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OPEN MEETING AGENDA ITEM

EXCEPTION

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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JUL 23 2009

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IN THE MATTER OF THE APPLICATION
OF SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC. FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF ITS PROPERTY FOR
RATEMAKING PURPOSES, TO FIX A
JUST AND REASONABLE RETURN
THEREON, TO APPROVE RATES
DESIGNED TO DEVELOP SUCH RETURN
AND FOR RELATED APPROVALS.

DOCKET NO. E-01575A-08-0328

**SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE
INC'S EXCEPTIONS TO THE
JULY 14, 2009, RECOMMENDED
OPINION AND ORDER**

Snell & Wilmer

LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative"), through counsel undersigned, hereby files its Exceptions to the Recommended Opinion and Order ("ROO") issued on July 14, 2009, in the above-captioned matter.

I. INTRODUCTION.

SSVEC is in general agreement with most of the recommendations set forth in the ROO and appreciates the ROO's thorough and thoughtful analysis. There are, however, two areas of disagreement that the Cooperative has with the ROO, which are SSVEC's only Exceptions. Those areas relate to the Cooperative's charitable contributions and sponsorship expense, and its Wholesale Power Fuel Cost Adjustor ("WPFCA").¹ SSVEC believes and submits that there are elements of these two areas of disagreement that underscore the *inherent difference* between an investor-owned utility ("IOU") and a

¹ For the convenience of the Commission, SSVEC has attached to these Exceptions Proposed Amendments A-F. These Proposed Amendments have been drafted on a stand-alone basis.

1 cooperative. SSVEC requests that the Arizona Corporation Commission (“Commission”)
2 take this difference into consideration in its review of these Exceptions.

3 **II. THE COMMISSION SHOULD PERMIT THE INCLUSION OF EXPENSES**
4 **FOR CHARITABLE CONTRIBUTIONS AND SPONSORSHIPS.**

5 The ROO disallows what the Cooperative considers to be prudent expenses
6 attributable to charitable contributions and sponsorships. Recovery of expenses
7 attributable to charitable contributions and sponsorships is not a new issue for the
8 Commission. It is one that the Commission considered very carefully in SSVEC’s last
9 rate case that resulted in Decision No. 58398 (the “1993 Rate Decision”). The ROO’s
10 recommended denial of the Cooperative’s charitable contribution expense is contrary to
11 the 1993 Rate Decision in which the Commission *expressly allowed* for recovery of such
12 expenses in that rate case. Specifically, the Commission provided a detailed process that
13 it required SSVEC to follow in order to obtain member approval, if the Cooperative
14 wanted to continue to include charitable contributions in future rate cases. In fact, the
15 ROO itself quotes the applicable language from the 1993 Rate Decision:

16 These expenses go to the difficult issue of the role of a Cooperative today.
17 We are mindful of the impassioned arguments made by members of the
18 Cooperative and its board of directors during the public comment session
19 who said that these expenses are appropriate for SSVEC’s rural
20 community; that the activities supported may be the only ones available to
21 young people in the area and may not otherwise take place; and, that
22 SSVEC’s support is essential for much needed economic development.
23 Additionally, we recognize that the cost of SSVEC’s support for all of
24 these expenses averages by \$1.76 per customer per year. Were this an
25 investor-owned utility, we would require that the investors, not the
26 ratepayers, bear the cost of the corporation’s community mindedness.
With a cooperative the ratepayers cannot be separated from their member-
owners. For these reasons, we will allow the costs in the instant case.
However, we share the concerns of RUCO and Staff that members’ choices
are made for them. Therefore, we will require [SSVEC] in its next rate
proceeding, to demonstrate that a majority of its members have ratified the
Board’s expenditures of their funds for these purposes. If it does not, we

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will disallow the expenditures. To fairly gauge its members' desires SSVEC should:

- a. prepare a ballot for each of its members containing sufficient information to explain the expense at issue;
- b. submit a draft of the ballot to the Director of the Utilities Division for approval/modification; such approval/modification shall be provided within 15 days of receipt;
- c. mail the approved ballot to each member; and
- d. receive the approval of a majority of the members voting and returning the ballots within 30 days of SSVEC mailing of the ballots.²

