

BEFORE THE ARIZONA POWER PLANT AND TRANSMISSION LINE SITING COMMITTEE

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In the matter of the Joint Application) DOCKET NO.
of Nogales Transmission, L.L.C. and) L-00000F-17-
UNS Electric, Inc. ("UNSE"), in) 0246-00176
conformance with the requirements of)
Arizona Revised Statutes §40.360, et) L-00000CCC-17-
seq., for Certificates of Environmental) 0246-00176
Compatibility authorizing construction)
of the Nogales Interconnection Project)
and the UNSE Nogales Tap to Kantor) Case No. 176
Upgrade Project, including an)
approximately 27.5-mile upgrade of)
UNSE's existing 138-kV transmission)
line from a point near the existing)
Western Area Power Administration)
("WAPA") Nogales Tap in Pima County)
and the existing UNSE Kantor Substation))
in Santa Cruz County, a new)
approximately three-mile 138-kV double)
circuit transmission line in Santa Cruz))
County from a point near the existing)
UNSE Valencia Substation to the)
proposed Gateway Substation and)
associated facilities, and a new)
approximately two-mile 230-kV)
transmission line and associated)
facilities in Santa Cruz County to)
interconnect the proposed Gateway)
Substation to the Mexican National)
Electric System.) VOLUME I
PAGES 1 - 168

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Power Plant and Transmission Line Siting
4 Committee, at the Quality Hotel Americana Nogales, 639
5 North Grand Avenue, Nogales, Arizona, commencing at
6 1:12 p.m. on the 5th of September, 2017.

7

BEFORE: THOMAS K. CHENAL, Chairman

8

LAURIE WOODALL, Arizona Corporation Commission
9 LEONARD DRAGO, Department of Environmental
Quality

10 JOHN RIGGINS, Arizona Department of Water
Resources

11 JIM PALMER, Agriculture, Appointed Member

MARY HAMWAY, Cities/Towns, Appointed Member

12 JACK HAENICHEN, Public Member

PATRICIA NOLAND, Public Member

13 RUSSELL JONES, Public Member

14

APPEARANCES:

15

For the Applicant Nogales Transmission, L.L.C.:

16

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25

1 CHMN. CHENAL: All right. Good afternoon,
2 everybody. This is the time set for the hearing on the
3 application on what has been referred to as the Nogales
4 Transmission project, Case No. 176.

5 May I have a roll call of the members in
6 attendance, please, starting with John.

7 MEMBER RIGGINS: John Riggins, Arizona
8 Department of Water Resources.

9 MEMBER JONES: Russ Jones, member at large.

10 MEMBER WOODALL: Laurie Woodall, designee of the
11 Chairman of the Arizona Corporation Commission.

12 MEMBER HAMWAY: Mary Hamway, representing cities
13 and towns.

14 MEMBER NOLAND: Patricia Noland, representing
15 the public.

16 MEMBER HAENICHEN: Jack Haenichen, representing
17 the public.

18 MEMBER PALMER: Jim Palmer, representing
19 agricultural interests.

20 CHMN. CHENAL: All right. And Tom Chenal. I'm
21 with the Attorney General's Office and Chair of this
22 Committee.

23 Will the applicant please introduce -- counsel
24 introduce himself and your team, and then we will go
25 around and introduce the intervenors as well.

1 So, Mr. Guy, start with you please.

2 MR. GUY: Absolutely. Good afternoon, Chairman
3 and Committee members. My name is James Guy with the
4 law firm of Eversheds Sutherland. Assisting me today on
5 behalf of the applicants is my associate, Erin
6 Morrissey, to my right, assistant Chelsea Livingston who
7 understands how the iPads work and all those, can help
8 you with that if we run into problems.

9 Also assisting us is Matt Derstine with the law
10 firm of Snell & Wilmer, and Marc Jerden and Megan
11 DeCorse with UNS Electric.

12 CHMN. CHENAL: All right. Thank you very much.

13 Mr. Jacobs, why don't you go next. Would you
14 introduce yourself, please, and who do you represent.

15 MR. JACOBS: Good afternoon, Mr. Chairman,
16 Committee members. I am David Jacobs. I am an
17 Assistant Attorney General with the Arizona Attorney
18 General's Office. I am here representing the Arizona
19 Land Department.

20 CHMN. CHENAL: Okay. And Mr. Hains, please.

21 MR. HAINS: Yes, thank you. Good afternoon,
22 Chairman, members of the Committee. Charles Hains, and
23 with me is Naomi Davis, on behalf of Staff of the
24 Utilities Division of the Arizona Corporation
25 Commission.

1 CHMN. CHENAL: All right. It appears that the
2 audio is very good today; compliments to the audio crew.
3 The AC is working well. We have got robust wi-fi, I am
4 told, which is very good.

5 Going through my little checklist. We have
6 exhibits. The applicant's exhibits have been provided
7 to us both in paper and the nifty iPads, a nice little
8 way to provide us the documents, and something we should
9 consider for future hearings.

10 We also have the exhibits from the Corporation
11 Commission Staff. I believe at least the presentations
12 were provided among -- to the parties and to the
13 applicants and the other Committee members.

14 And I don't remember, Mr. Jacobs, if you -- you
15 did submit some proposed testimony, I believe --

16 MR. JACOBS: Yes, we did.

17 CHMN. CHENAL: -- last Thursday.

18 MR. JACOBS: Correct.

19 CHMN. CHENAL: Which we had discussed previously
20 at our prehearing conference. So I just want to make
21 sure that the parties are in agreement that the exhibits
22 and testimony have been served on the other parties,
23 according to the procedural order, is that correct?

24 MR. GUY: That is correct.

25 CHMN. CHENAL: Okay.

1 MEMBER WOODALL: I don't have the Land
2 Department's exhibits, so at the appropriate time can I
3 have their exhibits or their testimony?

4 MR. JACOBS: Certainly. I will bring a copy.

5 MEMBER WOODALL: Thank you.

6 CHMN. CHENAL: I want to just remind the people
7 in the audience -- and thank you for coming -- we can't
8 entertain conversations as members of this Committee
9 about the substance of this hearing once the hearing is
10 started. So your comments would have to be, you know,
11 about something other than the merits of this hearing.

12 I mean, we don't want to appear unfriendly; if
13 you want to talk about the weather, that's fine. But if
14 you are talking about the application itself or the
15 testimony or things like that, or giving your opinion or
16 wanting to get one of us to comment on something, we
17 can't do it. So don't take that as being unfriendly on
18 our part. We just can't do it.

19 But we will take your comments gladly at public
20 comment at any time you are able to provide it to us.
21 We will have a public comment hearing this evening
22 starting at 6:00. And I will make sure that if anyone
23 is here that, you know, we will take your public
24 comment, you know, whenever it is convenient for you.

25 Today after the public -- after the opening

1 statements, I understand there is a person here who
2 would like to provide public comment and we are happy to
3 do that.

4 All right. So we are here today and tomorrow
5 for the hearing. We will talk about tours later, but
6 assuming there is a tour, the tour will be tomorrow
7 morning starting at 9:00 a.m. approximately for a couple
8 hours to see the Nogales facilities, resume the hearing,
9 then finish, well, tomorrow then after, at around 5:00,
10 most of us, if not before then, will proceed to the
11 Tucson venue.

12 And then Thursday morning, we will have a tour
13 of the transmission line. That's projected to take a
14 little more time, you know, some or all of the morning.
15 Then we will have the hearing in the afternoon, continue
16 the hearing in the afternoon at the Tucson venue, and
17 that evening we will have public comment as well. And
18 then Friday, we will finish up and do our deliberations
19 and discuss the CEC.

20 Two parties have intervened as a matter of
21 right, the Arizona State Land Department and the Arizona
22 Corporation Commission Staff. And they have the right
23 to intervene under the statute, and I authorized them to
24 intervene at the prehearing conference. There is one
25 motion to intervene not as a matter of right that was

1 filed by Mr. Magruder. I would like to take that up
2 right now.

3 It is not really going to be an issue, for the
4 reasons I will explain, but he has filed a motion. I
5 think we should just deal with it on the record.

6 Marshall Magruder filed a motion to intervene to
7 become a party. Unfortunately he is out of state at
8 personal matters he has to attend to in Annapolis. He
9 is a graduate of the Naval Academy and has matters to
10 deal with there and some other matters in Washington.

11 So he filed a very comprehensive motion to
12 intervene with comments. And when we had our prehearing
13 conference, I advised Mr. Magruder that we would not
14 continue the hearing because of his inability to attend
15 as he had requested, that we would hold the hearing, and
16 if we completed it as we expect by this week, then the
17 hearing would be completed, but that we would allow him
18 to move to intervene. We would allow him to appear by
19 telephone if he was allowed to intervene by the
20 Committee and ask questions of witnesses, and we talked
21 about a proposed time schedule for that. Thursday
22 afternoon he thought was something he might be able to
23 appear.

24 The other option is that we treat his notice or
25 his motion as basically a public statement in writing.

1 And it appears now from an e-mail that Mr. Guy advised
2 me at the beginning right before the hearing started
3 that Mr. Magruder will not be able to appear by
4 telephone or in any capacity in this proceeding.

5 So I guess we can talk about whether we want to
6 allow him to intervene, but if we don't, then I would
7 propose that we treat his comments as a statement in
8 writing. And we can ask questions of the applicant or
9 the other parties based upon what Mr. Magruder
10 submitted.

11 Member Noland.

12 MEMBER NOLAND: Thank you, Mr. Chairman. I move
13 that we do not allow Mr. Magruder to intervene, but we
14 do allow his statements to be entered into the record.

15 CHMN. CHENAL: Very good. Do we have a second?

16 MEMBER WOODALL: Second.

17 CHMN. CHENAL: We have a motion and a second.

18 All in favor say aye.

19 (A chorus of ayes.)

20 CHMN. CHENAL: Okay, very good. And that's what
21 I expected would occur. So heads up, Mr. -- excuse me.

22 Member Woodall.

23 MEMBER WOODALL: So this is kind of directed at
24 the parties. Does anyone, would anyone find it
25 impossible to respond to the questions, not the

1 statements, but the questions that Mr. Magruder has
2 raised in his filing?

3 MR. GUY: Ms. Woodall, James Guy. No, that's
4 not a problem at all. Mr. Beck, Ed Beck, is one of our
5 witnesses, and he is probably the one that is best
6 equipped and has the most knowledge to respond to those
7 questions. And so we will try to cover some of those
8 questions as part of his prepared direct. But if we do
9 not cover something that you would like to know more
10 about, I would encourage you to ask him those questions.

11 MEMBER WOODALL: If during your examination of
12 Mr. Beck you are specifically responding to a particular
13 question, if you could provide that citation reference
14 to me, that will help me look through to see if there is
15 any follow-up questions. Is that possible?

16 MR. GUY: We can do that, yes.

17 MEMBER WOODALL: Okay.

18 CHMN. CHENAL: Thank you.

19 And Member Woodall, you took the words right out
20 of my mouth. I was going to give Mr. Guy a heads-up
21 that you can expect a lot of, if not most of, these
22 questions will be asked by the Committee. Because I
23 think they are good questions, and I think it will make
24 for a more complete record.

25 MEMBER WOODALL: I wanted to ask if Staff or the

1 Land Department had any comment, because some of these
2 questions might be pertinent to them as well, so...

3 MR. JACOBS: I don't believe the Land Department
4 will, but I will make sure when our witnesses are on.

5 MEMBER WOODALL: Okay. Mr. Hains.

6 MR. HAINS: Chairman, Member Woodall, to the
7 extent that our witness has seen the questions and has
8 the knowledge, bearing in mind that the underlying
9 information is coming from the applicant, our witness
10 will be amenable to and prepared to respond to those
11 questions if they are posed to her.

12 MEMBER WOODALL: Thank you, Mr. Hains.

13 CHMN. CHENAL: All right. Are there any issues
14 regarding the procedural order in terms of compliance,
15 or any difficulties that were encountered in connection
16 with the order?

17 (No response.)

18 CHMN. CHENAL: Okay, I don't see that there are
19 any.

20 At our prefiling conference I believe it was
21 Customs and Border Patrol appeared telephonically. They
22 are not here at the proceeding. They did not file
23 anything to intervene. I do not have any comments in
24 writing or statements in writing. I just will -- the
25 concerns that were raised by the Customs and Border

1 Patrol, I think it had more to do with interference,
2 potential radio interference, communication
3 interference. Will that issue be addressed in the
4 course of the testimony by the applicant?

5 MR. GUY: Yes, we will make sure we do that.

6 CHMN. CHENAL: Okay. All right. Are there any
7 other matters that we should discuss before we go to
8 opening statements? Any members have any questions, or
9 any parties?

10 (No response.)

11 CHMN. CHENAL: Doesn't seem like there are. So
12 Mr. Guy, if you are prepared, why don't we start with
13 you for the opening statement, and then we will proceed
14 to the other parties and then we will proceed with the
15 case.

16 MR. GUY: Thank you, Chairman and Committee
17 members. You have your three-ring binders. You have
18 your iPads. Some of you may have USB drives. And this
19 presentation is not on any of those. We do have paper
20 copies that Ms. Morrissey can distribute. But just so
21 if you are searching through looking for this one, this
22 presentation is not in there.

23 Overall this is really two projects, as you can
24 see on the title page there on the right. However, it
25 is really an exciting project overall that gives us the

1 opportunity to improve the reliability of the
2 transmission grid in southern Arizona, and also offers
3 the opportunity for economic benefits to ratepayers of
4 Arizona that take service in the Nogales area and
5 southern Arizona.

6 So looking at the slide on the left, like I
7 said, these are really two interrelated projects. They
8 provide an asynchronous connection between Arizona and
9 Mexico's electric grid. We refer to them as the Nogales
10 interconnection project and the Nogales Tap to Kantor
11 upgrade project.

12 All the term asynchronous means is that the two
13 grids, the grid in the United States and the grid in
14 Mexico, are operating at slightly different phases. And
15 from a practical matter what that means is you just
16 can't connect the wires from Arizona to the wires in
17 Mexico. They are both alternating current, AC, which is
18 the same electricity we get in our homes, but because it
19 is on different phases, they are not synchronized. And
20 you can't connect them without some way to synchronize
21 those currents. And the way that is done is with a
22 direct current or high voltage DC tie converter
23 equipment.

24 You probably have heard of DC ties before, DC
25 converters. It essentially converts the alternating

1 current to direct current, and that then allows you to
2 connect the -- allows the electrons, if you will, to go
3 from one grid to the other.

4 Now, when we refer to the DC tie converter
5 equipment, this is aboveground. It is housed within a
6 substation, and it is essentially back to back. It is
7 not over a long distance with the line. It is, on one
8 side you got electrons flowing a certain way, on the
9 other side you have electrons flowing a certain way, and
10 then there at the DC tie it gets converted back to back.
11 And it is bidirectional, it goes both ways.

12 The project, as I mentioned, will improve
13 reliability and facilitate an economical supply of
14 electric power to southern Arizona. Our witnesses will
15 cover this, but essentially the Nogales area is
16 currently served by one 55-mile transmission line. And
17 this connection, because it will also tie into Mexico,
18 gives us alternative sources of energy, different
19 markets, another way to bring in ancillary services.
20 The flow can go both ways, from Mexico to Arizona or
21 from Arizona to Mexico. It provides voltage support and
22 emergency assistance as well. It overall improves the
23 reliability.

24 It is a joint application. We have two
25 applicants. One is Nogales Transmission, the other is

1 UNS Electric.

2 So just to give you an overview of the project
3 generally, starting at the bottom on the left-hand slide
4 you see the Nogales interconnection project. That's
5 pointing roughly to where we are sitting now. The
6 Nogales interconnection project itself is comprised of a
7 Gateway substation, and then it will -- which is located
8 about two miles from the border. There will be a 230kV
9 transmission line from the Gateway station down to the
10 border, and then there will be a three-mile
11 double-circuit 138kV transmission line that goes up
12 towards the Valencia substation. And that's that
13 roughly five miles, two miles between Gateway to the
14 border, and three miles between Gateway to the Valencia
15 substation.

16 Then you skip a gap, you go up the line about 20
17 miles, and you will see the sign that says Nogales Tap
18 to Kantor upgrade project. That is a 27 and a half mile
19 existing 138kV transmission line. In order to support
20 the interconnection and the DC tie converter equipment,
21 UNSE needs to upgrade that line by essentially replacing
22 the conductors that are there now and putting larger
23 conductor on the line. So together, you know, that's
24 what -- we refer to it as one project. Sometimes in the
25 application we refer to two projects, but they are very

1 much interrelated.

2 The upgrade project, it was on the planning
3 books for UNSE, but obviously got accelerated because,
4 based on the system impact studies and the facility
5 study, they needed to do that upgrade now in order to
6 support the interconnection.

7 There are two different types. There is the
8 merchant transmission project. And for those of you who
9 are not familiar, that maybe were not on the Committee
10 during the Southline transmission case, a merchant
11 transmission project is a project that is being
12 developed by a nonincumbent utility. So for whatever
13 reason, that particular project was either not
14 identified by an incumbent utility or just hasn't been
15 developed.

16 So Nogales Transmission is actually not a
17 utility in Arizona. They are a project developer
18 developing this project. They also have no captive
19 customers from which to recover their cost. So if the
20 project does not go forward, Nogales Transmission eats
21 those costs, doesn't pass anything on to the ratepayers.

22 The UNSE upgrade, or the upgrades that are
23 required because of the interconnection, those are costs
24 that ultimately get spread out on the system. And those
25 are upgrades that have to take place in order to perform

1 the interconnection. So part of the project is
2 merchant, part of the project is more traditional.

3 There is also the requirement, because we are
4 building a transmission line and operating a
5 transmission line across the international border, there
6 is the obligation to get a Presidential Permit from the
7 Department of Energy. And that's pending now.

8 The Department of Energy essentially looks at
9 two criteria. Number one, it looks at the impact of the
10 project on the reliability of the U.S. grid. So as part
11 of that permit process they are studying the reliability
12 and addressing those issues.

13 The second criteria the DOE uses is it has to
14 get -- it is subject to the National Environmental
15 Policy Act. So that's the NEPA environmental process
16 that most of you are probably familiar with. And so in
17 order -- when we applied for that application for a
18 Presidential Permit, we submitted an application along
19 with an environmental assessment that was prepared by a
20 consulting firm. And it included some studies. And in
21 the process DOE retains a third-party consultant, a
22 different consultant than the applicant used, and
23 prepares their own EA. And we have those documents. We
24 have filed both those documents as part of the
25 application, both the EA that the applicant submitted

1 and the EA that the Department of Energy is preparing.

2 So yeah, just quickly on this map, I won't spend
3 a lot of time on this because it is a little hard to
4 see, but the map on the right is a slightly zoomed in
5 version of the Nogales interconnection project. It
6 shows four alternative routes. You have these in your
7 binders, and when the witnesses cover them we can -- I
8 can point to you exactly where they are so you can see a
9 little better.

10 But essentially on the left-hand side, right
11 above the Hunt logo you can see a red line that's
12 crossing the international border. That red line goes
13 north, and then there is other lines. There is a purple
14 line, a blue line, several different routes. And then
15 up kind of on your upper left-hand side, that is the
16 Gateway substation.

17 So from the border to the Gateway substation,
18 that's the 230kV line. That is synchronized with the
19 Mexican grid. And then from the Gateway station on the
20 other side of the DC converter, it travels from west to
21 east to get to the Valencia substation, and that's --
22 and two or three routes, different segments that we
23 could use to get to the Valencia substation.

24 Okay. So then the project to the north, the
25 Nogales Tap to Kantor upgrade project, as I mentioned,

1 that's a 27.5-mile line segment. We refer -- I referred
2 to the gap earlier, sort of the gap between the
3 interconnection project and the upgrade project, I
4 believe it was back in the '80s -- Mr. Beck, others can
5 correct me -- that gap, if you will, has already been
6 upgraded. So that's why there is a gap, because that
7 portion, that 20-mile segment has already been upgraded
8 and can handle this additional power that's going to
9 flow across the system. But this northern part was not
10 upgraded at the same time that the other part was and so
11 that's why this has to be upgraded.

12 UNSE has performed a number of environmental
13 studies to support the application in this case. This
14 27.5 mile segment is not subject to NEPA, was not
15 subject -- was not part of the Department of Energy
16 Presidential Permit application because it is upstream
17 and not connected with the, or directly connected I
18 should say, with the transmission of electricity across
19 the border. But nonetheless, UNSE has performed a
20 number of studies and retained by both external --
21 retained external consultants as well as internal
22 analyses.

23 So that's kind of an overview of the projects
24 from the lawyers' perspective, if you will. And then we
25 have six witnesses lined up that can go into the details

1 and answer your questions. We expect to call those
2 witnesses in two panels.

3 The Panel 1 witnesses on your left: Matt
4 Virant, with Hunt, is involved with the Nogales
5 Transmission part of the project. Today he is going to
6 testify, just a general overview of the application as
7 well as the project itself, and he is going to focus on
8 the Nogales interconnection project, the five miles that
9 are down south.

10 Gabriela Canallas is also with Hunt Power. She
11 will testify about the route selection process, how we
12 came up with the four routes, why we selected
13 Alternative 3 as our preferred route. She will discuss
14 the public outreach. And then she also was involved in
15 the preparation of the tour schedule and protocol that
16 the Chairman mentioned. And she will go through the
17 virtual tour that we have prepared from the desktop that
18 we can do in the room for the Nogales interconnection
19 project.

20 The third witness on our panel this afternoon
21 will be Ed Beck. He is director of transmission
22 development with UNSE. He has been involved for many,
23 many years in the development and construction of
24 transmission projects. He has testified on numerous
25 Line Siting Committee cases, and is very familiar with

1 this process and developing transmission. He will gave
2 an overview of the Nogales Tap to Kantor upgrade
3 project. He will also go over the proposed tour
4 schedule and the virtual tour for the upgrade portion.
5 He will also cover the technical components of both
6 projects. Sometimes you will see us refer to the CEC
7 facilities. That term refers to both the northern
8 facilities and the southern facilities. And then he
9 will also mention the right-of-way acquisition process,
10 and the applicant's expertise and experience in being
11 able to develop and construct these projects.

12 We expect to -- probably will not get through
13 Mr. Beck today. We will probably get to him, but then I
14 will suspect we will finish with Mr. Beck tomorrow
15 afternoon after the tour.

