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May 11, 2007

Arizona Corporation Commission  
**DOCKETED**

MAY 11 2007

**HAND DELIVERED**

Ernest Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

DOCKETED BY	NR
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Re: *Southwest Transmission Cooperative's ("SWTC") Notice of Proposed Modifications to Its Construction Work Plan; Decision No. 69239; Docket No. E-04100A-06-0058*

Dear Mr. Johnson:

In Decision No. 69239, dated January 19, 2007 (the "Decision"), the Commission approved SWTC's request for RUS/FFB loan financing of its 2005-2008 Construction Work Plan ("CWP") in an amount not to exceed \$49,575,000. Recognizing that costs as well as the various projects comprising the CWP will likely change over time, the Commission also approved a procedure for amendments to the CWP without the necessity of filing an amended application as follows:

Southwest Transmission Cooperative, Inc. may file in this Docket any proposed modifications to its CWP which substantially conform to the purposes of the current CWP and which cost more than \$500,000 but do not exceed the authorized amount of \$49,575,000, and unless Staff files an objection to the proposed CWP modifications within 30 days of Southwest Transmission Cooperative, Inc. filing the proposed changes, the proposed modifications to the CWP shall be deemed approved. (Decision, page 10, 5<sup>th</sup> Ordering Paragraph.)

The Rural Utilities Service recently approved Amendment #2 to the CWP. Following receipt of that approval, SWTC met with members of your Staff to discuss the modifications to the CWP and provided additional detail concerning the amendments. The purpose of this filing is to comply with the filing requirements of the Decision so that SWTC may proceed to make loan draws in June on the financing approved for the CWP.

Attached as Exhibit A is a schedule summarizing the primary changes to the CWP. Each of the changes substantially conforms to the purpose of the current CWP, which is to make necessary improvements and upgrades to the SWTC transmission system to meet reliability and service quality concerns as well as the needs of SWTC's distribution cooperative members within the time frame of the current CWP. Reasons for the amendments are as follows:

1. For certain projects (Saddle Brooke, Pinal West and San Manuel),<sup>1</sup> cost estimates have been increased primarily to reflect recent increases in commodity costs for cement, steel and copper as well as labor cost increases. For three other projects being undertaken in conjunction with other utilities (Apache, Westwing and Anza),<sup>2</sup> costs have been adjusted to reflect revised prices as well as changes in participation level by the other utilities. CWP costs for the Kartchner project<sup>3</sup> have been reduced because Sulphur Springs is assuming a larger share of that project and costs for Bicknell<sup>4</sup> have also been reduced due to a change in project scope.

2. After further review, three projects (Marana Tap, Valencia and Dos Condados)<sup>5</sup> are not needed within the time frame of the current CWP and are being deferred to a later construction work plan. Two other projects (Riviera and Sahuarita)<sup>6</sup> have been removed because (a) Mohave Electric Cooperative has elected to proceed with the Riviera project on its own and (b) Trico Electric Cooperative has decided to change the approach to the upgrades at Sahuarita.

3. In two cases (Red Rock and Gordon Sloan),<sup>7</sup> projects have been added to the CWP to meet load growth on the Trico and SSVEC distribution systems which was not anticipated when the original CWP was prepared in 2004. Similarly, the Apache Transformer Replacement Project<sup>8</sup> has been added due to recent test results on existing transformers which revealed replacement was necessary to assure reliability to the Sulphur Springs service territory. The Hackberry Project,<sup>9</sup> which primarily provides transmission service to the new Phelps Dodge mine under construction near Safford, has also been added. The Commission approved the distribution power arrangements for the new mine between SWTC member Graham Electric and Morenci Water & Electric in December 2006. The related Hackberry to Thatcher 69 kV line was also added to the CWP to provide an additional 69 kV transmission source to reinforce service reliability to the area generally.

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<sup>1</sup> Lines 4, 5 and 13, Exhibit A.

<sup>2</sup> Lines 1, 2 and 6, Exhibit A.

<sup>3</sup> Line 3, Exhibit A.

<sup>4</sup> Line 8, Exhibit A.

<sup>5</sup> Lines 7, 14 and 15, Exhibit A.

<sup>6</sup> Lines 10 and 16, Exhibit A.

<sup>7</sup> Lines 9 and 17, Exhibit A.

<sup>8</sup> Line 18, Exhibit A.

<sup>9</sup> Lines 11 and 12, Exhibit A.