The ROO acknowledges that SSVEC has fully complied with the above requirements from the 1993 Rate Decision. The ROO also states that there is "no indication that the member/ratepayers are opposed to the Cooperative's charitable donations, and the record indicates there is support for the Cooperative's involvement in the community." However, the ROO goes on to state that member-ratepayers are concerned about the impact of the rate increase, but cites to only one member that gave public comment on February 11, 2009, expressing concerns about the rate increase and the role of charitable contributions in connection therewith.³ The ROO does not specifically mention the nine members that gave public comment in support of the Cooperative's charitable contribution and sponsorship programs which SSVEC believes is more representative of the members' wishes that the programs continue notwithstanding the relatively minor impact to rates.

The ROO also states that the Commission did not "guarantee" that charitable contributions would be allowed in the next rate case and that given the Cooperative's

² ROO at page 8, line 16 through page 9, line 6, quoting the 1993 Rate Decision at pages 18 and 19 (emphasis added).
³ ROO at page 10, lines 5-7.

1 recent growth, “it is not clear whether current members are aware that the Cooperative’s
2 charitable donations and sponsorships can affect their rates.” However, the 1993 Rate
3 Decision clearly implies that the Commission would continue to allow the expense in
4 future rate cases so long as the Cooperative received the approval of its members through
5 the by-law change. In reliance thereon, the Cooperative expended time and money to
6 secure the member approval that the Commission ordered, and SSVEC continues to offer
7 its charitable contributions and sponsorship programs that are an integral part of the
8 community within SSVEC’s service territory. Moreover, all Cooperative members,
9 including new members, agree to abide by the Cooperative’s by-laws as a condition of
10 service which authorizes the programs.

11 Webster’s Dictionary defines “cooperative” as “*an enterprise or organization*
12 *owned by and operated for the benefit of those using its services.*” At the hearing, Mr.
13 Jack Blair, SSVEC’s Director of Member Services, testified on behalf of SSVEC to one of
14 the primary cooperative principles, which is:

15 While focusing on member needs, cooperatives work for the
16 sustainable development of their communities through policies
17 accepted by their members.⁴

18 Mr. Blair went on to testify that:

19 Over the 70 year history of SSVEC, the Cooperative has
20 always shown its commitment to the community through
21 charitable donations and sponsorships in the areas that we
22 serve. This ensures that member dollars stay in the
23 community. Although the dollar amount at issue is quite
24 small, (less than .3 percent of total revenue), the benefits to
25 our members and the local non-profit organizations are great.
26 As the Commissioners heard first hand at the February 11,
2009, public comment session on this rate case from numerous
community leaders, the donations and sponsorships that the

⁴ Exhibit A-18 at page 13, lines 11-13.

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Cooperative make are integral to improving the quality of life for our members in our service territory. These donations and sponsorships, such as the Boys and Girls Scouts, hospital foundations and organization, youth sports teams, money raising events for education and medical equipment for hospitals, are just a few of the kinds of organizations and sponsorships that SSVEC supports.⁵

This long-standing charitable contribution and sponsorship program is a very important issue for the Cooperative as it underscores better than any other issue the difference between an IOU and a member-owned cooperative and the role that a cooperative has in the rural community. If SSVEC members were unwilling to support its Cooperative's ability to maintain these programs in favor of lower rates, they would not have approved the by-law change by such an overwhelming margin. Moreover, if the members decide they do not want the Cooperative to continue such programs, they can initiate such a change through the Board.

Finally, unlike an IOU where the Commission may consider charitable contributions and sponsorships as below the line items to be borne by the shareholders and not the ratepayers, in the case of a cooperative, there are no shareholders and the members are the ratepayers. Accordingly, to the extent the Cooperative continues to fund such programs, the Cooperative will be forced to use its equity margin (which is funded by the member ratepayers). Given the analysis that the Commission did in its last rate case, as well as the fact that if the expense is not allowed to be recovered in base rates, the Cooperative will have to continue to pay for these programs from its margin (which is inconsistent with SSVEC reaching a 30 percent equity level by 2016), this expense should be permitted.

