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ORIGINAL

April 13, 2009

**HAND DELIVERED**

Steve Olea  
Utilities Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Arizona Corporation Commission  
**DOCKETED**

APR 13 2009

DOCKETED BY

Re: *AEPCO's Request to Extend the Filing Date for Its 2009 Rate Case to No Later Than October 1, 2009; Decision No. 68071; Docket Nos. E-01773A-04-0528 and E-04100A-04-0527*

Dear Mr. Olea:

In AEPCO's last rate order,<sup>1</sup> the Cooperative was instructed to file a rate case six months after partial-requirements member ("PRM") Sulphur Springs Valley Electric Cooperative ("SSVEC") completed a calendar year as a PRM. SSVEC became a PRM on January 1, 2008. Therefore, the required filing date pursuant to the order is July 1, 2009. In order, however, to facilitate further discussions with the objective of resolving cost allocation and rate issues among its all- and partial-requirements members, AEPCO requests an extension of the July 1 filing date to no later than October 1, 2009.

As background, AEPCO now has four Class A all-requirements members ("ARMs")—Anza in California and Duncan Valley, Graham Electric and Trico in Arizona—and two Class A PRMs—SSVEC and Mohave Electric. The two PRMs account for more than 60% of AEPCO's Class A member load. This is the first time AEPCO has entered a rate case with this membership and load composition. It poses several new and unique cost allocation challenges. Since shortly after the last rate case concluded in 2005, representatives of and consultants to the members have met periodically to attempt to resolve these revenue, cost and rate allocation issues. While a number of different problem-solving strategies have been employed in these ongoing discussions, none have achieved a consensus on these rate design and related purchased power and fuel adjustment clause ("PPFAC") matters.

<sup>1</sup> Decision No. 68071, dated August 17, 2005, p. 16, Fourth Ordering Paragraph.

Board and member direction on these issues is obviously an essential step in developing AEPCO's rate case, including the cost of service schedules and rate design to be proposed in AEPCO's filing. Therefore, at its March meeting, the AEPCO Board voted unanimously to seek an extension of the rate case filing date to no later than October 1. The unanimous vote—which included affirmative votes by the PRM Mohave and SSVEC Board representatives—also instructed AEPCO to develop and present to the Board this month a recommendation which takes into account the last position of each member and fairly balances the interests of all members (the "AEPCO Solution"). This product will then be used among the Directors, members and their advisors to produce a final AEPCO Solution within the next 60-90 days. Schedules, exhibits and testimony will then be developed based upon the AEPCO Solution.

While consensus cannot be guaranteed, delaying the rate case filing from July 1 to no later than October 1 to accommodate this process will afford the members a focused opportunity to address and hopefully resolve cost allocation issues prior to the filing. In turn, that will reduce rate design conflicts and will facilitate the presentation of a consensus product for the Staff and Commission's consideration. That will assist in more efficient analysis and processing by the Staff. Finally, this process will contribute to a more logical and coherent presentation to the Commission on the cost of service, rate design and related PPFAC issues.

In light of the foregoing, AEPCO requests that an extension of the rate case filing date be granted to no later than October 1, 2009.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:  
Michael M. Grant

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10421-59/2080935

cc: Terri Ford, Utilities Division (delivered)  
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**Original and 15 copies** filed with Docket  
Control this 13<sup>th</sup> day of April, 2009.