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OPEN MEETING

MEMORANDUM RECEIVED

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Arizona Corporation Commission

DOCKETED

DEC - 4 2007

2007 DEC -4 P 3: 25

TO: THE COMMISSION

FROM: Utilities Division AZ CORP COMMISSION DOCKET CONTROL

DATE: December 4, 2007

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RE: IN THE MATTER OF THE JOINT APPLICATION OF TUCSON ELECTRIC POWER COMPANY AND SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. FOR AN ORDER APPROVING A BORDERLINE AGREEMENT (DOCKET NOS. E-01933A-06-0806 AND E-01575A-06-0806)

On December 29, 2006, Tucson Electric Power Company ("TEP") and Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") (collectively "Utilities") filed a joint application for approval of a Borderline Agreement ("Agreement") for SSVEC to provide electric service to Fort Huachuca, a military installation located in Cochise County within the certificated service territory of TEP. TEP and SSVEC entered into the Borderline Agreement authorizing SSVEC to enter the subject area, certificated to TEP to serve the subject property until such time that TEP notifies SSVEC of its intention to provide service to the subject property.

TEP is a public service corporation engaged in the generation, transmission and distribution of electricity. TEP's authority to serve Fort Huachuca is set forth in Commission Decision No. 13571, issued January 27, 1942. SSVEC is a cooperative public service corporation engaged in the distribution of electricity for the purpose of serving its customers located within specifically designated service areas of Pima, Cochise, Graham, and Santa Cruz Counties in Arizona which have been certified and approved by the Commission.

Fort Huachuca is located 75 miles southeast of Tucson, Arizona, in Cochise County and is owned by the United States government. The United States Military is planning to build three wastewater lift stations at Fort Huachuca. The lift stations have not yet been constructed, but construction costs have been included in the Fort's most recent budget. A completion date for the construction is unknown at this time. The Utilities state there are no existing line extensions or other agreements pertaining to electric service to the area in which the Fort Huachuca lift stations are proposed to be located, nor are there any facilities, easements or right-of-way to be transferred in the event the Agreement is approved.

Fort Huachuca is located within TEP's certificated service territory; however, the nearest available TEP lines are more than four miles away from the Fort's proposed site. Line extension costs for TEP to bring overhead lines to the perimeter of the property have been roughly estimated by TEP to be about \$1,127,000. SSVEC currently has lines adjacent to the Fort Huachuca property and the estimated cost for SSVEC to serve Fort Huachuca is \$48,000. The Utilities feel that it is in the best interest of the property owner and the Utilities for SSVEC to

THE COMMISSION

December 4, 2007

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serve the subject property until such time as TEP determines that it is economically feasible for it to provide electric service to the property.

The Borderline Agreement does not mention a mechanism governing the purchase of SSVEC infrastructure (i.e., electrical lines and facilities) if TEP decides to re-enter the subject property at a later point in time to serve the customer located at Fort Huachuca. Staff received confirmation from SSVEC that the Borderline Agreement will be amended to stipulate that TEP will not purchase any infrastructure from SSVEC due to the fact that no significant infrastructure will be built.

SSVEC indicated that it does not have an estimated monthly projected kWh since definite plans have not been completed.

Staff believes that the Borderline Agreement entered into by TEP and SSVEC is a reasonable solution to allow extension of electric service to the subject property at a cost which is not prohibitively expensive. Therefore, Staff recommends the Commission approve the Borderline Agreement between TEP and SSVEC for service to the Fort Huachuca lift stations.

Staff further recommends that the Utilities amend the Agreement to stipulate that TEP will not purchase any infrastructure from SSVEC and file the amended Agreement in compliance with the Decision in this case within 60 days of the effective date of the Decision.

Staff has also recommended that the Commission specify in its Order that approval of the Agreement at this time does not guarantee any future ratemaking treatment of the Agreement between TEP and SSVEC.