⁵ *Id.* at page 13, line 15 through page 14, line 2.

1 For the convenience of the Commission, SSVEC has set forth proposed language
2 in Proposed Amendment A attached hereto in order to assist the Commission in amending
3 the ROO to permit the charitable contribution and sponsorship expense of \$298,622.

4 **III. WHOLESALE POWER AND FUEL COST ADJUSTOR.**

5 **A. General.**

6 The ROO adopts Staff's recommendation that SSVEC be required to submit for
7 Commission approval proposed increases to its WPFCA rate. Although SSVEC does not
8 agree with this recommendation *per se*, SSVEC will not further challenge this overall
9 recommendation. However, because SSVEC is a cooperative (as opposed to an IOU) and
10 has not been required to obtain Commission approval for increases in the past, SSVEC
11 believes that the Commission should take these facts into consideration in establishing the
12 necessity of when and how SSVEC would be required to obtain Commission approval to
13 increase its WPFCA given the time, resources, and expense associated with obtaining the
14 approval. Accordingly, SSVEC is proposing three substantive amendments related to the
15 approval process.

16 SSVEC is also proposing two clarification amendments related to the WPFCA.⁶
17 The first relates to the inclusion of language in the final Decision that expressly
18 acknowledges that SSVEC may file for increases in its WPFCA based upon prospective
19 increases in its purchased power costs. The second relates to the inclusion of fuel costs
20 for future Cooperative-owned generation in the WPFCA.

21 **B. The WPFCA rate should be considered an initial ceiling for**
22 **adjustment purposes.**

23 The ROO adopts SSVEC's and Staff's agreement that the base cost of power for
24 the Cooperative be set at \$0.072127 per kWh and that SSVEC be able to continue its

25 _____
26 ⁶ SSVEC believes these amendments to be non-controversial and consistent with Staff's testimony and are necessary to eliminate any potential ambiguity on the respective issues.

1 WPFCA for recovery of expenses in excess of this amount.⁷ Accordingly, in adopting
2 these rates, the Commission has determined this to be a just and reasonable rate. The
3 ROO adopts Staff's recommendation that the Cooperative must obtain Commission
4 approval for *any and all increases* of the WPFCA rate. At the hearing, Staff's witness
5 was asked by counsel for SSVEC to clarify Staff's position (on what it meant by any and
6 all increases) to determine whether the recommendation meant an increase *above* the
7 initial adjustor rate that will be established following the final Decision in this case, or
8 increases in the adjustor rate following a decrease that does not exceed the initial adjustor
9 rate.⁸

10 Q. Okay. Let me give you a hypothetical, because this is where I am
11 still struggling to understand how this is going to work. Let's say in a
12 given year Sulphur has lowered -- the adjustor level is set and let's
13 say it translates into 2 cents, just for -- okay, it is 2 cents. So the
14 number that is approved in this Commission allows for a 2 cent
15 adjustor. Now, Sulphur needs to lower that adjustor to 1 cent. All
16 right? And it stays at 1 cent for a period. Okay? Then Sulphur
17 incurred some fuel costs and then it needs to raise it back to 2 cents.
18 All right? Would you agree with me that the 2 cents established in
19 this rate decision would be considered the ceiling in that Sulphur
20 would only have to come in for increases beyond the 2 cents?

17 A. No.

18 Q. Okay. So once -- and again I am only asking because we really
19 weren't sure what you meant here. If the Commission is establishing
20 the adjustor at 2 cents hypothetically, or whatever that decimal, long
21 decimal number is, and lowers it, Staff is unwilling to allow the
22 company to go back up to that amount, the amount established in this
23 rate case decision, without coming to the Commission first?

22 A. Staff's position is that any increase to the adjustor must be filed with
23 the Commission for approval.

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26 ⁷ ROO at Finding of Fact No. 34.

⁸ Transcript of Hearing ("Trans.") at page 610, lines 4 through page 611, line 10.

1 Q. Okay. That clarifies it. And, again, in your testimony you stated that
2 the reason that, one of reasons Staff is recommending that the
Commission approve all increases is to mitigate potential rate shock?

