



BEFORE THE ARIZONA CORPORATION COMMISSION

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MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

SEP 27 2007

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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 [2005] BILLINGS

DOCKET NOS. E-01773A-05-0679
E-04100A-05-0679

DECISION NO. 69922

ORDER

Open Meeting
September 18 and 19, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Cooperative ("AEPCO") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. Southwest Transmission Cooperative ("SWTC") is certificated to provide electric service as a public service corporation in the State of Arizona.
3. On September 26, 2005, Arizona Electric Power Cooperative, Inc. and Southwest Transmission Cooperative, Inc. filed a Joint Application for permission to credit certain amounts relating to August 2005 billings, and to make similar billing adjustments in the future should similar conditions develop in the future. By Application, the Commission is asked to authorize AEPCO remittances in the amounts of \$198,368 and \$80,985 to Sulphur Springs Valley Electric Cooperative, Inc. and Trico Electric Cooperative, Inc., respectively, and SWTC is seeking authorization to remit \$8,930 and \$2,985 to Sulphur Springs Valley Electric Cooperative, Inc. and

1 Trico Electric Cooperative, Inc., respectively. AEPCO and SWTC have also requested
2 authorization to allow the issuance of similar credits under similar circumstances in the future.

3 **Background**

4 4. AEPCO is a non-profit generation cooperative that supplies power to its four
5 Arizona Class A all-requirements member distribution cooperatives and its one Arizona Class A
6 partial-requirements member cooperative. The all-requirements members are the Duncan Valley
7 Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"),
8 Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") and Trico Electric Cooperative
9 ("Trico"). The partial-requirements member is Mohave Electric Cooperative, Inc. ("Mohave").
10 Collectively, Class A members are referred to as the "Distribution Cooperatives".

11 5. SWTC is a non-profit transmission cooperative that has transmission service
12 agreements with AEPCO and Mohave to transmit the electricity supplied by AEPCO to the
13 Distribution Cooperatives.

14 6. The Distribution Cooperatives provide at retail to their members/customers the
15 power supplied by AEPCO and transmitted by SWTC at wholesale. Some Distribution
16 Cooperatives offer their retail customers load control or interruptible programs, which include
17 lower rates in exchange for reducing loads during peak demand periods.

18 7. AEPCO and SWTC utilize Mohave and other real-time load data to identify
19 coincident peak system demand for AEPCO and SWTC. The summation of real-time load data
20 takes place in the SWTC system control area. The data are used, in part, to determine when to
21 send a control notice to the Distribution Cooperatives. Control notice data are used in making
22 decisions regarding real-time load shedding programs and identifying the day and time of
23 coincident peak on the AEPCO and SWTC systems. The Mohave load resides within the Western
24 Area Power Administration ("WAPA") Control Area that provides scheduling, regulation and
25 imbalance services for Mohave loads.

26 **Reason for Application**

27 8. The coincident peak demand on the AEPCO and SWTC systems for July 2005 occurred
28 on Sunday, July 17 at 4:00 p.m., and at that time, the WAPA communications system was not

1 functioning. The communications failure prevented SWTC dispatchers and the Distribution
2 Cooperatives from recognizing that the AEPCO monthly peak was in fact occurring, and therefore
3 notices to control load were not sent to retail customers. AEPCO/SWTC had sufficient capacity to
4 meet its obligations on July 17, 2005. AEPCO generation plus long-term firm power contracts
5 provided the load needed to meet the demand on that day. It should be noted that AEPCO/SWTC
6 did not lose any metering data for loads that are controlled by AEPCO.

7 9. AEPCO and SWTC complied with their respective tariffs by billing the Distribution
8 Cooperatives actual metered demands coincident with the July 17, 2005 system peak.

9 **Staff's Recommendations and Findings**

10 10. Staff believes that the request to issue billing credits for two of the five Distribution
11 Cooperatives is inappropriate and recommends that the Commission not approve the Joint
12 Application filed by AEPCO and SWTC.

