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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

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

AUG 17 2005

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF  
SOUTHWEST TRANSMISSION COOPERATIVE,  
INC, FOR A RATE INCREASE.

DOCKET NO. E-04100A-04-0527

IN THE MATTER OF THE APPLICATION OF  
ARIZONA ELECTRIC POWER COOPERATIVE,  
INC. FOR A RATE INCREASE.

E-01773A-04-0528

DECISION NO. 68072

OPINION AND ORDER

DATE OF HEARING:

April 14, 2005

PLACE OF HEARING:

Tucson, Arizona

ADMINISTRATIVE LAW JUDGE:

Jane L. Rodda

APPEARANCES:

Michael M. Grant, Gallagher & Kennedy,  
PA, on behalf of Southwest Transmission  
Cooperative, Inc.;

Michael A. Curtis, Curtis, Goodwin,  
Sullivan, Udall & Schwab, PLC, on  
behalf of Mohave Electric Cooperative,  
Inc.;

Christopher Hitchcock, Law Offices of  
Christopher Hitchcock, for Sulphur  
Springs Valley Electric Cooperative;

John Leonetti, in propera persona; and

Timothy Sabo and Diane Targovnik,  
Commission Legal Division for the  
Utilities Division.

BY THE COMMISSION:

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the  
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1           1.       On July 23, 2004, Southwest Transmission Cooperative, Inc. ("SWTC" or  
2 "Cooperative") filed an Application for General Rate Increase.<sup>1</sup>

3           2.       SWTC is a non-profit, transmission cooperative that commenced operations on August  
4 1, 2001, following Commission approval of AEPCO's restructuring in Decision No. 63868. SWTC  
5 primarily provides wholesale transmission services to AEPCO on behalf of its five all-requirements  
6 Class A member distribution cooperatives and to Mohave Electric Cooperative, Inc., a partial  
7 requirements member. The six Class A members of AEPCO are also Class A members of SWTC.  
8 The Class A members are Anza Electric Cooperative, Inc. ("Anza"), located entirely in California;  
9 Duncan Valley Electric Cooperative, Inc. ("DVEC"), located partially in New Mexico; Graham  
10 County Electric Cooperative, Inc. ("GCEC"); Sulphur Springs Valley Electric Cooperative, Inc.  
11 ("Sulphur Springs"); Trico Electric Cooperative, Inc. ("Trico"); and Mohave Electric Cooperative,  
12 Inc. ("Mohave").

13           3.       SWTC is a borrower from the Rural Utilities Service ("RUS"), a division of the  
14 United States Department of Agriculture. As an RUS borrower, SWTC is subject to regulation by  
15 virtue of its mortgage and pursuant to federal regulations. As a transmitting utility under Section 211  
16 of the Federal Power Act, SWTC is subject to certain jurisdiction of the Federal Energy Regulatory  
17 Commission ("FERC").

18           4.       On August 27, 2004, Commission Utilities Division Staff ("Staff") notified SWTC  
19 that its Application met the sufficiency requirements of A.A.C. R14-2-103. Staff classified SWTC a  
20 Class A utility.

21           5.       Counsel for SWTC and Staff requested a Procedural Conference prior to the Hearing  
22 Division issuing its Procedural Order setting the matter for hearing. Pursuant to Procedural Order  
23 dated September 3, 2004, a Procedural Conference was held on September 9, 2004. SWTC requested  
24 an expedited schedule for filing testimony and conducting the hearing based on the Commission's  
25 prior indication that it would be flexible when considering rate applications from cooperatives, and  
26 upon the allegation that SWTC and AEPCO were losing money and would be in technical default of

27 \_\_\_\_\_  
28 <sup>1</sup> On the same date, its affiliate, Arizona Electric Power Cooperative, Inc. ("AEPCO") filed a rate application (Docket No. E-01773A-04-0528).

