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BEFORE THE ARIZONA CORPORATION

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NICK MYERS
Chair
RACHEL WALDEN
Vice Chair
LEA MÁRQUEZ PETERSON
Commissioner
KEVIN THOMPSON
Commissioner
RENÉ LOPEZ
Commissioner

APPLICATION FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY FOR PROPOSED SPRINGERVILLE GENERATING STATION, ASSOCIATED TRANSMISSION LINES AND SUPPORT FACILITIES.

APPLICATION FOR UNIT 4 OF THE SPRINGVILLE GENERATION STATION LOCATED WITHIN A PARCEL OF PROPERTY CONSISTING OF SECTION 27; THE SOUTH HALF (S 1/2) AND THE SOUTHEAST HALF OF THE NORTH HALF (SE 1/2 N 1/2), SECTION 28; THE EAST HALF (E 1/2), SECTION 29; THE NORTHEAST QUARTER (NE 1/4), SECTION 32; THE NORTH HALF (N 1/2), SECTION 33; THE NORTH HALF (N 1/2), SECTION 34, ALL IN TOWNSHIP NORTH RANGE 30 EAST GILA AND SALT RIVER BASE AND MERIDIAN, APACHE COUNTY, ARIZONA, AND ALL RELATED FACILITIES LOCATED WITHIN THE EXISTING SPRINGERVILLE GENERATION STATION PLANT SITE.

DOCKET NOS. L-00000C-77-0031-00030
(L-00000C-01-0030)
L-00000C-86-0000-00074
(L-00000C-01-0074)

DECISION NO. 81675

ORDER

MOTION TO AMEND DECISION NO. 48313 PURSUANT TO A.R.S. § 40-252

Arizona Corporation Commission

DOCKETED

MAR 10 2026

DOCKETED BY

Open Meeting
March 4, 2026
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

BACKGROUND

1. On December 11, 2025, Tucson Electric Power Company (“TEP” or “Company”) filed a motion with the Arizona Corporation Commission (“Commission”) to amend Decision No. 48313 to modify the Certificate of Environmental Compatibility (“CEC”) for the Springerville Generating Station (“SGS”) to allow for the conversion from coal-fired to natural gas-fired boilers for Units 1 and 2. Decision No. 48313 was docketed at the Commission on September 26, 1977.

2. The CEC granted in Decision No. 48313 authorized TEP to construct three coal-fired steam electric generating units, each rated at a nominal 350 megawatts (“MW”). Unit 1 began commercial operation in 1985, and Unit 2 began commercial operation in 1990.

3. TEP was conditionally granted a CEC to construct Springerville Unit 4, a coal-fired steam unit rated at 350 MW, in Commission Decision No. 55477 (March 18, 1987).

4. Unisource Energy Development Company, an affiliate of TEP, and the Salt River Project Agricultural Improvement District entered into a Joint Development Agreement to develop Units 3 and 4, both of which would be coal-fired steam units with a nominal rating of up to 400 MW. In Decision No. 65347 (November 1, 2002), the Commission granted a CEC for Springerville Units 3 and 4.

5. TEP operates all four units at SGS, but TEP only owns Units 1 and 2, and as such TEP is requesting the modification from coal-fired boilers to natural gas-fired boilers solely for Units 1 and 2.

6. In the December 11, 2025 filing, TEP indicated that the conversion from coal to natural gas will save money, lower emissions, maintain energy reliability, and preserve jobs and tax revenues for local rural communities. Commission Utilities Division Staff (“Staff”) will address each of these items in the Staff Analysis section.

STAFF ANALYSIS

7. In order to conduct the analysis, Staff reviewed the application, Decision Nos. 48313 and 55477, responses to the Staff issued informal data request, review of an Air Dispersion Modeling

1 Report, see Attachment 1 to the memo, as well as met with the Environmental Quality Representative
2 for TEP to discuss the impacts of the proposed conversion.

