

Franchise Modernization – Public Open House



Tucson Electric Power

How this Started: Maintaining Reliability

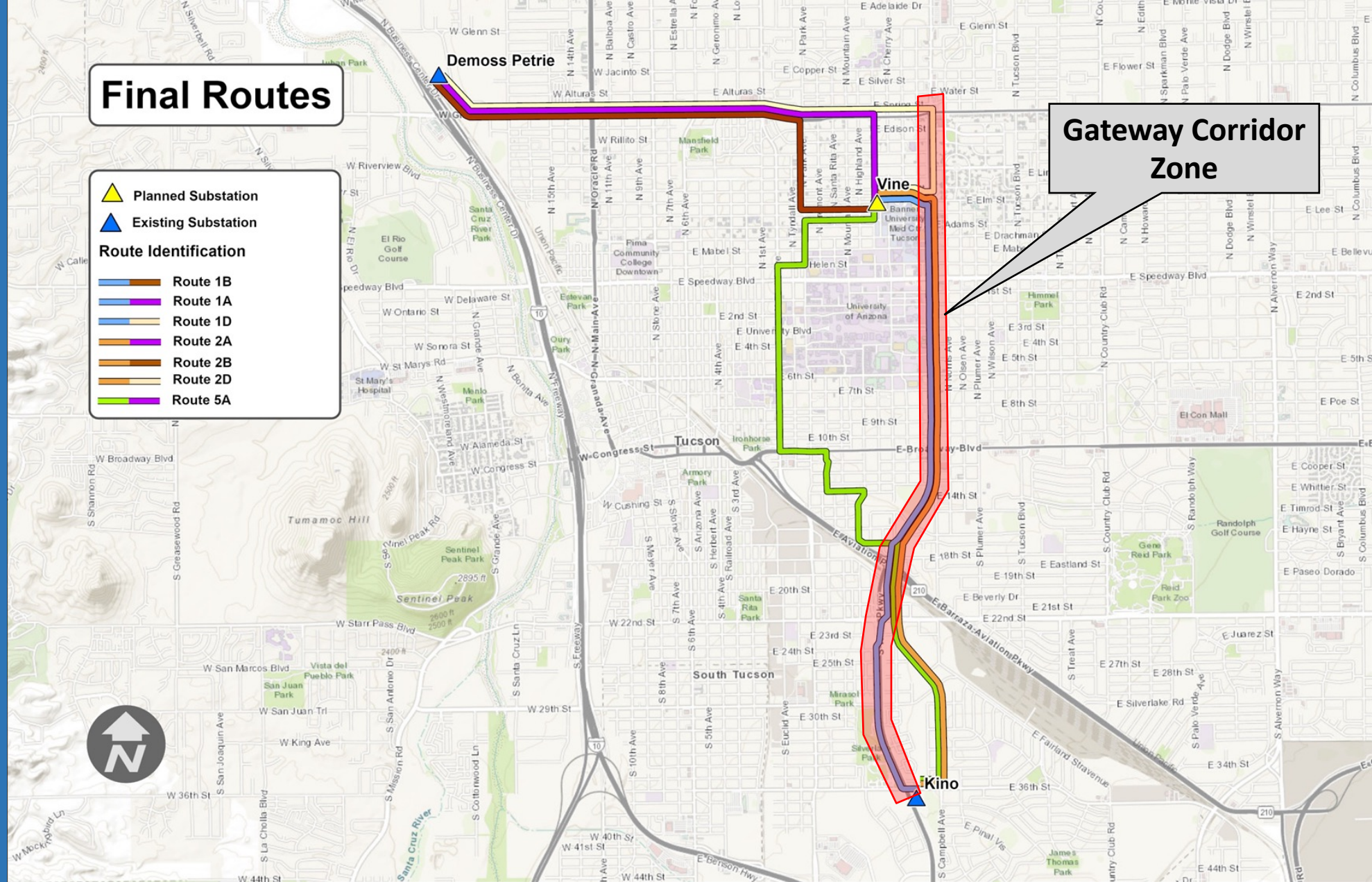
- **Upgrading service to central Tucson**
 - Aging 46-kilovolt (kV) grid infrastructure becoming overloaded
 - New 138-kV loop, substations needed to support future growth
 - New 138-kV transmission line would support delivery and integration of renewable energy and electric vehicles



Kino-DeMoss Petrie (DMP) Transmission Project: Potential Line Routes

City of Tucson Unified Development Code (UDC) – 5.5

- 5.5.4.B.1.a – New utilities for development on private and on public right-of-way along Gateway Routes shall be underground unless relief is otherwise granted pursuant to UDC sections 5.3.14, Variances or through a Zoning Examiner special exception process per section 4.9.11.A.12.



Covering the Cost of Underground Lines

- Underground lines cost much more than overhead facilities.
- Options discussed to cover those costs:
 - Recovery through TEP transmission and retail rates – has not been allowed by the ACC when overhead lines are a safe, reliable, lower-cost option
 - Recovery from area residents living in an “undergrounding district” – high cost for participants
- Preferred option: Adding an underground funding component to a new, modernized franchise agreement (current agreement dates to 2001)



Proposed Option – Community Partnership

- A new franchise agreement that recovers cost of installing portions of Kino-DMP underground **AND** supports the city's Climate Action Plan
- **New Community Resilience Fee: 0.75%**
 - ≈\$5M annually, to be managed by a joint TEP-COT committee
 - Undergrounding costs prioritized for first 10 years
 - Allows funds to be used for climate resiliency projects
- **Franchise fee remains 2.25%**
- Projected monthly bill impact approximately \$0.93 for residential customers and \$2.65 for small business customers (within Tucson city limits)



What is a franchise

- An agreement between the utility and the City authorizing the use of the City's public rights of way for the purpose of the distribution of the utility's services (electric power)
- Essentially, a right of entry and use on public property
- By law, must be non-exclusive
- Does not modify the regulatory authority of the ACC
- Per our Charter, franchise is used to require adequate and safe service to the public for its comfort and convenience

Proposed Franchise

- Community Resilience Fee and Committee
- Enhanced ability to remove topped poles/"ghost poles"
- Renegotiation reviews at 10 and 15 years
- Use of new funds for projects that advance Climate Action Plan
- Modernizing of provisions
- Has led to initiation of discussions about other potential agreements [e.g. power purchase]

Proposed Next Steps

Q2 2022	TEP, City begin discussing options for facilitating Kino-DMP project
Jan. 2023	Mayor and Council authorize election for new franchise
May 2023	Special city election held for new TEP franchise agreement
Q2 2023	TEP applies for city approval to build parts of Kino-DMP overhead
Q1 2024	TEP applies for ACC/state approval of Kino-DMP project route
Q1 2024	State siting committee holds public hearing on Kino-DMP project
Q2 2024	Potential ACC approval of Kino-DMP project route
Q2 2024	TEP applies for city approval of proposed Vine Substation
Q2 2027	Potential in-service date for Kino-DMP project