3 A. That is correct.
4

5 This position makes no practical sense and will result in an increase in the amount
6 of filings that SSVEC will be required to make. First, the ROO recommends approval of
7 the WPFCA thereby finding the initial rate factor that will be derived in the final Decision
8 to be just and reasonable. Staff has proposed, the Cooperative has agreed, and the ROO
9 adopts Staff's recommendation that SSVEC will not need to obtain Commission approval
10 to lower the adjustor rate. If, however, the Cooperative lowers the adjustor rate below the
11 initial adjustor rate, under Staff's proposal as adopted in the ROO, the lower rate now
12 becomes the new ceiling, and SSVEC is precluded from raising the adjustor above that
13 new rate without obtaining Commission approval, even though it is less than the initial
14 rate established in this rate case to be a just and reasonable rate. Second, SSVEC does not
15 see how increasing the now lowered adjustor rate back to the initial rate would result in
16 rate shock, as the rates would simply return to the level set by the Commission in this rate
17 case, which was found to be just and reasonable. Accordingly, SSVEC should be
18 permitted to raise the adjustor back to the initial rate factor that will be in effect following
19 the final Decision in this case without having to first seek Commission approval.

20 Additionally, if the Cooperative files for an increase in its adjustor rate, and the
21 Commission approves a new increased adjustor rate above the rate derived from the
22 Decision in this case, that rate should supplant the initial adjustor rate derived from the
23 Decision as the new ceiling for purposes of future increases and decreases of the WPFCA.

24 Accordingly, SSVEC requests that the final Decision in this case be clarified to
25 state that the WPFCA mechanism established therein be consistent with SSVEC's above
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1 proposal. For the convenience of the Commission, SSVEC has set forth proposed
2 language in Proposed Amendment B attached hereto in order to assist the Commission in
3 amending the ROO to establish the initial WPFCA ceiling.

4 C. Increases to the WPFCA should go into effect if the Commission
5 does not act upon the filing within 60 days.

6 Because timely recovery of expenses are critical to the Cooperative, SSVEC
7 proposed a mechanism that the Commission authorized several times already (as
8 discussed below) that will ensure the Commission's ability to review and approve the
9 increase in a timely manner, as such review and approval process is out of the
10 Cooperative's control. SSVEC provided testimony from its outside rate consultant
11 regarding this mechanism as follows:

12 SSVEC also believes that there must be some provision that
13 requires the Commission to act on such filings within a
14 specified time frame. Given the magnitude of the wholesale
15 power cost and the potential impact of a less than timely
16 recovery, a 60-day turn-around is not an unreasonable
17 expectation. Staff suggests that the Cooperative could file six
18 (6) months in advance to avoid a lag in recovery. Staff also
19 testifies that purchased power costs are volatile and hard to
20 predict. SSVEC is dependent upon AEPCO for the majority
21 of its purchases and market prices for the remainder. SSVEC
22 is not always able to predict changes in power cost into the
23 future. That is why the WFPCA factor is so important in the
24 recovery of these costs. Unlike an investor-owned utility that
25 may be able to predict fuel costs well into the future, SSVEC
26 does not have that same ability. It is essential that SSVEC
have the ability to recover sudden increases in fuel costs
without a significant delay at the Commission.⁹

23 At the hearing, Staff admitted (as stated in the ROO) that it can typically take as
24 long as four to five months for the Commission to approve an adjustor reset.¹⁰ Moreover,

25 ⁹ Exhibit A-9 at page 13, lines 22 through page 14, line 8.

26 ¹⁰ Trans. at page 539, lines 7-16; ROO at page 29, lines 14-15.

1 Staff further provided information in its response to a data request that the Commission
2 has previously approved adjustors for three other utilities that go into effect unless
3 suspended by the Commission.¹¹ Those utilities are AEPCO (Decision No. 68071,
4 August 17, 2005), Arizona Public Service (Decision No. 69663, June 11, 2007), and UNS
5 Electric (Decision No. 70360, May 27, 2008).