1 financial ratios set by its lenders. Staff opposed the expedited schedule because the issues in this case  
2 are potentially complex and Staff wanted to be sure that all issues received adequate analysis. Staff  
3 claimed it needed the full 180 days allowed under Commission Rules for Staff to file testimony in a  
4 Class A utility rate case. In addition, Staff requested that the AEPCO and SWTC rate applications  
5 be consolidated on the grounds that they are affiliates and there will be issues and witnesses in  
6 common which favor consolidation. Staff feared that if the records were not consolidated, one or the  
7 other might be incomplete. SWTC and AEPCO opposed consolidation, believing that it might lead to  
8 confusion.

9         6. By Procedural Order dated September 15, 2004, the Commission denied the request  
10 for an expedited schedule. The applications are the first rate cases for AEPCO and SWTC since the  
11 restructuring, and the Commission found that the need for a thorough analysis outweighed the request  
12 for expedited treatment. In addition, because the applications involve affiliates and their rate cases  
13 will involve several inter-related issues, the Commission consolidated the matters for hearing.

14         7. The September 15, 2004, Procedural Order established deadlines for filing testimony  
15 and set the consolidated hearing to commence April 14, 2005, at the Commission's offices in Tucson,  
16 Arizona.

17         8. On January 11, 2005, SWTC and AEPCO filed a Notice of Filing that indicated they  
18 had mailed notice of the hearing to their members and customers and had caused the notice of the  
19 hearing to be published in newspapers and in the newsletters of their member distribution  
20 cooperatives, as required by September 15, 2004, Procedural Order.

21         9. Intervention was granted to Mohave on November 2, 2004; to Sulphur Springs on  
22 January 25, 2005; and to John T. Leonetti, a resident in Trico Electric Cooperative, Inc.'s service  
23 territory, on March 10, 2005.

24         10. With its Application, SWTC filed the direct testimony of Dirk Minson, AEPCO's  
25 Chief Financial Officer; Gary Pierson, Manager of Financial Services for Sierra Southwest  
26 Cooperative Services, Inc. ("Sierra Southwest") and who provides treasury, cash management, risk  
27 management and rate design/implementation functions for SWTC; and William Edwards, an  
28 economist and Vice President of Regulatory Affairs for the National Rural Utilities Cooperative

1 Finance Corporation ("CFC"). Pursuant to the September 15, 2004 Procedural Order, Staff filed the  
2 direct testimony of Crystal Brown, Alejandro Ramirez, Erin Casper and Jerry Smith on February 23,  
3 2005. On March 16, 2005, AEPCO filed the rebuttal testimony of Messrs. Minson and Pierson. On  
4 April 4, 2005, Staff filed the surrebuttal testimony of Ms. Brown, Ms. Casper and Mr. Ramirez.

5 11. The hearing convened as scheduled on April 14, 2005, before a duly authorized  
6 Administrative Law Judge.

7 12. SWTC, Staff, Mohave and Mr. Leonetti filed Closing Briefs.

8 13. In the course of this consolidated proceeding the Commission received at least 23  
9 letters and phone calls from customers of the distribution cooperatives in opposition to the proposed  
10 increase.

11 14. According to SWTC, two main reasons are driving SWTC's request for rate relief.  
12 The first is necessary maintenance and upgrades of the transmission system—chief among these  
13 being the Winchester Interconnect Project that was placed into service in May 2004. Winchester was  
14 completed to enhance system reliability and provide for improved performance of the entire  
15 transmission system. It had a significant impact on SWTC's debt and total transmission plant, as its  
16 cost of \$15.7 million is about 20 percent of the Cooperative's total depreciated transmission plant.  
17 The major reason behind the application is Morenci Water & Electric Company's ("MW&E") bypass  
18 of the SWTC transmission system. In the fall of 2004, MW&E, a wholly-owned subsidiary of the  
19 Phelps Dodge Corporation, completed facilities allowing it to directly interconnect to the Tucson  
20 Electric Power Company transmission system. MW&E stopped taking non-firm transmission service  
21 from SWTC on November 1, 2004, and has cancelled its firm transmission service agreement  
22 effective December 31, 2005. Those events represent a more than \$5 million loss in transmission  
23 revenues—approximately 20 percent of SWTC's adjusted Test Year operating revenues.