Ernest Johnson  
May 11, 2007  
Page 3

4. Finally, cost estimates have been revised for the Relay/Communications category<sup>10</sup> to reflect material and labor increases as well as changes to the scope of some of the CWP projects.

Attached as Exhibit B is a detailed listing of the projects which currently comprise the 2005-2008 CWP following the RUS approval of Amendment #2.

The net effect of the changes to the CWP increases its total cost to \$50,069,716. However, in that regard and as Exhibit A reflects, SWTC acknowledges that its authorization in the Decision remains at \$49.575 million and, in no event, will SWTC borrowings for the CWP exceed that amount.

Staff's assistance in relation to this matter is appreciated. If we can supply additional information concerning these CWP modifications, please contact me.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp  
15169-8/1549596

Attachments

**Original and 13 copies** filed with Docket  
Control this 11<sup>th</sup> day of May, 2007.

cc (w/attachments): Ernest Johnson, Utilities Division (delivered)  
Prem Bahl, Utilities Division (delivered)  
Pedro Chaves, Utilities Division (delivered)

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<sup>10</sup> Line 19, Exhibit A.

**EXHIBIT A**

**Southwest Transmission Cooperative, Inc.**  
**Summary of Projects Included in C8 Loan**  
**2005 to 2008 Construction Work Plan**  
**Docket No. E-04100A-06-0058**

Description	Authorized Per Decision No. 69239	Amendment #2 Project Cost Alignment
1 Apache 115/69 kV Transformer Installation Project	\$ 1,182,228	\$ 221,102
2 Westwing Transformer Re-Location	750,000	1,700,000
3 Kartchner Substation Upgrade Project	1,991,783	1,100,170
4 Saddle Brooke Ranch Substation Project	2,811,856	3,912,489
5 Palo Verde to Pinal West Transmission and Substation Project	6,661,491	7,032,865
6 Anza System Upgrade Project	400,000	390,500
7 Marana Tap Upgrade Project	2,067,783	-
8 Bicknell Substation Upgrade Project	4,330,266	3,416,548
9 Red Rock Line and Substation Project	-	6,004,441
10 Riviera to Western Line and Substation Interconnection Project	8,414,325	-
11 Hackberry Substation Project	-	2,308,514
12 Hackberry to Thatcher 69 kV Line Project	-	4,778,191
13 San Manuel Interconnection Project	6,060,230	7,046,363
14 Valencia to Cap Line and Substation Interconnection Project	4,382,525	-
15 Dos Condados Substation Upgrade Project	2,919,789	-
16 Sahuarita Substation Upgrade Project	2,131,953	-
17 Gordan Sloan 230 kV Substation	-	1,755,383
18 Apache Transformer Replacement Project	-	2,000,000
19 Relay/Communications	5,471,000	8,403,150
<b>CWP Total</b>	<b>\$ 49,575,229</b>	<b>\$ 50,069,716</b> (1)

(1) Arizona Corporation Commission Decision No 69239 authorized SWTC to borrow up to \$49,575,000. SWTC anticipates that some of these projects will be moved to its B8 financing approval through an alignment filing with the Arizona Corporation Commission. In any case, SWTC borrowings under the C8 loan will not exceed \$49,575,000.

**EXHIBIT B**

**Southwest Transmission Cooperative, Inc.**  
**Summary of Transmission Projects**  
**Included in AZ031-C-8 Loan Package**  
**2005-2008 Construction Work Plan Including Amendment No. 2**