16 Then we will call our second panel, which is all
17 environmental experts.

18 Renee Darling is in-house with UNS Energy,
19 senior environmental and land use planner. She spent
20 many years as an external consultant, is now in-house.
21 She will go over the design philosophy generally we
22 looked at when we were routing the facilities. She will
23 talk about the factors in the Arizona Corporation
24 Commission statutes and rules that is sort of the
25 standard by which the Committee evaluates projects like

1 this. And then she will also specifically get into the
2 details of the environmental studies and analyses for
3 the upgrade project.

4 Michelle Bissonnette is with HDR, environmental
5 consulting firm. She will discuss the environmental
6 studies and analyses for the interconnection project.

7 And then last, David Cerasale is an external
8 consultant with Westland Resources. He is a biologist
9 and he will support both Ms. Bissonnette's testimony and
10 Ms. Darling's testimony with respect to the wildlife and
11 biology and those sorts of topics.

12 And again, you heard this mentioned a couple
13 times, the Chairman mentioned, we do have -- we proposed
14 a tour schedule. It is available if it is something the
15 Committee finds helpful. Tomorrow morning we have the
16 scheduled tour, the interconnection project. We have
17 got two hours. We have five stops that we can make on
18 the tour with a couple of optional stops. And then
19 Thursday morning, outside of Tucson, we have the tour
20 scheduled for the upgrade project. That should take
21 about three hours and have four stops. We have
22 chartered vans for the Committee members, and we should
23 have room for everyone that would like to attend.

24 In addition to the physical site tours, I think
25 we mentioned we created Google Earth flyover tours for

1 both projects, and Ms. Canales and Mr. Beck will handle
2 those overviews.

3 Just briefly go through some of the criteria
4 that you will be evaluating as part of this case.

5 The need and purpose, as I mentioned, it is an
6 asynchronous connection with Mexico. Some of the
7 benefits that we are going to see from this project:

8 We believe it is going to enable cross-border
9 commercial energy transactions, and could result in cost
10 savings for UNSE customers and Mexican load-serving
11 entities.

12 You get to those cost savings a couple ways our
13 witnesses can testify to. But the cost savings
14 especially are, if a local utility is able to get some
15 lower cost power, that lower cost power and the savings
16 would pass on to ratepayers. There is also the idea
17 that you have a spread-out use of the transmission
18 system along more users, so you have more users using
19 the same system, and it results in a lower unit cost,
20 which also gets passed on to the users of those systems.

21 Mention a little bit about it improves
22 transmission reliability and why that's going to happen
23 and why we believe that's a positive thing from this
24 project.

25 And then the second part, the planned upgrade of

1 the existing 138kV line, like I mentioned, that is
2 already on UNSE's planning horizon. So it is going to
3 support their future reliability requirements. And then
4 it is needed to support this project.

5 All right. So, number one, we believe the
6 project is environmentally compatible. We believe that
7 once you hear the testimony, you will come to that
8 conclusion as well. It is based on multiple detailed
9 studies for both projects.

10 The first bullet point lists the various studies
11 that were performed for the upgrade project. The second
12 bullet point lists the various studies that were
13 performed for the interconnection project. All those
14 studies essentially show that we don't expect any
15 significant impacts to the environment. To the extent
16 there are some things that need to be addressed, we have
17 committed to mitigation measures, and both Ms. Darling
18 and Ms. Bissonnette address those.

19 So this is the last slide, I believe. And what
20 we are requesting from the Committee from the Nogales
21 interconnection project, we are requesting approval of a
22 150-foot right-of-way within a thousand foot corridor.
23 So essentially we are requesting is that an area within
24 a thousand feet, 500 feet on either side of the
25 centerline, be certificated. But we will ultimately

1 locate a 150-foot right-of-way within that spot on the
2 Nogales Tap upgrade project. We are requesting a
3 100-foot right-of-way within that same, with a thousand
4 foot certificated corridor. And then I have given --
5 and the last finding, of course, is that the project is
6 compatible with the environment and ecology of the State
7 of Arizona.

8 At the Chairman's request, I believe it was at
9 the prehearing conference, we have endeavored to give
10 you an idea how we might design the CEC route corridor
11 that we are asking for approval. A little bit difficult
12 to see, and I don't have paper copies of this yet, we
13 just received that this morning, but I will get paper
14 copies of this map.

15 So this is a map of the alternative route,
16 Alternative Route 3, the preferred route for the Nogales
17 interconnection project. So you can see to the right,
18 top right is the Valencia substation. Top left, sort of
19 blue purple polygon, is the Gateway substation. Then
20 you can see the blue line is the approved route.

21 What we have done is, along the blue line, which
22 is roughly the centerline of our Alternative Route 3, at
23 every turning structure we put a GPS coordinate, so
24 latitude and longitude at each turning structure. So
25 you can find that spot, then draw the corridor 500 feet

1 on either side of the side. So we can prepare one of
2 these for any of the alternative routes. But that's
3 what we have right now.

4 And, Chelsea, show that next slide.

5 Okay. We also have, we have a similar map for
6 the upgrade project. And I will bring a copy for the
7 Committee for that. With that, that's all I have.

8 CHMN. CHENAL: All right. Very good. Mr. Guy,
9 could you mark that presentation as an exhibit and we
10 will make that part of the record. I believe you
11 indicated we don't have that yet, and I think it would
12 be good for the record to have that.

13 MR. GUY: We will. I believe we will mark that
14 as Exhibit UNS-21.

15 CHMN. CHENAL: All right. Very well.

16 (Exhibit UNS-21 was admitted into evidence.)

17 CHMN. CHENAL: Now, we have a couple questions.
18 So Member Hamway, I think, has a few questions, and then
19 Member Woodall.

20 MEMBER HAMWAY: Yes, thank you.

21 So the two projects, are they dependent on each
22 other? So if the merchant line can't sell the necessary
23 capacity in order to construct it, does the upgrade not
24 occur? And so my question is: Why are the two CECs
25 together and are they dependent on each other?

1 MR. GUY: Yes I think is the short answer to
2 that. There may be some nuances to that. Like I
3 mentioned, the upgrade of the 138kV line is something
4 that UNSE is already planning to do. But it doesn't
5 have a current need to do that today. It is something
6 out in the future that they would expect to need to do.

7 But they also performed a system impact study
8 that shows the interconnection project -- which I may
9 not have said this, but the interconnection project
10 allows the transmission of 150 megawatts of power across
11 the border. The facilities north of the interconnection
12 project, the current facilities today cannot support
13 that 150 megawatts. So without the upgrade project, the
14 interconnection project would not be commercial. So if
15 the interconnection project is something that satisfies
16 that criteria and should move forward, then we have to
17 get approval for the upgrade project as well.

18 The other side, the other, as far as dependency,
19 you know, probably doesn't work the other way.
20 Eventually, in the future, UNSE will need that upgrade
21 project regardless of whether or not there is an
22 interconnection project in place.

23 MEMBER HAMWAY: Thank you.

24 CHMN. CHENAL: Member Woodall.

25 MEMBER WOODALL: Just to follow up on

1 Ms. Hamway's questions. So UNSE is not going to be
2 building this line if there is no generation coming from
3 Mexico or someplace else to go across the Nogales
4 interconnection project? I don't see your attorney, so
5 if we need to save that when there is one, that would be
6 fine.

7 MR. GUY: No. I can speak on behalf of UNSE
8 with respect to this proceeding as well, and then we
9 also have Mr. Jerden and Mr. Derstine and Ms. DeCorse as
10 well. And Mr. Beck can probably address this based on
11 his experience with the open access transmission tariff
12 and other reasons.

13 But when an entity requests to interconnect with
14 a utility, UNSE has an obligation to perform the studies
15 and make that interconnection. So if the
16 interconnection project goes forward, then UNSE has an
17 obligation to interconnect.

18 MEMBER WOODALL: That I understand. But let me
19 get to sort of the nub of my questions, and I will just
20 pop off a series of topics so that you can hopefully
21 worm their way into your orderly presentation rather
22 than having me interrupt all the time.

23 I have heard repeatedly that there are economic
24 benefits to the ratepayer because there is going to be
25 an economical supply of electric power, that it is going

1 to provide access to additional energy sources and
2 markets and ancillary services. And that would probably
3 be true of almost any high voltage transmission line.

4 And so I guess what I am trying to drill down to
5 is: Can you be a little bit more specific? I mean,
6 these are potential benefits, but are there generators
7 that you are anticipating that would be using this? I
8 am sure the economical advantage of this is not limited
9 to the construction activities. I mean I am pretty sure
10 you are not just relying on that.

11 And I did have a couple of other questions
12 relating to whether or not any Hunt entity or potential
13 Hunt entity has any generation or possible generation in
14 the works that would use this line to transfer power to
15 Mexico. That's another question that I have.

16 And then I want to know a little bit more about
17 the public outreach that was done in Arizona. I
18 understand there is a NEPA process. I am quite familiar
19 with that, and I have read the draft. By the way, I am
20 assuming you are going to be putting in any addendums
21 that have come out to that draft EIS, that you will be
22 putting that in the record. Would that be fair to say,
23 Mr. Guy?

24 MR. GUY: That's correct.

25 MEMBER WOODALL: Okay. Well, my keenest

1 interest is why this is an economic benefit. And I have
2 heard that, and I haven't heard a lot of specifics. And
3 I understand there is a chicken and egg; if you build
4 it, they will come, and they won't build it unless you
5 have the line. So I grasp that. But I would like to
6 have that drilled down a little bit more, because at
7 this point it is kind of squishy for me.

8 And that's basically all I have at this time.

9 Thank you.

10 CHMN. CHENAL: Thank you.

11 Okay. It doesn't appear that there is any more
12 questions. So Mr. Jacobs, would you like to proceed
13 next with opening statement, sir?

14 MR. JACOBS: Yes. Thank you, Mr. Chairman.

15 Mr. Chairman, Committee members, once again, I
16 am Dave Jacobs here on behalf of the Arizona State Land
17 Department. The Land Department has intervened in this
18 case solely to address the Nogales Tap to Kantor upgrade
19 project, the northern power line, and specifically with
20 respect to the northernmost nine and a half miles of the
21 project along Wilmot Road.

22 As the applicant's CEC application indicates, no
23 less than 70 percent and up to almost 90 percent of the
24 proposed right-of-way for the Nogales Tap to Kantor
25 upgrade project will be located on state trust land.

1 The Land Department is very supportive of this project,
2 I want to make that clear, and is willing to accept at
3 least 70 percent of the project will cross state trust
4 land.

5 However, the department cannot accommodate one
6 of the alternative routes proposed, Alternative Route 1.
7 And this is upgrade project Alternative Route 1 as
8 opposed to the interconnection project. That route
9 would travel along the west side of Wilmot Road and we
10 cross about six and a half miles of state trust land.

11 UNS already applied to the Land Department to
12 amend its existing right-of-way, which currently is on
13 the east side of the Wilmot Road. It would have been --
14 it would be amended to the west side of Wilmot Road.
15 And on the east side of Wilmot Road, the right-of-way
16 crosses about four and a half miles of state trust land.

17 The Land Department completed its application
18 evaluation in time for this hearing and determined that
19 moving the route from its existing location on the east
20 side of Wilmot road to the west side would negatively
21 impact the surrounding state trust land and would not be
22 in the best interest of the state land trust.

23 The department accordingly issued Commissioner's
24 Order No. 014-2717/2018 which denies UNS's application
25 for a right-of-way on the west side of Wilmot Road. And

1 that is part of the department's submission. The
2 department can, however, accommodate either Alternative
3 Route 2 or 3, which will use or expand the existing
4 right-of-way on the east side of Wilmot Road.

5 The department has also indicated to UNS that
6 the Land Department can grant UNS short-term
7 rights-of-way on the state trust land west of Wilmot
8 Road to help facilitate or expedite construction of the
9 proposed line. But ASLD will not grant rights-of-way
10 for a permanent location of the proposed line on the
11 state trust land on the west side of Wilmot Road.

12 Let me just give you a little background about
13 state trust land and the State Land Department to place
14 its position in context. State trust land is held in
15 trust, meaning that the proceeds of the disposition of
16 this land are devoted to the sole benefit of the
17 beneficiary public purposes designated, which Congress
18 granted the land to the State of Arizona upon statehood.
19 And this grant is contained in the Arizona Enabling Act
20 and accepted by the people of Arizona in the Arizona
21 Constitution.

22 In this case, the majority of the land at issue
23 benefits public education, with a portion devoted also
24 to the Arizona State Hospital. The Arizona legislature
25 designated the State Land Commissioner as the trustee of

1 the state trust land, and the Commissioner and the Land
2 Department have a fiduciary duty to protect and to serve
3 the best interest of the beneficiary public purposes.
4 The United States and Arizona Supreme Courts have
5 consistently ruled that the trustee may not sacrifice
6 the interest of the trust's beneficiaries for the
7 benefit of private interests or even for other public
8 purposes.

9 With respect to rights-of-way, the Land
10 Department understands state trust lands must be crossed
11 for public purposes, like roads and utility lines. But
12 to the extent that state trust lands must be crossed,
13 the Land Department must examine the impact any proposed
14 route may have on the value of a surrounding state trust
15 land. The Land Department will be violating its
16 fiduciary obligation if it grants a right-of-way that is
17 not in the best interest of the trust and its
18 beneficiaries.

19 That's all I have.

20 CHMN. CHENAL: All right. Thank you.

21 Any questions by the members?

22 Member Woodall.

23 MEMBER WOODALL: Sir, have you had recent
24 concourse or discussions with UNSE about a modified
25 right-of-way application to meet your needs?

1 MR. JACOBS: We have had discussions. I have to
2 consult again with counsel for UNS as to exactly where
3 we stand on that, but we have been trying to figure out
4 a way to resolve that.

5 MEMBER WOODALL: So you are not at loggerheads?
6 It is not this way or the highway so to speak?

7 MR. JACOBS: I did not come here thinking that,
8 no.

9 MEMBER WOODALL: So hopefully we will get some
10 resolution between the two parties. Thank you.

11 CHMN. CHENAL: Hopefully it won't end up in
12 loggerheads either.

13 And to be clear, Mr. Jacobs, when you referred
14 to the Alternative Route No. 1 for the upgrade project
15 as going along the west side of Wilmot Road, the part
16 that's objectionable, that is the preferred route for
17 the applicant?

18 MR. JACOBS: That is correct, yes.

19 CHMN. CHENAL: Okay, all right. All right.
20 Thank you.

21 Mr. Hains.

22 MR. HAINS: Thank you, Chairman, members of the
23 Committee. Again, Charles Hains on behalf of Commission
24 Staff.

25 Staff intervened because it believes the

1 Commission and Committee would benefit from Staff's
2 perspective on the need aspects of the application.
3 Staff's evaluation finds that there are benefits with
4 respect to the reliability and the economic aspects of
5 need proposal of the application.

6 With regard to reliability, Staff believes the
7 evidence will show that the introduction of a second
8 path connecting Nogales would alleviate certain issues
9 related to the radial nature of the service being
10 provided to Nogales. This has been something that has
11 been of interest for reliability and adequacy of service
12 purposes for Staff and the Commission since going back
13 to Case No. 111.

14 With regard to the economic aspects of the
15 application, Staff does perceive the opportunity for
16 some benefits to ratepayers, and Staff believes that the
17 testimony that Staff's witnesses will provide will
18 elaborate and make that clear.

19 Staff is providing two witnesses. There will
20 first be Dr. Nonso Emordi, who will be providing Staff's
21 perspective on the technical and reliability aspects.
22 Speaking to the economic aspects, Staff will be
23 providing the testimony of Mr. Bob Gray.

24 In addition, they will be both providing two
25 conditions that Staff is requesting for inclusion within

1 the CEC. We believe that they are incorporated in
2 spirit, if not actually, in the text that has been
3 proposed for purposes of the proposed CEC. The first
4 one is the familiar cathodic study condition with regard
5 to any natural gas lines that may be in proximity to
6 project facilities. The other is with regard to the use
7 of WECC, NERC planning standards and necessary
8 construction standards for project facilities.

9 With that, that's all I have. Thank you.

10 CHMN. CHENAL: All right. Thank you very much.
11 Member Hamway.

12 MEMBER HAMWAY: Yes. Mr. Jacobs, did the
13 applicant know that Alternative 1 was basically off the
14 table according to the Arizona State Land Department, or
15 was that news to them today or are they aware of that?

16 MR. JACOBS: It was not news today. There have
17 been discussions. I don't know exactly -- I would say
18 sometime at least in the past several months the Land
19 Department indicated this, but it was an ongoing
20 application process and ongoing discussion, as I
21 understand it. So they probably did not know when they
22 filed the application, but they learned since then.

23 CHMN. CHENAL: Member Woodall.

24 MEMBER WOODALL: Mr. Guy, I am hopeful that a
25 legal description and a visual Exhibit A to append to

1 any CEC, which may or may not be issued, that it would
2 be equivalent in detail to that which was prepared for
3 the Southline CEC application.

4 MR. GUY: Yes. I believe we are working on the
5 legal description. I do not have that. But the route
6 corridor and the map I showed at the end of the opening
7 statement is on the same level of detail as what was
8 presented in the Southline case.

9 MEMBER WOODALL: I just realized that, you know,
10 my request at the tail end of that proceeding created a
11 last minute midnight work for people, and I just wanted
12 to make sure that won't be the case again. So thank you
13 very much.

14 CHMN. CHENAL: On that point, Member Woodall, I
15 did ask the applicant at the prehearing conference to
16 come up with some way to better define the actual route
17 that's going to be followed. And I was thinking exactly
18 of the Southline case. I think it is kind of
19 interesting that this uses GPS coordinates, you know,
20 and I am just -- I mean it is not technically a legal
21 description, I guess, but on the other hand, it perhaps
22 is more precise. And I just think that's kind of a
23 creative way to do it.

24 But if the applicant is working on a legal
25 description, that obviously would be acceptable as well.

1 Well, I say it as well to me; I am not sure it is as
2 well to the others. Maybe the other members would
3 prefer a legal description versus GPS coordinates. I
4 don't know that we have addressed that issue yet.

5 Member Haenichen.

6 MEMBER HAENICHEN: Thank you, Mr. Chairman.

7 Mr. Jacobs, would it be possible to give us a
8 little more detail on the reason that the west side
9 route is not acceptable?

10 MR. JACOBS: The Commissioner and the Land
11 Department staff, you know, it is their authority and
12 discretion to determine, you know, what is the best use
13 for the state trust land. And my understanding -- and
14 it will be Mr. Mehl, the deputy land Commissioner, would
15 be available to testify -- that it was determined that,
16 given the future land uses and the setup of the land
17 both, there is less state trust land being crossed on
18 the east side as opposed to west side, two fewer miles.

19 There is already right-of-way on the east side
20 essentially devoted to a smaller version of this
21 project. And it was determined in the future that the
22 unobstructed use of the west side of the street, of
23 Wilmot Road, the land on that side would be more
24 valuable than the obstructed use of the road on the east
25 side, you know, the necessary setbacks and the uses that

1 couldn't be used if a power line were sited, of that
2 scale, were sited on that side of the street.

3 MEMBER HAENICHEN: Okay. I respect the
4 discretion of the Commissioner to take those views. I
5 just, I wanted it to be quantified a little more so I
6 understood it. Perhaps the same question could be asked
7 about the applicant, what is better about the west side
8 than the east side. So if that could be woven into the
9 discussion, that would be helpful to me.

10 CHMN. CHENAL: All right. If there is nothing
11 further, thank you for the opening statements. I
12 understand that there is at least one person here who
13 would like to provide public comment, because later it
14 will be difficult for them to do so.

15 So sir, if you would walk up to the microphone,
16 you will be provided a microphone, and just state your
17 name.

18 MR. BOHMAN: Hi, Mr. Chairman. My name is
19 Richard Bohman. I live in Tubac, Arizona, currently a
20 ratepayer for UniSource.

21 And I was looking forward to hearing about this
22 project. Certainly it seems there are a lot of
23 potential benefits. I do want to thank Ms. Woodall,
24 because some of the questions she raised are some of the
25 same concerns I have.

1 A little background. Approximately in 2000,
2 plus or minus a year, we looked at another type of
3 cross-border transmission line. It was a 345kV line.
4 That did not end up going through. However, UniSource
5 did upgrade the existing transmission line from a 115kV
6 to a 138. We know that we as ratepayers help pay for
7 that increase. We now have significant power in Santa
8 Cruz County to take care of a maximum load, which I
9 believe is about 85 megawatts on a peak day. And we
10 have power now that can supply, I believe -- Mr. Beck
11 would know better than I -- up to about 132 or 150
12 megawatts.

13 So my first concern is: How is the cost of this
14 new project going to be allocated? As you could see
15 from the map, most of Santa Cruz County, with the
16 exception of the Nogales area, where the new substation
17 is going to be located, has already paid for an upgraded
18 line. And the other part is in Pima County. And I am
19 wondering, not only on my own behalf but on other people
20 that are in our area that are currently paying
21 UniSource, TEP, how will that cost be allocated? Will
22 we in fact even be -- will our cost increase? Which I
23 don't think they should, because we already have
24 significant power. So that's my first concern, and
25 maybe in the form of a question.

1 My second concern as a citizen of the United
2 States would be, since this project will go into Mexico,
3 given that there is the cross-border that goes through,
4 there is always a concern for terrorism, either on this
5 side of the border or the Mexico side. Will UniSource
6 have a way that they could prevent blackouts on our
7 country if in fact there was a terrorism act in the
8 Mexico place with this interconnection happening? So
9 obviously I hope the answer is yes there.

10 And the third question I had was, I saw in the
11 Nogales International there was a solicitation for
12 potential users of new power, and I don't know who those
13 are. I could speculate, but it seems like it would be
14 in the order of about 110 kilowatts, or maybe it was
15 megawatts. I am not sure. And I am just wondering --
16 and Ms. Woodall brought this up -- is there in fact in
17 place commitments by people that would make this project
18 financially viable, and if not, then I am wondering how
19 does UniSource go about finding those things out.

20 So Mr. Chairman, thank you very much. And those
21 were my comments.

22 CHMN. CHENAL: You bet. Thank you, Mr. Bohman.
23 Those are very good questions, and I am confident that
24 they will be answered in the course of this proceeding.