24 15. In the test year ended December 31, 2003 ("Test Year"), SWTC had Adjusted  
25 Revenue of \$25,148,196, which produced an Adjusted Operating Margin of \$2,480,064 a 3.2 percent  
26 rate of return on an adjusted Original Cost Rate Base ("OCRB") of \$76,345,655.

27 16. Because the effect of the post- Test Year loss of the MW&E firm power contract is  
28 known and measurable, SWTC proposed that the Commission authorize a procedure to allow SWTC

1 to adjust its rates in January 2006, to account for the loss of that revenue without having to file  
2 another rate case. Additional revenues of \$2,294,640 would be required to make up for the loss of  
3 the MW&E contract. Adjusting Test Year revenues for the known and measurable loss of the  
4 MW&E contract, reduces total revenues to \$22,853,736 and Operating Income to \$185,604.

5 17. The Cooperative sought a total revenue requirement of \$29,500,476, an increase of  
6 \$6,646,740 to produce an Operating Margin of \$6,832,344, an 8.95 percent rate of return on adjusted  
7 OCRB, a Times Interest Earned Ratio ("TIER") of 1.29 and Debt Service Coverage ("DSC") of 1.02.

8 18. SWTC proposed, and Staff agreed to, a four step phase in of the increase over two  
9 years. The first phase would become effective immediately and implement an increase of  
10 \$3,666,668, or 14.58 percent; the second phase would become effective on January 1, 2006 and  
11 implement an additional increase of \$2,294,460, or 9.1 percent to account for the loss of the MW&E  
12 contract; Phase Three would become effective on September 1, 2006 and implement an increase of  
13 \$342,806, or 1.5 percent; and Phase Four would be effective on September 1, 2007 and implement an  
14 additional increase of \$342,806, or 1.5 percent. SWTC proposed Phases Three and Four to address  
15 Staff's concerns expressed in its rebuttal testimony, that the proposed Second Phase increase on  
16 January 1, 2006 would not be adequate to allow SWTC to service its current outstanding debt,  
17 finance future capital projects and improve its equity position.

18 19. Staff and SWTC agreed on the revenue requirement, rate design and rate base.

19 20. The first phase of the increase would produce annual operating revenue of  
20 \$28,814,864 would go into effect upon the Commission approval of this Order, and would produce  
21 an operating TIER of 1.16, DSC of 1.02, and an 8.05 percent return on OCRB.

22 21. The second phase would become effective as of January 1, 2006, would increase rates  
23 an additional \$2,294,460 to account for the loss of the MW&E contract, thereby maintaining the  
24 same total annual revenues of \$28,814,864, TIER of 1.16, DSC of 1.02, and 8.05 percent rate of  
25 return on OCRB.

26 22. The third phase, effective September 1, 2006, would increase revenues an additional  
27 \$342,806, or 1.5 percent, resulting in total annual revenues of \$29,157,670, a TIER of 1.22, DSC of  
28 1.04 and a rate of return of 8.5 percent on OCRB.

1           23.     The fourth phase, effective September 1, 2007, would increase revenues an additional  
2 \$342,806, resulting in total annual revenues of \$29,500,476, a TIER of 1.29, DSC of 1.07 and an 8.95  
3 percent rate of return on OCRB.

4           24.     SWTC estimates that Phase One of the proposed increase would increase the average  
5 residential consumer's monthly bill by about \$1.45. Phase Two would increase the average  
6 residential consumer's monthly bill an additional \$0.90, and the combined effect of the 1.5 percent  
7 increases in 2006 and 2007 would increase the average monthly bill by 22 cents over the next two  
8 years.

9           25.     A schedule of the proposed rates and charges is attached hereto as Exhibit A.

10          26.     Mohave recommends that the Commission approve the first phase of the proposed  
11 SWTC increase to become effective immediately, but that it conditionally authorize the prospective  
12 phase 2, 3 and 4 increases only if SWTC submits relevant financial information to the Commission  
13 and SWTC's members demonstrating that the increases are necessary to permit SWTC to meet its  
14 financial obligations.

15          27.     Mr. Leonetti believes that neither AEPCO nor SWTC demonstrated that the proposed  
16 rates are fair and reasonable with respect to the effect on end user consumers.

