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BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

DOCKETED

JUN 22 2017

DOCKETED BY
GB

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. 76150

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.

1 **Staff Recommendations**

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

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

12 CONCLUSIONS OF LAW

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

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

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

23 ORDER

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

28 . . .

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

Th. Forese

 CHAIRMAN FORESE

[Signature]

 COMMISSIONER DUNN

[Signature]

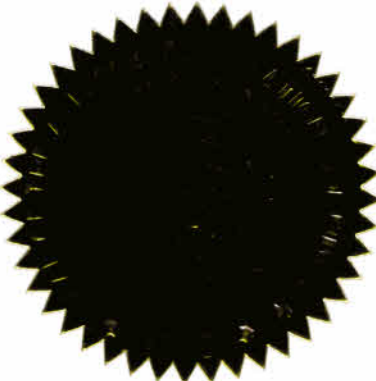
 COMMISSIONER TOBIN

[Signature]

 COMMISSIONER LITTLE

[Signature]

 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 22nd day of June, 2017.

[Signature]

 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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