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BEFORE THE ARIZONA CORPORATI

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COMMISSIONERS
MARC SPITZER - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

2004 MAR 11 P 1:44

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF SERVICE QUALITY ISSUES, ANALYSIS OF TRANSMISSION ALTERNATIVES AND PROPOSED PLAN OF ACTION IN THE SANTA CRUZE ELECTRIC DIVISION OF CITIZENS UTILITIES COMPANY (NOW THE SANTA CRUZ DIVISION OF UNISOURCE ELECTRIC.	DOCKET NO. E-01032A-99-0401 **NOTICE OF FILING STAFF REPORT**

Staff of the Utilities Division of the Arizona Corporation Commission hereby files its Staff Report, commenting on the sufficiency of the updated Outage Response Plan filed by Tucson Electric Power Company ("TEP") and UniSource Electric, Inc. ("UNS Electric"), as required by Commission Decision 66615. Staff apologizes for the lateness of the filing. Staff respectfully requests that the Commission consider the information provided in its Staff Report, attached to this filing.

RESPECTFULLY SUBMITTED this 11th day of March 2004.

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The original and thirteen (13) copies of the foregoing were filed this 11th day of March, 2003 with:

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Arizona Corporation Commission
DOCKETED
MAR 11 2004
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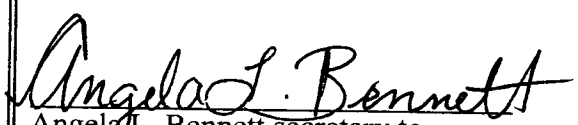

Angela L. Bennett secretary to
Jason D. Gellman

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: March 11, 2004

RE: STAFF REPORT ANALYZING TEP AND UNISOURCE ENERGY SERVICES RESPONSE TO DECISION NO. 66615 REGARDING THE TEP AND CITZENS COMMUNICATION COMPANY JOINT APPLICATION FOR DELAY OF IN-SERVICE DATE OR WAIVER OF PENALTIES (DOCKET NO. E-01032A-99-0401)

Attached is a Staff Report that supplements and augments an October 31, 2003 Staff Report for a Tucson Electric Power Company ("TEP") and UniSource Energy Services ("UES") joint application for delay of the in-service date or waiver of penalties for a second transmission line to serve Santa Cruz County.

Staff continues to recommend that prior to June 1, 2004, this matter appear on an open meeting so that the Commission can 1) determine sufficiency of the TEP and UES updated Outage Response Plan; 2) receive updates on the federal permitting processes; 3) address further waiving of the penalty for a prescribed period beyond June 1, 2004; and 4) establish a process for a) reviewing the TEP and UES Outage Response Plan such that it remains sufficient, b) providing further updates on the federal permitting processes, and c) addressing future waivers of the penalty beyond the prescribed period. Such a process might include waiver of penalties on a cyclical basis (i.e. 3 or 6 months) provided satisfactory progress is made in permitting and constructing the project.

Staff further recommends that TEP and UES file supplemental information by April 30, 2004 that:

1. Resolves deficiencies, noted by Staff in this report, in their response to questions raised by the Commission in Decision No. 66615.

2. Updates the power plant operations procedure and the transmission service restoration procedures previously approved as elements of Citizens' Outage Response Plan.

3. Proposes modifications to the UES Switching Procedures that refines the time required to restore service following a transmission line outage for each of the following potential system improvements:

a. Proposed 46 kV TEP emergency feeder tie to Kantor,

b. Potential automated or remotely controlled transmission and/or distribution feeder switching improvements.

c. Potential emergency service via the Gateway interconnection to Mexico.

