

ORIGINAL

OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

2017 MAY 30 A 10: 21

TO: THE COMMISSION

MAY 30 2017

FROM: Utilities Division

DOCKETED BY

DATE: May 30, 2017

RE: IN THE MATTER OF THE JOINT APPLICATION OF TUCSON ELECTRIC POWER COMPANY AND SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INCORPORATED FOR AN ORDER APPROVING A BORDERLINE AGREEMENT. (DOCKET NOS. E-01933A-17-0083 AND E-01575A-17-0083)

INTRODUCTION

Enclosed are the Commission Staff's memorandum and proposed order for THE JOINT APPLICATION OF TUCSON ELECTRIC POWER COMPANY AND SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INCORPORATED FOR AN ORDER APPROVING A BORDERLINE AGREEMENT (Docket Nos. E-01933A-17-0083 and E-01575A-17-0083). This is only a Staff recommendation to the Commission; it has not yet become an order of the Commission. The Commission can decide to accept, amend or reject Staff's proposed order.

You may file comments to the recommendation(s) of the proposed order by filing an original and thirteen (13) copies of the comments with the Commission's Docket Control Center at 1200 W. Washington St., Phoenix, AZ 85007 by 4:00 p.m. on or before **June 9, 2017**.

This matter may be scheduled for Commission deliberation at its Open Meetings scheduled for **June 13, 2017**, at 10:00 a.m. and **June 14, 2017**, at 10:00 a.m.

If you have any questions about this matter, please contact either Rick Lloyd of our Staff at (602) 542-0819, or Elijah Abinah, Director, at (602) 542-6935.

BACKGROUND

On March 27, 2017, Tucson Electric Power Company ("TEP") and Sulphur Springs Valley electric Cooperative, Inc. ("SSVEC") filed a joint application for approval of a borderline agreement between TEP and SSVEC.

On February 20, 2013, TEP entered into a Solar Power Purchase Agreement¹ ("PPA") with Red Horse Wind 2, LLC and Red Horse III (collectively "Customer") to acquire the output and associated renewable energy credits of an approximate 101MW wind and solar power generation

¹ The subject Solar Power Purchase Agreement has been amended four times.

facility that has been constructed in Cochise County, Arizona. The Red Horse facility, comprising approximately 1,251 acres, is located within SSVEC's service territory. TEP will use the RECs to help meet the non-distributed generation portion of its Renewable Energy Standard and Tariff requirement.

It is necessary for TEP as the "power taker" under the PPA to supply parasitic load to maintain generation capability. It is not feasible nor cost effective for SSVEC to supply the parasitic load. Since TEP must supply the parasitic load to the Red Horse facility, the Customer has also requested TEP to provide the remaining incidental electric service to the Red Horse facility.

Customer has interconnected the Red Horse facility to TEP's 345kV transmission system via eleven (11) miles of new conductor from the Red Horse substation to TEP's Winchester substation. Customer has constructed, or caused to be constructed, the interconnection facilities needed for TEP to supply Red Horse's parasitic load. There will be no additional cost to the Customer to enable TEP to provide the remaining incidental electric service to the facility. If SSVEC were to provide the remaining incidental electric service to the Red Horse facility, SSVEC estimates the additional cost to the Customer would be approximately \$126,000 in construction costs, over approximately two miles, not including all potential easements and right-of-way costs.

TEP estimates that the combined parasitic and incidental loads to be served at the Red Horse facility will be approximately 3,600 kWh per month, with the incidental portion of the load considered to be de minimus. TEP will bill the electric consumption at the Red Horse facility under the Small General Service ("SGS") tariff. TEP intends to begin service to the Red Horse facility as soon as the borderline agreement is approved by the Commission.

