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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

MAY 04 2001

1 WILLIAM A. MUNDELL
2 Chairman
3 JIM IRVIN
4 Commissioner
5 MARC SPITZER
6 Commissioner

DOCKETED BY [signature]

6 IN THE MATTER OF ARIZONA ELECTRIC)
7 POWER COOPERATIVE, INC. AND TRICO)
8 ELECTRIC COOPERATIVE, INC. - JOINT)
9 APPLICATION FOR APPROVAL OF AN)
10 AMENDED AND RESTATED PURCHASE AND)
11 WELL SERVICE AGREEMENT WITH PHELPS)
12 DODGE SIERRITA, INC.)

DOCKET NOS. E-01773A-01-0239
E-01461A-01-0239

DECISION NO. 63634

ORDER

10 Open Meeting
11 May 1 and 2, 2001
12 Phoenix, Arizona

12 BY THE COMMISSION:

FINDINGS OF FACT

14 1. Arizona Electric Power Cooperative, Inc. ("AEP") and Trico Electric Cooperative,
15 Inc. ("Trico") are certificated to provide electric service as public service corporations in the State of
16 Arizona.

17 2. On March 20, 2001, AEP and Trico filed a joint application for approval of an
18 *Amended and Restated Purchase and Well Service Agreement* with Phelps Dodge Sierrita, Inc. ("PD
19 Sierrita"). An abridged version of the agreement, with confidential portions redacted, was filed with
20 Docket Control. A complete version of the agreement was filed confidentially with Staff. On April 4,
21 2001, Staff recommended that the Commission suspend the application for 60 days so that Staff could
22 have sufficient time to evaluate the application.

23 3. The proposed agreement would replace two current agreements: (1) a Purchase
24 Agreement through which Trico sells firm and interruptible power to Sierrita for its Twin Buttes
25 copper mining operations, and (2) a Contingent Well Service Agreement through which Trico serves
26 part of Sierrita's water pumping load at the Sierrita Tailings Area. The original Purchase Agreement
27 was approved by the Commission on June 13, 1994 (Decision No. 58662), amended on December 20,
28 1995 (Decision No. 59441), and amended on October 29, 1998 (Decision No. 61209). The Contingent

1 Well Service Agreement was approved by the Commission on December 20, 1995 (Decision No.
2 59441) and amended on October 29, 1998 (Decision No. 61209).

3 4. On July 27, 2000 (Decision No. 62758), within the decision in which the Commission
4 approved stranded costs for AEPCO, the Commission approved a settlement agreement between
5 Sierrita, AEPCO, and Trico. Among other terms of the settlement agreement, the parties agreed to
6 increase AEPCO's rates under the Purchase Agreement and the Contingent Well Service Agreement
7 effective as of January 1, 2001. The Commission approved the resulting amendment to the agreements
8 on January 11, 2001 (Decision No. 63306). The existing agreements are effective through
9 December 31, 2001, but they can continue after 2001 unless terminated by any party with six months
10 notice.

11 5. The proposed agreement would become effective upon approval by the Commission and
12 the Rural Utilities Service. The date of initial service under the agreement would be May 1, 2001. The
13 agreement would remain in effect through December 31, 2003, but would continue after that date
14 unless terminated by any party with at least six months notice.

15 6. Staff has recommended approval of the proposed agreement. Staff has determined that
16 the revenue to be received from PD Sierrita under the agreement would cover AEPCO's short-run
17 marginal cost (calculated using Staff's production cost model, UPLAN) plus the costs of future
18 capacity needed to serve the customer.

19 7. Staff has also recommended that a provision be added to the agreement to allow the
20 customer to access the competitive market. The amendment should be filed with the Commission
21 within 30 days of the Decision approving the agreement.

22 8. Because PD Sierrita does not contribute to either AEPCO's or Trico's purchased power
23 and fuel adjustors, Staff has further recommended that the costs and revenues of this agreement with
24 PD Sierrita continue to be excluded from the purchased power and fuel adjustors of AEPCO and Trico,
25 but that the costs and revenues continue to be reported as a memo item on the purchased power and
26 fuel adjustor reports.

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28 ...

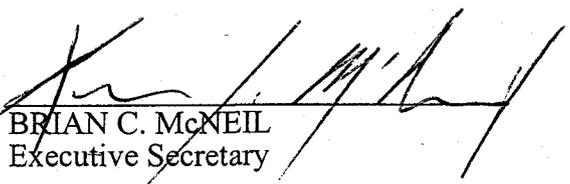
1 IT IS FURTHER ORDERED that approval of the agreement at this time does not guarantee
2 any future ratemaking treatment of the agreement with PD Sierrita.

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

4
5 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

6 
7 CHAIRMAN  COMMISSIONER  COMMISSIONER

8 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
9 Secretary of the Arizona Corporation Commission, have
10 hereunto, set my hand and caused the official seal of this
11 Commission to be affixed at the Capitol, in the City of
12 Phoenix, this 4th day of May, 2001.

13 
14 BRIAN C. McNEIL
15 Executive Secretary

16 DISSENT: _____

17 DRS:BEK:ihm/JFW

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SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc., and Trico Electric Cooperative, Inc.
1 DOCKET NOS. E-01773A-01-0239 and E-01461A-01-0239

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