EGJ:JDS:rdp

Originator: Jerry D. Smith

Attachment: Original and thirteen copies

Service List for: TUCSON ELECTRIC POWER COMPANY and UNISOURCE ENERGY SERVICES
Docket No. E-01032A-99-0401

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

TEP AND UNISOURCE ENERGY SERVICES
RESPONSE TO DECISION NO. 66615
DOCKET NO. E-01032A-99-0401

APPLICATION FOR A DELAY OF IN-SERVICE DATE OR WAIVER OF PENALTIES

MARCH 11, 2004

STAFF ACKNOWLEDGMENT

This Staff Report for the TEP and Citizens Communication Company application for delay of in-service date or waiver of penalties, Docket No. E-01032A-99-0401 was prepared by Jerry Smith. It provides an analysis of TEP and UniSource Energy Services ("UES") response to Commission questions contained in Decision No. 66615. Subsequent to the original application, UES acquired the Citizens Communications Company gas and electric facilities in Arizona in August 2003. Mr. Smith was Staff's witness in all other proceedings regarding this matter and for the siting of the required second transmission line to Nogales. He was responsible for the review and analyses of the companies' application, review of the Commission's records of each company, determining their compliance with Commission policies/rules and reviewing customer complaints filed with the Commission regarding this matter. Mr. Smith also performed the engineering and technical analysis, and recommended action appropriate for pending delays in the construction of a second transmission line to serve Santa Cruz County in a prior Staff Report dated October 31, 2003.

Jerry D. Smith
Electric Utility Engineer

TABLE OF CONTENTS

EXHIBITS

PURPOSE OF STAFF REPORT

This Staff Report supplements and augments the October 31, 2003 Staff Report and has a three fold purpose. It critiques Tucson Electric Power Company ("TEP") and UniSource Energy Services, Inc. ("UES") responses to Commission questions posed in Decision No. 66615. Secondly, it contains Staff's comments on the sufficiency of TEP's and UES' updated Outage Response Plan for Santa Cruz County filed on February 9, 2003, in accordance with Decision No. 66615. Finally this report documents discussions among TEP, UES, Commission Staff, and Federal Agencies regarding steps remaining in the various federal processes to permit the proposed transmission line from TEP's South Substation to the new TEP Gateway Substation and from Gateway Substation to UES' Valencia Substation in Nogales, Arizona.

CRITIQUE OF RESPONSES TO COMMISSION QUESTIONS

On February 9, 2003, TEP and UES filed a response to Commission Decision No. 66615. That TEP and UES filing updates the Plan of Action for Santa Cruz County originally filed by the Citizens Communication Company. It includes an updated "Outage Response Plan" and their responses to the following questions:

a. Can Citizens' operating procedures be improved to shorten the restoration time for transmission outage events utilizing TEP's operations center and field personnel?

b. Are any of the following improvements cost effective as interim restoration of service solutions to the construction of a second transmission line?

   i. A limited number of automated or remote controlled distribution feeder ties between substations.
   ii. Improved remote electronic dispatch control capability of the Valencia generator or improved generator controls.

c. What refinements are appropriate in Citizens' RAC-2 peak load forecast? Please define the annual hours of exposure when load is forecast to exceed the capacity of the existing transmission line.

d. Is the proposed interconnection with Mexico at the Gateway substation an interim service restoration solution for delay of the proposed South to Gateway transmission line through the Coronado National Forest?

e. How much emergency service is available from TEP via a Kantor feeder tied to TEP's 46 kV line?

Staff has reviewed TEP and UES responses to the above questions and offers the following observations and comments.

a. Can Citizens' operating procedures be improved to shorten the restoration time for transmission outage events utilizing TEP's operations center and field personnel?

TEP and UES responded to this question by providing an Integration Task List (Exhibit 2) that depicts the status of activities being undertaken to integrate operational control of UES' facilities via TEP's operations center and utilizing both TEP and UES field personnel. Several of the items reported as "under investigation" or "not yet completed" directly affect TEP's and UES' ability to improve the operating procedures for Santa Cruz County. Completion of these pending operational improvements is critical if a reduction in time to restore service to customers following outage of the existing transmission line serving Santa Cruz County is to be achieved. The updated UES Switching Procedures (Exhibit 3) does not incorporate any of these incomplete operational improvements. Therefore, the updated switching procedure shows no reduction in the service restoration time for loss of the 115 kV line to Nogales.

b. Are any of the following improvements cost effective as interim restoration of service solutions to the construction of a second transmission line?