25 Member Woodall.

1 MEMBER WOODALL: Perhaps Mr. Beck could provide
2 a little brief overview of FERC interconnection
3 procedures and who pays for what when a large entity
4 wants to use a utility's transmission line. That would
5 be helpful, I think, to us.

6 I see Mr. Beck nodding. He is very sage and
7 very experienced in these matters, so I encourage you
8 to ask him during the break if you are still here.

9 Thank you.

10 CHMN. CHENAL: All right. Very good.

11 Any other -- anyone else would like to provide
12 public comment now? I mean we will have the hearing
13 this evening at 6:00 as well.

14 (No response.)

15 CHMN. CHENAL: I will have a couple, three
16 Chairman exhibits before we begin the actual case by the
17 applicant.

18 Let's talk about tours. Just because of the
19 logistics involved, I think it is only fair to let the
20 applicant know now whether or not there is going to be a
21 tour. We know there is going to be a virtual tour and
22 presentation. My feeling on it, and I said this before,
23 is if anybody wants to go on the tour, we will have the
24 tour. So, you know, one or both.

25 So tomorrow morning is planned the two-hour tour

1 for the Nogales portion of the project. Is there
2 anybody on the Committee who has an interest in taking
3 that tour?

4 Okay. I see some hands. So we will -- Mr. Guy,
5 you can plan that. We will go on the Nogales tour.

6 Now, may I ask the same question of the
7 Committee with respect to the upgrade portion, which
8 would be Thursday morning, a little longer, about three
9 hours. And that also is something that's set up if we
10 want to do it. So can I just see what level of interest
11 there is -- yes -- for that portion of it.

12 I see that there is interest in that. So
13 Mr. Guy, as I suspected, and I think I mentioned to you,
14 I want to see the tour, so we were probably going to
15 have the tour. But --

16 MEMBER WOODALL: The truth comes out.

17 CHMN. CHENAL: But if I was the lone person in
18 the wilderness, I might have said no, we don't need to
19 do it. But there is other interest, so we will do it.
20 So we can plan on the tour.

21 Yes, Member Noland.

22 MEMBER NOLAND: What time is that starting? I
23 don't have my schedule at hand.

24 CHMN. CHENAL: 9:00 a.m. for both. So it will
25 be 9:00 tomorrow, and then 9:00 on Thursday.

1 Let's talk about dress code. I made a big deal
2 about having business casual dress code, and I see
3 everyone has, well, almost everyone --

4 MEMBER JONES: I took you at your word.
5 Actually, this is formal.

6 CHMN. CHENAL: You are not going to see this on
7 me anymore this hearing. You know, we have the tours
8 for two days, and Friday is always a casual day. So
9 please don't feel any obligation to wear anything other
10 than casual clothing for the rest of the proceeding.

11 Well, Member Woodall says no shorts. Yes, it is
12 business casual.

13 Okay. At this time, unless anyone has anything
14 they would like to bring up, I would like to introduce a
15 few, what I will call the Chairman's exhibits, which are
16 pretty traditional.

17 One is a letter from Fish & Game -- the Game &
18 Fish Department, excuse me -- addressed to and it is in
19 the docket, but I like to make these part of the record.
20 And there is certain aspects that are requested in there
21 that I think we need to have some testimony on during
22 the course of the hearing. So I am going to introduce
23 this as Chairman's Exhibit No. 1, and I will provide
24 this to Colette in just a moment. Chairman's Exhibit
25 No. 2 will be the notice of intent to become a party by

1 Mr. Magruder. We have already talked about that.

2 (Exhibits Chairman-1 and Chairman-2 were
3 admitted into evidence.)

4 CHMN. CHENAL: Chairman's 3 and 4 will be -- I
5 wanted to talk about this because I think it was at the
6 last hearing we had, I just want to avoid any question
7 that -- of any open meeting issues. I think at that
8 hearing I had sent some draft conditions around in the
9 course of the hearing. And I think a better practice is
10 and the idea is that I don't think it is appropriate to
11 spring any additional conditions that aren't in the
12 applicant's proposed version, to spring those on the
13 Committee when we start deliberations. I think that's a
14 little late in the game, and I think a number of the
15 Committee members have asked, you know, if we can have
16 them ahead of time, that would be beneficial. So I
17 simply went through and pulled a few conditions in other
18 cases just for discussion, if for no other reason they
19 were in others and they are not in this, and I thought
20 for purposes of discussion we should consider it.

21 So Chairman's 3 and 4, since there are two
22 cases, will be, I think it is Exhibits 19, UNS-19 and
23 UNS-20, which are the two versions of CECs, and I have
24 red-lined a few conditions into each of those. And I
25 have copies for everyone. And I will put those in the

1 record as Chairman's 3 and 4. And then I will
2 distribute those at a break to everybody so everyone
3 will have them.

4 (Exhibits Chairman-3 and Chairman-4 were
5 admitted into evidence.)

6 CHMN. CHENAL: By the way, there is not that
7 many changes, but I just thought this was a cleaner way
8 to do it, so...

9 Member Woodall.

10 MEMBER WOODALL: I was just wondering. It might
11 be helpful if you were to you file it in the docket as
12 something. I mean I realize it will be marked as a
13 court reporter's exhibit.

14 CHMN. CHENAL: Sure. Okay. Sure. We will do
15 that.

16 Normally, we go about an hour and a half or so
17 before we take a break. We have gone a little over an
18 hour. But we are going to start, unless there is
19 anything else that the Committee would like to discuss,
20 or any of the parties, I think we will start with the
21 witnesses and the exhibits.

22 Mr. Guy, would it be a good time to take just a
23 short five-minute break to help get set up? And I can
24 pass out the Chairman's exhibits.

25 MR. GUY: That sounds fine.

1 CHMN. CHENAL: Member Noland.

2 MEMBER NOLAND: Mr. Chairman, I hate to be the
3 one to complain, but it is freezing in here. Is there a
4 happy medium where those with jackets on are not too hot
5 and those of us that don't live in meat lockers can
6 survive this hearing?

7 CHMN. CHENAL: I hope there is a happy medium.
8 I was just thinking to myself, finally I am in a room
9 that feels comfortable in these hearings. So let's do
10 it.

11 MEMBER NOLAND: Jack is cold, too.

12 CHMN. CHENAL: Well, how about if we do it
13 incrementally and move the temperature up a degree and
14 see how that looks.

15 Let's take a 10-minute break and then we will
16 come back.

17 (A recess ensued from 2:10 p.m. to 2:33 p.m.)

18 CHMN. CHENAL: All right, everyone, if we can
19 take our seats and we will go back on the record.

20 During the break I passed out what is marked as
21 UNS-19, which is Chairman's Exhibit 3, and UNS-20, which
22 is Chairman's Exhibit 4, which just has red-lined,
23 proposed, well, let's put it this way, conditions for
24 discussion when we get to that, so people have an
25 opportunity to look at them in advance.

1 And I will tell you I got those just from other
2 cases and thought they should be something we should
3 discuss. So I put them out on everyone's -- in front of
4 the members as well as the attorneys for the parties.

5 So Mr. Guy, I think we are ready to proceed, if
6 you are ready and your panel is, and we can swear in the
7 witnesses.

8 MR. GUY: We are.

9 CHMN. CHENAL: Okay. Let's do an en mass
10 swearing in ceremony here.

11 Do you prefer affirmations or oaths or a
12 mixture? Oath is okay for everybody. All please raise
13 your right hands.

14 (Edmond Beck, Matt Virant, and Gabriela Canales
15 were duly sworn.)

16 CHMN. CHENAL: Okay, very good.

17 Mr. Guy.

18 MR. GUY: Thank you, Mr. Chairman.

19 So we have a panel. We will start with
20 Mr. Virant and get some of the exhibits in evidence, and
21 then have Mr. Virant give his presentation. But since
22 everyone filed prefiled testimony, I have encouraged the
23 witnesses, if they feel like one of their panel mates
24 can best answer a question, then I would encourage them
25 to lateral as necessary.

1 But we will start with Mr. Virant.

2

3 EDMOND BECK, MATT VIRANT, and GABRIELA CANALES,
4 called as witnesses on behalf of the Applicants, having
5 been previously duly sworn by the Chairman to speak the
6 truth and nothing but the truth, were examined and
7 testified as follows:

8

9

DIRECT EXAMINATION

10 BY MR. GUY:

11 Q. Matt, please state your name for the record.

12 A. (BY MR. VIRANT) My name is Matt Virant.

13 Q. And by whom are you employed?

14 A. (BY MR. VIRANT) I work for Hunt Power.

15 Q. And what is your role at Hunt?

16 A. (BY MR. VIRANT) I am project manager for Hunt
17 Power, overseeing the development of electric
18 transmission infrastructure in the desert southwest.

19 Q. And do you see the large, two-volume document in
20 front of you to the right?

21 A. (BY MR. VIRANT) Yes.

22 Q. Is that marked Exhibit UNS-1?

23 A. (BY MR. VIRANT) It is.

24 Q. Can you identify that as the application of
25 Nogales Transmission and UNS Electric that was filed in

1 this proceeding?

2 A. (BY MR. VIRANT) Yes, it is.

3 Q. Did you assist in preparing the application?

4 A. (BY MR. VIRANT) Yes. I wrote certain portions
5 of it, reviewed portions of it, and oversaw the
6 preparation of the application.

7 Q. To your knowledge, is the application organized
8 consistent with the Arizona Corporation Commission's
9 rules for applications before the Line Siting Committee?

10 A. (BY MR. VIRANT) Yes, it is.

11 Q. And to your knowledge, does the application
12 contain all of the exhibits that those rules require?

13 A. (BY MR. VIRANT) Yes, it does.

14 MR. GUY: Chairman, we offer Exhibit UNS-1.

15 CHMN. CHENAL: Any objection?

16 (No response.)

17 CHMN. CHENAL: Okay, UNS-1 is admitted.

18 (Exhibit UNS-1 was admitted into evidence.)

19 BY MR. GUY:

20 Q. Mr. Virant, let's move to Exhibit UNS-3. Do you
21 see that document?

22 A. (BY MR. VIRANT) I do.

23 Q. And can you identify that as your direct
24 testimony, including several sub exhibits?

25 A. (BY MR. VIRANT) Yes, it is.

1 Q. Are the sub exhibits correctly identified on
2 page 4 of your testimony?

3 A. (BY MR. VIRANT) Yes, they are.

4 Q. Was that testimony prepared by you or under your
5 supervision?

6 A. (BY MR. VIRANT) Yes, it was.

7 Q. And have you reviewed your testimony since
8 filing it about a week ago?

9 A. (BY MR. VIRANT) Yes, yesterday and this
10 morning.

11 Q. And based on your review, your recent review, do
12 you have any changes or corrections you would like to
13 make to your testimony?

14 A. (BY MR. VIRANT) Yes, I did have two changes,
15 one to the written testimony and one to the presentation
16 testimony.

17 Q. Okay. Let's cover the written testimony first.

18 A. (BY MR. VIRANT) Okay. The first -- or the
19 change on the written testimony is on page 15 on line 7.
20 Just used an incorrect word. The third word in line 7,
21 rather than owned, should be operated.

22 Q. Would you, if you have a pen, would you make the
23 change to the copy in front of you.

24 A. (BY MR. VIRANT) Sure.

25 Q. And do you have any other changes to your

1 written testimony?

2 A. (BY MR. VIRANT) No, sir.

3 Q. With that one correction, if I were to ask you
4 the same questions that are in that document today,
5 would your answers be the same?

6 A. (BY MR. VIRANT) Yes.

7 MR. GUY: Chairman, we offer Exhibit UNS-3.

8 CHMN. CHENAL: Any objection?

9 (No response.)

10 CHMN. CHENAL: UNS-3 is admitted.

11 (Exhibit UNS-3 was admitted into evidence.)

12 BY MR. GUY:

13 Q. Mr. Virant you referred to your presentation
14 material which is marked UNS-4. Do you have that
15 document in front of you?

16 A. (BY MR. VIRANT) Yes.

17 Q. And would you -- you mentioned a correction you
18 want to make to that document. Has that correction been
19 made, or do you need to make it?

20 And let me also refer to what is labeled Exhibit
21 UNS-4.1. Would you identify that as a list of -- or it
22 is a list, but is the one change that you referred to in
23 your presentation?

24 A. (BY MR. VIRANT) Yes. So the UNS Exhibit 4 is
25 the correct version. And the UNS-4.1 does change the

1 graphic on Slide 8.

2 MR. GUY: And Chairman, we would offer Exhibit
3 UNS-4 and UNS-4-1 or 4.1, which is the presentation
4 material of Mr. Virant and the one errata to that
5 presentation.

6 CHMN. CHENAL: Any objection?

7 (No response.)

8 CHMN. CHENAL: Okay. UNS-4 and UNS-4.1 are
9 admitted.

10 (Exhibits UNS-4 and UNS-4.1 were admitted into
11 evidence.)

12 BY MR. GUY:

13 Q. Mr. Virant, we have loaded Exhibit UNS-4 on the
14 computer and it is shown on the projector now. Would
15 you please describe for the Committee your educational
16 background.

17 A. (BY MR. VIRANT) Sure. I received a bachelor's
18 in accounting and a master's degree in finance from
19 Texas A&M University in 2004.

20 Q. And what is your professional background?

21 A. (BY MR. VIRANT) I have been with Hunt
22 Consolidated or companies within Hunt Consolidated for
23 the past nine years. The last seven years I have spent
24 with Hunt Power in project development roles, primarily
25 in the desert southwest. Prior to Hunt Power I was with

1 Hunt Energy Horizons in an analyst role.

2 And previous to those Hunt entities, I spent
3 four years with Ernst & Young, the accounting firm,
4 under various assurance and advisory services and
5 transaction advisory services role.

6 Q. Before this proceeding today have you testified
7 before the Line Siting Committee?

8 A. (BY MR. VIRANT) I have. I participated in Case
9 173, Southline Transmission application for a CEC.

10 Q. And who are you testifying on behalf of today?

11 A. (BY MR. VIRANT) Today I am testifying on behalf
12 of Nogales Transmission and UNS Electric.

13 Q. And what is your role in the Nogales
14 interconnection project and the Nogales Tap to Kantor
15 upgrade project?

16 A. (BY MR. VIRANT) Sure. For the Nogales
17 interconnection project I have overseen the development
18 and been involved in all aspects of the project. And
19 then I have also supervised the preparation and
20 participated in the preparation of the joint application
21 and supporting exhibits for this hearing today.

22 Q. We mentioned your prefilled direct testimony, and
23 it is Exhibit UNS-3, which is on the iPads and in the
24 binders. I would like to touch on some of the high
25 points of your testimony. Let's start with who, who are

1 the applicants in this proceeding?

2 A. (BY MR. VIRANT) The applicants in this
3 proceeding are Nogales Transmission and UNS Electric.

4 Q. And what are the applicants requesting in their
5 joint application?

6 A. (BY MR. VIRANT) The applicants are requesting
7 two CECs, one for Nogales Transmission for the portions
8 of the Nogales interconnection project it would own and
9 construct, and one CEC for UNS Electric that would
10 include its portion of the Nogales interconnection
11 project and also the Nogales Tap to Kantor CEC --
12 facilities, rather.

13 Q. And would you describe the size of the corridor
14 that we are requesting?

15 A. (BY MR. VIRANT) Yes. For each of those
16 projects, the Nogales Tap to Kantor project and Nogales
17 interconnection project, the applicants are seeking a
18 thousand-foot corridor, with the exception of the
19 locations where it isn't feasible to get that corridor.

20 So, for example, if you look at your placemat
21 map for Nogales interconnection project, segment 11, 13
22 and 15 would not have that full thousand-foot corridor
23 because it abuts to the Coronado National Forest. But a
24 thousand-foot corridor with those slight exceptions.

25 Q. Thank you.

1 Going back to the applicants in the case, who
2 are the developers of the Nogales interconnection
3 project?

4 A. (BY MR. VIRANT) The Nogales interconnection
5 project is being developed by Nogales Transmission and
6 MEH Equities Management.

7 Q. And who is -- I see on your slide that's on the
8 screen MEH. Who is MEH?

9 A. (BY MR. VIRANT) MEH is an investment holding
10 company. It is the co-developer of the Nogales
11 interconnection project and expects to invest in Nogales
12 Transmission and be an owner of the Nogales Transmission
13 project. It is an indirect subsidiary of UNS Energy
14 Corporation, along with UNSE and Tucson Electric Power.

15 Q. And describe for us who Nogales Frontier
16 Operations is.

17 A. (BY MR. VIRANT) Nogales Frontier Operations is
18 a wholly-owned subsidiary of Shary Holdings. It will
19 have the exclusive operational role over the Nogales
20 Transmission owned assets, and it will be the FERC
21 jurisdictional entity conducting the open solicitation.

22 Q. Give us an overview of the two projects, based
23 on the slide that's on the screen.

24 A. (BY MR. VIRANT) Sure. So this has been up
25 there beforehand, so I will be brief. But on the top

1 half of the page is the Nogales Tap to Kantor upgrade
2 project. UNSE would construct and own this. It is 27
3 and a half miles of upgraded transmission at 138kV.

4 The Nogales interconnection project on the
5 bottom portion of the screen -- sorry, I got
6 distracted -- is roughly five miles of transmission from
7 the Valencia station on the east to the Gateway station
8 a couple miles west of there, and then down to the
9 Mexican border two miles, roughly two miles south of the
10 Gateway substation.

11 CHMN. CHENAL: Excuse me. Member Woodall has a
12 question.

13 MEMBER WOODALL: Who is the parent of Shary
14 Holdings?

15 MR. VIRANT: Shary Holdings is in the SU
16 Investment Partners ownership change, managed by Hunter
17 Hunt and members of his family.

18 MEMBER WOODALL: So it is a Hunt controlled
19 entity?

20 MR. VIRANT: Yes. Members of the Hunt family
21 control Shary Holdings, yes, ma'am.

22 MEMBER WOODALL: Okay. And they have a majority
23 interest?

24 MR. VIRANT: Yes, ma'am.

25 MEMBER WOODALL: Okay. All right. Thank you.

1 BY MR. GUY:

2 Q. Mr. Virant, we posted on the screen a more
3 detailed version map showing the Nogales interconnection
4 project. Could you describe a little bit more about
5 what that map shows.

6 A. (BY MR. VIRANT) Sure. So on the right-hand
7 screen, or Slide 6, is the Nogales interconnection
8 project facilities. They are wholly located in the City
9 of Nogales and Santa Cruz County.

10 And the purpose of this project is to provide an
11 asynchronous connection with Mexico and bidirectional
12 flow. It would enable cross-border transactions,
13 cross-border commercial transactions, and improve
14 transmission grid reliability.

15 Starting on the top right of that map, there is
16 a red box with hatches which is the Valencia substation.
17 And in the middle, middle left is the proposed Gateway
18 substation. And then on the bottom left, just outside
19 of the green area, which is the Coronado National
20 Forest, is the star, which is the proposed border
21 crossing.

22 And so those three features are relevant in any
23 of the red alternatives that would be selected, the
24 Valencia substation on the east, the Gateway substation
25 on the northwest, and then the border crossing to the

1 south.

2 In this application we have included four
3 alternative routes for the Nogales interconnection
4 project. And Gabriela Canales will go through in much
5 more detail and describe those routes and also provide a
6 virtual tour of those routes.

7 But generally speaking, it is three miles of
8 transmission from between Valencia and Gateway. The
9 dashed lines are at 138kV and the solid lines are at
10 230kV and run from the Gateway substation to that point
11 at the U.S.-Mexico border noted with the star.

12 Q. Thank you.

13 Let's transition to the Nogales Tap to Kantor
14 upgrade project.

15 CHMN. CHENAL: Excuse me.

16 Member Woodall.

17 MEMBER WOODALL: Sir, could you please describe
18 with which entities in the country of Mexico you have
19 been dealing as it relates to this border crossing?
20 Have you been dealing, the question is, have you been
21 dealing with federal entities? What are the names of
22 those? Have you been dealing with Mexican state
23 entities? And how would you characterize those
24 discussions?

25 MR. VIRANT: Yeah, we have. And we get to it

1 through some of the further slides.

2 MEMBER WOODALL: Sure. That would be fine. I
3 will wait.

4 MR. VIRANT: But we do -- we have talked with
5 state entities, the operator, the equivalent of the
6 Department of Energy and similar, and I will hit those
7 in later slides.

8 MEMBER WOODALL: Thank you. I am sorry, sir.
9 Go ahead.

10 MR. VIRANT: So the CEC facilities for Nogales
11 Tap to Kantor upgrade project are located in Pima County
12 and Santa Cruz County, as mentioned a couple of times,
13 27 and a half miles of an upgrade, upgrading
14 transmission near the Nogales Tap substation and the
15 Kantor substation.

16 This project will support UNSE's future
17 reliability requirements, and it will also meet the
18 needs of Nogales interconnection project, which will
19 enhance reliability for the region.

20 You will see three different routes on this map.
21 There has been some discussion already, and Mr. Beck
22 gets into much more detail on the routing and provides a
23 virtual tour. But generally speaking, the green line is
24 the existing transmission line. And the yellow and red
25 line are in near proximity to that existing green line.

1 So if you were to think about as far as width, if you
2 drew a thousand-foot corridor along the existing green
3 line, the facilities represented on this map would fall
4 within that. So geographically they are very near.

5 BY MR. GUY:

6 Q. Mr. Virant, we mentioned some of the witnesses
7 already, but would you give, from your perspective, an
8 overview of the witnesses that the joint applicants are
9 presenting and the topics about which they will testify.

10 A. (BY MR. VIRANT) Sure. Gabriela Canales, as
11 just mentioned, summarizes the applicant's route
12 selection and outreach prior to filing of the joint
13 application. She also describes the alternative routes
14 and proposed tour schedule and provides a virtual tour
15 of the Nogales interconnection project.

16 Ed Beck provides an overview of the Nogales Tap
17 to Kantor project, and he describes the purpose and need
18 of the project, ownership, proposed routes, costs,
19 public outreach, and the proposed tour schedule for that
20 project, which will also include a virtual tour.

21 Further, he describes the technical components and
22 details of all the CEC facilities, both the Nogales Tap
23 to Kantor facilities and the Nogales interconnection
24 project facilities, and discusses the right-of-way
25 acquisition process for the CEC facilities.