3 *The Conversion Will Save Ratepayers Money*

4 8. TEP cites that coal-fired resources such as SGS will no longer be economically viable
5 due to rising fuel costs, increasing coal delivery risks, anticipated coal mine closures, and
6 environmental considerations and regulations. TEP had previously scheduled to retire Unit 1 in
7 2027 and Unit 2 in 2032 due to the projected increased costs and stricter environmental regulations
8 promulgated by the Environmental Protection Agency (“EPA”). In order to continue operation past
9 the aforementioned dates and meet the EPA guidelines, TEP would be required to install upgrades
10 and retrofits in excess of \$450 million. These costs would ultimately be recovered from ratepayers.
11 The conversion of the boilers from coal-fired to natural gas-fired is estimated to cost \$170 million
12 or roughly 38 percent of the cost of upgrades and retrofits.

13 *Maintain Energy Reliability*

14 9. Given the growing electricity demand in Arizona and need for reliability, it is
15 imperative that TEP and other electric providers have suitable backup generation in place prior to
16 retiring generation assets. Springerville Units 1 and 2 have the potential to produce 700-800 MW
17 of combined base load that would need to be replaced. TEP estimates that this generation could be
18 replaced with either a new combined cycle gas plant (\$1.5 billion) or a new solar plus storage option
19 (\$4.5 billion). While these cost estimates appear to be on the high side, what they do not contemplate
20 is the environmental factor. Both the new combined cycle plant and the solar plus storage plant
21 would be “greenfield” projects, thus their respective impacts to environmental compatibility would
22 be greater than the conversion of the boilers from coal to natural gas.

23 *Preserve Jobs and Tax Revenue for Local Rural Communities*

24 10. While TEP did not provide specific numbers, the Towns of Springerville, Eagar, St.
25 John's and other White Mountain communities have all benefitted via tax revenue as well as jobs
26 provided by SGS. These tax revenues and jobs would be reduced eliminated in the event that Units
27 1 and 2 are retired. TEP has been engaging with the public since July 2025 concerning the proposed
28

1 conversion and TEP contends that the local communities support the conversion project. At the time
2 of writing this report, no public comments for or against have been filed in the dockets.

3 *Lower Emissions Reduced Water Consumption Reduced Waste*

4 11. The most compelling reasons for the conversion are the reduction in emissions, the
5 reduced water consumption, and the reduction of coal ash waste deposited into the landfill.

6 12. The studies provided by TEP focused on four main components of emissions: carbon
7 dioxide (“CO₂”), nitrogen oxides (“NO_x”), sulfur dioxide (“SO₂”), and particulate matter (“PM”).

8 13. According to TEP, the reduction in CO₂ is estimated to be roughly 40 percent. The
9 U.S. Energy Information Administration (“EIA”) estimates coal will produce 211.63 pounds of CO₂
10 per million British Thermal Unit (“BTU”)¹. The EIA estimates natural gas will produce 116.65
11 pounds of CO₂ per million BTU which equates to roughly 55 percent of the CO₂ produced by burning
12 coal. The difference between TEP’s estimate and EIA’s numbers can be attributed to the type of
13 coal, the operating parameters, and the MW output that is being considered. Assuming a typical
14 boiler is 87-89 percent efficient when powered by coal, one would expect the efficiency to be 84-85
15 percent when powered by natural gas². Since TEP is concerned with MW output, the Company may
16 have factored in the reduced efficiency when calculating the CO₂ reduction. Despite the difference
17 in the calculations, the CO₂ reduction is significant and will have less of an impact on the
18 environment than the coal fired boiler.

19 14. When considering NO_x, SO₂, and PM, TEP compares the levels of the proposed
20 conversion to the original CEC. Staff agrees that the estimated post-conversion levels are
21 significantly lower than the levels approved roughly 49 years ago, so the conversion would be more
22 environmentally friendly than the current CEC. Staff also notes that the technologies and
23 requirements have changed over time, making the validity of this claim moot. Staff believes a
24 stronger argument would have been to include the Class II Significant Impact³ Analysis Results from
25
26

27 1 A BTU is defined as the amount of heat energy required to raise the temperature of one pound of water by one degree Fahrenheit.

28 2 <https://www.innovativecombustion.com/natural-gas-fired-boilers/#:~:text=Depending%20on%20a%20number%20of,whereas%20natural%20gas%20does%20not>.

