

ORIGINAL

OPEN MEETING AGENDA ITEM



0000046644

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

IN THE MATTER OF THE APPLICATION OF THE
ARIZONA ELECTRIC POWER COOPERATIVE,
INC. FOR PERMISSION TO IMPLEMENT AN
FPPCA ADJUSTOR RATE ON APRIL 1, 2006.

DOCKET NO. E-01773A-06-0047

**AEPCO'S RESPONSE TO
SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE,
INC.'S COMMENTS**

RECEIVED
2006 MAR 10 P 1:54
AZ CORP COMMISSION
DOCUMENT CONTROL

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

The Arizona Electric Power Cooperative, Inc. ("AEPCO") submits this response to the Comments filed by Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC"). On March 1, 2006, Staff filed its memorandum and proposed order recommending approval of AEPCO's request to implement FPPCA adjustor rates on April 1, 2006. It is scheduled for Commission deliberation at the March 15 Open Meeting.

In its Comments, SSVEC supports (1) AEPCO's request to begin collecting the FPPCA on April 1 and (2) that portion of the request to collect the bank balance as of December 31, 2005 in the amount of \$0.00344 per kWh. However, it states that it "does not support collecting funds prior to ACC Decision No. 68071 [AEPCO's August 17, 2005 rate decision] or collecting the September to December balances twice." SSVEC's position reflects a basic misunderstanding of the clause. AEPCO is not seeking to recover any amounts prior to September 1, nor to collect the September to December balances twice.

1 Attached as Exhibit A is a three-page schedule¹ which demonstrates how the adjustor
2 rates were determined consistent with the testimony in the rate case, Decision No. 68071 and
3 AEPCO's tariffs which took effect September 1, 2005.² Referring to page 1, which shows how
4 the Adjustor Rate for all-requirements members was calculated, the FPPCA consists of two
5 parts. Its second part is the Bank Account or "BA" which refunds or recovers costs over or
6 under collected in the past compared to the base. For all-requirements members, that under-
7 collected amount was \$5,059,393.54 as shown on Exhibit B to the Application and page 1 of the
8 schedule. This produces the \$0.00344 rate SSVEC agrees with. It is limited to collection of
9 under-collected costs for the period September to December, 2005.³

10 The first part of the FPPCA is the PC. It does not collect any amounts, nor recover costs
11 for any period. Its purpose is to set a new going-forward price by comparing a rolling 12-month
12 average of fuel, purchased power and wheeling costs—in this case calendar 2005—to the base
13 costs experienced in the 2003 test year. By using it, AEPCO will not recover any amounts prior
14 to September 1, nor collect any balances twice. By using it, AEPCO selected the 12-month
15 period which produced the lowest adjustor rates for all of its members, including SSVEC
16 (Application, ¶ 10). By using it, as Staff has stated, AEPCO followed its tariff and the rate
17 decision: "The calculation of the adjustor rates at \$0.00881 per kWh for all-requirements
18
19

20 ¹ This schedule was provided to SSVEC in mid-February as well as written and oral explanations as to why its
21 position on double recovery was incorrect. AEPCO invited further questions, but heard nothing more from SSVEC
22 until its Comments were filed.

23 ² Ms. Keene testified for Staff on the FPPCA. The proposed tariffs, including the FPPCA, were in evidence as
24 AEPCO 2, DCM-3. SSVEC was a party to the rate case, although it filed no testimony and did not appear at Open
Meeting.

³ AEPCO used an estimated amount for December in preparing its January 30 Application. Once actual numbers
were collected, there was a slight adjustment of about \$3,200 as noted at page 3 of the Staff Report. That true-up
explains the slight difference between the \$0.00881 adjustor recommended by Staff and the \$0.00882 adjustor
requested in the Application.

1 members and \$0.00728 per kWh for partial-requirements members appears to be in conformance
2 with the provisions set forth in Decision No. 68071" (Staff Report, p. 3).

3 AEPCO supports Staff's proposed opinion and asks that the Commission adopt it.
4 Approval will mitigate the impact of the Adjustor Rate, stabilize AEPCO's financial condition,
5 provide cash to repay past and reduce future borrowings as well as support its hedging program
6 and allow AEPCO to begin to recover substantial undercollections.

7 RESPECTFULLY SUBMITTED this 10th day of March, 2006.

8 GALLAGHER & KENNEDY, P.A.

9

10

By Michael M. Grant
Michael M. Grant
Todd C. Wiley
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for Arizona Electric Power
Cooperative, Inc.

11

12

13

14 **Original and thirteen copies** filed this
15 10th day of March, 2006, with:

15

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

18 **Copies** of the foregoing delivered
19 this 10th day of March, 2006, to:

19

20 Commissioner Jeff Hatch-Miller, Chairman
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

22

23

24

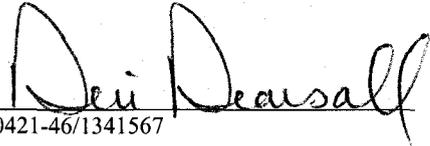
- 1 Commissioner William A. Mundell
Arizona Corporation Commission
2 1200 West Washington
Phoenix, Arizona 85007
3
4 Commissioner Marc Spitzer
Arizona Corporation Commission
5 1200 West Washington
Phoenix, Arizona 85007
6
7 Commissioner Mike Gleason
Arizona Corporation Commission
8 1200 West Washington
Phoenix, Arizona 85007
9
10 Commissioner Kristin K. Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
11
12 Jason Gellman, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
13
14 Ernest Johnson, Utilities Division
Arizona Corporation Commission
1200 West Washington
15 Phoenix, Arizona 85007
16
17 Jerry Anderson, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007
18
19 Michael A. Curtis
William P. Sullivan
Martinez & Curtis, P.C.
20 2712 North Seventh Street
Phoenix, Arizona 85006-1090
21 Attorneys for Mohave Electric Cooperative, Inc.

