purchasing all its power from” TEP. At USNE 2:3-4. For clarity, the term “TEP generation sources” may not have been clear. What was intended to convey in this comment was that Segment 1 would limit UNSE to generation sources connectable to the TEP transmission lines and not to just TEP-owned generation sources. At MM 2:21.
- b. “Interconnecting with Vail Substation does *not* restrict the type of resources UNS Electric can purchase.” At UNSE 2:5-6. The options for purchase the resource “type” is not intended to restrict the “types” of generation sources. Remaining on the WAPA lines and connected to the TEP lines via WAPA allows additional options for UNSE power purchase of any source “type”. MM various.
- c. “UNSE will have more options to purchase power from various resources through the TEP system without additional transmission charges (*i.e.* pancaked rates.)” At UNSE 2:6-8. The Motion never said that pancaked rates might not occur as the benefit. Reduced Wheeling Costs, may occur since UNSE may purchase from either the WAPA or via TEP’s transmission lines. At MM 2:26-27; however, TEP’s line use may be slightly higher due charges to using 5 miles of WAPA lines between the Vail and Nogales Tap substation. No matter what system is used, there will be 5 miles of power lost using Vail compared to using the Nogales Tap. The options can be assessed before purchasing.
- d. Transformer Costs. The Motion quoted UNSE for a cost of \$2,007,010 for the 345:138 kV transformer at the Vail Substation. At MM 1:16-17. The exact cost for a 230:138 kV transformer (which is smaller) was not given; however, an estimate of up to \$1.5M was stated. Anything less than \$2,007,101 saves ratepayer costs. TEP has many 138 kV lines. This transformer can be used on other projects.
- e. Costs for using Southline. At UNSE 2:11-17. All transmission lines will have a cost expected to be recovered in the wheeling charge. TEP has not indicated the cost difference between the existing WAPA line costs, proposed WAPA Southline costs and Segment 1 impacts on ratepayers. The costs as this kind of cost were not allowed as a siting issue by the Line Siting Committee as such costs are for adjudication only “during rate cases.”

The third UNSE objection indicated that the Southline is a “speculative project” however, its sponsor is the Department of Energy’s WAPA organization to upgrade from 115 kV to twin-circuit 230 kV in this segment of Arizona using the existing transmission line rights of way, with one exception a small spur to the Vail substation at MM 2:1-12. This WAPA upgrade has been planned since the 1990s. The constraint issue has become worse with time. The regional economic situation has reduced this concern; however, the Southline project easily meets the “need” test. A more speculative project that does not benefit either Pima or Santa Cruz County for transmission of RE power for California is the SunZia proposal, a much more speculative project with significant environmental concerns than the Southline re-build upgrade project; however, TEP is a SunZia part-owner so its objections to Southline have a obvious bias.

This third objection concerns the completion date, that is already two years behind schedule proposed in 2009, of the UNSE Case 144 project that originally was approved. These "old" completion dates are still posted on signs along the ROW. This delay was due to the less than expected growth in this service area. There has been negative growth in this service area (for example Rio Rico water demands were down 6% in the last year) due to the very high home repositions, business failures and unemployment presently above 18%, the second highest in the state. The forecasts do not show regaining the prior energy demands of 2008 until after 2015. As testified by TEP during Case No. 164, a similar 138 kV transmission line can be constructed within six months after go-ahead.

A short additional delay for the WAPA upgrade, when there is no "need", is reasonable and is the only possible objection that has any merit to see if the Southline project will be constructed as proposed.

When one weights the benefits of this "stay" to see if the Southline Project comes to fruition, this Motion to Stay Segment 1 is strongly recommended.

Mailed to all parties this dated 8 December 2012.

Respectfully submitted,



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