

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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E-01773A-05-0679
E-04100A-05-0679

IN THE MATTER OF THE JOINT APPLICATION
OF THE ARIZONA ELECTRIC POWER
COOPERATIVE, INC. AND SOUTHWEST
TRANSMISSION COOPERATIVE, INC. FOR
PERMISSION TO REFUND CERTAIN AMOUNTS
RELATING TO AUGUST BILLINGS

Docket No. E-01773A-____-____

Docket No. E-04100A-____-____

APPLICATION

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

The Arizona Electric Power Cooperative, Inc. ("AEPCO") and Southwest Transmission Cooperative, Inc. ("SWTC"), in support of their Application, state as follows:

1. AEPCO is a non-profit, generation cooperative which supplies power to its four Arizona Class A all-requirements member distribution cooperatives and its one Arizona Class A partial-requirements member cooperative. The all-requirements members are the Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"), Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Trico Electric Cooperative ("Trico"). Its partial-requirements member is the Mohave Electric Cooperative, Inc. ("Mohave") (collectively, the Class A members are referred to as the "Distribution Cooperatives").

2. SWTC is a non-profit transmission cooperative which has transmission service agreements with AEPCO and Mohave to transmit the electricity supplied by AEPCO to the Distribution Cooperatives. The Distribution Cooperatives provide at retail to their member/customers the power supplied by AEPCO and transmitted by SWTC at wholesale.

1 3. Many of the Distribution Cooperatives have load control or interruptible programs
2 which they offer their retail member/customers (“DSM Programs”). Although the details of
3 these DSM Programs vary widely and are offered to different customer classes, their common
4 element is incentives to customers to reduce loads during peak demand periods when they are
5 requested to do so. AEPCO’s demand charge to each of the Distribution Cooperatives is
6 calculated based on each Class A member’s metered demand coincident with the highest
7 aggregate demand of all Distribution Cooperatives during the billing month (“AEPCO’s Monthly
8 Peak”). Thus, the DSM Programs are targeted at reducing each Distribution Cooperative’s
9 contribution to total Class A electric demands when the AEPCO system hits its peak. This
10 benefits everyone in the electricity supply chain by allowing the retail customers and
11 Distribution Cooperatives to control their bills and by allowing AEPCO and SWTC to avoid or
12 defer the installation of facilities necessary to meet peak.

13 4. For these and other purposes, AEPCO projects at the beginning of each month
14 what AEPCO’s Monthly Peak is expected to be. Throughout the month, AEPCO, through
15 SWTC, then sends a signal or notice to each Distribution Cooperative when that level is to be
16 reached. The Distribution Cooperatives in turn notify their retail member/customers who are
17 participating in the DSM Programs to control or interrupt their loads at the time of the expected
18 AEPCO Monthly Peak. As the month continues, the control level may change depending on
19 actual load conditions.

20 5. The peak demand for the AEPCO/SWTC systems for July 2005 occurred on
21 Sunday, July 17 at 4:00 pm. This is somewhat unusual, because normally AEPCO’s Monthly
22 Peak does not occur on a Sunday. Unfortunately, the Western Area Power Administration
23 (“WAPA”) communications system located on Mt. Hualapai, which supplies communications
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1 for load data on the Mohave system, was not functioning at that time. Thus, no data was
2 available on Mohave's load, which is a sizable portion of AEPCO's Monthly Peak. This
3 communications failure prevented SWTC dispatchers and the Distribution Cooperatives from
4 recognizing that AEPCO's Monthly Peak was, in fact, occurring and notices to control load,
5 therefore, were not sent to customers in DSM Programs. The result is that the peak demand
6 which occurred on July 17 included loads which, but for the communications problem on the
7 WAPA system, would have been controlled and reduced.

8 6. As required by its tariff, AEPCO has sent bills to the Distribution Cooperatives
9 for July usage based upon their actual demands at the time of the July 17 system peak and SWTC
10 has billed for transmission services on the same basis. However, recognizing that in certain
11 cases these bills were higher than they should have been if the communications failure had not
12 happened, AEPCO and SWTC request that the Commission issue its Order authorizing both
13 cooperatives to return amounts to two of the Distribution Cooperatives as described in the next
14 paragraphs.

15 7. Although it is impossible to know precisely what would have happened if control
16 notices had been sent, July's second highest peak when control notices were sent happened on
17 Saturday, July 16--the day just before AEPCO's Monthly Peak actually occurred. The peaks on
18 these two weekend days were only 18 MW different and thus they provide a reliable basis upon
19 which to estimate a bill credit. In light of that, AEPCO and SWTC propose that they be
20 authorized to remit amounts based upon the lower of each Distribution Cooperative's bill that
21 would have occurred based on either of these days.

22 8. In Duncan, Graham and Mohave's case, their bills were lower based on the billed
23 demands of July 17 rather than July 16 demands, so no adjustment is necessary. However, for
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1 Trico and SSVEC, their July 17 demands produced bills of \$207,298 and \$83,970 higher,
2 respectively, than if the July 16 demands were used.

3 9. Trico and SSVEC have advised that if the Commission authorizes return of these
4 amounts, they will be applied to the benefit of their retail members through their wholesale
5 power cost adjusters.