Cost effectiveness is not addressed in any form in the most recent filing by TEP and UES.

i. A limited number of automated or remote controlled distribution feeder ties between substations.

TEP reports that its engineering personnel are currently researching opportunities for such feeder ties. However, the updated UES Switching Procedure (Exhibit 3) does continue to reflect manual operation of circuit switchers, switches and circuit breakers at Valencia Substation, a 115 kV circuit switcher at Cañez Substation, a distribution feeder recloser at Four Winds Ranch on circuit 7201 and a distribution group operated switch at pole #7995 on circuit 8201. In addition, use of a 46 kV TEP feeder to restore service to Kantor is also contemplated.

Staff is simply asking what restoration time savings can be achieved by automating the operation of these devices or providing remote control capability for these devices instead of dispatching field personnel to the various locations for manual switching purposes. Do such time savings warrant the expenditure of capital funds to implement such proposed operational improvements? If so, when can such operational capability be achieved and reflected in the switching procedures?

ii. Improved remote electronic dispatch control capability of the Valencia generators or improved generator controls.

TEP reports it is reviewing the feasibility of consolidating and moving the remote dispatch control of the Valencia gas turbines to TEP's Irvington Control Center. Staff simply wants to know what restoration time savings could be achieved by remotely dispatching and controlling the units rather than dispatching field personnel to manually balance each unit's output to load

following a switching procedure that picks up or drops load. Do such time savings warrant the expenditure of capital funds to implement such proposed operational improvements? If so, when can such operational capability be achieved and reflected in the switching procedures?

c. What refinements are appropriate in Citizens' RAC-2 peak load forecast? Please define the annual hours of exposure when load is forecast to exceed the capacity of the existing transmission line.

TEP has refined Citizens' RAC-2 peak load forecast (Exhibit 4). The "normal" forecast is similar to Citizens' RAC-2 forecast, but TEP's "high" forecast is somewhat lower. No rationale for the reduction in the "high" forecast was provided by TEP. The UES reliability must–run ("RMR") generation study report (Exhibit 5) indicates that the pre-Gateway Simultaneous Import Limit ("SIL") is 65 MW. Therefore, a RMR condition is expected to occur in Santa Cruz County by the summer of 2006 per the new forecast.

The annual hours of exposure when the load is forecast to exceed the capacity of the existing transmission line has not been provided. Without this analysis it is not possible to ascertain the RMR energy cost for running the Valencia units for the purpose of meeting the local load requirements. The economic impact of such operation of the Valencia units is significant because UES has a full requirements power purchase contract with Pinnacle West Capital Corporation ("PWEC"). Therefore, operating expenses of the Valencia units occur on top of and above the cost of the power otherwise purchased and contracted for via PWEC. Operating the Valencia units during summer storm season in preparation for restoring service following a transmission line outage has the same cost impacts even when the load is below the 65 MW pre-Gateway SIL.

d. Is the proposed interconnection with Mexico at the Gateway substation an interim service restoration solution for delay of the proposed South to Gateway transmission line through the Coronado National Forest?

TEP and UES report that construction of the Gateway Substation and interconnection with Mexico are dependent upon the completion of the Environmental Impact Statement ("EIS") for the project and the U.S. Department of Energy ("DOE") issuance of a Presidential Permit. They further claim that construction of such facilities can not occur prior to the resolution of the Coronado National Forest issues. Staff has concerns regarding both the technical aspects of such an interconnection and the role of the federal permitting process for this component of the project.

Staff does not know if construction of the proposed interconnection facilities to Mexico offers a technically satisfactory emergency restoration of service option for outage of the existing 115 kV line. Similarly, Staff does not know if there are contractual obstacles to such emergency service in the interim. Staff requests TEP and UES to consider and report on the technical and contractual merits of this alternative.