1 Renee Darling, Michelle Bissonnette, and David
2 Cerasale discuss the environmental considerations.

3 Renee Darling discusses the design philosophy
4 that guided the development of the CEC facilities and
5 introduces the environmental factors considered by the
6 Line Siting Committee. She discusses these specifically
7 as it relates to the Nogales Tap to Kantor project. And
8 those include environmental biological wealth, special
9 status species, mitigation measures, as well as land use
10 issues and impacts of the facilities on cultural
11 resources, scenic areas, and recreation.

12 Ms. Bissonnette discusses other environmental
13 factors considered by the Committee as they apply to the
14 Nogales interconnection project.

15 And Dr. Cerasale supports the direct testimony
16 of Ms. Darling and Ms. Bissonnette as it relates to
17 fish, wildlife, plant life, and the total environment of
18 the areas in the vicinity of the CEC facilities.

19 CHMN. CHENAL: May I ask if we could go back to
20 Slide 8, please.

21 Just, could you tell me, Mr. Virant, where
22 Wilmot is, in other words, the point where there is the
23 issue with the State Land Department.

24 MR. VIRANT: Yes, sir. And it will be hit in
25 more detail by others. But generally it is the

1 north-south where Mr. Beck has the pointer going. It is
2 a road north-south along that section line where the
3 existing line is located.

4 CHMN. CHENAL: Okay. All right. Thank you.

5 BY MR. GUY:

6 Q. Mr. Virant, the next, Slide 10, the next two or
7 three slides just give us a background on the procedural
8 and the due process and notice issues related to the
9 application.

10 Could you tell us whether the projects have been
11 included in anyone's 10-year plans?

12 A. Yes, they have been. The projects were included
13 in UNSE's 10-year plans both in 2016 and 2017. And
14 those are included in the filed exhibits UNS-3B and
15 UNS-3C. I am not certain if those are admitted, but
16 they are located in there for reference. In 2016, the
17 filing was more general, and then in 2017, it detailed
18 out all of the facilities as the studies and project
19 progressed.

20 Q. Mr. Virant, what does Slide 11 show?

21 A. (BY MR. VIRANT) Slide 11 is the listing of
22 entities that we provided the joint application to. I
23 think the only thing to note, this is in the prefiled
24 direct testimony, so I won't run through everything, but
25 copies were hand delivered to Docket Control, ACC Legal

1 Division, ACC Utilities Division, and ACC Tucson office.
2 And the remainder of the entities listed were sent a
3 copy via certified mail.

4 Q. And after filing the application, would you
5 describe the various forms of notice of the hearing that
6 the applicants provided?

7 A. (BY MR. VIRANT) Yes. So in addition to that
8 notice of application, the applicants have complied with
9 notice requirements, rules, and the Chairman's
10 procedural order as it relates to notice of hearing.
11 The notice of hearing was published in newspapers, in
12 three newspapers, two times each, the Arizona Daily
13 Star -- could you go back one slide -- Nogales
14 International, and the Green Valley News on those dates
15 listed, which is also in the prefiled testimony.

16 Also we posted signs, notice of hearing signs
17 along the project route. 37 signs in total were posted.
18 Those were, as discussed in our prehearing conference,
19 on those locations. 17 were posted along the Nogales
20 interconnection project in publicly accessible areas
21 along alternative routes. And 20 signs were posted on
22 the Nogales Tap to Kantor upgrade project in similarly
23 publicly available areas along the alternative routes.

24 And then the notice of hearing was provided
25 certified mail with the return receipt requested to

1 those entities listed on the right half of the slide,
2 which again are listed in the prefiled testimony.

3 Q. Thank you.

4 Let's turn to Slide 13, where we describe or
5 where you are describing a little more detail about the
6 interconnection project. Would you describe what you
7 are covering in that slide.

8 A. (BY MR. VIRANT) Yeah. And we have hit on this
9 in a couple spots already. But the Nogales
10 interconnection project will enable economical electric
11 power and adequate and reliable electric power.

12 For economical power, the project will enable
13 cross-border commercial transactions, both firm
14 transactions and nonfirm transactions, and it should
15 result in savings for UNSE customers and Mexican
16 load-serving entities. Specifically as it --

17 CHMN. CHENAL: Member Woodall.

18 MEMBER WOODALL: Okay. I hope you are going to
19 really grind down on the details here, because I don't
20 know how anyone can predict that the power that will be
21 transported across this line is going to be economical.
22 It kind of depends on what the generator is charging for
23 it, doesn't it?

24 MR. VIRANT: Yes, ma'am.

25 MEMBER WOODALL: So I mean that's my -- has been

1 my puzzlement, if you will, that any large
2 infrastructure like this is going to make the transfer
3 of electrons easier, but I guess the issue of economical
4 is like how do we know that. I mean, if we are going to
5 be getting it from Mexico, how do we know it is going to
6 be cheaper in Mexico?

7 MR. VIRANT: Sure. And there are market forces
8 at play.

9 MEMBER WOODALL: Sure. There is gas -- there is
10 going to be natural gas disruption. So the fact it is
11 going to be making electricity more economical I guess
12 is kind of like, it is kind of like wishful thinking,
13 unless you have got more details behind it.

14 MR. VIRANT: Yes. So there would be two ways
15 that there would be cost savings for UNSE customers.
16 The first is by power purchase. In the event UNSE
17 purchased power from a Mexican entity, the assumption is
18 they would only do so when it made sense to make that
19 purchase, and that would reduce the power purchase and
20 fuel costs that's borne by the customers.

21 The second way of savings that UNSE would
22 realize is related to the transmission. Any uses of the
23 merchant components of this project would also have to
24 use the UNSE system to access the project, whether they
25 are going south or to get beyond the project if they are

1 going north. So that increased usage on the existing
2 transmission system would lower the unit costs of
3 transmission on the UNSE system.

4 MEMBER WOODALL: I am kind of curious about that
5 last statement. I mean the transmission costs are going
6 to be the transmission costs, and they are not going to
7 necessarily transfer into lower charges per kilowatt
8 hour for the customer. So I am a bit puzzled by that.
9 But perhaps Mr. Beck could expound.

10 MR. BECK: Yes. Member Woodall, the issue with
11 the transmission charge to customers today, the rate
12 that we charge customers is based on our investment in
13 plant for transmission, effectively divided by the usage
14 of the system.

15 Today our usage is probably 85 megawatts at peak
16 load for Nogales itself. In the future, if this project
17 moves forward, and because this is a merchant project,
18 it will not get built unless there is commitments made
19 by users of the system, which we anticipate getting
20 users up to 150 megawatts across the UNSE system.
21 That's the only place they can get transportation to get
22 to the project. Therefore, our 85 megawatt load today
23 will increase to 235 post project, which will more than
24 offset the additional cost that we have in plant on the
25 UNS system for the portions that are UNS specific

1 upgrades.

2 The balance of the project, the actual merchant
3 portion, the Nogales, for the most part the Nogales
4 interconnection project, will be paid for by users of
5 that system, which there has been mention of an open
6 solicitation process. That is underway. And the
7 project will not move forward unless, as I said earlier,
8 there is a commitment to actually utilize the project.

9 We haven't set a number, but, you know, you can
10 figure at least 70 or 80 percent commitment is going to
11 be required for the joint entities to agree to go
12 forward with the project. So at that point there will
13 be a guaranteed return through those users who are
14 signing up for long-term commitment on the tie project
15 itself across the border.

16 To the point of economic electric power, the
17 power prices in Arizona, up in Arizona, specifically at
18 Palo Verde, are much lower than power prices in Mexico
19 today. And that's what makes this project attractive to
20 not only us as investors in the project, but to the
21 potential users, access to that cheaper market. So
22 there is definitely the opportunity for economic
23 electric power into Mexico.

24 MEMBER WOODALL: Into Mexico.

25 MR. BECK: Into Mexico at this time. But that

1 does not mean at times there won't be cheaper power
2 available in Mexico that UNS Electric could actually
3 purchase rather than buying from the Palo Verde market.
4 And that's what we would be watching for, is whenever
5 prices showed cheaper in Mexico, that would be another
6 option for us to purchase from them and pass that
7 savings through to our customers.

8 MEMBER WOODALL: Would you anticipate short-term
9 or long-term power purchase agreements with entities in
10 Mexico?

11 MR. BECK: I think it is a little bit early to
12 determine that, but I think for purchases into the U.S.
13 it is likely going to be short-term transactions.

14 MEMBER WOODALL: Okay.

15 MR. BECK: Spot market type for the most part.
16 We do expect long-term commitments coming from the U.S.
17 down to Mexico.

18 MEMBER WOODALL: So you are, UNSE is
19 anticipating making some money off of this line, and to
20 the extent that they are making money off of this line,
21 that means that much less money that you have to seek in
22 terms of returning rates because your overall costs are
23 lower?

24 MR. BECK: Stated slightly differently, I don't
25 think UNS expects to make a lot of money on the project,

1 but we see the opportunity to reduce our transmission
2 costs to our customers. Kind of gets to the same place,
3 but it is a little bit different terminology.

4 MEMBER WOODALL: Sure.

5 MR. BECK: And then on the investment side, we
6 do see the potential to make some money on the actual
7 interconnection project itself through our MEH
8 affiliate.

9 MEMBER WOODALL: Thank you, Mr. Beck; thank you,
10 Mr. Virant. Appreciate it.

11 CHMN. CHENAL: Member Haenichen.

12 MEMBER HAENICHEN: Did I hear you say that the
13 cost, the generation cost of electricity, I presume you
14 mean at Palo Verde, is cheaper than Mexican generated
15 electricity, to generate it? How can that be?

16 MR. BECK: Yes, sir, Mr. Haenichen. The
17 resources in Mexico today are a lot of oil-fired
18 generation. And those that are gas-fired, there is
19 limitations on how much gas they can get into Mexico
20 today. So their resources, from the studies we have
21 looked at, are much higher than what the Palo Verde
22 market is.

23 The Palo Verde market to some degree is driven
24 by the renewables pushed in California right now. And
25 when there is an excess output of solar energy in the

1 California market, it almost gets dumped onto the Palo
2 Verde market, at least very low prices. So the average
3 price at Palo Verde is much lower than the average price
4 across Mexico today.

5 MEMBER HAENICHEN: Do I conclude from that that
6 you are saying in Mexico even their base-load generation
7 is done with oil or natural gas?

8 MR. BECK: To a large degree that is true. They
9 do have a little bit of hydro. Actually, they have a
10 considerable amount of hydro, but it is restricted right
11 now due to the same drought conditions we have
12 experienced. So their hydro output is relatively low.
13 So they do depend to a large degree on gas and the oil.

14 MEMBER HAENICHEN: So the essence of this, then,
15 it is the fact, that's the point, that their base-load
16 generation is costing way more than it should, so they
17 are essentially buying inexpensive base-load
18 electricity?

19 MR. BECK: That is our expectation what they
20 will do, yes.

21 MEMBER HAENICHEN: Thank you.

22 CHMN. CHENAL: Excuse me. Since we are on it, I
23 can't help myself. Mr. Magruder raised some issues
24 about the need and the amount of demand or the load for
25 at least the Nogales area, maybe Santa Cruz County,

1 something about 80 megawatts. I am not exactly sure the
2 territory, but 80 megawatts.

3 Based on what you said, Mr. Beck, this system
4 will accommodate, what, 250 to 300 megawatts? Is that
5 what you said?

6 MR. BECK: 235 specifically with the project in
7 place, but the upgrades would probably be good for
8 around 275 to 300 megawatts.

9 CHMN. CHENAL: Okay. What I don't understand:
10 Is that increase in demand coming from Mexico, or based
11 on the solicitation process, are you hoping to get
12 clients here in the U.S. to make up that demand?

13 MR. BECK: The increase in usage of the system
14 would be as a result of the interconnection across the
15 border. Who those users would be kind of remains to be
16 seen. It could be all Mexican entities purchasing from
17 the U.S. that commit to a portion on the DC tie project.
18 It could be a U.S. entity who is a marketer taking a
19 position to sell into Mexico for the most part.

20 I know our sister company, or sister side of our
21 company, is looking at the potential to buy in for a
22 small piece just for reliability purposes, to lock in a
23 piece coming from Mexico. That's another big benefit
24 for UNS Electric, is the opportunity to, in an
25 emergency, bring energy in from Mexico that otherwise

1 isn't available anywhere.

2 CHMN. CHENAL: So the need is based on the
3 additional line, the redundancy or the reliability
4 aspect, but the increase in the transmission we should
5 view predominantly as going from north to south into
6 Mexico; is that correct?

7 MR. VIRANT: I think that will fall out of the
8 open solicitation and who contracts for power on that
9 line. And we do get into that. And we can dive into it
10 now as well.

11 CHMN. CHENAL: I am jumping ahead, I know it. I
12 just couldn't help myself. But we will get into that.

13 Let's get back to your testimony, Mr. Virant.

14 MR. VIRANT: I think we covered the top half.
15 The bottom part of the slide is related to the adequate
16 and reliable electric power. Currently the Nogales area
17 relies on a single 55-mile transmission line. It is at
18 the end, or at the end of a radial line. These
19 facilities will benefit the area by providing access to
20 additional energy sources, markets, and ancillary
21 services.

22 It would provide a second path to feed the
23 Nogales area from the south. The project would provide
24 bidirectional power flow, north to south, south to
25 north.

1 Voltage support and emergency assistance.
2 Voltage support and emergency assistance are
3 particularly useful for loads on the end of a long
4 radial line such as Nogales is. And those technical
5 components will be discussed further by Mr. Beck in his
6 testimony.

7 And finally, the projects will facilitate
8 regional economic development. Greater access to power,
9 more infrastructure, emergency services, and the
10 ancillary services should support growth in the area.

11 CHMN. CHENAL: Member Woodall.

12 MEMBER WOODALL: Have you quantified that?

13 MR. VIRANT: No, ma'am, we haven't. Quantifying
14 the reliability?

15 MEMBER WOODALL: No, the economic advantages to
16 the region.

17 MR. VIRANT: No, ma'am, we didn't look into
18 studies of that.

19 But to your earlier point, generally additional
20 transmission will facilitate the growth of an area and
21 provide a more robust system. It is a little more
22 dramatic in this example because of the radial nature of
23 the system and voltage issues that have been identified
24 in the past that the project can help with.

25 MEMBER WOODALL: I would be interested in

1 citations to that or references to areas. I do know
2 there is means, I think U.S. Department of Commerce,
3 that they can say, well, if you have got a construction
4 project there is so much from labor and then there is
5 imputed benefits because those workers are stopping at
6 the Circle K and getting grass -- gas, excuse me, I
7 didn't mean to say getting grass -- and et cetera, et
8 cetera. Of course I guess they might if they have a
9 medical marijuana card.

10 So I was wondering if your analysis on regional
11 economic development had some sort of components similar
12 to that. And it sounds like it doesn't. So was there
13 something like that addressed in the EIS at all? Was
14 there any analysis in there?

15 MR. VIRANT: The environmental assessment
16 prepared by the Department of Energy, I believe it has
17 that. I would defer that to Renee.

18 MEMBER WOODALL: Maybe somebody could just point
19 out where that is for me, because that's the whole
20 reason this is being touted as being beneficial for
21 Arizona, and I would like to have as much detail for the
22 Commissioners as possible.

23 MR. VIRANT: Yes, ma'am. And I think those
24 studies you referenced and those efforts exist, and we
25 will look into those as well.

1 CHMN. CHENAL: Member Jones.

2 MEMBER JONES: I thought I would just kind of
3 step in, because the economy of Nogales depends in large
4 part on the ability of commerce to cross the border.
5 And the regular flows of that, particularly in the
6 winter when they have their winter produce, which
7 employs a lot of the people in Nogales --
8 professionally, in my day job, I am a customs house
9 broker. So I understand how those systems work. And
10 when you are relying on only one source of energy, if
11 that energy stops, then all of the electronic data
12 transfer that's necessary to actually move the cargo and
13 get release in the border goes away with it. And so it
14 is very -- it is imperative that you have reliable power
15 and redundancies built into there. So I could see where
16 having the availability of a second source of energy
17 would enable the community to keep going.

18 Not too long ago I believe there was a major
19 power outage, transformer, something went down, I
20 believe. I know this because our office in Nogales had
21 to buy a generator and continue working and clearing
22 customs documents electronically by use of a generator
23 because there was no other alternative. So that would
24 be something to consider.

25 MR. VIRANT: Thank you.

1 BY MR. GUY:

2 Q. Mr. Virant, before we move off this slide, I was
3 looking at some of the questions that Ms. Woodall asked
4 earlier. And one that we have not covered is Hunt's
5 interest in generation in Arizona or whether there is
6 any interest in generation. Could you describe what you
7 know about that?

8 MEMBER WOODALL: I didn't mean just in Arizona,
9 just for clarity. Thank you.

10 MR. VIRANT: No, Hunt is not involved in any
11 generation projects in Arizona. Hunt is involved in the
12 Southline Transmission Project, which is generally a
13 different service to be offered to customers. It is an
14 east-west line -- well, Member Woodall, you know what it
15 is, but for the others who weren't here, it is an
16 east-west and west-to-east transmission line that would
17 interconnect the El Paso region to the 500kV system
18 northwest of Tucson. An entity that did want to use the
19 Southline project and continue wheeling down to, down
20 the Vail to Valencia line and utilize the Nogales
21 interconnection project could. That's part of the open
22 access --

23 MEMBER WOODALL: Of course.

24 MR. VIRANT: -- and open use of the project.
25 But the two projects stand wholly on their own, and one

1 wasn't built to facilitate the other.

2 MEMBER WOODALL: So I understand that the Hunt
3 companies are closely held for the most part, is that
4 correct, Mr. Virant?

5 MR. VIRANT: Yes, ma'am.

6 MEMBER WOODALL: Okay. So I understand you
7 might not know, but as far as you are aware, there is no
8 Hunt controlled entity which is in the process of
9 developing or planning any form of electrical generation
10 in the United States?

11 MR. VIRANT: There certainly isn't in Arizona,
12 to my knowledge.

13 MEMBER WOODALL: Well, I wasn't so concerned
14 about Arizona because, you know, it could be Texas,
15 could be New Mexico, could be Louisiana.

16 MR. VIRANT: I am not aware of it.

17 MEMBER WOODALL: Okay. So I guess -- and would
18 you expect to be aware if there was any?

19 MR. VIRANT: I would. And I will follow up for
20 you.

21 MEMBER WOODALL: Okay. Thank you very much,
22 sir. Appreciate it.

23 MR. VIRANT: I guess the one thing I would add,
24 and it is one thing that we included in our petition for
25 declaratory order, is that there is no generation

1 associated with this project. That doesn't go to your
2 full question, but just to be clear, we have made those
3 statements with the Federal Energy Regulatory Commission
4 as well.

5 MEMBER WOODALL: It is highly relevant and I
6 appreciate your bringing it up, sir. Thank you.

7 MR. GUY: And Mr. Virant promised to follow up,
8 and I will, but I do know that Hunter Hunt in the SU
9 holdings side is on record saying that he is not in the
10 generation business, he is in the transmission business.

11 MEMBER WOODALL: And by my questions I mean no
12 disrespect or any conspiracy or any negative references.
13 It is just always good to know whose interests are in
14 play. So thank you for that.

15 MR. GUY: It is a good question. Thank you.

16 BY MR. GUY:

17 Q. Mr. Virant, moving on to the Presidential Permit
18 that was mentioned in the opening statement that you
19 might have mentioned earlier, could you give us an
20 overview of what the Presidential Permit application
21 process is?

22 A. Sure. By crossing the U.S.-Mexico border, it
23 requires a Presidential Permit that looks at two
24 different items. The Department of Energy and
25 specifically the Office of Electricity Delivery and

1 Energy Reliability will look at the environmental
2 impacts of the project and also the effect on regional
3 reliability.

4 The DOE has made a determination that they will
5 prepare an EA. And that followed the Presidential
6 Permit application that was filed by Nogales
7 Transmission in April of 2016. They filed notice of
8 that application made in May of '16. And then, since,
9 we have submitted two amendments to that application.
10 The first was in January of 2017. That followed some
11 outreach that we had done with, yep, entities that
12 Ms. Canales will reference in her testimony.

13 But effectively, the first amendment reflected a
14 comment from the U.S. Forest Service to move the
15 alignment 25 feet to the east. And that required a new
16 location, physical location of where that star was on
17 the map a couple slides back.

18 The second amendment that was filed, we filed it
19 at the end of May, and that reflected some electrical
20 reconfigurations of the project. The line between the
21 Gateway station and Valencia station, there is slight
22 reconfigurations there that were incorporated into that.

23 And I think the important thing to note is what
24 is in the CEC application and what is discussed in more
25 detail by Ms. Canales and the virtual tour, is the

1 updated electrical configuration.

2 CHMN. CHENAL: Member Woodall.

3 MEMBER WOODALL: And if I might ask, was this
4 amendment, Mr. Beck, are you familiar with the nature of
5 that amendment, and could you please provide a short
6 description of what and why?

7 MR. BECK: Yes. Specifically Amendment No. 2 is
8 related to a change in how UNSE proposed that we
9 interconnect the project to the UNSE system. Originally
10 we planned to connect the Gateway substation at Valencia
11 and not touch the existing line that goes from Vail all
12 the way to Valencia, except at the very end it just cut
13 into that.

14 We realized as we were looking at the
15 engineering for that that we would have to basically
16 rebuild the Valencia substation to accommodate that
17 particular type of configuration. And we identified the
18 opportunity to actually make Gateway the connection
19 point as well as the termination point for the line
20 coming down from Vail, and instead have Valencia tagged
21 onto Gateway.

22 So Valencia is at the end of the line versus
23 Gateway. As a result, we didn't have to rebuild the
24 Valencia substation. And the net savings was
25 approximately \$11 million for UNS Electric customers.

1 MEMBER WOODALL: Thank you, Mr. Beck.

2 BY MR. GUY:

3 Q. Mr. Virant, before we move off this slide, do
4 you have in front of you what is marked Exhibit UNS-17?

5 A. (BY MR. VIRANT) I probably do. I just pulled
6 up 18 and I found it in 18. Is it in 17?

7 Yes, I have UNS-17 in front of me.

8 Q. Yeah. Can you confirm that UNS-17 is a copy of
9 the Presidential Permit and the two amendments? Permit
10 application, I am sorry.