6 10. This matter was discussed by the Boards of Directors of AEPCO and SWTC.
7 Both Boards authorized the filing of this Application and believe this is a fair, uniform and
8 equitable way to address and resolve this situation. The Board resolutions approving this request
9 are attached as Exhibits A and B. Although it is hoped that this unique set of circumstances will
10 not happen again, the Boards also instructed AEPCO and SWTC to ask that the Commission
11 additionally authorize AEPCO and SWTC to make similar billing adjustments in the future if it
12 should occur.

13 WHEREFORE, having fully stated their Application, AEPCO and SWTC request that the
14 Commission enter its Order:

15 1. Authorizing AEPCO to remit to SSVEC and Trico the amounts of \$198,368 and
16 \$80,985 and SWTC to remit to SSVEC and Trico \$8,930 and \$2,985; and

17 2. Authorizing AEPCO and SWTC to make similar billing adjustments in the future
18 should communications or other circumstances beyond the control of AEPCO, SWTC or their
19 Distribution Cooperatives prevent the timely issuance of control notices in relation to the DSM
20 Programs.

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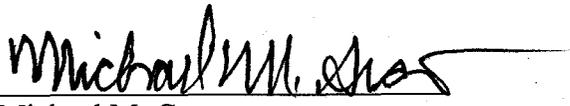
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RESPECTFULLY SUBMITTED this 26th day of September, 2005.

GALLAGHER & KENNEDY, P.A.

By 

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Original and fifteen copies of this
Application filed this 26th day of
September, 2005, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

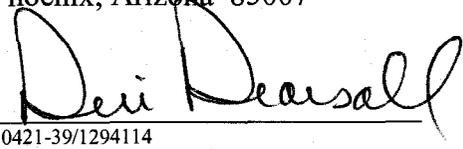

10421-39/1294114

EXHIBIT A

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

The following resolution was adopted at a **regular meeting** of the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO), held in Benson, Arizona on September 14, 2005.

RESOLUTION

***WHEREAS**, the Western Area Power Administration's (WAPA) telecommunication system failed to supply accurate real time load data on July 17, 2005; and*

***WHEREAS**, due to the lack of real time load data certain interruptible load signals were not transmitted to AEPCO's Class A Members resulting in a peak demand which included loads, but for the communication failure on the WAPA system, would have been controlled thereby reducing the peak demand and therefore the July bills to certain Class A Members; and*

***WHEREAS**, Management has reviewed this situation with the Board of Directors of AEPCO and recommended an equitable solution which results in a credit being applied to the July 2005 Class A Member bills such that no Class A Member is billed more than the respective load for July 16, 2005 which represented the next highest coincident peak day on which loads were controlled; and*

***NOW, THEREFORE BE IT RESOLVED**, that the July 2005 bills for Sulphur Springs Valley Electric Cooperative, Inc., and Trico Electric Power Cooperative, Inc., be credited in the amount of \$198,368 and \$80,985 respectively to account for the failure of the Western Area Power Administration's communication system and the resulting overstatement of the respective July 2005 power bills;*

***BE IT FURTHER RESOLVED**, that Management is hereby authorized to apply to the Arizona Corporation Commission for authorization to execute such billing credits as defined above as a variance to Arizona Electric Power Cooperative, Inc.'s authorized tariff and to seek additional authorization to make similar billing adjustments in the future should such communication failure or other similar circumstances that are beyond the control of AEPCO or its Distribution Cooperatives prevent the timely issuance of control notices in relation to load control capabilities.*

I, Harold Hinkley, do hereby certify that I am Secretary of AEPCO, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **regular meeting** held on September 14, 2005.


Secretary

(seal)

EXHIBIT B

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

The following resolution was adopted at a **special meeting** of the Board of Directors of Southwest Transmission Cooperative, Inc. (SWTransco), held in Benson, Arizona on September 15, 2005.

RESOLUTION

***WHEREAS**, the Western Area Power Administration's (WAPA) telecommunication system failed to supply accurate real time load data on July 17, 2005; and*

***WHEREAS**, due to the lack of real time load data certain interruptible load signals were not transmitted to SWTransco's Class A Members resulting in a peak demand which included loads, but for the communication failure on the WAPA system, that would have been controlled thereby reducing the peak demand and therefore the July bills to certain Class A Members; and*

***WHEREAS**, Management has reviewed this situation with the Board of Directors of SWTransco and recommended an equitable solution which results in a credit being applied to the July 2005 Class A Member bills such that no Class A Member is billed more than the respective load for July 16, 2005 which represented the next highest coincident peak day on which loads were controlled; and*

***NOW, THEREFORE BE IT RESOLVED**, that the July 2005 bills for Sulphur Springs Valley Electric Cooperative, Inc., and Trico Electric Power Cooperative, Inc. be credited in the amount of \$8,930 and \$2,985 respectively to account for the failure of the Western Area Power Administration's communication system and the resulting overstatement of the respective July 2005 power bills;*

***BE IT FURTHER RESOLVED**, that Management is hereby authorized to apply to the Arizona Corporation Commission for Authorization to execute such billing credits as defined above as a variance to Southwest Transmission Cooperative, Inc.'s authorized tariff and to seek additional authorization to make similar billing adjustments in the future should such communication failure or other similar circumstances that are beyond the control of SWTransco or its Distribution Cooperatives prevent the timely issuance of control notices in relation to load control capabilities.*

I, Billy L. Adams, do hereby certify that I am Secretary/Treasurer of SWTransco, and that the foregoing is a true and correct copy of the Resolution adopted by the Board of Directors at a **special meeting** held on September 15, 2005.

(seal)


Secretary/Treasurer