Since they are not on federal lands, it would appear construction of the Gateway Substation, the 345 kV interconnection to Mexico and the 115 kV line from Gateway to Valencia could precede independent of construction of other elements located on federal lands. However, it is unclear to Staff whether DOE can issue a Presidential Permit independent of the administrative processes of other federal agencies involved in the EIS process. If the Presidential Permit is for the entire project and is dependent on the finality of the administrative processes of both the Bureau of Land Management ("BLM") and the United States Forest Service ("USFS"), then this interim solution is not likely feasible. But, this solution, if technically sound, may be possible if DOE's issuance of a final EIS, Record of Decision ("ROD") and Presidential Permit are independent and only apply to the component of the project implicating the interconnection to Mexico. As stated above, this component is not on federal lands.

e. How much emergency service is available from TEP via a Kantor feeder tied to TEP's 46 kV line?

TEP reports that it could provide approximately 20 MW of emergency service to UES via a new 46 kV feeder tie with Kantor Substation. However, due to longstanding TEP two-county financing limitations, the 46 kV switch must remain normally open between the two systems. This means such service is strictly of a service restoration character and cannot assure continuity of customer service for outage of the existing 115 kV line to Nogales. Furthermore, Staff is still uninformed as to how much time is saved by using this emergency feeder tie to restore service following a transmission line outage.

SUFFICIENCY OF UPDATED OUTAGE RESPONSE PLAN

The updated UES Switching Procedures for loss of 115 kV line to Nogales (Exhibit 3) properly reflects current operating procedures for its Santa Cruz County electric facilities. It refines the personnel now responsible for the various actions given the current TEP and UES operational relationship. It further corrects the manual operational adjustments of Valencia turbines to a frequency of 60.5 Hz rather than 100.5 % of rated speed when balancing output of units to load following each feeder switching sequence. However, it reflects none of the operational improvements "under investigation" or "not yet completed" in the operational integration of UES facilities into TEP's operations center functions.

The Citizens Outage Response Plan approved and adopted by the Commission in Decision No. 62011 included power plant operations procedures and three procedures for restoring transmission service following a transmission line outage. The approved power plant operations procedures are attached to this report as Exhibit S-1 and the three transmission restoration procedures are attached to this report as Exhibit S-2. Neither of these two procedures has been updated. TEP's Integration Task List (Exhibit 2) indicates that procedures regarding operation of the Valencia turbines during storm season are "under investigation". Similarly, TEP reports in its Integration Task List that it is investigating the placement of Valencia turbine controls on TEP's supervisory control and data acquisition ("SCADA") system to enable remote start from TEP's control room. Given TEP's experience with black start of generating units and the scope of its

"investigations" Staff would expect to see updated power plant operating procedures and transmission service restoration procedures.

Staff also expects TEP and UES to update the UES Switching Procedures for loss of 115 kV line to Nogales to reflect possible utilization of 1) the proposed 46 kV emergency feeder tie to Kantor, 2) any automated or remote controlled switching devices that could be implemented to enable service restoration without depending on dispatching of field personnel, and 3) emergency switching if or when the Gateway interconnection to Mexico is implemented. Without knowing the reduction of time for service restoration via each of these potential operational improvements Staff can not judge their merits.

The Commission ordered UES' predecessor, Citizens, to build facilities that assure electric customers in Santa Cruz County have reliable service founded on the principle of continuity of service for outage of a transmission line. None of the aforementioned operational improvements achieve that purpose. In fact, the UniSource Energy Services RMR Study (Exhibit 5) filed on February 9, 2004, indicates that even with the proposed new 115 kV transmission line from Gateway to Valencia a system voltage violation would occur for the outage of the new line or the Valencia to Sonoita line. The RMR study indicates that this service concern can be managed technically via the RMR operation of the Valencia generating units until the Santa Cruz County load reaches approximately 75 MW. According to the TEP forecast (Exhibit 4) the 75 MW load level may be experienced by the summer of 2010. TEP has committed to studying and analyzing in 2004 the merits of a second 115 kV line from Gateway to either Valencia or Sonoita. Staff would expect TEP and UES to file such study results with their ten year transmission plan in January 2005.