6 In light of (i) SSVEC being a cooperative (as opposed to an IOU that has
7 shareholders that are in a better position to “lay out” funds to cover expenses) that must
8 have timely recovery of its fuel and purchased power costs, (ii) the timing of the
9 Commission approval process is out of SSVEC’s direct control; (iii) in the near future,
10 between 75 and 88 percent (or more) of its power will come from AEPCO, and the
11 Commission will have already approved the pass through of those costs to SSVEC; and
12 (iv) the Commission precedent that already permits automatic adjustors for other utilities
13 (including a cooperative). SSVEC requests that when SSVEC files for adjustor increases,
14 such increases be permitted to go into effect if the Commission does not act to suspend the
15 Cooperative’s filing within 60 days.

16 For the convenience of the Commission, SSVEC has set forth proposed language
17 in Proposed Amendment C attached hereto in order to assist the Commission in amending
18 the ROO to permit the 60-day mechanism.

19 D. *Power purchased from AEPCO that is passed through the*
20 *Commission-approved AEPCO adjustor should not be considered*
21 *for purposes of increase to the WPFCA rates.*

22 The evidence presented at the hearing demonstrated that SSVEC will continue to
23 obtain as much as between 75 and 88 percent of its power from AEPCO for the
24 foreseeable future. AEPCO passes through the costs associated with its power purchased
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26 ¹¹ *Id.* at page 641, lines 2 through 642, line 6. ROO at page 29, line 16.

1 for SSVEC by way of a Commission-approved pass through adjustor mechanism.
2 Therefore, SSVEC has no control over the costs that AEPCO passes through, which have
3 already been reviewed and approved by the Commission. Accordingly, in light of the
4 WPFCA thresholds with which the Cooperative has already agreed to in order to
5 minimize rate shock and to stabilize the adjustor, such filing should *only* be for those
6 increases resulting from SSVEC's power purchases from non-AEPCO sources.¹²

7 The suggestion in the ROO that if the "primary component of the WPFCA will be
8 attributable to fuel costs passed through by AEPCO in its adjustor, Staff's review of any
9 SSVEC application will be made all the easier, and SSVEC should not experience long
10 delays," is not supported by the evidence. As discussed above, Staff has already
11 acknowledged that it could take four to five months for the Commission to approve an
12 adjustor filing, and the Cooperative has no assurance that it will not take even longer
13 given current Commission resource constraints. The Commission will have already
14 authorized AEPCO to pass through increases to its adjustor to its distribution cooperatives
15 as being a just and reasonable pass through with the understanding that those costs will be
16 passed down further to the distribution cooperatives' member-ratepayers. Given time and
17 resource constraints, there is no practical reason for the Commission to have to look at and
18 approve these very same costs once again. If the Commission's concern regarding
19 SSVEC's WPFCA relates to its status as a Partial Requirements Member ("PRM") of
20 AEPCO, then only those purchases associated with SSVEC being a PRM should be
21 subject to Commission review and approval before being passed through to member
22 ratepayers.¹³

23 ¹² Exhibit A-9 at page 19, lines 2-10.

24 ¹³ It should be noted that the Commission recently issued a ROO for Trico Electric Cooperative, Inc. in
25 Docket No. E-0146A-08-0430. Trico is an All Requirements Member of AEPCO. There is no provision
26 in that ROO which requires Trico to file for increases in its wholesale fuel adjustor, presumably because it
is taking all of its power from AEPCO. Accordingly, if the Commission believes that AEPCO pass
throughs are reasonable for Trico, it stands that the same power obtained from AEPCO that is passed
through to SSVEC should not be subject to further Commission review and approval.

1 For the convenience of the Commission, SSVEC has set forth proposed language
2 in Proposed Amendment D attached hereto in order to assist the Commission in amending
3 the ROO to exclude AEPCO-related fuel and purchased power increases from the
4 requirement that SSVEC file for approval of its WPFCA rates.