TEP and SSVEC have signed an "Electric Service Authorization Agreement" ("ESAA") that defines the terms of this borderline agreement between the parties. SSVEC reserves the right to provide electric service to the Red Horse facility in the event SSVEC determines that it is economically feasible for SSVEC to provide such service. In such event, SSVEC shall provide TEP and Customer with written notice thereof not less than ninety (90) calendar days prior to the date SSVEC plans to begin providing electric service to the facility. Similarly, TEP reserves the right to discontinue providing electric service to the Red Horse facility, with written notice to SSVEC and the Customer of not less than ninety (90) calendar days. The ESAA will become effective upon approval by the Commission.

STAFF RECOMMENDATIONS

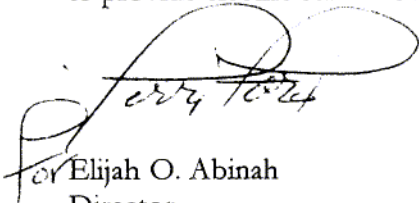
Staff has reviewed the ESAA and supporting documents and believes that at this time, it is in the best interests of the Customer, TEP, and the public for TEP to serve the Red Horse facility until such time as TEP is no longer taking power from the Red Horse facility and / or SSVEC determines that it is economically feasible for SSVEC to serve the property. Staff notes that the Commission has previously approved similar borderline agreements.

THE COMMISSION

May 30, 2017

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Staff recommends that the proposed borderline agreement between TEP and SSVEC to serve the Red Horse solar and wind facility be approved. Staff further recommends that TEP and SSVEC shall notify the Commission in writing in the event that SSVEC determines that it is economically feasible to provide electric service to the Red Horse facility, and that SSVEC intends to provide electric service on a specific date.

A handwritten signature in cursive script, appearing to read "Elijah O. Abinah".

for Elijah O. Abinah
Director
Utilities Division

EOA:RBL:red\RWG

ORIGINATOR: Rick Lloyd

On this 30th day of May, 2017, the foregoing document was filed with Docket Control as a **Utilities Division Memorandum & Proposed Order**, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

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By:



Renee de la Fuente
Administrative Support Specialist

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BEFORE THE ARIZONA CORPORATION COMMISSION

TOM FORESE
Chairman
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
ANDY TOBIN
Commissioner
BOYD DUNN
Commissioner

IN THE MATTER OF THE JOINT APPLICATION OF TUCSON ELECTRIC POWER COMPANY AND SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR AN ORDER APPROVING A BORDERLINE AGREEMENT

DOCKET NO. E-01933A-17-0083
E-01575A-17-0083

DECISION NO. _____

ORDER

Open Meeting
June 13 and 14, 2017
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") and Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") are certificated to provide electric service as public utilities in Arizona.

Background

2. On March 27, 2017, TEP and SSVEC filed a joint application for approval of a borderline agreement between TEP and SSVEC.

3. On February 20, 2013, TEP entered into a Solar Power Purchase Agreement ("PPA") with Red Horse Wind 2, LLC and Red Horse III (collectively "Customer") to acquire the output and associated renewable energy credits of an approximate 101 MW wind and solar power generation facility that has been constructed in Cochise County, Arizona. The Red Horse facility, comprising approximately 1,251 acres, is located within SSVEC's service territory. TEP will use the RECs to help

1 meet the non-distributed generation portion of its Renewable Energy Standard and Tariff
2 requirement.

3 4. It is necessary for TEP as the "power taker" under the PPA to supply parasitic load to
4 maintain generation capability. It is not feasible nor cost effective for SSVEC to supply the parasitic
5 load. Since TEP must supply the parasitic load to the Red Horse facility, the Customer has also
6 requested TEP to provide the remaining incidental electric service to the Red Horse facility.

7 5. Customer has interconnected the Red Horse facility to TEP's 345 kV transmission
8 system via eleven (11) miles of new conductor from the Red Horse substation to TEP's Winchester
9 substation. Customer has constructed, or caused to be constructed, the interconnection facilities
10 needed for TEP to supply Red Horse's parasitic load. There will be no additional cost to the
11 Customer to enable TEP to provide the remaining incidental electric service to the facility. If SSVEC
12 were to provide the remaining incidental electric service to the Red Horse facility, SSVEC estimates
13 the additional cost to the Customer would be approximately \$126,000 in construction costs, over
14 approximately two miles, not including all potential easements and right-of-way costs.