RUS 740C Code	App. A Page	Project Number	Description	Total	RUS AZ031-C-8 Loan	Moved to AZ031-B-8 Loan	Other Funding Projects
800.1	A-1	CAPT.00608.011	Saguaro-Naviska 115kV Line	\$ 2,589,110.00	\$ 2,589,110.00	\$ -	\$ -
800.2	A-5	CAPT.00555.011	Sandario 115kV Transmission Line (B8 Loan)	2,258,607.00	-	2,258,607.00	-
800.3	A-9	CAPT.00566.011	Apache/Hayden-Reddington 115 kV Line	3,843,784.00	3,843,784.00	-	-
800.4	A-12	CAPT.00604.011	Del Am#1 Central AZ Project (CAP) - Valenci	-	-	-	-
800.5	A-15	CAPT.00742.011	Del Am#1 Riviera Second 230 kV Line	-	-	-	-
800.6	A-17	CAPT.00743.011	Hackberry-Thatcher 69 kV Line	4,359,770.00	4,359,770.00	-	-
800.7	A-20	CAPT.00607.011	Palo Verde/Hassyampa to Pinal West Line	1,718,962.00	1,718,962.00	-	-
800.8	A-215	CAPT.00770.011	Del Am#2 Pinal West to Santa Rosa Line	-	-	-	-
900.1	A-23	CAPT.00470.010	Saddlebrooke Ranch Substation (incl APS tap)	3,912,489.00	3,912,489.00	-	-
900.2	A-26	CAPT.00607.010	Pinal West Substation (participation)	5,313,903.00	5,313,903.00	-	-
900.3	A-29	CAPT.00608.010	Red Rock Substation	3,415,331.00	3,415,331.00	-	-
900.4	A-33	CAPT.00555.010	Sandario Substation (B8 Loan)	3,063,205.00	-	3,063,205.00	-
900.5	A-37	CAPT.00566.010	Reddington Switchyard	3,202,579.00	3,202,579.00	-	-
900.6	A-40	CAPT.00604.010	Del Am#1 Termination Facilities for Central A. (CAP) - Valencia 115kV Line - CAP End	-	-	-	-
900.7	A-43	CAPT.00742.010	Del Am#1 Riviera Tap Switchyard (tap of West Topock No. 1 Line)	-	-	-	-
900.8	A-45	CAPT.00743.010	Hackberry Substation	2,308,514.00	2,308,514.00	-	-
900.9	A-219	CAPT.00766.010	Sloan Substation	1,755,383.00	1,755,383.00	-	-
1000.1	A-48	CAPT.00601.010	Kartchner Substation Upgrade	1,100,170.00	1,100,170.00	-	-
1000.2	A-51	CAPT.00740.010	Kingman Tap Breaker 2752 & Relay Replacem (Western Area Power Administration)	166,000.00	166,000.00	-	-
1000.3	A-49	CAPT.00201.010	Anza System Upgrade (SCE adds capacitor bar at their Idyllwild Substation)	390,500.00	390,500.00	-	-
1000.4	A-56	CAPT.00602.010	Del Am#2 Marana Tap Upgrade	-	-	-	-
1000.5	A-59	CAPT.00603.010	Bicknell Substation Upgrade	3,416,548.00	3,416,548.00	-	-
1000.6	A-61	CAPT.00684.010	Apache Spare 115/69kV Transformer Permane Installation	221,102.00	221,102.00	-	-
1000.7	A-64	CAPT.00604.010	Del Am#1 New Valencia Switchyard for CAP L	-	-	-	-