FEDERAL PERMITTING PROCESS

Composing the final Environmental Impact Statement ("EIS") for the Gateway Project is a detailed and comprehensive process involving several federal agencies. As explained to Staff, the EIS is a disclosure document highlighting the environmental reviews conducted pursuant to the National Environmental Policy Act ("NEPA"). The requirements under NEPA for a certain project depend on the particulars of each case and what federal lands and/or agencies are implicated by the project. For the Gateway Project, while the Department of Energy ("DOE") is the lead agency for the EIS, the United States Forest Service ("USFS") and Bureau of Land Management ("BLM") have vital and key roles in the EIS' composition. The United State Fish and Wildlife Service ("USFW") and the U.S. Section of the International Boundary Water Commission ("USIBWC") also have significant roles in the process. Each agency must ensure that all of its requirements are incorporated in the NEPA process and the EIS.

Currently, the DOE, USFS and BLM are analyzing the abundance of comments submitted on the Draft EIS. The Draft EIS was noticed August 27, 2003. Commission Staff submitted comments on the Draft EIS on October 14, 2003. Staff's comments focused on the need for the Gateway Project to improve the reliability of electric service to UES customers in Santa Cruz County. Staff attached portions of the transcript in the proceedings before the Power Plant and

Transmission Line Siting Committee ("Line Siting Committee") in Docket No. L-00000C-01-0111 detailing the need for the Gateway Project to reliably serve customers. Staff indicated in its comments that neither new local generation nor other means would preempt the need for a second transmission line.

Staff understands that the final EIS is expected to be issued on June 1, 2004. This assumes that the USFW will issue its Biological Opinion ("BO") by April 1, 2004. Once the final EIS is issued, a Notice of Availability ("NOA") will be published in the Federal Register.

Staff continues to meet with representatives of UES and TEP, USFS, BLM and DOE to gain a better understanding of the federal process and to explore and encourage ways to expedite the process while still ensuring a thorough analysis. Staff has also educated USFW, BLM and DOE (hereinafter referred to as the "federal agencies") on the state siting process for power plants and transmission lines. Staff pledges to continue to be active in discussions with the federal agencies and believes that the federal agencies have been receptive to Staff's comments and suggestions. What follows is a summary of Staff's understanding of the processes for each of the federal agencies, after the final EIS has been composed.

Department of Agriculture – United States Forest Service ("USFS")

A. USFS – Record of Decision and Administrative Appeal

The decision process for the USFS is governed under 36 CFR parts 215 through 215.22. The USFS can issue its record of decision ("ROD") when the final EIS is completed, provided the USFW has issued its BO and met all the requirements under 36 CFR parts 215.5 and 215.6. However, it is more reasonable to expect a ROD from the USFS within thirty to sixty days from the date the final EIS is issued. The ROD is issued by an individual known as the Responsible Official ("RO"). The ROD is based on the findings after an extremely comprehensive EIS involvement by the USFS and a NEPA process that incorporates all factors required under 36 CFR parts 219 through 219.36.

Once a ROD has been issued, any party with standing can appeal the decision within forty-five days of publication of the legal notice of the ROD, pursuant to 36 CFR part 215.15. The Appeal Deciding Officer ("ADO"), the official who will issue a decision on the appeal, will decide on the appeal in accordance with all of the chain of evidence showing all of the activity contained within what is called the project record. Working with the ADO is the Appeal Reviewing Officer ("ARO"), who issues a recommendation to the ADO on the appeal of the ROD in accordance with 36 CFR 215.19. If an appeal is filed, an ADO should render a decision on the appeal within forty-five days following the end of the appeal-filing period, or else the RO's decision is deemed the final agency action. See 36 CFR 215.18.

The ADO may decide to affirm, or remand the ROD with instructions as detailed in 36 CFR 215.18(b)(1). The ADO may also not issue any decision, in which case the ROD becomes final in accordance with 36 CFR part 215.18(b)(2). The ADO's decision is the final administrative

determination of the U.S. Department of Agriculture. If the ADO has affirmed the ROD, there is a fifteen-day period prior to implementation. Presumably, it is at this time that an aggrieved party may file a notice of intent to sue in federal court with a temporary restraining order. If the ROD has been reversed/remanded, the process then reverts back to the RO.