15 6. TEP estimates that the combined parasitic and incidental loads to be served at the Red
16 Horse facility will be approximately 3,600 kWh per month, with the incidental portion of the load
17 considered to be de minimus. TEP will bill the electric consumption at the Red Horse facility under
18 the Small General Service ("SGS") tariff. TEP intends to begin service to the Red Horse facility as
19 soon as the borderline agreement is approved by the Commission.

20 7. TEP and SSVEC have signed an "Electric Service Authorization Agreement"
21 ("ESAA") that defines the terms of this borderline agreement between the parties. SSVEC reserves
22 the right to provide electric service to the Red Horse facility in the event SSVEC has determined that
23 it is economically feasible for SSVEC to provide such service. In such event, SSVEC shall provide
24 TEP and Customer with written notice thereof not less than ninety (90) calendar days prior to the date
25 SSVEC plans to begin providing electric service to the facility. Similarly, TEP reserves the right to
26 discontinue providing electric service to the Red Horse facility, with written notice to SSVEC and the
27 Customer of not less than ninety (90) calendar days. The ESAA will become effective upon approval
28 by the Commission.

Staff Recommendations

8. Staff has reviewed the ESAA and supporting documents and believes that at this time, it is in the best interests of the Customer, TEP, and the public for TEP to serve the Red Horse facility until such time as TEP is no longer taking power from the Red Horse facility and / or SSVEC has determined that it is economically feasible for SSVEC to serve the property. Staff notes that the Commission has previously approved similar borderline agreements.

9. Staff recommends that the proposed borderline agreement between TEP and SSVEC to serve the Red Horse solar and wind facility be approved. Staff further recommends that TEP and SSVEC shall notify the Commission in writing in the event that SSVEC determines that it is economically feasible to provide electric service to the Red Horse facility, and that SSVEC intends to provide electric service on a specific date.

CONCLUSIONS OF LAW

1. Tucson Electric Power Company and Sulphur Springs Valley Electric Cooperative, Inc. are Arizona public service corporations within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction of Tucson Electric Power Company and Sulphur Springs Valley Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 30, 2017, concludes that it is in the public interest to approve the borderline agreement between Tucson Electric Power Company and Sulphur Springs Valley Electric Cooperative, Inc. as necessary to provide electric service to the Red Horse wind and solar power generation facility located in Cochise County, Arizona.

ORDER

IT IS THEREFORE ORDERED that the borderline agreement between Tucson Electric Power Company and Sulphur Springs Valley Electric Cooperative, Inc. as necessary to provide electric service to the Red Horse wind and solar power generation facility located in Cochise County, Arizona is hereby approved.

...

1 IT IS FURTHER ORDERED that Tucson Electric Power Company and Sulphur Springs
 2 Valley Electric Cooperative, Inc. shall notify the Commission in writing in the event that Sulphur
 3 Springs Valley Electric Cooperative, Inc. determines that it is economically feasible to provide electric
 4 service to the Red Horse facility, and that Sulphur Springs Valley Electric Cooperative, Inc. intends to
 5 provide electric service on a specific date.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN FORESE

COMMISSIONER DUNN

COMMISSIONER TOBIN

COMMISSIONER LITTLE

COMMISSIONER BURNS

IN WITNESS WHEREOF, I, TED VOGT, Executive
 Director of the Arizona Corporation Commission, have
 hereunto, set my hand and caused the official seal of this
 Commission to be affixed at the Capitol, in the City of
 Phoenix, this _____ day of _____, 2017.

TED VOGT
 EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:RL:red/RWG

1 Tucson Electric Power Company and Sulphur Springs Valley Electric Cooperative, Inc.
2 Docket Nos. (E-01933A-17-0083 AND E-01575A-17-0083)

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