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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

MAR 25 2002

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

DOCKETED BY

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6 IN THE MATTER OF SULPHUR)
7 SPRINGS VALLEY ELECTRIC)
8 COOPERATIVE, INC. - APPLICATION)
FOR APPROVAL OF AN ELECTRIC)
AGREEMENT WITH APACHE)
NITROGEN PRODUCTS, INC.)

DOCKET NO. E-01575A-01-0716
DECISION NO. 64644
ORDER

9 Open Meeting
10 March 19 and 20, 2002
Phoenix, Arizona

11 BY THE COMMISSION:

12 FINDINGS OF FACT

13 1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") is certificated to
14 provide electric service as a public service corporation in the State of Arizona.

15 2. On September 10, 2001, SSVEC filed an application for approval of an Electric
16 Service Agreement ("Agreement") between SSVEC and Apache Nitrogen Products, Inc.
17 ("Apache"). On September 18, 2001, the application was suspended for up to sixty days. On
18 November 13, 2001, the application was suspended for up to an additional one hundred twenty
19 days.

20 3. Apache previously took electric service under an electric service agreement with
21 SSVEC and Arizona Electric Power Cooperative, Inc. ("AEPSCO") which expired on April 30,
22 2001. SSVEC buys all of its power from AEPSCO. Under the proposed Agreement, SSVEC would
23 sell power to Apache for its ammonium nitrate manufacturing facility near Benson, Arizona.
24 SSVEC's tariffs contain a Contract Power Service rate schedule for customers that require more
25 than 1000 kilovolt ampere ("kVa") of service on a twelve-month, non-seasonal basis. Under that
26 schedule, rates, terms, and conditions are to be negotiated with the customer and set forth in a
27 contract to be approved by the Arizona Corporation Commission ("Commission").

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1 4. The term of the proposed Agreement is fifteen years beginning May 1, 2001 and
2 ending May 1, 2016. The proposed Agreement would become effective upon approval by the
3 Commission, the Cooperative Finance Corporation, and the Rural Utilities Service. Under the
4 proposed Agreement, each party has the right to cancel the contract with ninety-days prior notice
5 before the fifth and tenth anniversary, subject to an early termination penalty. The early
6 termination penalty would be calculated at the date of termination and is equal to the amount
7 Apache would have been charged had the contract been operated at a service availability charge of
8 \$9,000 per month and a rate of \$0.05440 per kWh for the first 400 kWh/kW of demand and
9 \$0.0344 per kWh for all excess kWh, less what Apache actually paid.

10 5. Under the proposed Agreement, Apache would pay an annual service availability
11 charge of \$2,000 in year one, \$3,500 in year two, \$6,000 in year three, \$8,000 in year four, and
12 \$9,000 in years five through fifteen; a contract capacity charge of \$9.00 per kW based on the
13 higher of a contract minimum of 1,800 kW or the highest thirty-minute kW demand during the
14 billing period; an energy charge of \$0.05234 per kWh for the first 400 kWh/KW and \$0.03234 per
15 kWh for all excess kWh in year one, \$0.05343 per kWh for the first 400 kWh/KW and \$0.03343
16 per kWh for all excess kWh in years two and three, \$0.05362 per kWh for the first 400 kWh/KW
17 and \$0.03362 per kWh for all excess kWh in year four and \$0.05475 per kWh for the first 400
18 kWh/KW and \$0.03475 for all excess kWh in years five through fifteen. Apache would also be
19 subject to a power factor penalty which provides an incentive to Apache to maintain a favorable
20 ratio between the amount of power used by Apache's electrical equipment and the total power
21 supplied by SSVEC. The rates in the proposed Agreement provide a larger discount to Apache
22 early on in the Agreement which is gradually reduced through the life of the Agreement.

23 6. Using historical consumption data for the most recent twelve months, Staff expects
24 that Apache would pay an average of \$0.073 per kWh including taxes under the proposed
25 Agreement. This rate is slightly higher than the rate charged to Apache by SSVEC in the previous
26 agreement with AEPCO. The revenues to be received from Apache would cover SSVEC's
27 marginal cost of providing the power.

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ORDER

IT IS THEREFORE ORDERED that the proposed Agreement be and hereby is approved.

IT IS FURTHER ORDERED that a provision shall be added to the Agreement which would allow Apache to access the competitive market when SSVEC's territory is open to competition with a ninety-day notice, subject to payment of the early termination penalty.

IT IS FURTHER ORDERED the reference to "the class A member kVA demand charge" shall be changed to the "class A kW demand charge."

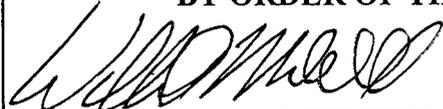
IT IS FURTHER ORDERED that in the future SSVEC should file agreements in a more timely fashion.

IT IS FURTHER ORDERED that an amended agreement incorporating the changes discussed in Findings of Fact Nos. 8 and 9 shall be filed with the Commission within thirty (30) days of the effective date of this Decision.

IT IS FURTHER ORDERED that approval of the Agreement at this time does not guarantee any future rate making treatment of the Agreement with SSVEC.

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

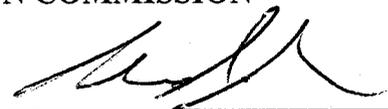
BY ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRMAN

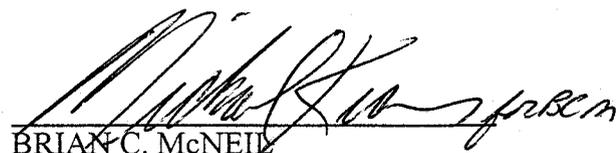


COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary 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 25TH day of MARCH, 2001.



BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

EGJ:EAA:rdp/JMA

64644

Decision No. _____

1 SERVICE LIST FOR: Sulphur Springs Electric Cooperative and Apache Nitrogen Products, Inc.
DOCKET NO. E-01575A-01-0716.

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