The USFS administrative appeal process also contains an informal disposition component, governed by 36 CFR part 215.17. This regulation requires the RO, who originally issued the ROD, to offer to meet with the appellant. Such a meeting, if the offer is accepted by the appellant, shall take place within fifteen days after the closing date for filing an appeal under 36 CFR part 215.15. If any agreement is reached, in whole or in part, the appellant must withdraw its appeal, in whole or in part, within fifteen days of the agreement being reached.

It is anticipated that the ROD by USFS would be issued sixty days after the final EIS is issued. This means that if the final EIS was issued June 1, 2004, the ROD from USFS would be issued by August 1, 2004. Assuming that the USFS endorses the route approved by the Commission in Case No. 111, the USFS administrative process would not be final until after the administrative appeal process is finalized. The process for affirming a USFS ROD could last up to 105 days from the date of the ROD. This means the final administrative affirmation of an USFS ROD issued August 1, 2004, would occur around November 15, 2004. This timeframe is the best estimate based on the information provided to Staff and excludes any estimation if an aggrieved party were to sue in federal court.

B. USFS Special Use Permit – Pre-Application Screening

The nature of the project, two transmission lines, also implicates a requirements for a special use authorization under 36 CFR part 251.54. This part involves special use of land under the jurisdiction of USFS. Proposals under this section must be in writing and have information required under 36 CFR parts 251.54(d)(2) and (g)(3).

The process under this regulation is essentially a pre-application process broken into a two-step screening procedure. The initial screening determines if the proposal meets all nine criteria under 36 CFR part 251.54(e)(1). Only if all nine criteria are met does the project move into a second level of screening for any commercial project. The second level of screening is then implemented. Five criteria are used at this second level. If a project is determined to be incompatible with any of the five criteria, the project will be rejected at this point. 36 CFR part 251.54(e)(5). For instance, if a proposed project is inconsistent with the particular forest plan, such could be grounds for rejection in the second step of the screening. However, the forest plan could also be amended in accordance with the National Forest Management Act ("NFMA") simultaneously with the project continuing through the NEPA process, as is being done here. Once a project passes both levels of screening, then the project may become a formal application for a special use authorization. The process is then approved in accordance with 36 CFR parts 215(g)(4) and (g)(5). The special use authorization is formally approved after the completion of the NEPA process, including composition of the final EIS, and after the USFS ROD is issued by the RO.

United States Department of Interior – Bureau of Land Management

The Bureau of Land Management ("BLM") would not issue its ROD until at least thirty days after the final EIS is released. A BO from the USFW is also required before a BLM ROD can be issued. Also, UES and TEP would be required to submit a Plan of Development ("POD") before a BLM ROD could be issued. For this type of project, any appeal will come before the BLM's Interior Board of Land Appeals ("IBLA"), pursuant to 43 CFR part 4.1(b)(3). Appellants have thirty days to file for an administrative appeal with the IBLA, in accordance with 43 CFR part 4.411. The BLM's ROD can be stayed pending the administrative appellate process under 43 CFR part 4.21(b)[1]. The appellant has an additional thirty days to file its statement of the reasons for the appeal with the BLA, in accordance with 43 CFR part 4.412(a). If a statement of the reasons is not filed, the appeal will be dismissed. See 43 CFR part 4.412(c). Any party served with a notice of appeal and statement of the reasons for the appeal has an additional thirty days from the date of service of the statement of the reasons to respond. 43 CFR part 4.414.

There appears to be no administrative regulation that mandates a time limit before a decision on an appeal shall be rendered. Certain appeals can go before an Administrative Law Judge ("ALJ") for an administrative hearing on questions of fact on the ROD. In fact, an appeal on a BLM ROD can undertake one out of several procedures, depending on the nature of the appeal. It is Staff's understanding, based on discussions with BLM officials, that it is not unusual for an administrative appeal on a BLM ROD to take three years before a decision is rendered. The ROD, or part of the ROD, could be effective pending the appeal, but any portion of the ROD may also be stayed. See 43 CFR 4.21(a). Also based on Staff's discussions with BLM officials, Staff believes that further litigation in the court system, after the administrative process is completed, is likely.