17          28.     We concur with Staff and SWTC that a total revenue requirement of \$29,500,476,  
18 phased in over two years, in four phases as proposed, is fair and reasonable. The evidence supports a  
19 finding that the approved revenues are necessary for SWTC to meet its financial obligations and  
20 improve its equity position.

21          29.     Staff and SWTC agree that an adjusted original cost rate base of \$76,345,655 is fair  
22 and reasonable. No party disputed Staff's adjustments to rate base and Staff's adjustment appear  
23 reasonable. SWTC waived a reconstruction cost new rate base and thus, its original cost rate base is  
24 the equivalent of its fair value rate base.

25          30.     Staff and SWTC were in agreement on all issues of revenue requirement, rate base,  
26 and rate matters. The two issues Staff and SWTC disagree on are Staff's recommendation that the  
27 Commission establish an equity target for SWTC of 30 percent of total capitalization and that in  
28 future rate cases SWTC prepare a cost of service study for Anza.

1 31. SWTC's equity was 4.7 percent of its total capitalization at the end of the Test Year.  
2 SWTC's equity subsequently dropped to about 3 percent. (TR at 139-40)

3 32. Staff recommends that SWTC file a capital improvement plan by March 31, 2006.  
4 Staff further recommends that the Commission set an equity goal for SWTC of 30 percent. Staff  
5 based its recommended goal on (1) the goals set in prior orders concerning AEPCO (Decision No.  
6 64227); (2) SWTC's need to achieve greater financial flexibility; and (3) an article by Fitch Ratings  
7 which states that an equity-to-capitalization ratio between 25 to 30 percent is adequate for a  
8 generation and transmission cooperative. (Ex S-12 at 6) Staff notes that in Decision No. 67748  
9 (April 11, 2005), the Commission recently approved the same 30 percent equity goal for Graham  
10 County Utilities.<sup>2</sup> Staff believes the 30 percent equity goal would be consistent with RUS regulations  
11 which limit patronage refunds until 30 percent equity is achieved.

12 33. Staff further recommends that the Commission limit SWTC from making patronage  
13 refunds. Specifically, Staff recommends that SWTC should not be permitted to make any patronage  
14 refunds while its equity level remains below 20 percent of total capitalization. If SWTC's equity  
15 level is between 20 percent and 30 percent, Staff recommends that patronage refunds be limited to 25  
16 percent of net earnings, which Staff states parallels the RUS regulations.

17 34. Staff also recommends that to ensure SWTC makes progress in building equity, that it  
18 should be required to file a rate case no later than 3 to 5 years from the date of this Decision.

19 35. In Decision No. 64227 (November 29, 2001) the Commission approved a financing  
20 request and required SWTC to file a capital plan by December 31, 2003. In that docket, Staff  
21 recommended that SWTC increase its equity to 10 percent by December 31, 2006, to 15 percent by  
22 December 31, 2010, and to 30 percent by December 31, 2015.

23 36. SWTC filed its Capital Plan as required under Decision No. 64227, on December 23,  
24 2002, and provided a copy as a late-filed exhibit in this docket. The 2002 plan indicated that based  
25 on the assumptions in place at the time, projected equity levels would reach 13 percent in 2006, 26  
26 percent in 2010 and approach 30 percent in 2011. The plan did not factor in the large revenue loss

27 \_\_\_\_\_  
28 <sup>2</sup> Graham County Utilities, Inc., ("GCU") is a cooperative owned by Graham County Electric Cooperative, Inc. to provide natural gas and water service. Graham County Electric Cooperative is the Class A member of AEPCO.

1 from the MW&E bypass.

2 37. SWTC does not oppose filing an equity improvement plan or the requirement that it  
3 file a rate case not later than five years. SWTC opposes, however, the concept that 30 percent equity  
4 is an appropriate goal for the Commission to adopt. SWTC cites evidence that the average and  
5 median equity levels for generation and transmission cooperatives nationwide is much lower.  
6 SWTC also argues that there are many factors, besides equity, which impact the financial strength of  
7 SWTC. According to SWTC, Fitch Ratings looked at some 12 different factors in assigning a rating  
8 to Golden Spread Electric Cooperative (the subject of the article cited by Staff) including the strength  
9 of its requirements contracts, management quality, adequate liquidity, overall financial profile, DSC  
10 and TIER, as well as equity. SWTC argues that neither it nor the Commission wants to be in the  
11 difficult position where unnecessarily high rate increases are driven by an equity target that is  
12 inflexible and arbitrarily set.