11 A. (BY MR. VIRANT) Yep, it is the cover page for
12 the application and table of contents. Let me flip
13 through it all the way. It is the application.

14 And the first amendment discusses the shift in
15 the location of the border crossing, and the second
16 amendment included in UNS-17 is a couple-page
17 description and discussion of what Mr. Beck just
18 referenced, the request by UNS Electric to make that
19 configuration change and the cost savings associated
20 with it.

21 Q. And for clarification, which may be one reason
22 it threw you off, the permit application, when
23 submitted, did it also contain voluminous exhibits?

24 A. (BY MR. VIRANT) Yes.

25 MR. GUY: And those were -- I guess for the

1 record I will state those are actually attached in the
2 application itself, so we omitted them from the -- they
3 are contained in the CEC application itself, so we
4 omitted them from this Presidential Permit application.

5 And with that, Chairman, we would offer Exhibit
6 UNS-17.

7 CHMN. CHENAL: Any objection?

8 (No response.)

9 CHMN. CHENAL: UNS-17 is admitted.

10 (Exhibit UNS-17 was admitted into evidence.)

11 BY MR. GUY:

12 Q. Mr. Virant, would you please describe the cost
13 of the various alternative routes?

14 A. (BY MR. VIRANT) Sure. As you will see on the
15 chart 15 on the screen or in the materials in front of
16 you, the cost of the Nogales interconnection project
17 doesn't vary greatly across any of the four
18 alternatives. The reason for that is that the
19 transmission is roughly five miles, and the different
20 alternatives, 1 through 4, don't range in a great degree
21 across those.

22 So I believe it is in the written testimony, but
23 it ranges from roughly five to six miles, so there isn't
24 a great degree of change amongst the transmission. And
25 the substation equipment required for the project would

1 be required regardless of which alternative is chosen.
2 So you will notice that that's flat across all the route
3 alternatives.

4 So in summary, the estimated costs of the
5 equipment for the Nogales interconnection project is
6 approximately \$80 million. We didn't include
7 right-of-way acquisition on this slide simply because we
8 haven't gone out and done a detailed study or started
9 any negotiations with the landowners. But the equipment
10 costs are fairly constant at \$80 million. And we expect
11 that the right-of-way across the different alternatives
12 would be similar.

13 CHMN. CHENAL: Member Woodall.

14 MEMBER WOODALL: May I inquire how much of this
15 is going to be the State Land Department land and how
16 much is private land, percentage-wise or miles, whatever
17 is easier for you, sir?

18 MR. VIRANT: State land for the Nogales
19 interconnection project should be zero percent. And I
20 believe there is a chart in my prefiled testimony, but
21 the land use in this area is overwhelmingly private, so
22 not federal land, with the exception of the corridor,
23 which will be discussed later, right along the border.
24 It is generally private land and City of Nogales land.
25 There is a small, couple percent for Arizona Department

1 of Transportation crossings. But it is not federal or
2 state land for the Nogales interconnection project.

3 MEMBER WOODALL: If you can't get it by
4 agreement, was anyone going to exercise the right of
5 eminent domain?

6 MR. VIRANT: We have done a tremendous amount of
7 outreach that Ms. Canales will discuss in her testimony.
8 But we don't expect that to be the case. For the
9 merchant components of the Nogales interconnection
10 project, that would be the DC tie at the Gateway
11 substation down to the border, there are four
12 landowners, I believe. And given the land use there and
13 the conversations we have had, we don't expect that to
14 be the case.

15 MEMBER WOODALL: They are happy to see you,
16 aren't they? Okay, you don't need to answer that.
17 Thank you.

18 BY MR. GUY:

19 Q. Mr. Virant, you testified, you referred to the
20 merchant transmission portion of the project. Describe
21 the rest of the slide where you distinguish between the
22 network upgrades and the merchant project.

23 A. (BY MR. VIRANT) Sure. The Nogales
24 interconnection project will have a merchant
25 transmission component and a network upgrade component.

1 The merchant transmission component will be from the
2 Gateway substation down to the border.

3 So within the Gateway substation there will be
4 DC tie equipment. I am working in my mind from east to
5 west. There will be DC tie equipment. There will be
6 230kV equipment, and then there will be transmission
7 line 230kV to the border. Those would be the components
8 of the merchant transmission project.

9 The network upgrades would be the items to the
10 east of that, so the east side of the DC tie, not
11 including the DC tie. And there would be 138 equipment
12 to connect to the DC tie, and then a transmission line
13 between the Gateway, new Gateway, UNSE Gateway station
14 and the Valencia station. That would be a
15 double-circuit 138 line from Gateway towards Valencia.

16 One circuit would go to a point about 1900 feet
17 west of Valencia, where it would connect to the existing
18 Vail to Valencia line, thereby creating the Vail to
19 Gateway line. And the other side of that double circuit
20 line between Gateway and Valencia would go in its
21 entirety from Vail -- excuse me. It would go from
22 Valencia roughly three miles to the east. I said it
23 backwards twice. The second circuit on that 138 line
24 that originates at Gateway would run from Gateway to the
25 east, terminate at Valencia. Got it right that time.

1 Apologies.

2 CHMN. CHENAL: That's fine.

3 MR. VIRANT: And that's covered in detail by
4 Ms. Canales in her routing discussion.

5 MEMBER WOODALL: Just one, if I may. So just
6 for clarity's sake, who is paying for the network
7 upgrades?

8 MR. VIRANT: Yes, ma'am. The network upgrades
9 would be funded by UNS Electric, and Mr. Beck covers
10 that in his testimony.

11 MEMBER WOODALL: Okay, great.

12 CHMN. CHENAL: Member Hamway.

13 MEMBER HAMWAY: So the Gateway substation is
14 going to be jointly owned by the merchant group and also
15 by UNSE. So if the merchant piece doesn't go forward,
16 then UNSE would be responsible for the entire. And so
17 another question is the 80 million, is that the total
18 cost split by the two entities, or is that half of what
19 it costs?

20 MR. VIRANT: Yes, ma'am. So if the merchant
21 project doesn't go forward, UNSE wouldn't be on the hook
22 to construct those assets.

23 I think the second -- a second question in there
24 was how are those costs split. The costs, roughly
25 80 million, are overwhelmingly skewed towards the

1 merchant transmission component, with a less than
2 10 percent amount attributable to UNSE for the Nogales
3 interconnection project.

4 MEMBER HAMWAY: And who will be the operator of
5 that substation?

6 MR. VIRANT: Yeah. Will you flip to the next
7 slide.

8 MEMBER HAMWAY: I am sorry.

9 MR. VIRANT: No. The question means it was a
10 perfectly designed PowerPoint presentation.

11 But so the Nogales Gateway substation, which --
12 let me back up.

13 You were looking at an ownership map for the
14 Nogales interconnection project that showed joint
15 ownership of Gateway.

16 MEMBER HAMWAY: Correct.

17 MR. VIRANT: Within Gateway is going to be two
18 different sets of facilities.

19 MEMBER HAMWAY: Right.

20 MR. VIRANT: The Gateway substation will include
21 the UNSE Gateway, which will have 138kV equipment, and
22 then Gateway will also include the Nogales Gateway
23 substation that will have DC tie equipment and 230kV
24 equipment.

25 Getting back to your original question, the

1 Gateway substation would be owned in those percentages,
2 or the land uses would be owned for those facilities by
3 the respective parties. And the operator of that would
4 depend on which side of the Gateway substation you are
5 speaking of.

6 So for the UNSE Gateway, the 138 facilities,
7 that would be operated by UNSE. For the Nogales Gateway
8 substation, that would be constructed and owned by
9 Nogales Transmission and operated by Nogales Frontier
10 Operations.

11 MEMBER HAMWAY: So the 80 million includes both
12 of those components.

13 MR. VIRANT: Yes, ma'am. And that 80 million is
14 overwhelmingly skewed towards the merchant components of
15 the project.

16 MEMBER HAMWAY: Right. Okay.

17 MR. VIRANT: So working through the rest of this
18 slide, I may have butchered -- and I apologize, Member
19 Hamway, for that on your question -- but the Nogales
20 Gateway substation will be constructed by Nogales
21 Transmission and owned by Nogales Transmission. It will
22 be operated by Nogales Frontier Operations. And we get
23 into those entities and how they work in a slide from
24 now.

25 And similarly to the Nogales Gateway substation,

1 the 230kV line from the Nogales Gateway substation to
2 the border would be owned and operated -- owned and
3 constructed by Nogales Transmission and operated by
4 Nogales Frontier Operations.

5 And the UNSE Gateway substation, which we have
6 covered, would be constructed, owned and operated by
7 UNSE. The Gateway to Valencia, the transmission line,
8 that one circuit that goes that entire way, Gateway to
9 Valencia, would be constructed, owned, and operated by
10 UNSE. And then the extension of the Vail to Valencia
11 138kV line that creates the Vail to Gateway 138kV line
12 would be owned and operated and constructed by UNSE.

13 MEMBER HAMWAY: Okay. Thank you. I should have
14 looked ahead.

15 BY MR. GUY:

16 Q. Mr. Virant, we touched on the open solicitation
17 earlier, but let's take a step back, and would you
18 describe how the capacity on the merchant project is
19 expected to be allocated, and what process you use to
20 get there?

21 A. Sure. The capacity on the merchant components
22 of the Nogales interconnection project would be subject
23 to an open solicitation. Generally that solicitation
24 has to be opened to all parties, well advertised, equal
25 information to those parties, transparent, not unduly

1 preferential, no undue discrimination.

2 Similar to open access criteria, that process
3 and that path is really spelled out in what we call the
4 petition for declaratory order. And the project,
5 Nogales Transmission and Nogales Frontier Operations,
6 filed a petition for declaratory order in December of
7 2016. And among other things, it requested Nogales
8 Frontier Operations be granted negotiated rate
9 authority, and that it could authorize up to 100 percent
10 of its initial transmission rights to anchor customers.

11 Also in that petition was the description of an
12 open solicitation process that spelled out what the
13 criteria would be for that solicitation process, how it
14 would be implemented, and how the parties would be
15 screened and rank.

16 That petition, again, was filed in December.
17 There was a supplement to that filed in April and also
18 in June of 2017, the April -- both to address questions
19 from FERC staff and to address the configuration change
20 that was discussed related to the project.

21 As you know, the Federal Energy Regulatory
22 Commission has been without a quorum since about the
23 beginning of this year. And they recently reestablished
24 their quorum about a month ago, and there is a larger
25 backlog of applications or petitions with FERC. They

1 began issuing orders and they are working through that
2 backlog. But our application does remain pending with
3 FERC.

4 The process that we described in that and that
5 we have pursued is consistent with other open
6 solicitations that have been approved by FERC. And an
7 open solicitation was launched in July of this year,
8 July 17th, for a 45-day window that closed on
9 August 31st, so at the end of last month.

10 The goal there was to identify the potential
11 transmission customers for bilateral negotiations and
12 make sure everybody who may be interested in the
13 transmission capacity on the project, on the merchant
14 components of the project, had an opportunity to learn
15 about it and bid into that process.

16 The solicitation itself has been managed by an
17 independent third party, Energy Strategies. So they
18 designed a web page. They hosted an informational
19 webinar, pulled together expressions of interest forms,
20 which is what parties submitted at the end of the open
21 solicitation window. And most importantly, they are in
22 charge of the screening and ranking of those parties
23 that come into the solicitation.

24 CHMN. CHENAL: Member Woodall.

25 MEMBER WOODALL: Okay. I know I am getting into

1 super secret stuff now, so if you can't tell me, you
2 can't tell me. But first of all, how many proposals did
3 you receive and how many of those were determined to be
4 credible? I know you can't tell me who, so I am not
5 asking who.

6 MR. VIRANT: Yes. So I have not seen the
7 expressions of interest. They went to the independent
8 solicitation manager, so I haven't seen them. There was
9 a hefty number of them, as these things go, and with one
10 more that is being worked through by the solicitation
11 manager.

12 What we can say is that a diverse set of
13 counterparties submitted into the open solicitation.
14 The interest in, in the capacity was about equal in the
15 north-to-south and south-to-north direction. And the --
16 I lost my train of thought.

17 MEMBER WOODALL: So basically more than -- I was
18 going to say bigger than a bread box, but that would be
19 way too fey. It would be like between 10 and 20? Or
20 can you even give me numbers? I am just trying to get
21 an idea how hot a deal this was.

22 MR. VIRANT: Sure. So in the -- I apologize for
23 losing where I was. But the expressions that, the
24 capacity interest that came in is well in excess of the
25 project's capacity. Multiples of the project's capacity

1 were expressed.

2 MEMBER WOODALL: That's enough for me. I don't
3 require more details. Thank you very much.

4 CHMN. CHENAL: Again, Mr. Virant, I am a little
5 confused. The expressions of interest were power from
6 Mexico to the U.S. as well as from U.S. to Mexico, is
7 that correct?

8 MR. VIRANT: That's correct.

9 CHMN. CHENAL: So I thought from Mr. Beck's
10 comments earlier that the vast majority of the power --
11 of the use of the line will be transmitting power from
12 the U.S. to Mexico.

13 MR. VIRANT: Yep. And you beat me to it. You
14 are correct. It is not necessarily inconsistent with
15 what Mr. Beck said. While the expressions of interest
16 were very similar in the north-to-south and
17 south-to-north direction, one of the components of those
18 expressions of interests is the pricing. So entities
19 could express different prices in the south to north or
20 north to south. And that is one of those market factors
21 that would affect these bilateral negotiations. So
22 those two concepts, while they may seem so, aren't
23 necessarily inconsistent.

24 CHMN. CHENAL: Okay. I understand.

25 Yes, Member Hamway.

1 MEMBER HAMWAY: So in the first part you said
2 that you have the authorization to allocate up to
3 100 percent of the capacity to anchor customers. So an
4 anchor customer is an investor, is that correct?

5 MR. VIRANT: No, ma'am.

6 MEMBER HAMWAY: No.

7 MR. VIRANT: An anchor customer would be in the
8 real estate example of like a shopping mall: if you get
9 Dillard's and Foley's in there, and then all the other
10 stores come around it.

11 MEMBER HAMWAY: Okay. So if your anchor
12 customers took up 100 percent of your capacity, then you
13 really don't have a need for open solicitation, correct?

14 MR. VIRANT: So the open solicitation is a
15 requirement for a merchant transmission project that is
16 granted negotiated rate authority. So I would say that
17 an anchor tenant would be an output of the open
18 solicitation rather than taking the place of the need of
19 it.

20 Is that responsive to your question?

21 MEMBER HAMWAY: Yeah. I had forgotten what an
22 anchor was from the Southline and from the SunZia. So
23 now I better understand it.

24 MR. VIRANT: Okay. And just, that process will
25 continue. The independent solicitation manager received

1 those expressions of interest at the end of last month.
2 We expect negotiations to begin sometime this month and
3 will take some time to complete.

4 CHMN. CHENAL: Thank you.

5 Member Woodall.

6 MEMBER WOODALL: Okay. I know you can't predict
7 because I realize it is negotiations over money, but
8 typically how long would something like this take? Six
9 months? Three months? A year?

10 MR. VIRANT: You know, it is tough to handicap.
11 There haven't been a lot of merchant projects built, so
12 there is probably not a good metric to estimate what
13 the, what the timeline would be. We are eager to have
14 those expressions of interest turn into binding
15 transmission service agreements, and keep our schedule
16 that would get the project in service in 2019. So I
17 would think it is in an amount of time that's less than
18 a year. But it certainly would be months, as it is
19 complicated, as you alluded to.

20 MEMBER WOODALL: Of course. And, Mr. Guy, I
21 know this is no surprise to you, but the Commissioners
22 have expressed concerns in the past over the need to
23 extend the terms of certificates of environmental
24 compatibility. And I think it would be a good idea to
25 have a thorough explication on the record of how

1 complicated this financing and negotiation component is.
2 Because there have been companies that have come in and
3 needed to have an extension, and the Commission has
4 really wanted to have more thorough details. And I know
5 I didn't need to tell you any of that, but I would just
6 make that suggestion that you have kind of a robust
7 record here on this one.

8 Thank you.

9 CHMN. CHENAL: But we can't give you a CEC for
10 more than two years so... Just kidding.

11 All right. So I am looking at the clock. I see
12 it is 3:47. And we are going to go to 5:00 and maybe go
13 a little more. But I don't know how much more we have
14 with Mr. Virant, or if --

15 MR. GUY: Excuse me. I think this is actually
16 it. Unless he wanted one conclusory statement or
17 something, I believe we are probably done.

18 Although I do think, Ms. Morrissey reminded me
19 that we have been talking about the FERC petition for
20 declaratory order, we probably ought to get that in the
21 record and offer that. But after that we are probably
22 completed.

23 CHMN. CHENAL: Let's complete Mr. Virant, and
24 then we can take maybe a short break.

25 BY MR. GUY:

1 Q. Just to deal with that one procedural issue, I
2 believe it is Exhibit UNS-18, can you confirm that is
3 the FERC petition for declaratory order?

4 A. (BY MR. VIRANT) It is.

5 Q. And were you involved in the preparation of that
6 document?

7 A. (BY MR. VIRANT) Yes. I was directly involved
8 in preparing and reviewing that document.

9 MR. GUY: And Chairman, we would offer then
10 Exhibit UNS-18.

11 CHMN. CHENAL: Any objection?

12 (No response.)

13 CHMN. CHENAL: All right. UNS-18 is admitted.

14 (Exhibit UNS-18 was admitted into evidence.)

15 CHMN. CHENAL: I believe we already admitted 17,
16 is that correct?

17 Okay, very good.

18 Thank you, Mr. Virant. I have a feeling you are
19 going to be asked more questions as the hearing goes on,
20 but thank you for the initial portion of your testimony.

21 MR. VIRANT: Thank you for the opportunity.

22 CHMN. CHENAL: Should we -- is this a good time,
23 Mr. Guy, to take a short 10-minute break?

24 MR. GUY: Yes. We would be transitioning to
25 Ms. Canales next.

1 CHMN. CHENAL: All right. Thanks. Let's do
2 that, 10-minute break.

3 (A recess ensued from 3:48 p.m. to 4:10 p.m.)

4 CHMN. CHENAL: All right, everyone. If we could
5 take our seats and we will resume the afternoon session.
6 Everyone seems to be enjoying the food that was brought
7 out at 1:30 or so, you know, right before the dinner
8 that will be brought out at 5:00.

9 Okay. Mr. Guy.

10 MR. GUY: Thank you, Chairman.

11 We would ask, with the questions there,
12 Ms. Canales, Gabriela Canales.

13 BY MR. GUY:

14 Q. Ms. Canales, would you state for the record your
15 name and who you are employed by.

16 A. (BY MS. CANALES) My name is Gabriela Canales,
17 and I am employed by Hunt Power, LP.

18 Q. And what is your role at Hunt Power?

19 A. (BY MS. CANALES) I am a project development
20 advisor, and I implement development strategies for
21 electric transmission projects. And I also manage a
22 team of consultants executing development strategies.

23 Q. And you are probably going to need to slow down,
24 because I am often criticized for talking too fast.

25 A. (BY MS. CANALES) Okay.

1 Q. You should have several exhibits in front of
2 you. Could you see if you can locate Exhibit UNS-5,
3 UNS-6, and UNS-6.1.

4 A. (BY MS. CANALES) Yes.

5 Q. And can you confirm that UNS-5 is your written
6 direct testimony that has been filed in this proceeding?

7 A. (BY MS. CANALES) Yes.

8 Q. And is UNS-6 a copy of your hearing
9 presentation?

10 A. (BY MS. CANALES) Yes.

11 Q. Were both those documents prepared by you or
12 under your supervision?

13 A. (BY MS. CANALES) Yes.

14 Q. Have you reviewed those documents since they
15 were filed?

16 A. (BY MS. CANALES) Yes.

17 Q. And have you identified any changes you would
18 make to those documents?

19 A. (BY MS. CANALES) I have.

20 Q. And are most of those changes identified in
21 UNS-6.1?

22 A. (BY MS. CANALES) Some have. But in reviewing
23 my prefiled testimony and presentation, I have further
24 changes.

25 Q. And could you tell us what those additional

1 changes are?

2 A. (BY MS. CANALES) In UNS-5, page 4, line 1, it
3 should read and added what are now route segments 2, it
4 should be a 3. Or should I just write it on here or
5 should I walk you through?

6 Q. Yes. No, you can write it. Make the change on
7 the document in front of you, but then also state it
8 verbally so the Committee and others know what change
9 you are making.

10 A. (BY MS. CANALES) Okay. That is the only change
11 to the prefiled testimony. In UNS-6, Slide 5, I would
12 like to strike through the bullet point that reads
13 Arizona Corporation Commission Staff and Commissioners.

14 Q. And with those changes, if you were to be asked
15 the same questions in your prefiled testimony today that
16 you were asked at the time they were written, would your
17 answers be the same?

18 A. (BY MS. CANALES) Yes.

19 MR. GUY: Chairman, with that we would offer
20 Exhibit UNS-5, UNS-6, and UNS-6.1 into evidence.

21 MEMBER WOODALL: I am sorry, what was the last
22 change?

23 MS. CANALES: Sure. In UNS-6, the presentation,
24 and Slide 5, I would like to strike through the bullet
25 point that reads Arizona Corporation Commission Staff

1 and Commissioners. And just background, we are listing
2 the attendees of the 2015 outreach meetings, and we do
3 have separate meetings, but we --

4 MEMBER WOODALL: But they weren't there.

5 MS. CANALES: Correct.

6 CHMN. CHENAL: All right. UNS-5, UNS-6, and
7 UNS-6.1, any objection?

8 (No response.)

9 CHMN. CHENAL: They are all admitted.

10 (Exhibits UNS-5, UNS-6, and UNS-6.1 were
11 admitted into evidence.)

12 MR. GUY: Thank you, Ms. Canales.

13 BY MR. GUY:

14 Q. We have loaded a copy of the UNS Exhibit 6 on
15 the presentation computer. Using that slide, would you
16 describe your educational and professional background,
17 please.

18 A. (BY MS. CANALES) Yes. I graduated with a
19 bachelor of engineering in chemical engineering from
20 Instituto Tecnológico y de Estudios Superiores de
21 Monterrey. And this was back in December of 2010. Most
22 recently I graduated from Southern Methodist University,
23 master's in business administration in energy finance.
24 And that was in December of 2016.