In summary, a ROD by BLM could be expected by July 1, 2004, if the final EIS is issued June 1, 2004. However, an administrative appeal could take years and the ROD decision stayed pending the outcome of the administrative appeal. This does not include litigation in federal court.

United States Department of Energy

As stated above, the Department of Energy ("DOE") is the lead agency authoring the final EIS. This is because the Gateway Project requires a Presidential Permit before interconnection with Mexico. DOE must also issue a ROD after the final EIS has been issued. DOE's regulations mandate a thirty-day "waiting period" from the date of issuance of the final EIS before it can issue a ROD. See 10 CFR part 1021.315. Once DOE has issued its ROD, the DOE is required to prepare a Mitigation Action Plan to plan and implement measures to minimize any environmental impacts. See 10 CFR part 1021.331. Unlike the USFS and BLM, there does not appear to be a formal administrative appellate process within DOE etched within the federal

[1] A decision approving or denying a stay, either in whole or in part, must be made within forty-five days of the expiration of the time for filing a notice of appeal.

regulations. However, DOE decisions involving NEPA have been further litigated in federal courts. As discussed above, whether a Presidential Permit can be issued while other administrative appellate processes are ongoing is an open question.

White House Task Force Discussions

Staff was also briefed on the discussions between the DOE, USFS and BLM with officials from the White House Task Force. The results of those discussions were encouraging. Some of the highlights are as follows: USFS and BLM will attempt to coordinate efforts such that a joint ROD can be issued, signed by the appropriate officials of the USFS and the BLM. Discussions to expedite the required documents to USFW so a BO can be issued expeditiously were also discussed. All representatives discussed a communication plan so that consistent information is relayed amongst all the working parts in each agency implicated in the NEPA/EIS process. Staff is hopeful that improved coordination will continue such that the final EIS can be issued as soon as possible.

STAFF RECOMMENDATION

Staff continues to recommend that prior to June 1, 2004, this matter appear on an open meeting so that the Commission can 1) determine sufficiency of the TEP and UES updated Outage Response Plan; 2) receive updates on the federal permitting processes; 3) address further waiving of the penalty for a prescribed period beyond June 1, 2004; and 4) establish a process for a) reviewing the TEP and UES Outage Response Plan such that it remains sufficient, b) providing further updates on the federal permitting processes, and c) addressing future waivers of the penalty beyond the prescribed period. Such a process might include waiver of penalties on a cyclical basis (i.e. 3 or 6 months), provided satisfactory progress is made in permitting and constructing the project.

Staff further recommends that TEP and UES file supplemental information by April 30, 2004 that:

1. Resolves deficiencies, noted by Staff in this report, in their response to questions raised by the Commission in Decision No. 66615.
2. Updates the power plant operations procedure and the transmission service restoration procedures previously approved as elements of Citizens' Outage Response Plan.
3. Proposes modifications to the UES Switching Procedures that refines the time required to restore service following a transmission line outage for each of the following potential system improvements:
    a. Proposed 46 kV TEP emergency feeder tie to Kantor,
    b. Potential automated or remotely controlled transmission and/or distribution feeder switching improvements.
    c. Potential emergency service via the Gateway interconnection to Mexico.

CITIZENS UTILITIES COMPANY

POWER PLANT OPERATIONS PROCEDURES

SANTA CRUZ DISTRICT

CITIZENS UTILITIES Public Services Sector	PROCEDURE Operation of Valencia Turbines	Issue Date 4/26/99	Revision Date	Page 1 of 1
		Approved: E. Ojeda		

Purpose

The purpose of this procedure is to specify when the Valencia gas turbines will be operated.

Scope

This procedure covers power plant operations during inclement weather.

Procedure

During storm season (July through mid September) all three turbines will be started and operated at 100% speed with no load any time a storm rolls in. Plant personnel will man the plant during the evening shift 3:00 PM to Midnight.

Black Start Procedure

A Plant blackout is caused by the unexpected loss of the 115 kV line.