13 38. Mohave argues that SWTC's equity improvement analysis should include an analysis  
14 of the benefits, if any, that partial requirement members and full requirement members, obtain by  
15 improving the equity position of SWTC, as well as methods other than rate increases for improving  
16 equity and a consideration of possible methods to permit future borrowings to meet load growth of  
17 the all requirements members to be based on the equity of those all requirements members.

18 39. The evidence presented in this proceeding indicates that SWTC must improve its  
19 equity position. It is currently not in compliance with its lender's equity requirements. The evidence  
20 is inconclusive, however, to make a finding at this time that a 30 percent capital requirement is an  
21 appropriate goal for a transmission cooperative such as SWTC. Mr. Edwards testified that the  
22 median equity ratio for a generation and transmission cooperative is 13.22 percent in 2002, the most  
23 recent available year of data. Furthermore, the RUS and CFC do not discriminate on the price of  
24 loans based on equity levels. (TR at 63). There is some evidence that adopting and enforcing an  
25 equity goal of 30 percent may place undue upward pressure on rates and that a 30 percent equity level  
26 is not required to protect AEPCO's ability to access the financial markets. On the other hand, just  
27 because national averages for generation and transmission cooperatives are below 20 percent, does  
28 not mean that we should not strive for equity greater than that to give the cooperative a cushion to

1 weather economic setbacks. AEPCO did not present sufficient evidence to allow us to determine that  
2 a specific goal less than 30 percent is reasonable. In his rebuttal testimony, Mr. Minson testified  
3 that the revenues that the Cooperative was recommending at that time (somewhat less than their final  
4 position) would allow SWTC to approach 15 percent equity in about ten years. (Ex SWTC-2 at 3).  
5 We believe that SWTC should update its December 2002 Capital Improvement Plan, with updated  
6 assumptions and provide an analysis of the rates that would be required to achieve an equity level of  
7 30 percent, within ten years, or 2015. We do not adopt a requirement now, or do we read Decision  
8 No. 64227 as requiring, that SWTC achieve any specific equity goal. We do adopt the rates herein  
9 with the expectation that SWTC will be able to build much needed equity. Because we are requiring  
10 SWTC to file another rate case in no more than five years, in any case, adopting an ultimate goal of  
11 30 percent at this time is not necessary. We concur with Mohave that the equity improvement plan  
12 should also address an analysis of the effect of the equity improvement on partial and well as full  
13 requirements members. Our decision not to accept a 30 percent equity goal at this time should not be  
14 interpreted as a finding on any particular ultimate equity requirement.

15 40. Neither SWTC nor AEPCO filed jurisdictionally separated information for Anza in  
16 this rate case, nor has AEPCO ever filed such information in any prior rate case.

17 41. Staff recommends that in its next rate case, SWTC prepare jurisdictionally separated  
18 schedules for Anza.

19 42. Commission rule R14-2-103(B)(4) provides in relevant part:

20 Separation of nonjurisdictional properties, revenues and expenses  
21 associated with the rendition of utility service not subject to the  
22 jurisdiction of the Commission must be identified and properly separated  
23 in a recognized manner when appropriate. In addition, all nonutility  
24 properties, revenues and expenses shall likewise be segregated.

25 43. Staff argues that jurisdictional separation is an important tool that Staff uses to ensure  
26 that rates are fair and cost-based. Staff states that Duncan Valley Electric Cooperative Inc., Garkane  
27 Power Association, Inc. and Columbus Electric Cooperative, all cooperatives within the  
28 Commission's jurisdiction with multi-state operations, file jurisdictionally separated information.  
Staff does not believe arguments that a separation study would be too costly in comparison with the  
expected benefits to justify a waiver of the requirement. Staff also asserts that once the first study is

1 prepared, future separations will be substantially easier.