25 MEMBER WOODALL: May I ask a question? The

1 Instituto Tecnológico y de Estudios Superiores de
2 Monterrey, that's the MIT of Mexico, is it not?

3 MS. CANALES: Okay.

4 MEMBER WOODALL: Okay. I just want to make sure
5 you have got full props for that.

6 MS. CANALES: Yes, thank you. It is a great
7 school.

8 MEMBER WOODALL: Thank you.

9 MS. CANALES: Thank you.

10 BY MR. GUY:

11 Q. Ms. Canales, what is your role, or what has been
12 your role in the Nogales interconnection project and the
13 Nogales Tap to Kantor upgrade project?

14 A. (BY MS. CANALES) I am a project development
15 advisor for Hunt Power, and I have overseen development
16 activities in the Nogales interconnection project. And
17 specifically I am the primary contact for routing,
18 outreach, and federal and state permitting activities.

19 Q. And we have on the screen now an outline of some
20 of the major topics in your prefiled testimony. Maybe
21 repeating what you just said, but can you give us an
22 overview of what your testimony covered?

23 A. (BY MS. CANALES) Yes. I will walk through our
24 route selection process. I will give a summary of our
25 public outreach. And I will also talk about the

1 proposed tour schedule and protocol that we have
2 prepared, as well as walk you through a virtual tour of
3 the Nogales interconnection project.

4 Q. And this next slide, Slide 3, touches on the
5 route selection process. Would you describe that
6 process for the interconnection project?

7 A. (BY MS. CANALES) Yes. The route selection
8 process began with a comprehensive multiyear
9 environmental study process. And we conducted field
10 studies as well as impact assessments, and these will be
11 described in more detail in the testimony of Michelle
12 Bissonnette.

13 And our routing process also included an
14 extensive stakeholder outreach and public involvement
15 and our review of alternatives based on this feedback
16 from the public. And this began in 2015 in the
17 anticipation of a Presidential Permit application
18 filing.

19 Q. Give us a little more detail on the
20 February 2015 meetings you mentioned.

21 A. (BY MS. CANALES) Our first round of open house
22 meetings were held on February 5th here in Nogales, and
23 we conducted an open house meeting as well as an agency
24 and stakeholder meeting. At this meeting we provided a
25 general project area map, and the route that was

1 depicted was the previously approved route from Case
2 No. 111 for the Sahuarita to Nogales transmission line
3 project. And this was presented to the public in these
4 meetings.

5 And from this feedback, we then decided to split
6 the route into numbered segments. And we added several
7 route segment variations. We will discuss and show what
8 these segment variations are. But this is segment
9 variation -- No. 3 it should read here, so if I can make
10 that change in the presentation as well.

11 Slide 4, it should read route variations 3 and
12 12. And we also looked at alternative locations for the
13 Gateway substation. And this was based on some of the
14 landowner feedback, and actually based on this feedback
15 is why we added these two route variations, 3 and 12.

16 Q. Do you recall if the applicants included in
17 Exhibit J-2 of the application the materials that were
18 used at these meetings?

19 A. (BY MS. CANALES) Yes. The presentations were
20 included in Exhibit J-2K, I believe.

21 Q. And looks like the slide refers to additional
22 meetings in September '17. Will you describe those for
23 us?

24 A. (BY MS. CANALES) Yes. Based on feedback from
25 one of the NGOs in February, from the February 5th

1 meeting, there was a request for a site visit and a tour
2 of the project area. So we listened, and we followed up
3 with a second round of meetings on September 17th, also
4 here in Nogales. And we presented the route segment
5 variations based on feedback, like I said, from
6 February 5th. And we had, we had several agencies
7 attend, and I will list those in my next slide.

8 So here in Slide 5 we have the list of agencies
9 that attended both meetings, February 5th and
10 September 17th.

11 Q. And then separate more recently in preparation
12 for the joint application, could you describe the
13 additional outreach that you undertook prior to filing?

14 A. (BY MS. CANALES) Yes. Specifically for the
15 filing of our CEC joint application we held two open
16 house meetings, one on June 21st in Sahuarita, and on
17 June 22nd in Nogales.

18 And for these meetings we provided extensive
19 notice. We prepared flyers that were mailed to
20 businesses and homes within a 25-mile buffer of the
21 centerline of both the Nogales interconnection project
22 and the Nogales to Kantor upgrade project, and this
23 included roughly 2,000 homes and businesses. We also
24 e-mailed this same flyer to our interested parties list
25 that we have kept from our outreach through our

1 Presidential Permit application process. And separately
2 we published notice in local papers. We published in
3 the Sahuarita Sun, the Nogales International, the Green
4 Valley News on June 14th, June 16th, and June 18th
5 respectively.

6 Separately there was also an article in the
7 Nogales International written about the project, and
8 this was published on June 20th. Additionally, we had a
9 presentation in the open house meetings at the Santa
10 Cruz County board, this was on June 7th, and at the City
11 of Nogales open house meeting on June 11th, like I said,
12 specifically for the purpose of giving notice about
13 these meetings.

14 Q. And did you receive any feedback from these open
15 houses?

16 A. (BY MS. CANALES) Yes, we did. I will talk
17 specifically about feedback regarding the Nogales
18 interconnection project, and Mr. Beck will talk about
19 feedback regarding Nogales Tap to Kantor upgrade
20 project, which was both largely positive.

21 Specifically for the interconnection project, we
22 received one comment card from an impacted landowner.
23 And the comment card supported our preferred
24 Alternative 3, and also cited the benefits of redundancy
25 to the existing Vail to Valencia line, and how he saw

1 the benefits that our project would bring.

2 Q. And the slide, this slide, Slide 8, refers to
3 additional meetings with entities. This is outside of
4 the open houses, is that correct?

5 A. (BY MS. CANALES) Yes. Outside of the open
6 house meetings, we met with the entities listed in this,
7 in this slide.

8 Specifically I want to point out the U.S. Forest
9 Service. Like Mr. Virant pointed out, we had a meeting,
10 or we had several interactions with the Forest Service,
11 and based on their feedback, we made changes to the
12 location of route segments, I believe it is, 11, 13 and
13 15. And we shifted the centerline of the project 25
14 feet to the east to make that farther away from the
15 Coronado National Forest. As a result, we had to amend
16 our Presidential Permit application, as discussed by
17 Mr. Virant.

18 And like I mentioned on my correction to the
19 presentation, we did meet with, outside of open house
20 meetings, with Arizona Corporation Commission Staff and
21 Commissioners.

22 Q. And you mentioned the selection of -- I think
23 you mentioned the selection of Alternative Route 3 is
24 the preferred route. Would you describe the basis of
25 that selection?

1 A. (BY MS. CANALES) Yes. Our preferred
2 Alternative 3 has several design benefits. And this
3 includes the fact that it is a straighter route as
4 compared to several of the other route alternatives. A
5 straighter route means it has fewer angled structures
6 and dead-end structures, which typically have a larger
7 footprint. It also, because of this same reason, has
8 overall less ground disturbance even than the shortest
9 route.

10 Related to access, we have several points here,
11 route Alternative 3 is the route that has the easiest
12 access, compared especially to route Alternative 2 and
13 route Alternative 4, because these alternatives are more
14 closely located to dense industrial areas. And
15 therefore, our preferred alternative, Alternative
16 Route 3, provides opportunities for improved safety,
17 also easier access during both O&M activities throughout
18 the life of the project but also through construction,
19 and requires the least amount of access roads because of
20 this reason.

21 And related to the outreach, preferred
22 Alternative 3 addresses the impacted landowners'
23 concerns. And specifically with the Forest Service, as
24 compared to route Alternative 1. This diminishes the
25 amount of route that is adjacent to the forest.

1 Q. Thank you.

2 The next few slides appear to be a group of
3 maps. Would you describe what you are showing there?

4 A. (BY MS. CANALES) Yes. Slide 10 through Slide
5 21 show maps of each one of the route alternatives. And
6 they are split into zoomed-in versions in these maps.
7 And they are here for the Committee to use if you find
8 them useful. But I can go through the specifics of each
9 route on our virtual tour, if that's okay.

10 Q. And if you are ready to do that, we need
11 probably one minute to switch a laptop, and then we will
12 be able to do that.

13 Ms. Canales, it looks like we have the
14 presentation on the screen now, which it looks like the
15 start of the Google flyover. And on the left-hand
16 screen and on the right is a copy of the overview map
17 that, I believe, was in Mr. Virant's testimony. At this
18 point I am going to hand the reins over to you to walk
19 us through the flyover.

20 A. (BY MS. CANALES) Yes, thank you.

21 In the screen we are looking at route
22 Alternative 1, and this route is 5.8 miles long. And
23 this is the previously approved route in Case No. 111 in
24 the Sahuarita to Nogales Transmission line project. And
25 this was the route that was presented in that first

1 round of meetings in February 2015.

2 Can we show Alternative 2.

3 Alternative 2 is 4.9 miles. And this
4 alternative has a route segment variation. This is the
5 only alternative where you will see triple circuit
6 construction. And I get into the details once we start
7 running through the flyover.

8 Route Alternative 3 is 5.1 miles long, and this
9 is our preferred route alternative. And the difference
10 from Alternative 1 in those two route segment
11 variations, which we will get into more detail, but
12 essentially it is route segment variation 3 instead of
13 2, and this uses route segment variation 12 instead of
14 11 as compared to route -- or the previously approved
15 route.

16 CHMN. CHENAL: Ms. Canales, may I ask you to use
17 the laser pointer and maybe help us understand a little
18 when you start talking about segments? I think you are
19 losing us.

20 MS. CANALES: Okay.

21 CHMN. CHENAL: Does that make sense?

22 MS. CANALES: Yes, I will try my best.

23 If I can repeat this regarding the preferred
24 alternative, so if we see here on the right the red is
25 our preferred, actually going here, and the previously

1 approved route is in blue, or the differences are in
2 blue, and here at this point is where they diverge, so
3 instead of going south and then west, we keep going west
4 and then south, that is the one difference between 1 and
5 3.

6 And then the other difference is, as we are
7 coming up here to Gateway, instead of going straight
8 west and then south along the border, I mentioned we are
9 trying to minimize the impact to the forest, we instead
10 decided to parallel as we are coming back south along
11 route segment variation 10 -- and I hope you can see the
12 numbers -- and then on 12, right here, and then south.

13 CHMN. CHENAL: Thank you. That's much easier to
14 follow.

15 MS. CANALES: Okay, perfect.

16 So now we will see route Alternative 4. So
17 Alternative 4, this one is -- it goes up to Gateway
18 along this. Also it is, as you can see it from the
19 aerial imagery, is more defended. But this one goes up
20 on the 138kV construction, and then down the 230 along
21 the same corridor, but this just does have two lines
22 paralleling each other, and then goes across route
23 segment variation 13 and then south.

24 And here, actually on this map, I think this
25 might be easier to see -- sorry, I have this cup in the

1 middle. There we go.

2 So here is this purple line. So it follows the
3 red line, which is our preferred, up to this point,
4 where it will go north to Gateway, back south. And at
5 this point, instead of following the red, it will follow
6 the purple in a southwest direction towards the forest
7 and then south. Hopefully that was more clear.

8 CHMN. CHENAL: Very clear. I am curious. This
9 is probably more for the second, the upgrade portion,
10 because when we get into the different routes there it
11 will be more significant why you prefer one over the
12 other, but just out of curiosity, if I may ask, why do
13 you prefer your route 3 over the other routes? I mean I
14 understand what the differences are, at least I can see
15 it on the map and your presentation. But why do you
16 prefer one over the others?

17 MS. CANALES: Yes. So I will compare them each
18 one against 3, if that helps.

19 So when you are comparing 1 against 3, and 1
20 was, again, the previously approved route, 1 goes south
21 towards, this is the Home Depot, and it then goes west.
22 And this is bisecting a landowner's property who's
23 voiced a concern of not wanting essentially their
24 property to be cut in half by a transmission line. And
25 so instead, we proposed this route segment variation 13.

1 So that is one reason why we prefer this alternative.

2 And then similarly, the difference between 1 and
3 3 are addressing a landowner's concern right here. His
4 property would be essentially surrounded in three sides
5 if we were to go with route Alternative 1, because we
6 would go north to Gateway, then west and then south. So
7 the impact would be larger to his property. So instead,
8 we proposed going north to Gateway, and then south along
9 the same corridor, and then doing route segment
10 variation 12 instead.

11 This also addresses the concern from the forest,
12 because, as you can see, now we are doing -- or the
13 length along the boundary is less compared to 1.

14 CHMN. CHENAL: Very good. I followed that.
15 That's very helpful to me.

16 MS. CANALES: Perfect.

17 CHMN. CHENAL: Member Woodall.

18 MEMBER WOODALL: I take it that the State
19 Historic Preservation Office has no concerns about any
20 of these?

21 MS. CANALES: The Department of Energy, as they
22 are leading the environmental efforts regarding NEPA and
23 they are conducting actually an environmental
24 assessment, they are also leading the efforts of Section
25 106 compliance, and through the Department of Energy is

1 how we are working through cultural issues with the
2 Arizona SHPO.

3 MEMBER WOODALL: So the cultural aspects of this
4 did not form the basis for your ranking of the routes
5 that you have?

6 MS. CANALES: Generally it is not. There are
7 not a lot of cultural concerns or not cultural
8 sensitivities. So the cultural considerations were not
9 a driver in the selection of this process or of these
10 routes.

11 MEMBER WOODALL: Thank you, ma'am.

12 MS. CANALES: So I will continue on why 3 is our
13 preferred route. Or option 2 is this green line here.
14 And if we can show it on the aerial, you can see that
15 this goes right along this industrial development. And
16 as I mentioned before, this provides for more
17 complicated access, both for construction and for
18 operation and maintenance along this developed area.
19 And it is similarly for route option 4, if you can show
20 that in the aerial, it also goes along highly developed
21 areas. Just in general, the project area has a lot of
22 urban and commercial development.

23 So we will start the tour as we are given the
24 overview of the four routes. And the way we will set
25 this up is we will do a flyover of the preferred

1 Alternative 3 first. And we will then specifically go
2 into each one of the segments that are different between
3 all of them, just to save some time, and I think that
4 will be the most effective way to go through it as well.
5 And, of course, you know we will have the opportunity to
6 look at the sites in person tomorrow in our tour.

7 So let's get started. So this is the existing
8 Valencia substation. You can see we are traveling west
9 towards I-19. And we will -- we are stopping at this
10 pole. This is the pole that is approximately 1900 feet
11 west of Valencia. And at this pole is where the
12 existing Vail to Valencia line will be severed. We have
13 talked about the reconfiguration in Mr. Virant's
14 testimony.

15 And at this point, the two circuits that will be
16 built, the two 138kV circuits, one of those circuits
17 will connect to the severed line and will create the
18 Gateway to Vail line, and the other circuits will
19 continue on to Valencia along existing conductor and
20 existing poles. So that piece that we just flew over
21 will be existing conductor and existing poles, and it
22 will connect to Valencia. So that will be the Gateway
23 to Valencia line.

24 Also at this pole is where we have that
25 deviation between Alternative 1 and our preferred. So

1 we can see here at this pole we are now going south
2 towards the Home Depot, which you can see here, and then
3 going west towards I-19. So that's this line here. As
4 I mentioned, our preferred alternative and also 2 and 4
5 continue west towards the highway, and then south to
6 avoid this landowner's property.

7 MEMBER HAMWAY: So are you going to decommission
8 those lines off of 2? They will stay?

9 MS. CANALES: So the 1900 feet of existing poles
10 will stay there. And there is a line coming from the
11 north. And so the line will be severed at this point.
12 So my understanding is there will be no decommissioning
13 of equipment, but Mr. Beck can clarify.

14 MR. BECK: That is correct. As part of this
15 project, no existing facilities will be abandoned or
16 removed. We will utilize them all in the new project.
17 So the piece that extends from Valencia today will come
18 to that turning point approximately where the number 1
19 is. And where today it turns to the north, that line
20 going to the north will be connected to the double
21 circuit, as will the circuit going to Valencia, and
22 those two circuits go all the way over to Gateway,
23 creating the loop in and out of Gateway.

24 And just one further point, just to make the
25 point that Mr. Magruder had filed in his issues, one of

1 his issues was why didn't we just utilize the CEC that
2 is existing for Case 111. Well, there is a question how
3 active that CEC is, for one thing, but beyond that, our
4 starting point was that alignment, as Ms. Canales had
5 indicated. So we did consider that, but then we looked
6 beyond that as part of the public process.

7 MEMBER HAMWAY: Okay, thank you.

8 MS. CANALES: So we will continue with our
9 flyover. And we are looking at Alternative 3, our
10 preferred alternative, that continues west towards the
11 highway. And we can see we are approaching the highway.
12 And we will then go south along the highway, and we are
13 looking at this portion. We will stop at this point,
14 which is right here, and at this point, all of the
15 alternatives, 1, 2, 3 and 4, follow the same corridor,
16 all follow this route segment variation No. 4.

17 Continue playing.

18 Route segment 4 crosses the highway and the
19 Mariposa Wash and then follows this existing property
20 boundary, and it is on the north side of the Mariposa
21 Wash. We can faintly see it here on this blue line.
22 And we are going right along this industrial development
23 through this property boundary.

24 And we will then come to the point where right
25 here -- oh. Is that our pole? We will come to the pole

1 where route Alternative 2 begins, or the different
2 segment, segment 6 begins. So segment 6 as shown here
3 starts traveling northwest. This is the eastern
4 boundary of the property, and it follows this road
5 towards Mariposa, Mariposa Road.

6 Can we play it?

7 Now we are continuing along route segment
8 variation 5. And then we will come to the point right
9 here where you will see where route segment variation 7
10 starts. I think that's the pole right here. And route
11 segment variation 7 goes northwest as well towards
12 Gateway, and then comes back in the same right-of-way.
13 And we will be able to see in the flyover how these
14 segment variations look once we move on from route
15 Alternative 3.

16 Excuse me. So let's continue playing.

17 And then we will continue following route
18 segment variation 9. This route segment variation goes,
19 crosses Mariposa Road or State Road 189, and it then
20 follows on the southern side of the Mariposa Wash.

21 We then start going up north towards Gateway.
22 And this is where we are turning. And if we can stop
23 here, as I mentioned before, we proposed to avoid
24 impacting this landowner, that we would parallel the 138
25 double-circuit construction, would be on the east side

1 towards the north, which you can see right here. And in
2 the same right-of-way we would have the 230kV
3 construction coming south, which you can see here as
4 well. So this is a rendering how that would look like.

5 And if we can keep playing.

6 I also wanted to make the point that these
7 are -- we haven't completed our detailed engineering and
8 design, and these are just, you know, conceptual pole
9 locations, just to give an idea of how this would look
10 like, but both these lines would fit in a 150-foot
11 right-of-way.

12 And now we are reaching the Gateway substation.
13 At the Gateway substation, the 138kV lines would connect
14 to what was described by Mr. Virant as UNS Gateway, and
15 this would hold the 138kV facilities. These are on the
16 east side of the already graded sites where Gateway is
17 expected to be located. And the 230kV line would
18 connect to the HVDC facilities that would constitute the
19 Nogales portion of the substation.

20 Let's keep playing.

21 Now we are just looking around the Gateway
22 substation, and like I mentioned, we will come back
23 south along that same path. And now we are continuing
24 south up to this point where route segment variation 12
25 begins. And we will then head southwest on the north

1 side of the wash. Here is our turning point. You can
2 see the wash here in the faint blue line. And we are
3 following on the north side of the wash continuing west
4 up to a point, this point here, that is about .1 miles
5 north of North Target Range Road, which you can't see
6 here in the imagery, but just as a point of reference,
7 at this point, we will then start heading south along
8 the Coronado National Forest boundary.

9 Can we keep playing?

10 So from what we can see here on the west side is
11 the forest. And we are headed directly south towards
12 our proposed border location, where the line will
13 interconnect to facilities to be constructed in Mexico.

14 And here is a point also worth mentioning where
15 the route segment variation 14 joins back to this point
16 where all of the four alternatives, 1, 2, 3, and 4, join
17 and all share this route segment variation 15 toward the
18 border. So that's this point right here.

19 And once we hit the border crossing location, we
20 will see we also rendered a pole on the Mexican side,
21 which we can see here, but that is just conceptually to
22 show that we will obviously be connecting to facilities
23 on the other side.

24 And that is our preferred Alternative 3. Do you
25 have any questions?

1 MEMBER HAMWAY: So the facilities in Mexico, do
2 they exist yet?

3 MS. CANALES: No. They are still to be
4 constructed. But it is worth mentioning that the
5 Secretary of Energy has instructed Comisión Federal de
6 Electricidad, which is the entity in charge of building
7 this facilities, they have been instructed to construct
8 in their plan.

9 So their plan is called the PRODESEN, Programa
10 de Desarrollo Systema Electrico Nacional. So it has been
11 included in their -- is that a 15 or 30 -- 15-year plan.
12 And this was published or included in the published
13 version both in 2016 and 2017.

14 MEMBER HAMWAY: Okay, thank you.

15 MEMBER WOODALL: This would be basically their
16 capital improvement plan?

17 MS. CANALES: Correct.

18 MEMBER WOODALL: And I had a question for Staff.
19 I notice that there were two paralleling lines on the
20 approach to Gateway. And I would be appreciative of
21 getting Staff's assessment of the safety of that, the
22 reliability of it, of those two paralleling lines, if
23 they are close enough, if you would recommend a further
24 distance, et cetera.

25 MR. HAINS: Clarification, Member Woodall. Are

1 you referring back to how Staff used to have in an
2 ancient era when Staff was requiring a line separation
3 condition in various CECs?

4 MEMBER WOODALL: I don't consider myself that
5 old.

6 MR. HAINS: I was including myself.

7 MEMBER WOODALL: Part of that, yes, I would
8 appreciate.

9 CHMN. CHENAL: Let the record reflect there was
10 a massive amount of snickering.

11 MEMBER WOODALL: I prefer to think it was
12 chuckling in good fun.

13 And of course, Mr. -- you know, you could confer
14 with Mr. Beck to get more of the precise details. But
15 yes, I am referring back to those ancient days of yore.
16 Thank you, Mr. Hains.