13 11. Staff recognizes that the AEPCO and SWTC Boards of Directors voted
14 unanimously to credit July 2005 bills in the amounts of \$207,298 and \$83,970 for SSVEC and
15 Trico, respectively. Staff also notes that AEPCO and SWTC are not requesting billing adjustments
16 for the Duncan, Graham and Mohave cooperatives because, according to AEPCO and SWTC, the
17 July 17, 2005 demands for the three cooperatives were lower than their July 16 demands. Staff
18 respectfully disagrees with the Boards of Directors in this case. Existing tariffs do not authorize
19 AEPCO and SWTC to credit actual metered billing demand charges based upon the assumption
20 that customers were billed for more kW than they would have otherwise been billed if a
21 curtailment alert had been issued.

22 12. Pertaining to the AEPCO/SWTC request to allow the issuance of similar credits
23 under similar circumstances in the future, Staff is willing to meet with AEPCO/SWTC for the
24 purpose of determining what, if any, changes to the tariffs would be appropriate to accommodate
25 billing variances of this nature.

26 13. Staff believes that it would be inappropriate to develop billing demand credits based
27 on hypothetical circumstances. AEPCO/SWTC would unintentionally create a new customer class
28 that would effectively be billed demand charges based on something other than system coincident

1 peak. The new customer class would be created because the Application explicitly proposes that
2 AEPCO/SWTC be authorized to remit amounts based upon the lower (emphasis not added) of
3 each Distribution Cooperative's bill on either of these days (July 16, 2005 or July 17, 2005).

4 14. Although Staff has no special insight into how the Directors of AEPCO/SWTC
5 should manage their assets, Staff believes that it would be remiss if it did not mention the potential
6 fiduciary inequity of returning operating revenues to the affected Cooperatives, because it was the
7 affected Cooperatives that increased the operating costs of AEPCO and SWTC on July 17, 2005.
8 The potential fiduciary inequity exists because the affected Cooperatives' retail customers
9 benefited from the extra power, and according to the Application, it is impossible to know
10 precisely what would have happened if control notices had been sent on July 17, 2005.
11 Consequently, even if Staff supported the issuance of credits in this case, Staff could not validate
12 the accuracy and amount of the credits.

13 15. The record shows that it is impossible to know precisely what would have happened
14 if interruption notices had been sent on July 17, 2005. It is pointed out in the Application that the
15 AEPCO system peaks on these two weekend days (July 16, 2005 and July 17, 2005) were only
16 different by 18 MW. The point of discussing the 18 MW demand difference between the two
17 weekend days is unclear to Staff, because the credits in the combined amount of approximately
18 \$291,000 are based upon the difference of approximately 22 MW created by the affected
19 Cooperatives. The amounts of the credits were determined by deriving the differences between the
20 actual demands on July 17, 2005 compared to the actual demands on July 16, 2005 for the affected
21 Cooperatives, respectively.

22 16. The power generated by AEPCO and transmitted by SWTC to the Distribution
23 Cooperatives was used by the Distribution Cooperatives' retail customers. Although the
24 Distribution Cooperatives were not alerted to the fact that the AEPCO monthly peak was
25 occurring, the failed communiqué did not cause AEPCO to purchase make-up power at higher spot
26 market prices. Nor were any penalty billings imposed upon Distribution Cooperatives or their
27 retail customers. Finally and perhaps most importantly, all Cooperatives, including SSVEC and
28 Trico, were billed properly in accordance with existing tariffs' terms and conditions.

ORDER

IT IS THEREFORE ORDERED that the joint application of Arizona Electric Power Cooperative and Southwest Transmission Cooperative to issue billing credits in the amount of approximately \$291,000 is not approved.

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

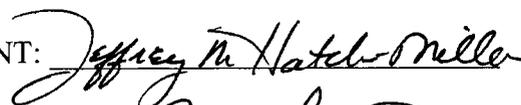
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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| CHAIRMAN | COMMISSIONER |

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IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director 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 27th day of September, 2007.


 DEAN S. MILLER
 Interim Executive Director

DISSENT: 

DISSENT: 

EGJ:WHM:lhmkL

1 SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc. and
Southwest Transmission Cooperative, Inc.
2 DOCKET NOS. E-01773A-05-0679 and E-04100A-05-0679

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