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RUS 740C Code	App. A Page	Project Number	Description	Total	AZ031-C-8 Loan	Moved to AZ031-B-8 Loan	Other Funding Projects
1000.8	A-67	CAPT.00605.010	Del Am#1 Dos Condados Substation Upgrade	-	-	-	-
1000.9	A-70	CAPT.00606.010	Del Am#1 Sahuarita Substation Upgrade	-	-	-	-
1000.10	A-72	CAPT.00685.010	Bicknell 230/115 kV & 345/230kV Transformer Panel upgrades	50,000.00	50,000.00	-	-
1000.11	A-74	CAPT.00686.010	Vail - Bicknell Relay Panel Upgrade	15,000.00	15,000.00	-	-
1000.12	A-76	CAPT.00687.010	Bicknell - Vail Relay Panel Upgrade	15,000.00	15,000.00	-	-
1000.13	A-78	CAPT.00688.010	Redtail 69kV Panels Upgrade	70,000.00	70,000.00	-	-
1000.14	A-80	CAPT.00689.010	Redtail Transformer Panel Upgrade	40,000.00	40,000.00	-	-
1000.15	A-82	CAPT.00690.010	Morenci - Greenlee Line Relay Upgrade	65,000.00	65,000.00	-	-
1000.16	A-84	CAPT.00691.010	Pantano Transformer Panel Upgrade	65,000.00	65,000.00	-	-
1000.17	A-86	CAPT.00692.010	Dos Condados 69kV Panel Upgrade	90,000.00	90,000.00	-	-
1000.18	A-88	CAPT.00693.010	Dos Condados Transformer Panels Upgrade	60,000.00	60,000.00	-	-
1000.19	A-90	CAPT.00694.010	Riveria 69kV Panels Upgrade	170,000.00	170,000.00	-	-
1000.20	A-92	CAPT.00695.010	Apache 69kV Panels Upgrade	80,000.00	80,000.00	-	-
1000.21	A-94	CAPT.00696.010	San Rafael 69kV Panels Upgrade	130,000.00	130,000.00	-	-
1000.22	A-96	CAPT.00697.010	Kartchner 69kV Panels Upgrade	60,000.00	60,000.00	-	-
1000.23	A-98	CAPT.00698.010	Redtail 230kV Oil Circuit Breaker (OCB) Replacement	200,000.00	200,000.00	-	-
1000.24	A-100	CAPT.00699.010	Pantano 230kV Oil Circuit Breaker (OCB) Replacement	150,000.00	150,000.00	-	-
1000.25	A-102	CAPT.00700.010	Dos Condados 230 kV Oil Circuit Breaker (OC Replacement	225,000.00	225,000.00	-	-
1000.26	A-104	CAPT.00742.010	Del Am#1 Riviera Substation Upgrade Project	-	-	-	-
1000.27	A-106	CAPT.00744.010	Westwing Transformer Relocation (participati on)	1,700,000.00	1,700,000.00	-	-
1000.28	A-223	CAPT.00767.010	Thatcher Station Upgrade	418,421.00	418,421.00	-	-
1000.29	A-236	CAPT.00810.010	Apache Transformer Replacement	2,000,000.00	2,000,000.00	-	-
1000.30	A-239	CAPT.00768.010	Bicknell Security System	110,000.00	110,000.00	-	-
1101.1	A-109	CAPT.00701.010	Bullhead Substation Meter/RTU Upgrade	25,000.00	25,000.00	-	-
1101.2	A-111	CAPT.00702.010	Bill Williams Meter/RTU Upgrade	25,000.00	25,000.00	-	-

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RUS 740C Code	App. A Page	Project Number	Description	Total	RUS AZ031-C-8 Loan	Moved to AZ031-B-8 Loan	Other Funding Projects
1101.3	A-113	CAPT.00703.010	Wellfield Meter/RTU Upgrade	25,000.00	25,000.00	-	-
1101.4	A-115	CAPT.00704.010	Kingman Tap Meter/RTU Upgrade	55,000.00	55,000.00	-	-
1101.5	A-117	CAPT.00705.010	Round Valley Meter/RTU Upgrade	55,000.00	55,000.00	-	-
1101.6	A-119	CAPT.00706.010	Romney Meter/RTU Upgrade	55,000.00	55,000.00	-	-
1101.7	A-121	CAPT.00707.010	Stewart Meter/RTU Upgrade	55,000.00	55,000.00	-	-
1101.8	A-123	CAPT.00708.010	Mortenson Meter/RTU Upgrade	35,000.00	35,000.00	-	-
1101.9	A-125	CAPT.00709.010	Del Am#1 Davis Dam to Riviera Comm. Upgra	-	-	-	-
1101.10	A-127	CAPT.00710.010	Del Am#1Riviera to Davis Dam Comm Upgrad	-	-	-	-
1101.11	A-129	CAPT.00711.010	Greenlee to Morenci (SWTransco)	80,000.00	80,000.00	-	-
1101.12	A-131	CAPT.00712.010	Morenci (SWTransco) to Greenlee Communications upgrade	80,000.00	80,000.00	-	-
1101.13	A-133	CAPT.00713.010	Guthrie Peak to Romney Digital Radio Upgrad	85,000.00	85,000.00	-	-
1101.14	A-135	CAPT.00714.010	Romney to Guthrie Peak Digital Radio Upgrad	85,000.00	85,000.00	-	-
1101.15	A-137	CAPT.00715.010	Willcox to Stewart Digital Radio Upgrade	85,000.00	85,000.00	-	-
1101.16	A-139	CAPT.00716.010	Stewart to Willcox Digital Radio Upgrade	85,000.00	85,000.00	-	-
1101.17	A-141	CAPT.00717.010	Hualapai to Round Valley Digital Radio Upgra	85,000.00	85,000.00	-	-
1101.18	A-43	CAPT.00718.010	Round Valley to Hualapai Digital Radio Upgra	85,000.00	85,000.00	-	-
1101.19	A-145	CAPT.00719.010	Hualapai to Bill Williams Digital Radio Upgrad	85,000.00	85,000.00	-	-
1101.20	A-147	CAPT.00720.010	Bill Williams to Hualapai Digital Radio Upgra	85,000.00	85,000.00	-	-
1101.21	A-149	CAPT.00721.010	Hualapai to Kingman Tap Digital Radio Upgra	85,000.00	85,000.00	-	-
1101.22	A-151	CAPT.00722.010	Kingman Tap to Hualapai Digital Radio Upgra	85,000.00	85,000.00	-	-
1101.23	A-153	CAPT.00723.010	Hualapai to Wellfield Digital Radio Upgrade	85,000.00	85,000.00	-	-
1101.24	A-155	CAPT.00724.010	Wellfield to Hualapai Digital Radio Upgrade	85,000.00	85,000.00	-	-
1101.25	A-157	CAPT.00725.010	Texas Canyon TI Capacity Upgrade	70,000.00	70,000.00	-	-
1101.26	A-159	CAPT.00726.010	Vail TI Capacity Upgrade	55,000.00	55,000.00	-	-
1101.27	A-161	CAPT.00727.010	Substation Networking	200,000.00	200,000.00	-	-
1101.28	A-167	CAPT.00728.010	Substation Networking	200,000.00	200,000.00	-	-
1101.29	A-173	CAPT.00729.010	Substation Networking	250,000.00	250,000.00	-	-
1101.30	A-179	CAPT.00730.010	Substation Networking	200,000.00	200,000.00	-	-