17 MR. GUY: Thanks, Ms. Canales.

18 Chairman, that concludes Ms. Canales' testimony.
19 We have two exhibits we would like to offer, Exhibit
20 UNS-2 is the tour schedule and protocol, which has been
21 discussed several times that we will undertake tomorrow
22 morning and Thursday morning. And then Exhibit UNS-7 is
23 an actual digital copy of the flyover that we have been
24 discussing. So we would offer those two exhibits in
25 evidence.

1 CHMN. CHENAL: Any objection to UNS-2 or UNS-7?

2 (No response.)

3 CHMN. CHENAL: Hearing no objections, UNS-2 and
4 7 are admitted.

5 (Exhibits UNS-2 and UNS-7 were admitted into
6 evidence.)

7 MR. GUY: And with that, we pass Ms. Canales,
8 and our next witness would be Mr. Beck. If you want to
9 proceed, it is about ten until 5:00.

10 CHMN. CHENAL: Two points. Number one, we
11 generally allow cross-examination of the panels. So
12 don't think that you won't have the opportunity, for the
13 other, for the, you know, the intervenors, you will have
14 the opportunity to ask any questions you wish of the
15 panel when we conclude with Mr. Beck.

16 I think, Mr. Guy, you had anticipated you would
17 be halfway completed with Mr. Beck by now. And we are
18 going a little slower than that. If you could help me
19 with the amount of time you think we are going to need
20 as we go forward, because with a tour and -- I mean we
21 are not, and the hearings in the evenings, we are not
22 masters of our own destiny. So I hate to let this time
23 go if it is going to help us having to hurry up Friday.
24 I mean, if it is okay with the Committee to go for 15 or
25 20 minutes, I mean --

1 MEMBER WOODALL: 30 minutes.

2 CHMN. CHENAL: -- I mean I think -- are we good
3 with this, the Committee, to continuing on with Mr. Beck
4 now?

5 Yes, Member Noland.

6 MEMBER NOLAND: What time is our public hearing?

7 CHMN. CHENAL: It is at 6:00.

8 MEMBER NOLAND: Just give us enough time in
9 between so we don't run right up in between to the 6:00.

10 CHMN. CHENAL: I would anticipate maybe going to
11 5:30. Would that be enough time or would you want more
12 time?

13 MEMBER NOLAND: No, I guess that's okay.

14 CHMN. CHENAL: Okay.

15 MEMBER WOODALL: Mr. Beck, talk fast.

16 MEMBER HAMWAY: But not too fast.

17 CHMN. CHENAL: So I guess, Mr. Guy, I guess we
18 want to proceed with Mr. Beck.

19 BY MR. GUY:

20 Q. So Mr. Beck, let's walk through some of the
21 exhibits while they are shifting the laptop connections.

22 You should have in front of you four exhibits
23 that I want to touch on. Could you locate Exhibit
24 UNS-9, and can you confirm that that is a copy of your
25 prefiled direct testimony?

1 A. (BY MR. BECK) Yes, it is.

2 Q. And could you confirm that Exhibit UNS-10 is a
3 paper copy of your hearing presentation?

4 A. (BY MR. BECK) Yes, it is.

5 Q. And Exhibit UNS 10-1 or 10.1 is entitled the
6 errata of Edmond Beck. Could you confirm that is the
7 list of the errata or changes to testimony that has been
8 identified so far?

9 A. (BY MR. BECK) I am having trouble finding that
10 document.

11 Q. We will get an extra copy.

12 While we are looking for 10.1, was your
13 testimony and presentation prepared by you or under your
14 supervision?

15 A. (BY MR. BECK) Yes, it was.

16 Q. And I was going to ask you, other than the list
17 in 10.1 -- which you do not have, so give us a minute to
18 locate that. Okay.

19 A. (BY MR. BECK) I do have 10.1.

20 Q. And have you reviewed the errata listed on 10.1?

21 A. (BY MR. BECK) Yes, I have.

22 Q. And would you agree, does that errata reflect
23 the changes that you would like to make to your
24 testimony?

25 A. (BY MR. BECK) I do have one additional change.

1 Q. Okay. Please describe that change.

2 A. (BY MR. BECK) In UNS-9, my prepared testimony,
3 on page 9, starting with line 5, I talk about the
4 construction cost of the alternate routes. And I have
5 some additional information now, so it would change the
6 way that should read.

7 So it should read Alternative 1 is estimated to
8 be the least costly at approximately \$28.8 million,
9 followed by Alternate 2 at approximately \$30.8 million,
10 and then Alternative Route 3, 36.2 million. So there is
11 approximately a \$2 million difference between route 1
12 and route 2, which I will get into more regarding
13 construction costs.

14 CHMN. CHENAL: And where again, Mr. Beck, is
15 that?

16 MR. BECK: It is on page 9 of my direct, which
17 was UNS-9.

18 CHMN. CHENAL: Page 9 of Exhibit 9.

19 MR. BECK: Yes, correct.

20 BY MR. GUY:

21 Q. And Mr. Beck, with that additional change and
22 the changes in 10.1, if I were to ask you those same
23 questions today, would your testimony be the same?

24 A. (BY MR. BECK) One more change to reflect that
25 same cost difference is in Exhibit 10, on Slide 20, just

1 to reflect the Alternative 2 cost at 30.8 million versus
2 28.8. And with that, it has all my changes.

3 MR. GUY: Thank you, Mr. Beck.

4 Chairman, we would offer Exhibits UNS-9, UNS-10,
5 UNS-10.1 as revised by Mr. Beck.

6 CHMN. CHENAL: What about UNS-10.2?

7 MR. GUY: Thank you for covering that.

8 BY MR. GUY:

9 Q. Mr. Beck, do you see Exhibit 10.2 in front of
10 you? 10.2 should be the additional slides that you
11 prepared to show the different route alternatives.

12 A. (BY MR. BECK) That is correct, yes.

13 Q. And we will bring a copy up there.

14 A. (BY MR. BECK) Okay.

15 CHMN. CHENAL: Okay, UNS-9, UNS-10, UNS-10.1,
16 and UNS-10.2, any objections?

17 (No response.)

18 CHMN. CHENAL: Okay. UNS-9, 10, 10.1 and 10.2
19 are admitted.

20 (Exhibits UNS-9, UNS-10, UNS-10.1, and UNS-10.2
21 were admitted into evidence.)

22 BY MR. GUY:

23 Q. Mr. Beck, we have loaded on the computer your
24 PowerPoint presentation. Could you please give us an
25 overview of your educational and professional

1 background?

2 A. (BY MR. BECK) Sure. I have been employed by
3 Tucson Electric Power and UniSource Energy Services as
4 director of transmission development for 38 years. My
5 roles and responsibilities include siting projects for
6 both companies at the subtransmission and transmission
7 level. And I have supervised preparation of this
8 particular joint application and the supporting
9 exhibits.

10 Regarding my experience and education, bachelor
11 of science in civil engineering from the University of
12 Arizona, MBA also from the U of A. I am a registered
13 professional engineer, a member of the American Society
14 of Civil Engineers, and as I mentioned, 38 years of
15 experience.

16 Q. Have you testified in Line Siting Committee
17 cases before?

18 A. (BY MR. BECK) Yes, I have.

19 Q. Could you give us a brief overview of what your
20 prefiled direct testimony and your presentation will
21 cover?

22 A. (BY MR. BECK) Yes, I will. Specifically for
23 the Nogales Tap to Kantor upgrade project I will talk
24 about the purpose and need of the project, our route
25 selection process, the public outreach that was

1 performed, our tour schedule and protocol for that tour,
2 as well as walk through a virtual tour of the Nogales
3 Tap to Kantor portion of the project.

4 I will also address some of the technical
5 components of both portions of the project, both the
6 Nogales interconnection as well as the Nogales Tap to
7 Kantor upgrade, and touch on our proposed right-of-way
8 acquisition process.

9 Q. Let's move on to the purpose of the project.
10 Could you give us a description of what the purpose and
11 need are?

12 A. (BY MR. BECK) Well, overall the project does
13 help UNSE to meet our future transmission reliability
14 requirements. It provides a new source, a new path to
15 resources south of the border that we do not have today.

16 It has been alluded to, I think, in previous
17 discussion that at one time the old Citizens Utilities,
18 which was the predecessor of UNS Electric, had many
19 issues with reliability and was put under order to build
20 a second transmission line. TEP and Citizens came
21 together to propose what was identified as Case No. 111,
22 which would have provided a second path to Nogales.
23 That project never got built. We had problems between
24 the state approval process and the federal process in
25 that case.

1 Consequently, or subsequent to that, we had a
2 lot of discussion with the Commission and Staff
3 regarding reliability of the Nogales and Santa Cruz
4 areas, and the need for a second transmission line. UNS
5 Electric's response to all of that discussion was to
6 upgrade the old 115kV line that at the time was
7 connected to Western Area Power, to a 138kV line
8 connected directly to TEP. That got rid of one issue
9 that we had relative to a limitation on the Western
10 system where we had to turn generation on at a certain
11 load level. The TEP system could support the UNSE
12 system at all load levels.

13 As a result of all of our discussions and work
14 with Staff and the intervening parties, we resolved that
15 the upgrade to 138 was a sufficient improvement in
16 reliability to meet the needs of Nogales and Santa Cruz
17 County.

18 But there still is the benefit from having a
19 second path to another resource. So that's why both UNS
20 Electric as well as TEP has been interested in a
21 connection to Mexico for many years. Not only could it
22 provide a second path for UNS Electric, it also can
23 supply a second path to TEP, which is upstream and at
24 the very end of the WECC, or Western Electric
25 Coordinating Council's, system. So we see a connection

1 to Mexico as really helping us from a reliability
2 perspective.

3 But beyond that, we were approached by Nogales,
4 Nogales Transmission, through Hunt, with an
5 interconnection request. And Member Woodall had asked
6 about the FERC interconnection process earlier. This is
7 probably the time to touch on that.

8 When a utility that is jurisdictional under FERC
9 has a transmission service request or interconnection
10 request, the utility is obligated through the FERC
11 process to analyze what is needed, identify the upgrades
12 on the system that are required, and accommodate the
13 interconnection request to the extent possible.

14 So we went through a system impact study with
15 Hunt and the Nogales Transmission project to identify
16 needed upgrades. We identified the need for the 27 and
17 a half miles of line upgrade, which we will talk more
18 about a little bit later, as well as the facilities
19 within Nogales proper, the 138kV connections to UNS
20 Electric's Valencia and Gateway substations, or future
21 Gateway substation.

22 The FERC process says that things that are
23 identified as network upgrades through the process are
24 paid for by the utility that owns the system. There are
25 two ways that they can be paid for. One is up front.

1 They can be paid for by the interconnector, but
2 immediately you start repaying that interconnector
3 through credits through the use of the system, or the
4 utility can just bear the cost of those upgrades.

5 In TEP's and UNSE's history, we haven't seen a
6 lot of value to charging the customer up front and then
7 doing credits back. That's really more trouble than it
8 is worth. You have to credit back with an interest
9 charge on top of the money you pay back. So we have
10 typically chosen to just take those network upgrades and
11 pay for them at the utility level. So that's how we got
12 to the point where these are identified network upgrades
13 that UNS Electric customers would pay for.

14 The big plus to this project has already been
15 mentioned, is that with the flow-through addition that
16 the project brings, it more than offsets the cost of the
17 added facilities at the network level, subject to a
18 potential delay due to the rate-setting process. Our
19 FERC rates are adjusted annually. So depending on where
20 we fall timing wise in that rate window, there could
21 possibly be up to one year delay in the customer seeing
22 the full benefit of the additional flow-through. So
23 they could pick up a little bit more cost in the short
24 term, but they would see a big benefit in the longer
25 term on the transmission portion of their charge.

1 So that's kind of the FERC interconnection
2 process.

3 Regarding the transmission link with the Nogales
4 interconnection project that we are looking at, because
5 we see the benefit of potential market transactions at
6 the UNSE level, we see also potential customer benefits
7 from that.

8 And that extends even up to TEP also, but
9 primarily we are looking at UNS Electric. And as we
10 have indicated, the upgrades that we have identified
11 will allow the 150 megawatts of flow across the DC tie
12 in both directions, supporting grid reliability for both
13 sides of the border.

14 And it supports the City of Nogales as well as
15 all of Santa Cruz County through that process. And
16 ultimately UNS Electric will own and operate the Nogales
17 Tap to Kantor upgrade project, as well as the 138kV
18 lines between Valencia and Gateway and the Gateway 138kV
19 substation.

20 Q. Thank you.

21 I think the next two or three pages are maps of
22 the project. Can you walk us through what you are
23 wanting to illustrate there?

24 A. (BY MR. BECK) Sure. So the upgrade, Nogales
25 Tap to Nogales Kantor upgrade specific in this

1 application is what is identified by the green line on
2 Slide No. 5. So from the proximity of the Nogales Tap,
3 that was our original interconnection point with the
4 Western Area Power system that UNS Electric, we
5 disconnected from that when we upgraded the line to 138,
6 but that is the landmark in the vicinity of where we
7 need to upgrade the line. The upgrade would extend from
8 that Nogales Tap down to Kantor substation.

9 If you go to the next slide, the portion in red
10 was the portion that was upgraded in 2014 as part of the
11 conversion from 115kV to 138kV. That portion of the
12 line was on old wood poles. Those were replaced by
13 steel monopoles just like we are proposing in this
14 project. But we used a larger size wire on that portion
15 than exists on the existing line from Nogales Tap to
16 Kantor. So to get the additional capacity needed for
17 the project, we needed to replace that wire.

18 As the engineering group looked at the needs of
19 replacing the wire, they determined not only was it the
20 wire, but the poles, because the old poles were marginal
21 or just met the reliability requirement for wind and
22 loading of the older, smaller wire. So as a result, our
23 upgrade would be new poles and new wire to get the
24 additional capacity.

25 MEMBER HAENICHEN: Mr. Chairman.

1 CHMN. CHENAL: Yes, Member Haenichen.

2 MEMBER HAENICHEN: So let me see if I interpret
3 this right. I am at the section you just described.
4 You got additional capacity two ways then, one by going
5 to a higher voltage and another by bigger wires that
6 could carry more current, is that correct?

7 MR. BECK: In 2014 we got the advantages of the
8 increased voltage, because the line could be operated at
9 138kV, the portion that we are now proposing to upgrade.
10 The wire size capacity increase is specific to this
11 project. So we did have a benefit of the voltage in
12 2014. Now it is just the ampacity of the wire itself.

13 MEMBER HAENICHEN: Thank you.

14 CHMN. CHENAL: Member Hamway.

15 MEMBER HAMWAY: Yes. Mr. Beck, you mentioned a
16 CEC from a -- from 111? So is that the one you said
17 that you didn't know was still active?

18 MR. BECK: That is correct. In Case 111, we,
19 TEP, proposed in a joint application with Citizens
20 Utilities at the time -- that was before UNS Electric
21 existed -- we proposed a 345kV line going from Tucson
22 all the way into Mexico, with a stop-off point at the
23 Gateway substation. That's why we have a fully prepared
24 substation site at the Gateway site. And there would
25 have been an interconnection at that time from Gateway

1 to the Citizens system to support their needs of a
2 second circuit.

3 MEMBER HAMWAY: So --

4 MR. BECK: That was about 2001.

5 MEMBER HAMWAY: Okay. That was one question.
6 So do we need to vacate that CEC, or do you just let
7 them die a natural death, or what do we do with an
8 active, semi-active CEC?

9 MR. BECK: I think that's probably a specific
10 question for Staff and the Commission. But as far as
11 UniSource is concerned, it is not a viable CEC that sits
12 out there. It was put on hold at the time for further
13 review or further work, and we never pursued that.

14 MEMBER HAMWAY: So by putting on hold, so that
15 was a formal action done by your company?

16 MR. BECK: It was, I believe, actually done by
17 the Commission. And I don't know if Mr. Hains has any
18 input on that.

19 MEMBER HAMWAY: Does that reflect -- is that
20 reflected in the 10-year plan, that you vacated that
21 CEC, or whatever the right terminology is?

22 MR. BECK: I believe we have taken it out of our
23 10-year plan with the most current 10-year plan. And we
24 have withdrawn our Presidential Permit request from DOE,
25 which was another piece of that. We never got an

1 approved Presidential Permit. So until we had that we
2 couldn't have built that line, and we have withdrawn
3 that application as part of this process through the EA
4 with DOE.

5 MEMBER WOODALL: If I may, I was the Chairman of
6 the Committee at the time that we did this line siting
7 proceeding. It was extremely controversial and there
8 was some complicated procedures involving it and the
9 federal government and the Commission. And I am sure we
10 could have an explication of that. If you don't need it
11 for this hearing I can certainly bend your ear for an
12 hour or three at some future point. But if you need it
13 for this proceeding, I think Staff would be the person
14 to dredge that up for you.

15 MEMBER HAMWAY: I don't need it. I was just
16 wondering what we do with this active, semi-active CEC.
17 But it doesn't sound like it is active, it is not part
18 of the plan. I don't know that we have to do anything.
19 I don't know. I am not a lawyer.

20 MR. BECK: As part of us, as one of the
21 applicants, our position is that that's, even if there
22 was a CEC, it is pretty much dead. It would have to be
23 restarted.

24 MEMBER WOODALL: Everybody is trying to ignore
25 the whole thing, basically, based on what happened.

1 CHMN. CHENAL: Mr. Hains, did you have anything
2 to add? Then we will go to Member Hamway again.

3 MR. HAINS: Sure, Chairman, and Member Hamway,
4 just to tie the bow on that one issue with regard to
5 whether it is alive or dead at this point. One, and,
6 you know, I would have to pull up the CEC, but I expect
7 there is a time limit for it, and I would assume it has
8 probably expired by this point and to their terms.

9 CECs, they are distinct from certificates of
10 convenience and necessity, which even if they expire,
11 they may have some life left to them. CEC, it is
12 explicit in the terms under which they are granted that
13 they have a finite term.

14 The other component is, I believe somebody from
15 UNS or TEP can confirm this, but I believe in the last
16 rate case for either TEP or UNS, they actually requested
17 the recovery of the sunk costs for that, so it is dead.

18 MEMBER HAMWAY: Okay.

19 CHMN. CHENAL: Member Noland.

20 MEMBER NOLAND: Thank you.

21 Mr. Beck, what was the other case that was
22 probably four or five years ago up in the same area,
23 Tucson, going south towards Nogales? Was that a
24 replacement?

25 MR. BECK: I believe you are referring to Case,

1 I believe it is 147, which was to go from the Vail
2 substation, convert the existing 115 to 138, as well as
3 rebuild the portion shown in red on that Slide 6. So
4 everything from Kantor south was rebuilt. And we built
5 from the Nogales Tap up to the Vail substation to make
6 the connection to TEP. And we went through that siting
7 case in 2009.

8 MEMBER NOLAND: Right. Is that completed?

9 MR. BECK: Yes, that is completed. In fact,
10 that's what it is allowing us to only have to touch the
11 Kantor to Nogales Tap portion.

12 MEMBER NOLAND: Thank you.

13 CHMN. CHENAL: Member Hamway.

14 MEMBER HAMWAY: So Mr. Beck, help me remember
15 what line went through the Vail substation. You have it
16 here. It is -- you have it next to the Nogales Tap. I
17 don't have a sense of how far away the Nogales Tap is
18 and the Vail substation. But was it SunZia or was it
19 Southline? Something went through the Vail substation.
20 What line was that?

21 MR. BECK: There are many lines in the vicinity.
22 So there is Western Area Power lines, which if you were
23 involved in the Southline case you probably saw some of
24 that, because Southline utilizes the Western system but
25 tie into the TEP Vail substation.

1 MEMBER HAMWAY: Okay.

2 MR. BECK: The Nogales Tap to Vail substation
3 was five to ten miles long, I think.

4 MEMBER HAMWAY: Okay.

5 MR. BECK: So it was a construction of a line
6 that did not exist. So where the UNSE line had
7 connected at Nogales Tap, the Western system, the one
8 that's going to be rebuilt by Southline, we disconnected
9 it at Nogales Tap and built a new 138 line to go from
10 there to connect it to TEP's Vail substation.

11 MEMBER HAMWAY: Okay.

12 MR. BECK: And it was to overcome a limitation
13 that Western had on their system that TEP did not.

14 MEMBER HAMWAY: I just couldn't remember. I
15 know that's amazing I couldn't remember that, but...

16 MR. BECK: There are so many lines there it is
17 interesting.

18 MEMBER HAMWAY: I know. Yeah.

19 MR. GUY: Thanks, Mr. Beck.

20 BY MR. GUY:

21 Q. Let's move from the project generally to the
22 route selection process as shown on Slide 7. Could you
23 give us an overview of the route selection process.

24 A. (BY MR. BECK) Okay. So this is 10.2, the
25 supplemental slides that were created to give a better

1 idea of the issue that TEP or UNSE is looking at with
2 this project. And actually I take that back. I am just
3 looking at the wrong slides.

4 Q. We were still in your normal hearing
5 presentation, I think, and you can cover them both at
6 the same time because there is some overlap, but I think
7 Slides 7 and 8 in your original presentation covered the
8 route selection process generally, and then 10.2 you get
9 into the specific issues.

10 A. (BY MR. BECK) You are right. I was on the
11 wrong slide. So the environmental studies that we
12 conducted included biological, cultural resources
13 assessment. We did a Class III cultural resources
14 survey, Pima pineapple cactus survey, waters of the U.S.
15 analysis, and then UNSE actually performed and looked at
16 land uses plans and policies in the area, noise
17 concerns, communications interference potential of the
18 project upgrade, and any potential impact on scenic
19 areas.

20 Q. Give us an overview of the specific routes you
21 looked at and how they vary, please.

22 A. (BY MR. BECK) Yeah. So we identified three
23 routes. You have heard a little bit about Alternative
24 Route 1. It is the west of Wilmot Road alignment on the
25 north end. And it has been identified throughout the

1 application as the applicant's preferred route. Route 2
2 was east of Wilmot Road, and it follows adjacent to the
3 existing alignment, but is just offset from the line to
4 allow for construction. And then Alternative Route 3
5 was intended to actually use the existing right-of-way
6 only, which would be very problematic from a
7 construction perspective, which I will talk about more
8 later.