3 A Class II Significant Impact is defined as an impact that is significant, but where the implementation of specific mitigation measures will reduce the impact to a less-than-significant level.

1 the Air Dispersion Modeling Report. The maximum modeled impact results were magnitudes lower
2 than what would be considered an actionable impact that may warrant mitigation.

3 **Table 1: Stack Emissions for Each Unit**

Pollutant	1977 CEC Application (average coal)	Worst-Case Estimate Post- Conversion
SO ₂	219	0.26
NO _X (as NO ₂)	290	48.9
PM Total	14.3	3.3

9 *Note all units are grams per second (g/s)

10 15. Staff met with TEP to discuss the impacts that the proposed conversion would have
11 on water use and water consumption. While the closed-loop steam system will utilize the same
12 amount of water regardless of the fuel source, water savings are realized via reduced dust control for
13 coal ash handling and the elimination of water for the lime scrubbers used on Units 1 and 2. TEP
14 estimates that the water savings will be approximately 115 acre-feet per year in reduced dust control
15 and an additional 480 acre-feet per year for the Unit 1 and 2 scrubbers. The Arizona Department of
16 Water Resources estimates that one acre-foot of water is enough to supply three single-family
17 households per year, with that number increasing to 3.5 households in Active Management Areas⁴.

18 16. When considering the environmental impacts of the conversion from coal to natural
19 gas, one must consider the reduced waste. Units 1 and 2 produce approximately 270,000 tons of
20 coal ash per year. Coal ash is a toxic byproduct that is left after burning coal and it contains toxic
21 elements such as mercury, cadmium, arsenic, and lead. Coal ash is considered one of the largest
22 types of industrial waste in the United States, and as such the EPA regulates the disposal of coal ash.

23 17. The data provided by TEP coupled with Staff's research leads Staff to consider the
24 proposed transition to natural gas-fired boilers as the most cost effective way to maintain grid
25 reliability while keeping the environmental impacts to a minimum. Staff believes that TEP's request
26 is in the public interest.

27
28 ⁴ <https://www.azwater.gov/news/articles/2021-19-04>.

1 **RECOMMENDATIONS**

2 18. Staff recommends that Decision No. 48313 be modified to allow TEP to convert
3 Units 1 and 2 to natural gas-fired boilers.

4 CONCLUSIONS OF LAW

5 1. Tucson Electric Power Company is a public service corporation within the meaning
6 of Article XV of the Arizona Constitution and Arizona Revised Statutes §§ 40-281 and 40-282.

7 2. The Commission has jurisdiction over Tucson Electric Power Company, and the
8 subject matter of the application.

9 3. A.R.S § 40-252 authorizes the Commission, upon notice to the corporation affected
10 and any interested parties, and after opportunity to be heard as upon a complaint, to rescind, alter, or
11 amend any order or decision made by it.

12 4. The Commission, having reviewed the request and Staff's Memorandum has
13 determined it to be in the public interest to approve the requested modifications as discussed herein.

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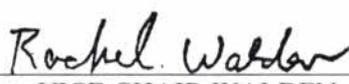
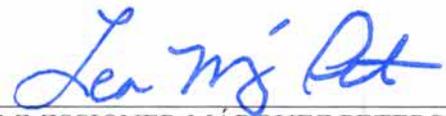
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ORDER

IT IS FURTHER ORDERED that Tucson Electric Power Company's request to amend Decision No. 48313 is hereby modified to allow Tucson Electric Power Company to convert Springerville Units 1 and 2 to natural gas-fired boilers.

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

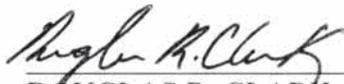
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

		
CHAIR MYERS	VICE CHAIR WALDEN	COMMISSIONER MÀRQUEZ PETERSON

	
COMMISSIONER THOMPSON	COMMISSIONER LOPEZ



IN WITNESS WHEREOF, I, DOUGLAS R. CLARK, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 10th day of March, 2026.


DOUGLAS R. CLARK
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

RSP BAB:RAW:mv/MD

1 Tucson Electric Power Company
2 Docket Nos. L-00000C-77-0031-00030 (L-00000C-01-0030) and L-00000C-86-0000-00074 (L-
3 00000C-01-0074

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