5 **E. The ROO should be amended to provide that SSVEC may include**
6 **in its WPFCA fuel costs associated with future self-generation.**

7 SSVEC considers this Exception to be clarification in nature for future reference.
8 Although alluded to in the ROO, SSVEC requests that the ROO contain specific language
9 adopting SSVEC's and Staff's agreement that fuel costs which may arise if SSVEC were
10 to acquire its own generation units be passed through the WPFCA. This is consistent with
11 evidence presented at the hearing.¹⁴

12 For the convenience of the Commission, SSVEC has set forth proposed language
13 in Proposed Amendment E attached hereto in order to assist the Commission in amending
14 the ROO to provide express language to clarify this point.

15 **F. The ROO should be amended to provide that SSVEC be permitted**
16 **to file for WPFCA increases based upon prospective costs.**

17 SSVEC also considers this Exception to be clarification in nature for future
18 reference. In light of the ROO's recommendation that SSVEC must file for approval of
19 increases to its WPFCA, SSVEC requests that the ROO contain specific language that
20 authorizes the Cooperative to file for such increases based upon prospective increases in
21 its fuel and purchased power costs. If SSVEC can reasonably anticipate such increases in
22 advance of incurring those costs, it should be able to file for an increase in its WPFCA on
23 a prospective basis and not have to wait until such time that it actually incurs the higher
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26 ¹⁴ Exhibit S-12 at page 10, lines 16-18; page 11 at lines 9-15.

1 costs. This is consistent with Staff's testimony at the hearing in recommending that
2 SSVEC be required to file for Commission approval of all WPFCA rate increases.¹⁵

3 For the convenience of the Commission, SSVEC has set forth proposed language
4 in Proposed Amendment F attached hereto in order to assist the Commission in amending
5 the ROO to provide express language to clarify this point.

6 **IV. CONCLUSION**

7 On the basis of the foregoing, SSVEC requests that the ROO be amended
8 consistent with SSVEC's recommendations set forth herein.

9 RESPECTFULLY SUBMITTED this 23rd day of July, 2009.

10 SNELL & WILMER L.L.P.

11
12 By 

13 Bradley S. Carroll
14 One Arizona Center
15 400 East Van Buren
16 Phoenix, Arizona 85004-2202
17 Attorneys for Sulphur Springs Valley
18 Electric Cooperative, Inc.

17 ORIGINAL and 13 copies filed this
18 23rd day of July, 2009, with:

19 Docket Control
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington
22 Phoenix, Arizona 85007

23 COPIES of the foregoing hand-delivered
24 this 23rd day of July, 2009, to:

25 Kristin K. Mayes, Chairman
26 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

¹⁵ Trans. at page 636, line 8 through page 637, line 3.

1 Gary Pierce, Commissioner
ARIZONA CORPORATION COMMISSION
2 1200 West Washington Street
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3 Paul Newman, Commissioner
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17 COPY of the foregoing sent via E-Mail and U.S. Mail
18 this 23rd day of July, 2009, to:

19 Jane Rodda, Administrative Law Judge
Hearing Division
20 ARIZONA CORPORATION COMMISSION
400 West Congress
21 Tucson, AZ 85701-1347

22
23 
24 BOB STUMP
10341899.4

25
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Proposed Amendments

PROPOSED AMENDMENT A

CHARITABLE CONTRIBUTIONS AND SPONSORSHIPS

DELETE starting from "On the other hand,..." on page 10, line 5 through page 11, line 11, and INSERT the following:

"Mr. Blair testified that the expense associated with charitable contributions and sponsorships is less than .3 percent of the Cooperative's total revenue, directly benefits its members as the dollars stay in the community, and are integral to improving the quality of life for members in SSVEC's service territory. Accordingly, we will include the additional \$298,622 of expense for charitable contributions and sponsorships."

DELETE page 14, lines 20 to 24, and INSERT the following:

Total Revenues	\$92,825,281
Total Expenses	\$85,962,331
Operating Income	\$6,862,950
Interest Expense & Other Deductions	\$7,106,255
Non-Operating Additions	\$667,660
Net Income	\$424,375

Thus, in the Test Year, the Cooperative experienced a return on FVRB of 5.16 percent.

DELETE "\$9,544,815" and "\$102,370,096" on page 17, line 4, and REPLACE with "\$9,843,437" and "\$102,668,718," respectively.

DELETE "10.28" on page 17, line 5, and REPLACE with "10.63".

