

BEFORE THE ARIZONA CORPORATION



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MARC SPITZER  
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KRISTIN K. MAYES  
Commissioner

Arizona Corporation Commission  
**DOCKETED**

**AUG 24 2004**

DOCKETED BY	<i>nr</i>
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IN THE MATTER OF ARIZONA ELECTRIC  
POWER COOPERATIVE, INC. - REQUEST  
FOR A SUFFICIENCY DETERMINATION  
IN RELATION TO ITS COST OF SERVICE  
STUDY REQUIREMENTS

DOCKET NO. E-01773A-04-0373  
DECISION NO. 67220  
ORDER

Open Meeting  
August 19, 2004  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Cooperative, Inc. ("AEPCO" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On May 18, 2004, AEPCO filed a request for a sufficiency determination in relation to its cost of service study requirements.

Background

3. The Decision in AEPCO's last rate case (Decision No. 58405, September 3, 1993) ordered AEPCO to conduct a fully allocated embedded cost-of-service study in conjunction with its next rate filing.

4. Decision No. 63868 (July 25, 2001) approved the restructuring of AEPCO, including the transfer of transmission assets to Southwest Transmission Cooperative, Inc. ("Southwest"). The Decision ordered that AEPCO and Southwest file an "informational submission" to the Utilities Director within 35 months of the date of closing.

1           5.       Decision No. 65367 (November 4, 2002) approved Southwest's Open Access  
2 Transmission Tariff ("OATT"). This Decision clarifies that Decision No. 63868 ordered AEPCO  
3 and Southwest to file rate case and cost of service informational submissions with the Director by  
4 July 1, 2004. The filings would contain all information outlined in A.A.C. R14-2-103. A.A.C.  
5 R14-2-103 requires Class A utilities to file cost of service information when costs incurred by the  
6 utility are likely to vary significantly from one defined segment of customers to another.  
7 Southwest is a Class A utility.

8           6.       AEPCO filed a rate case application on July 23, 2004, in Docket No. E-01773A-04-  
9 0528. A.A.C. R14-2-103 requires Staff to determine the sufficiency of a utility's rate case  
10 application within 30 days after receipt of the filing.

11           AEPCO's Request for a Sufficiency Determination

12           7.       On May 18, 2004, AEPCO filed a request for a sufficiency determination in relation  
13 to its cost of service study requirements. AEPCO asks that information described in its request be  
14 considered sufficient for its rate case filing.

15           8.       AEPCO commissioned GDS Associates, Inc. to prepare a study entitled  
16 "Appropriate Cost of Service Demand Allocation Methodology for Arizona Electric Power  
17 Cooperative, Inc. Power Supply Resources Fixed Costs." The GDS study recommends that the 12-  
18 CP demand cost allocation methodology be used for determining the cost of service on the  
19 AEPCO system. AEPCO believes that the cost of service information and method described in the  
20 study is fully compliant with the cost of service requirements.

21           9.       Staff has found that the provided study is not sufficient because the GDS study only  
22 addresses demand. However, Staff would support a Commission finding of sufficiency regarding  
23 cost of service requirements if AEPCO files additional information. Although Staff does not need  
24 cost of service information by distribution cooperative, Staff does need cost information that (1)  
25 separates the costs to serve Class A members from the costs to serve other classes; (2) categorizes  
26 costs by demand, energy, and customer-related; and (3) breaks down the costs for ancillary  
27 services by cost component in accordance with FERC definitions, with firm and variable costs  
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1 separated. Staff has discussed this needed information with the Company, and the Company has  
2 agreed to provide it.

3 10. Therefore, Staff has recommended that the Commission confirm the sufficiency of  
4 AEPCO's cost of service information, but that the additional information requested by Staff in  
5 Findings of Fact No. 9 be provided as a condition of sufficiency of AEPCO's rate case application.

6 11. Staff also recommends that the Commission retroactively extend the deadline for  
7 Southwest's rate informational filing from July 1, 2004 to July 23, 2004.

8 CONCLUSIONS OF LAW

9 1. AEPCO is an Arizona public service corporation within the meaning of Article XV,  
10 Section 2, of the Arizona Constitution.

11 2. The Commission has jurisdiction over AEPCO and over the subject matter of the  
12 application.

13 3. The Commission, having reviewed the application and Staff's Memorandum dated  
14 August 9, 2004, concludes that it is in the public interest to approve the application.

15 4. It is also in the public interest to retroactively extend the deadline for Southwest's  
16 rate informational filing from July 1, 2004 to July 23, 2004.

17 ORDER

18 THEREFORE, IT IS ORDERED that AEPCO be granted a sufficiency determination in  
19 relation to its cost of service study requirements with the condition that AEPCO provide the  
20 information listed in Findings of Fact No. 9.

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1 IT IS FURTHER ORDERED that the deadline for Southwest's rate informational filing is  
2 retroactively extended to July 23, 2004.

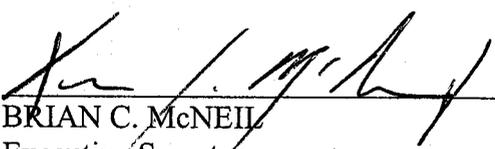
3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN COMMISSIONER COMMISSIONER

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COMMISSIONER COMMISSIONER

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto, set my hand and caused the official seal of this  
15 Commission to be affixed at the Capitol, in the City of  
16 Phoenix, this 24<sup>th</sup> day of August, 2004.

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19 BRIAN C. McNEIL  
Executive Secretary

20 DISSENT: \_\_\_\_\_

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22 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc.  
2 DOCKET NO. E-01773A-04-0373

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