Loss of plant 440 AC does not affect the PLC's or the computers.

Start the auxiliary generator to provide electrical power to the compressors for the operating air pressure for the Air Blast Breaker & turbine control air.

Permissive to start –
If the turbines were in the "Ready to Start" condition before the black out they will remain in the "Ready to Start".

Go to the "Start Permissive Screen", if the turbines were not in the "Ready to Start" condition and clear all faults.

Make the following selections for the turbines and generators.

Item	Unit 1	Unit 2	Unit 3
Master Switch	Auto	Auto	Auto
Dead Bus	Yes	No	No
Mode	Droop	Droop	Droop
Sync	Auto	Auto	Off
MW Ctrl	Off	Off	Off
MVAR Ctrl	Off	Off	Off
Fuel	Gas	Gas	Gas
Unit Status	Ready To Start	Ready To Start	Ready To Start
Select Start	Start	Start	Start

Open All Breakers.

Start 2 of the units at the same time.

The unit selected for Dead Bus will come up to 100% speed. The auto synchronizer, 25A and the check synchronizer, 25, will both recognize the dead bus and close the breaker. The second unit will synch to the live bus. There are now two generators on line in droop ready to load and one unit at FSNL.

CITIZENS UTILITIES COMPANY

RESTORATION OF SERVICE FOLLOWING TRANSMISSION LINE OUTAGES

Transmission Service Restoration Procedure
North of Nogales Tap

Step	Procedure	Time	Cum. Time	Who	Location
1	WAPA reports service restored to line north of the Nogales Tap	0:00	0:00	WAPA	WAPA Dispatch
2	WAPA monitors Sync scope at the Nogales tap and sends reports to power plant control room.	0:05	0:05	WAPA	Nogales Tap
3	Valencia turbines synchronize with WAPA	0:02	0:07	Operator	Control Room
4	WAPA closes breaker at Nogales Tap	0:01	0:08	Operator	WAPA Dispatch
5	Load is dropped sequentially by each unit	0:05	0:13	Operator	Control Room
6	System Normal				

Between Sonoita and Nogales Tap

Step	Procedure	Time	Cum. Time	Who	Location
1	CUC crews report completed construction on lines	0:00	0:00	Electric Superintendent	Work site
2	Inform WAPA that CUC will be restoring service to WAPA	0:01	0:01	Operator	Control Room
3	Open breakers at the Valencia turbines	0:05	0:06	Operator	Control Room
4	Manually open group operated switch (distribution) south of the Cañez substation on Pendelton Road on circuit 8201 – circuit 8201 disconnected from circuit 6204– Cañez bus de-energized. Pole #7995	0:03	0:09	Lineman	Switch on Pendelton
5	Manually close circuit switcher on high side of transformer at Cañez Substation	0:03	0:12	Lineman	Cañez
6	Manually close switch KT115-3 at Kantor Substation	0:03	0:15	Lineman	Kantor
7	Manually open recloser at four winds ranch on circuit 7201 – circuit 7201 disconnected from circuit 8203	0:03	0:18	Lineman	4 Winds Ranch
8	Close 115 kV switch on the north side of Sonoita	0:03	0:21	Lineman	Sonoita Substation
9	WAPA closes breaker at Nogales Tap	0:03	0:24	WAPA	WAPA Dispatch
10	System Normal				

Between Sonoita and Valencia Substations

Step	Procedure	Time	Cum. Time	Who	Location
1	CUC crews report completed construction on lines	0:00	0:00	Electric Superintendent	Work site
2	Inform WAPA that CUC will be restoring service to WAPA	0:01	0:01	Operator	Control Room
3	Open breakers at the Valencia turbines	0:05	0:06	Operator	Control Room
4	Manually close 115 kV switch facing Nogales	0:03	0:09	Lineman	Sonoita Substation
5	Manually close both circuit switchers at the Valencia substation	0:03	0:12	Lineman	Valencia
6	WAPA closes breaker at Nogales Tap	0:03	0:15	WAPA	WAPA Dispatch
7	System Normal	0:03	0:18		