22

23

24

1 Deborah R. Scott
Robert J. Metli
2 Snell & Wilmer
400 East Van Buren
3 Phoenix, Arizona 85004-2202
Attorneys for Sulphur Springs Valley
4 Electric Cooperative, Inc.

5 
6 10421-46/1341567

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

EXHIBIT A

Arizona Electric Power Company
Computation of All Requirements Power Cost Adjuster Rate
Twelve Months Ended December 31, 2005

All Requirements Tariff Formula - Power Cost Adjustor Rate:

$$F = (PC + BA) - \$0.001687$$

F = Adjustment factor in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past.

Computation of PC:

Pro Forma Fuel, Purchased Power and Wheeling Costs	\$ 32,732,221.68
All Requirements MWh sales	1,471,354.5
All Requirements PC - \$/kWh	<u>\$ 0.02225</u>

Computation of BA:

All Requirements Under Collected Balance - as of December 31, 2005	\$ 5,059,393.54
All Requirements MWh sales	1,471,354.5
All Requirements BA - \$/kWh	<u>\$ 0.00344</u>

Computation of All Requirements

Power Cost Adjustor Rate - \$/kWh

$$F = (\$0.02225 + \$0.00344) - \$0.01687$$

$$F = \$0.02569 - \$0.01687$$

$$F = \$0.00882$$

**Arizona Electric Power Company
Computation of Partial Requirements Power Cost Adjuster Rate
Twelve Months Ended December 31, 2005**

Partial Requirements Tariff Formula - Power Cost Adjustor Rate:

$$F = (PC + BA) - \$0.001603$$

F = Adjustment factor in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past.

Computation of PC:

Pro Forma Fuel, Purchased Power and Wheeling costs	\$ 15,561,409.77
Partial Requirements MWh sales	769,705
Partial Requirements PC - \$/kWh	<u>\$ 0.02022</u>

Computation of BA:

Partial Requirements Under Collected Balance - as of December 31, 2005	\$ 2,380,410.54
Partial Requirements MWh sales	769,705
Partial Requirements BA - \$/kWh	<u>\$ 0.00309</u>

**Computation of Partial Requirements
Power Cost Adjustor Rate - \$/kWh**

$$F = (\$0.02022 + \$0.00309) - \$0.01603$$

$$F = \$0.02331 - \$0.01603$$

$$F = \$0.00728$$

Arizona Electric Power Cooperative, Inc.

Computation of All Requirement and Partial Requirement Members Allowable Pro-Forma Fuel, Purchased Power and Wheeling Costs

Twelve Months Ended December 31, 2005

Description	ARM		PRM		Total		Allocated ARM		Allocated ARM		Total ARM		PRM		Total	
	MWh	Sales	MWh	Sales	MWh	Sales	State1 Member	Fuel Costs	State 2 Member	Fuel Costs	Member	Fuel Costs	Member	Fuel Costs	Member	Fuel Costs
January-05	104,649.676		63,368.000		168,017.676		\$ 1,185,469.24	\$ -	\$ -	\$ 1,185,469.24	\$ 717,831.31			\$ 717,831.31		\$ 1,903,300.55
February-05	92,517.117		57,180.000		149,697.117		1,127,369.57	-	-	1,127,369.57	696,768.28			696,768.28		1,824,137.85
March-05	101,995.045		64,194.000		166,189.045		1,508,858.92	-	-	1,508,858.92	949,650.93			949,650.93		2,458,509.85
April-05	103,654.945		62,929.000		166,583.945		1,043,659.04	-	-	1,043,659.04	633,606.24			633,606.24		1,677,265.28
May-05	126,780.785		66,304.000		193,084.785		2,090,734.97	331,900.00	331,900.00	2,422,634.97	1,093,415.62			1,093,415.62		3,516,050.59
June-05	149,826.920		68,366.000		218,192.920		3,046,356.07	331,900.00	331,900.00	3,378,256.07	1,390,051.79			1,390,051.79		4,768,307.86
July-05	179,339.286		77,032.000		256,371.286		5,128,138.38	331,829.17	331,829.17	5,459,967.55	2,208,133.59			2,208,133.59		7,668,101.14
August-05	152,421.019		77,032.000		229,453.019		3,472,162.45	311,400.00	311,400.00	3,783,562.45	1,754,794.84			1,754,794.84		5,538,357.29
September-05	137,427.918		68,802.000		206,229.918		3,195,830.63	401,894.17	401,894.17	3,597,724.80	1,599,962.67			1,599,962.67		5,197,687.47
October-05	112,198.000		56,254.000		168,452.000		3,222,049.13	-	-	3,222,049.13	1,615,475.78			1,615,475.78		4,837,524.91
November-05	98,240.830		44,458.000		142,698.830		4,373,947.41	-	-	4,373,947.41	1,979,390.38			1,979,390.38		6,353,337.79
December-05	112,303.000		63,596.000		175,899.000		1,628,722.53	-	-	1,628,722.53	922,328.33			922,328.33		2,551,050.86
Total	1,471,354.541		769,705.000		2,241,059.541		\$ 31,023,298.34	\$ 1,708,923.34	\$ 1,708,923.34	\$ 32,732,221.68	\$ 15,561,409.77			\$ 15,561,409.77		\$ 48,293,631.45