2 44. SWTC and AEPCO opposed the recommendation to jurisdictionally separate  
3 operations associated with Anza. According to the applicants, Anza's load represents only 1.5  
4 percent of AEPCO's total energy sales in 2003. AEPCO estimates the cost of a separation study  
5 would be \$40,000 to \$60,000 and the cost of service differences for Anza, if any, would not justify  
6 the expense or the effort to evaluate its findings. Under these circumstances, the applicants argue that  
7 to prepare such study would be an "undue burden," which is one of the grounds for waiver under  
8 A.A.C. R14-2-103.B.6.

9 45. Given the circumstances of this case, we will not require SWTC to prepare and file  
10 jurisdictionally separated schedules for Anza. However, consistent with Decision No. 67216 (August  
11 24, 2004) SWTC shall submit with its next rate case the following information: 1) costs for ancillary  
12 services, broken down by FERC-defined types of ancillary service; and 2) a breakdown of DAF cost  
13 allocations and the associated charges for transmission construction, by distribution cooperative.

#### 14 CONCLUSIONS OF LAW

15 1. SWTC is a public service corporation pursuant to Article XV of the Arizona  
16 Constitution and A.R.S. §§ 40-282 and 40-285.

17 2. The Commission has jurisdiction over SWTC and the subject matter of the  
18 application.

19 3. Notice of the proceeding was provided in conformance with law.

20 4. The stipulated rates and charges as set forth in and approved herein, and attached as  
21 Exhibit A, are reasonable.

22 5. The recommendations set forth in the Findings of Fact discussed hereinabove are  
23 reasonable and should be adopted in accordance with the discussion therein.

#### 24 ORDER

25 IT IS THEREFORE ORDERED that the rates and charges set forth in Exhibit A are approved  
26 and Southwest Transmission Cooperative, Inc. shall file on or before August 31, 2005, a tariff that  
27 complies with the rates and charges approved herein.

28 IT IS FURTHER ORDERED that the rates and charges for Phase One shall be effective for

1 all service provided on and after September 1, 2005; the Phase Two rates shall be effective January 1,  
2 2006; Phase Three rates shall be effective September 1, 2006, and Phase Four shall be effective  
3 September 1, 2007.

4 IT IS FURTHER ORDERED that within 15 days of the effective date of this Order,  
5 Southwest Transmission Cooperative, Inc. shall notify its member/customers of the rates and the  
6 effective dates approved herein.

7 IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall file a rate  
8 case no later than five years after the effective date of this Decision.

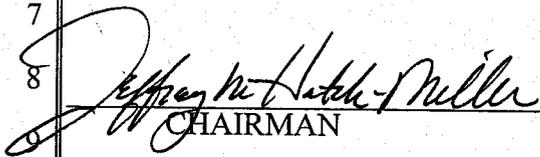
9 IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall file by  
10 March 31, 2006, an equity improvement plan that conforms with the discussion herein.

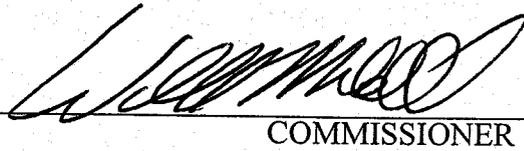
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1 IT IS FURTHER ORDERED that Southwest Transmission Cooperative, Inc. shall not make  
2 any patronage refunds while its equity level remains below 20 percent of total capitalization, and  
3 patronage refunds shall be limited to 25 percent of net earnings if its equity is between 20 and 30  
4 percent of its capitalization.

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

7  
8   
9 CHAIRMAN

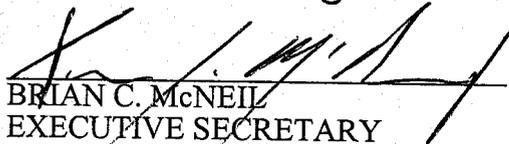
  
COMMISSIONER

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13 COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
15 Secretary of the Arizona Corporation Commission, have  
16 hereunto set my hand and caused the official seal of the  
17 Commission to be affixed at the Capitol, in the City of Phoenix,  
18 this 17<sup>th</sup> day of Aug., 2005.