9 We had open house meetings in June in Sahuarita
10 and -- June 21st in Sahuarita, June 22nd in Nogales. We
11 did get some public feedback, stronger support from
12 landowners for the preferred route. From their
13 perspective it improved their views, was a more
14 effective land use, and increased safety.

15 One of the landowners actually offered access to
16 the right-of-way through their property as one of their
17 comments. And another landowner supported the plan to
18 replace the existing poles and wires.

19 Generally the support for the preferred route
20 was to move it away from where they have actually
21 encroached upon our existing alignment, and it would
22 move the line further away from their residences.

23 Q. And are these the same open houses and feedback
24 that Ms. Canales talked about in her testimony?

25 A. (BY MR. BECK) Yes, they are. Kind of the

1 intent was that the June 21st meeting would probably
2 meet more of the needs of the residents in the Sahuarita
3 area, and the June 22nd would be more targeted to the
4 Nogales interconnection project, but both portions were
5 part of the presentations.

6 Q. And now I think we are going to transition where
7 you were going before on the screens to your left, is
8 Exhibit UNS-10.2.

9 A. (BY MR. BECK) Yes. So to give a little more
10 specific on what the issues were with the various
11 alignments, can we bring up the second slide on the
12 right-hand screen so we can have the map at the same
13 time. It would be the same slide presentation, but...

14 So the intent is on the map on the left-hand
15 screen right now, Slide 1, we identified places where we
16 did cross-sections of the alignments. So I know this
17 isn't the easiest to read, but this is cross-section 1.
18 So this is up near the Nogales Tap. It is on the
19 northern end of the alignment. You can see on the
20 left-hand side a little box there. It says
21 Alternative 1. So that's route Alternative No. 1, which
22 is the applicant's preferred route.

23 CHMN. CHENAL: Mr. Beck, could you use the laser
24 pointer. I think that will help us.

25 MR. BECK: Absolutely, as long as I don't blind

1 the court reporter.

2 So on the left side this is Alternate 1. On the
3 upper portion is an aerial view, showing what the
4 100-foot right-of-way would look like, and we would have
5 50 feet on either side of that. We would be centered in
6 on new construction.

7 Down below that is just showing a cross-section
8 view. You can see 50 feet on either side to the end of
9 right-of-way and the pole line down the center. We are
10 showing the circuit for this project to be on the
11 easterly side of those poles. Down the center of that
12 slide is Wilmot, the Wilmot Road alignment. In the
13 upper portion on the aerial view you can see what the
14 pavement looks like.

15 We have got Alternative No. 3, which is the
16 existing alignment. And then here on the northern
17 portion, north of Andrada Road, our Alternative 2 is on
18 the eastern side of the existing alignment, the reason
19 being there was not room to construct the replacement
20 line in between the existing line and the road
21 right-of-way without encroaching on the edge of the
22 pavement. And you can see here it varies. I think
23 that's four feet at the worst case on the north end.

24 Go to the next slide.

25 So --

1 CHMN. CHENAL: Excuse me, Mr. Beck. Let me just
2 ask a question.

3 The elephant in the room is Alternative No. 1,
4 the objection of the State Land Department through which
5 you must have, I assume, the permission to use the
6 right-of-way through State Land Department land. Maybe
7 I am assuming something I shouldn't. But if -- I mean,
8 how viable is Alternative No. 1 if the State Land
9 Department is saying it is not going to happen.

10 MR. BECK: Our position is that we are not going
11 to propose Alternate 1 as our preferred route going
12 forward. And I hadn't got there yet, but it is a valid
13 point.

14 CHMN. CHENAL: I will let you get there.

15 MR. BECK: I am still going to lay out why
16 Alternate 1 is our preferred route, but --

17 CHMN. CHENAL: And then take it away.

18 MR. BECK: Basically, yes.

19 CHMN. CHENAL: Okay.

20 MR. BECK: So you can see here north of Andrada
21 Road we are getting back to where we have some room
22 between pavement, the road alignment, and the existing
23 line. So you will see that we stay on the east side of
24 our existing line with Alternate 2 up to Andrada Road,
25 which is right there on the slide. It is roughly

1 halfway down the segment that's of concern to State
2 Land.

3 We are getting enough room that we can actually
4 move back to the other side and be between the existing
5 and the pavement, future pavement, and be okay with
6 that. And that takes us away or gets a little bit
7 further away from the properties developed to the east.
8 So that's why we are proposing to cross over Andrada.

9 Go to the next slide.

10 So this is just south of Andrada Road again,
11 Alternate 1 on the left, we don't need to spend much
12 time on that one; the Wilmot Road alignment. And now we
13 have got more room to actually put Alternate 2 between
14 Wilmot Road and our existing line. And so that would be
15 our intent there. We are maintaining a 25-foot
16 clearance between the conductors on each structure to
17 allow for construction.

18 If you go to the next slide, now, this is as we
19 get down on this diagonal portion across the Santa Rita
20 experimental range. Again, we are maintaining clearance
21 for construction, we will offset from the existing line,
22 and then ultimately offset -- redo the right-of-way
23 agreement with State Land and others to reflect the
24 100 foot centered on the new alignment.

25 And I think we have heard from State Land that

1 they don't have large objections to that. They will
2 work with us on adjusting the rights-of-way as long as
3 we are on the existing alignment.

4 Next slide.

5 This is just southwest of the Santa Rita
6 experimental range, so it is right down in this
7 vicinity. Again, Alternate 1 and Alternate 2 basically
8 become one and the same. And we are maintaining a
9 25-foot clearance, no real issues there.

10 One more slide. As we get down to Mount Hopkins
11 Road, there is a 46kV line that is already on the west
12 side of our existing line. And so right at Mount
13 Hopkins we are proposing crossing back over the existing
14 alignment and being on the east side of that alignment
15 down to Kantor substation for that distance. That's to
16 avoid the 46kV line, give us sufficient clearance for
17 construction purposes, and ultimately we will be
18 removing the existing lines so there will be no conflict
19 long term with that.

20 BY MR. GUY:

21 Q. I think the next slide we are in the process of
22 pulling up is your summary slide, which you may or may
23 not want to cover, but that's the next one that we will
24 get up there.

25 A. (BY MR. BECK) Okay. So in summary, these are

1 the advantages and the reasons that we identified our
2 Route 1 as our preferred route. From a safety and
3 reliability perspective, it took it away from the
4 existing line for construction. Road widening in Pima
5 County limits our ability to reconstruct the line west
6 with the concerns, which is the point I was making with
7 the cross-sections. Development east of Wilmot Road and
8 south of Sahuarita will cause more encroachment if we
9 relocate the line farther to the east than the existing
10 line.

11 We anticipate that in the future Pima County
12 will widen Wilmot Road further to the south in the
13 future. And when we do the Google flyover, you will see
14 a little bit more of the encroachment and probably get a
15 better feel for these issues.

16 We also see continued development in this area.
17 To a large degree the development, at least on the north
18 end, is to the east of Wilmot. As we have heard State
19 Land, they anticipate future development on the west
20 side, which would have its own encroachment issues.

21 So the summary is, yes, our preferred route for
22 all of these reasons was Alternative Route 1. And there
23 is also the cost issue, that it will cost, we are
24 estimating at this point, about \$2 million more to go to
25 the east, stay on the existing side of Wilmot Road on

1 that north portion. But after discussions with State
2 Land and their position that they will not give us a
3 right-of-way, it kind of takes Alternate 1 off the
4 table, and we are perfectly willing and happy to build
5 Alternative 2 and use that as the alignment.
6 Alternative 2 from the diagonal north, they are one and
7 the same to the south, so it really doesn't matter. But
8 to the north portion where State Land has raised their
9 concerns, we are fully prepared to do that.

10 One of the issues we did run into with State
11 Land was that when we made application for our
12 right-of-way, State Land basically did not act on that
13 application and they held it until such time as we filed
14 our application for the CEC, which just delayed
15 getting -- having the discussion with State Land because
16 they really weren't willing to talk to us until they
17 were looking at the application.

18 So that's why we got in front of the Committee
19 with an application that shows a preferred route that is
20 not supported by State Land. So we need to work in the
21 future on the timing and how we can work through that
22 with State Land. But I think we have reached a point
23 where it is workable in this case.

24 CHMN. CHENAL: Very good.

25 BY MR. GUY:

1 Q. And Mr. Beck, I think you said this, but even
2 with Alternative 1 off the table, 2 and 3 are both
3 constructible, they are able to be constructed, safely
4 constructed, they would serve the purpose and need
5 intended for the project, and there are just slight cost
6 differences?

7 A. (BY MR. BECK) Alternative 2 is -- either one
8 can be built. Alternative 2 is slightly more costly
9 than Alternative 1. Alternative 3 will be considerably
10 more costly just because it would be exactly adjacent to
11 an energized line, which would cause a lot of outage
12 issues with our system, and/or we would have to build
13 temporary reroutes of the line.

14 And State Land has indicated, you know, they are
15 open to a temporary use of west of Wilmot for that type
16 of construction. But to some degree it effectively
17 doubles the cost of the project by doing that, not
18 quite, but it gets quite a bit higher. But
19 Alternative 2 is definitely workable. And we can do
20 either 2 or 3. There just is a big cost to Alternate 3.

21 CHMN. CHENAL: Member Woodall.

22 MEMBER WOODALL: Mr. Jacobs, is it possible that
23 your witness could explain the timing issue here?
24 Because my experience in the past has been that
25 arrangements with State Land have been worked out far in

1 advance of the filing of the application. So it will be
2 helpful for me to understand, if there is a change in
3 policy, if you could have your witness address that.

4 MR. JACOBS: Okay. I will do that.

5 MEMBER WOODALL: Thank you very much, sir.

6 BY MR. GUY:

7 Q. Mr. Beck, the slide that's on the screen now,
8 20, you have touched on the cost comparison. Is this
9 the slide that you made changes to at the beginning of
10 your testimony?

11 A. (BY MR. BECK) Correct. Alternate Route 2, that
12 should be approximately 30.8 million versus 28.8, so
13 approximately 2 million more.

14 MR. GUY: Chairman, we are just, for timing, we
15 are about halfway through Mr. Beck's testimony, and we
16 are about to transition into a new subject. So we can
17 continue going or --

18 CHMN. CHENAL: No, I appreciate that. I think
19 we are at a good point to call it for the evening and
20 resume tomorrow.

21 Let's see. So we will have the tour tomorrow.
22 Business casual clothing, if the attorneys have such a
23 thing. I know it is difficult to break bad habits. Oh,
24 let's gather here in the room just so that we don't lose
25 people, and then we will put something short on the

1 record.

2 Just to remind people, if they haven't done one
3 of these tours, we keep questioning to a minimum because
4 it is very difficult for the court reporter, because we
5 do take testimony in the field. So we try to limit our
6 questions to just the most basic, what we are looking
7 at, why it is important to look at it from the point of
8 view of the application. But hold the substantive
9 questions, and when we come back we will allow you to
10 ask whatever questions you want of that.

11 We have our hearing tonight, or public comment
12 session, at 6:00.

13 Is there anything else we should discuss before
14 we adjourn for the evening?

15 MEMBER HAENICHEN: Mr. Chairman, I am just
16 concerned about the security of these thousands of
17 dollars worth of iPads overnight. What is going to
18 happen here?

19 CHMN. CHENAL: Yes, very good.

20 MR. GUY: The room is locked and the applicants
21 have a key to it. So we ensure it is locked.

22 MEMBER HAENICHEN: Okay. We are going to have
23 no responsibilities for that?

24 MR. GUY: That's correct. You may leave the
25 iPad and other supplies in the room.

1 CHMN. CHENAL: I heard the applicants' attorney
2 just avow that the risk of loss is on them.

3 MEMBER HAENICHEN: Unless it is only mine that
4 is missing.

5 CHMN. CHENAL: Good. Okay. Let's adjourn for
6 the evening. Thanks everyone. I appreciate everybody
7 going further. I think we are on schedule.

8 We will resume tomorrow at 9:00 a.m.

9 (The hearing recessed from 5:34 p.m. to
10 6:09 p.m.)

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1 (The evening public comment session commenced
2 with Committee members present and the Applicants.)

3 (TIME NOTED: 6:09 p.m.)
4

5 CHMN. CHENAL: Good evening, everyone. If I
6 could ask everyone to kind of take your seat and we will
7 start with the evening hearing.

8 This is the time set for the hearing where we
9 will take public comment on the application, the Nogales
10 project interconnect project.

11 Is there anyone here who would like to speak for
12 public comment? It seems like there is a young woman
13 who wants to come up and speak.

14 MS. CAMPANA: To this mike?

15 CHMN. CHENAL: Yes, that's fine, ma'am. Come up
16 and give your name. And we are interested in what you
17 have to say.

18 MS. CAMPANA: Good evening. My name is Kathy
19 Campana. I am sorry. I have a cold.

20 CHMN. CHENAL: That's fine.

21 MS. CAMPANA: And mostly my concern is that the
22 current ratepayers should not fund this upgrade because
23 this is not really going to benefit us. We had an
24 upgrade a couple of years ago when they put in the
25 monopoles. And that should be sufficient for our area.

1 I think that UniSource or TEP should go ahead and fund
2 this out of their own reserves, and they will collect
3 the money then from Mexico from what they are selling.
4 But I don't think it should be on the backs of the
5 ratepayers.

6 CHMN. CHENAL: Okay. Thank you, Mrs. Campana.
7 You know, we won't, we can't really get into an extended
8 conversation about the topic, but I can assure you that
9 will be something that we will be asking questions of
10 the applicant and their witnesses. So thank you for
11 that.

12 Is there anyone else?

13 Please state your name, sir.

14 MR. HECHT: My name is Kevin Hecht. We spoke on
15 the phone.

16 CHMN. CHENAL: Yes. Yes, sir.

17 MR. HECHT: At the pre -- if you can excuse my
18 attire.

19 CHMN. CHENAL: Yes, no problem.

20 MR. HECHT: I just want to make sure everything
21 was included in the EA portion, which I believe it was,
22 with the -- from the DOE, with all the items I addressed
23 on the telephone. I was assured by UniSource and the
24 other vendor it was. But that includes where we cross
25 the border and along the Customs and Border Patrol

1 property.

2 So, as far as I know, it is all included. I
3 just wanted to show up and make sure that that statement
4 was still there from the initial meeting. And I did
5 receive copies of documents. So from what I know, it is
6 still there.

7 CHMN. CHENAL: Okay. Mr. Hecht, yeah, I
8 remember you appeared. And I remember we had
9 conversations about what you would like to see. And I
10 remember there were discussions where, you know, the
11 applicant said that they would accommodate those
12 requests. What I don't remember or can't say is what
13 specifically those were.

14 I think, you know, it would behoove you to make
15 sure before this hearing is concluded that those items
16 are covered. Now, I remember certainly that those were
17 items that, you know, we did talk about at the hearing.
18 I mean you didn't intervene in the case, but I think, if
19 you would, confer and make sure and come back and just,
20 as public comment, just tell us that you are satisfied
21 that the conditions are met. Or maybe Mr. Beck can
22 confirm that.

23 MR. HECHT: He talked to me on the phone since
24 then. So I will let him go ahead.

25 MR. BECK: Mr. Chairman, just for the record,

1 the issues that were raised were raised in a letter from
2 the border patrol to DOE. We have a copy. We have
3 addressed each of those. We sent comments back to DOE
4 to include in their EA process. And we will touch on
5 them in our testimony here in the -- within the case.

6 CHMN. CHENAL: Okay. So you will touch on them
7 based on the matters that were raised.

8 Mr. Hecht, you still need to confirm that you
9 are satisfied that the manner in which they will be
10 addressed are satisfactory to you. Or I would suggest
11 you come back and, you know, address as public
12 comment --

13 MR. HECHT: We went itemized through them. So
14 there are the two issues. There is the issue of the
15 border crossing and there is the issue along the
16 property line. So we have two different locations.

17 The Department of Energy governs the
18 Presidential Permit and the crossing of the border. So
19 they are going to handle height of poles and distance
20 from fence and all that wonderful stuff over there.

21 At the office I have been dealing with them
22 directly on grounding, dissipation of lightening strikes
23 and all that, items that come into play. So we are
24 addressing those item by item as they come up. So we
25 had some studies looked at with some veterinarians on

1 the effects with the horses being that close to the
2 power lines. And we didn't find any significant impacts
3 just based on the distances.

4 But we did have concerns with the helicopter
5 approach with the towers being put in play with that
6 because we do have a helicopter landing pad, and the
7 heights of the towers, and also the distance from some
8 of our radio towers. We didn't have any frequency
9 interference. We disclosed that and found out we didn't
10 have any issues with that.

11 One of the issues we did have concerns with,
12 once it is turned on, to be able to have them check with
13 us and make sure we aren't having issues, because there
14 might be unknowns or unforeseens that we don't know
15 about.

16 CHMN. CHENAL: Okay. Again, I just want to be
17 crystal clear here. You seem to have, you on behalf of
18 Customs and Border Patrol, have certain specific items
19 in mind that you would like to see included and dealt
20 with in this process. And what I am saying is, is we
21 are not as familiar and fluent with those concerns as
22 you are. And I grant you we did have a -- we discussed
23 it in not a great amount of detail at a prefiling
24 conference, but I just don't want to, I don't want to
25 leave you with the impression that, because you raised a

1 few issues in a prefiling conference, that this
2 Committee is going to make sure that's all taken care
3 of.

4 MR. HECHT: Understood.

5 CHMN. CHENAL: I mean we are receptive -- just a
6 moment, Member Woodall. We are receptive to the
7 concerns you have, but I just don't want -- you need to
8 kind of help guide us.

9 MR. HECHT: Understood.

10 CHMN. CHENAL: Normally you do that by
11 intervention. But we can make some allowance if you
12 address them as public comment.

13 I think the burden should be on you to make sure
14 these items are covered, not us. I just want to make
15 sure. I know the applicant will work with you I know
16 after the hearing is over, you know, have you come back
17 and say, well, this one item --

18 (Cell phone rings.)

19 MR. HECHT: Excuse me. I am going to shut it
20 up.

21 CHMN. CHENAL: -- this one item wasn't covered
22 and I thought it was going to be covered. And I am
23 saying that, I am going to say back to you, remember
24 when we spoke at the public hearing, I said that needs
25 to be on you.

1 MR. HECHT: Yes. I know it is included in the
2 EA dockets through the Department of Energy and letters
3 have gone back and forth. It was all included in the EA
4 document by Department of Energy and was submitted to
5 them. So they included everything on our behalf. So
6 that's where it was submitted through the process.

7 MEMBER WOODALL: So what you are telling us is
8 it is in the record. Is that correct, Mr. Guy and
9 Mr. Beck?

10 MR. BECK: Member Woodall.

11 MEMBER WOODALL: If it is in EA?

12 MR. BECK: I think what we would probably do, we
13 would make sure that we file the letter that was sent to
14 DOE. We will address each of those questions. Prior to
15 that we will share it with Mr. Hecht just to take a look
16 at it and be sure it covers all of his issues. We have
17 had extensive conversations, shared some e-mails. But
18 we will just put it all in one place and make sure and
19 satisfy --

20 MEMBER WOODALL: And then it will be in the
21 record, and -- then it will be in the record, and then
22 what you can do, sir, if you want to, you can file
23 something with Docket Control and say you are concerned
24 about these issues. And Mr. Beck will have put
25 something in the record on them. And you can say: And

1 I would hope, respectfully request that you would
2 condition -- because the Commission has to approve what
3 we do -- that you would condition issuance of this CEC
4 upon doing the following five things.

5 And it won't be outside of the evidence,
6 evidentiary record, because Mr. Beck is going to get it
7 in, and it is referenced, some of your comments are
8 referenced in the EA. But it wouldn't hurt you to
9 follow up with a letter to the Commission, because they
10 have to approve what we do. And then you could say,
11 okay, I understand this was talked about and that was
12 talked about, here are my letters, and I am hopeful that
13 you will not issue a CEC unless A, B, C, D, E, F, G.

14 MR. HECHT: Okay. Understood.

15 CHMN. CHENAL: Well, to be clear, we issue the
16 CEC.

17 MEMBER WOODALL: Well, yes, excuse me.

18 CHMN. CHENAL: Right. So when I say to make
19 sure that these items are taken care of in this
20 proceeding, I should have been more clear. It is so
21 that we have conditions that make sure those items are
22 covered. And I don't think the applicant will have a
23 problem with that. But we just have to know what these
24 are to make sure we have the proper conditions.

25 MR. HECHT: Okay. Understood.

1 CHMN. CHENAL: And then the Corporation
2 Commission, yeah, will approve it or modify it as they
3 deem fit.

4 MEMBER WOODALL: I personally have confidence
5 that Mr. Beck is going to be thorough and detailed and
6 accurately reflect your concerns.

7 MR. HECHT: I don't doubt that for a minute
8 after discussing it with him.

9 That's all I have. Thank you.

10 CHMN. CHENAL: Any, is there anyone else that
11 has any comments for the public comment session?

12 (No response.)

13 CHMN. CHENAL: Okay. Then we will adjourn the
14 public comment session, and we will resume here tomorrow
15 morning at 9:00 a.m.

16 Is there anything else we should discuss before
17 we adjourn for the evening?

18 (No response.)

19 CHMN. CHENAL: All right. Business casual
20 tomorrow. Thank you.

21 (An off-the-record discussion ensued.)

22 CHMN. CHENAL: Can we stay back on the record
23 just a moment, folks. We will have --

24 Is it 1:00 checkout?

25 So Mr. Guy has confirmed with the hotel we can

1 have a 1:00 p.m. checkout tomorrow. So, you know,
2 either before lunch or during the lunch hour we can
3 bring our stuff down here or in our cars and then we
4 will have that extended.

5 MR. GUY: And if it is inconvenient, we will
6 make arrangements to have an even later checkout, but
7 that's what the hotel has approved, 1:00 without having
8 to pay --

9 CHMN. CHENAL: All right. Thanks, everybody.
10 (The hearing recessed at 6:19 p.m.)

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1 STATE OF ARIZONA)
2 COUNTY OF MARICOPA)

3 BE IT KNOWN that the foregoing proceedings were
4 taken before me; that the foregoing pages are a full,
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13 ethical obligations set forth in ACJA 7-206(F)(3) and
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15 Arizona, this 11th day of September, 2017.

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20 COLETTE E. ROSS
21 Certified Reporter
22 Certificate No. 50658

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