**Southwest Transmission Cooperative, Inc.**  
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 2005-2008 Construction Work Plan Including Amendment No. 2

RUS 740C Code	App. A Page	Project Number	Description	Total	RUS AZ031-C-8 Loan	Moved to AZ031-B-8 Loan	Other Funding Projects
1101.31	A-185	CAPT.00731.010	Del Am#1 Vail to Bicknell Digital Radio Upgra	-	-	-	-
1101.32	A-187	CAPT.00669.010	Del Am#1 EMS Upgrade 2005	-	-	-	-
1101.33	A-193	CAPT.00741.010	Microwave Network Manager Upgrade	60,000.00	60,000.00	-	-
1101.34	A-227	CAPT.00763.010	EMS Communications Backup Center	250,000.00	250,000.00	-	-
1101.35	A-229	CAPT.00800.010	Natural Corrals Substation Monitoring	110,000.00	110,000.00	-	-
1101.36	A-231	CAPT.00802.010	Tucson Area Communications Upgrade	1,430,000.00	1,430,000.00	-	-
1101.37	A-234	CAPT.00803.010	Davis Dam to Riviera Communications Upgrad	213,000.00	213,000.00	-	-
1101.38	A-242	CAPT.00647.010	Mortenson Tap Metering	99,150.00	99,150.00	-	-
1101.39	A-244	CAPT.00646.010	Hooker Tap Metering	125,000.00	125,000.00	-	-
1101.40	A-246	CAPT.00835.010	Benson Inverter Replacement	75,000.00	75,000.00	-	-
1101.41	A-248	CAPT.00788.010	UPS Battery Bank	120,000.00	120,000.00	-	-
1102.1	A-195	CAPT.00732.010	2005 Transmission Renewals/Replacements (Line & Substation)	400,000.00	400,000.00	-	-
1102.2	A-198	CAPT.00733.010	2006 Transmission Renewals/Replacements (Line & Substation)	400,000.00	400,000.00	-	-
1102.3	A-201	CAPT.00734.010	2007 Transmission Renewals/Replacements (Line & Substation)	400,000.00	400,000.00	-	-
1102.4	A-204	CAPT.00735.010	2008 Transmission Renewals/Replacements (Line & Substation)	400,000.00	400,000.00	-	-
1102.5	A-207	CAPT.00736.010	Pantano Battery & Charger Replacement	15,000.00	15,000.00	-	-
1102.6	A-209	CAPT.00737.010	Marana Battery & Charger Replacement	20,000.00	20,000.00	-	-
1102.7	A-211	CAPT.00738.010	Redtail Battery & Charger Replacement	20,000.00	20,000.00	-	-
1102.8	A-213	CAPT.00739.010	Riviera Battery & Charger Replacement	20,000.00	20,000.00	-	-
<b>Total</b>				<b>55,391,528.00</b>	<b>\$ 50,069,716</b>	<b>\$ 5,321,812</b>	<b>\$ -</b>

AZ031-C-8 Approved Loan Amount \$ 49,575,000