18   
19 BRIAN C. McNEIL  
EXECUTIVE SECRETARY

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

21  
22  
23 DISSENT \_\_\_\_\_

24 JR:mj

1 SERVICE LIST FOR:

SOUTHWEST TRANSMISSION COOPERATIVE,  
INC. and ARIZONA ELECTRIC POWER  
COOPERATIVE, INC.

3 DOCKET NO.:

E-04100A-04-0527 AND E-01773A-04-05<sup>28</sup>~~27~~

4  
5 Michael M. Grant  
6 Todd C. Wiley  
7 Gallagher & Kennedy, P.A.  
8 2575 E. Camelback Road  
9 Phoenix Arizona 85016-9225

8 Michael A. Curtis  
9 William P. Sullivan  
10 K. Russell Romney  
11 MARTINEZ & CURTIS, P.C.  
12 2712 North 7<sup>th</sup> Street  
13 Phoenix, Arizona 85006  
14 Attorneys for Mohave Electric Cooperative Inc.

12 Christopher Hitchcock  
13 LAW OFFICE OF CHRISTOPHER HITCHCOCK, PLC  
14 P.O. Box AT  
15 Bisbee, Arizona 85603-0115  
16 Attorney for SSVEC

15 John T. Leonetti  
16 HC 70 Box 4003  
17 Sahuarita, Arizona 85629

17 Christopher Kempley, Chief Counsel  
18 LEGAL DIVISION  
19 Arizona Corporation Commission  
20 1200 W. Washington Street  
21 Phoenix, Arizona 85007

20 Ernest Johnson, Director  
21 Utilities Division  
22 Arizona Corporation Commission  
23 1200 W. Washington Street  
24 Phoenix, Arizona 85007

	<u>Effective Dates</u>			
	<u>September 1, 2005</u>	<u>January 1, 2006</u>	<u>September 1, 2006</u>	<u>September 1, 2007</u>
Network Transmission Service:				
<b>Transmission Rate - \$/month</b>	\$1,420,722	1,566,081	1,587,088	1,608,258
<b>Ancillary Services:</b>				
Schedule 1: System Control and Load Dispatch \$/kW Mon.	0.289	0.289	0.289	0.289
Schedule 2: Cost of Reactive Power (VAR) Production - \$/Kw Mon.	0.095	0.107	0.113	0.120
Schedule 3: Regulation and Frequency Response -- \$/kw Mon.	0.453	0.453	0.463	0.472
Schedule 4: Energy Imbalance - \$/MWh	20.40	20.40	20.40	20.40
Schedule 5: Operating Reserves -- Spinning - \$/kW Mon	0.685	0.685	0.699	0.713
Schedule 6: Operating Reserves -- Supplemental - \$/kW Mon.	0.442	0.442	0.451	0.461
<b>Point to Point:</b>				
Firm Point-to-Point Rate -- \$/kW Month	3.022	3.334	3.379	3.423
Non-Firm Point-to-Point Rate - \$/kW Month	3.022	3.334	3.379	3.423
Point-to-Point Rate (MWE 60 MW Firm) - \$/kW Month	3.004	-	-	-
Point-to-Point Rate (City of Thatcher Firm) - \$kW Mon.	2.605	2.878	2.923	2.968
<b>Ancillary Services:</b>				
Schedule 1: System Control and Load Dispatch - \$/kW Mon.	0.289	0.289	.0289	0.289
Schedule 2: Cost of Reactive Power (CAR) Production -- \$/kW Mon.	0.076	0.083	0.089	0.094
Schedule 3: Regulation and Frequency Response -- \$/kW Mon.	0.453	0.453	0.463	0.472
Schedule 4: Energy Imbalance - \$/MkW Mon.	20.40	20.40	20.40	20.40
Schedule 5: Operating Reserves -- Spinning - \$/kW Mon	0.685	0.685	0.699	0.713
Schedule 6: Operating Reserves -- Supplemental - \$/kW Mon.	0.442	0.442	0.451	0.461

EXHIBIT A

\* DECISION NO. 68072