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:MXD:lhm\RM

ORIGINATOR: Melvin de la Cruz

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE JOINT
APPLICATION OF TUCSON ELECTRIC
POWER COMPANY AND SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR AN ORDER
APPROVING A BORDERLINE
AGREEMENT

DOCKET NOS. E-01933A-06-0806
E-01575A-06-0806

DECISION NO. _____

ORDER

Open Meeting
December 18 and 19, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") and Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") are engaged in providing electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission" or "ACC").

2. On December 29, 2006, TEP and SSVEC (collectively "Utilities") filed a joint application for approval of a Borderline Agreement for SSVEC to provide electric service to Fort Huachuca, a military installation located in Cochise County within the certificated service territory of TEP. TEP and SSVEC entered into the Borderline Agreement authorizing SSVEC to enter the subject area, certificated to TEP, to serve the subject property until such time that TEP notifies SSVEC of its intention to provide service to the subject property.

3. TEP is a public service corporation engaged in the generation, transmission and distribution of electricity. TEP's authority to serve Fort Huachuca is set forth in Commission Decision No. 13571, issued January 27, 1942. SSVEC is a cooperative public service corporation

1 engaged in the distribution of electricity for the purpose of serving its customers located within
2 specifically designated service areas of Pima, Cochise, Graham, and Santa Cruz Counties in
3 Arizona which have been certified and approved by the Commission.

4 4. Fort Huachuca is located 75 miles southeast of Tucson, Arizona, in Cochise County
5 and is owned by the United States government. The United States Military is planning to build
6 three waste water lift stations at Fort Huachuca. The lift stations have not yet been constructed,
7 but construction costs have been included in the Fort's most recent budget. A completion date for
8 the construction is unknown at this time. The Utilities state that there are no existing line
9 extensions or other agreements pertaining to electric service to the area in which the Fort
10 Huachuca Lift Stations are proposed to be located, nor are there any facilities, easements or right-
11 of-way to be transferred in the event the Borderline Agreement is approved.

12 5. Fort Huachuca is located within TEP's certificated service territory; however, the
13 nearest available TEP lines are more than four miles away from the Fort's proposed site. Line
14 extension costs for TEP to bring overhead lines to the perimeter of the property have been roughly
15 estimated by TEP to be about \$1,127,000. SSVEC currently has lines adjacent to the Fort
16 Huachuca property and the estimated cost for SSVEC to serve Fort Huachuca is \$48,000. The
17 Utilities feel that it is in the best interest of the property owner and the Utilities for SSVEC to
18 serve the subject property until such time as TEP determines that it is economically feasible for it
19 to provide electric service to the property.

20 6. The Borderline Agreement does not mention a mechanism governing the purchase
21 of SSVEC infrastructure (i.e., electrical lines and facilities) if TEP decides to re-enter the subject
22 property at a later point in time to serve Fort Huachuca. Staff received confirmation from SSVEC
23 that the Borderline Agreement will be amended to stipulate that TEP will not purchase any
24 infrastructure from SSVEC due to the fact that no significant infrastructure will be built.

25 7. SSVEC indicated that it does not have an estimated monthly projected kWh since
26 definite plans have not been completed.

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IT IS THEREFORE ORDERED that approval of the Borderline Agreement at this time does not guarantee any future ratemaking treatment of the Borderline Agreement between Tucson Electric Power Company and Sulphur Springs Valley Electric Cooperative, Inc.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

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 _____ day of _____, 2007.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

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SERVICE LIST FOR: Tucson Electric Power Company
Sulphur Springs Valley Electric Cooperative
DOCKET NOS. E-01933A-06-0806 and E-01575A-06-0806

Mr. Dave Couture
Director Regulatory Affairs
Tucson Electric Power Company
4350 East Irvington Road
Post Office Box 711, Mail Stop OH 122
Tucson, Arizona 85702

Mr. Michael T. Hallam
Lewis & Roca, LLP
40 North Central Avenue, Suite 1900
Phoenix, Arizona 85004

Mr. William Stein
U. S. Army Garrison
Directorate of Public Works Bldg. 22422
3040 Butler Road
Ft. Huachuca, Arizona 85613-7010

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007