DELETE "\$85,663,709," "\$7,161,572" and "5.44" on page 41, line 23, and REPLACE with "\$85,962,331," "6,862,950," and "5.16," respectively.

DELETE "\$722,977," "1.09" and "2.11" on page 41, line 24, and REPLACE with "\$424,375," "1.06," and "1.33," respectively.

DELETE "\$102,370,096," "\$9,544,815" and "10.28" on page 42, line 18, and REPLACE with "\$102,688,718," "\$9,843,437," and "10.63," respectively.

DELETE "\$9.04" and "10.18" on page 43, line 4, and REPLACE with "\$9.19" and "10.38."

DELETE "\$88.78" and "97.82" on page 43, line 5, and REPLACE with "\$88.55" and "\$97.74."

PROPOSED AMENDMENT B

WPFCA RATE CEILING

INSERT the following new paragraph at the bottom of page 31:

We agree with the Cooperative that the WPFCA “initial rate” established per this Decision is a just and reasonable rate and should be considered as the “initial rate ceiling” for purposes of increases and decreases to the WPFCA. In the event that SSVEC lowers the initial rate, it shall be permitted to raise the WPFCA rate back to the initial rate ceiling without Commission approval. If SSVEC subsequently obtains Commission authorizations to increase the WPFCA rate in excess of the initial rate, the new WPFCA rate established by the Commission shall be considered as the “new ceiling” and SSVEC would be permitted to lower the WPFCA rate and subsequently raise the WPFCA rate up to the new ceiling.

DELETE Finding of Fact No., 40 on page 43, and REPLACE with the following new Finding of Fact No. 40:

Staff’s recommendations concerning the WPFCA as discussed herein are reasonable and should be adopted, except that (i) DSM costs for 2008 and any prior years that are included in the WPFCA should not count toward the under-collected bank balance for determining when SSVEC must file for an increase in the WPFCA; and (ii) SSVEC may increase its WPFCA rate so long as such increase does not exceed the initial adjustor rate established in this Decision or in a subsequent Order of the Commission as discussed herein.

INSERT after “Commission,” on page 47, line 9: “except to the extent such increases do not exceed the WPFCA ceiling discussed herein.”

PROPOSED AMENDMENT C

60-DAY EFFECTIVENESS OF WPFCA RATE INCREASES

DELETE page 31, line 11, starting with “We do not find” through line 18 ending in “delays,” and REPLACE with the following:

However, we agree with SSVEC that as a cooperative that will continue to receive approximately 80 percent of its power from AEPCO and the need for it to timely recover its fuel and purchased power costs, SSVEC shall be permitted to increase its WPFCA rate 60 days after the filing of an application unless the Commission acts to suspend the application within such time.

INSERT a new Finding of Fact after Finding of Fact No. 40, as follows and renumber thereafter:

SSVEC’s proposal that it be permitted to increase its WPFCA rate 60 days after the filing of an application unless the Commission acts to suspend the application within such time is reasonable and should be adopted.

INSERT after “increased” on page 47, line 9, the following:

60 days following the filing of an application unless the Commission acts to suspend the application within such time frame and then.”

PROPOSED AMENDMENT D

PASS THROUGH OF AEPCO PURCHASED POWER COSTS

DELETE page 31, line 16, starting with “We believe” through line 18 ending in “delays,” and REPLACE with the following:

However, we agree with the Cooperative that for the foreseeable future, it will continue to obtain approximately 80 percent (or more) of its power from AEPCO. Since the Commission already approves the pass through of AEPCO power costs to SSVEC, there is no need for the Commission to review WPFCA rate increases associated with costs passed through from AEPCO. Accordingly, SSVEC shall only be required to obtain Commission approval for WPFCA rate increases derived from non-AEPCO sources.

DELETE Finding of Fact No. 40 on page 43 and REPLACE with the following new Finding of Fact No. 40:

Staff’s recommendations concerning the WPFCA as discussed herein are reasonable and should be adopted, except that (i) DSM costs for 2008 and any prior years that are included in the WPFCA should not count toward the under-collected bank balance for determining when SSVEC must file for an increase in the WPFCA; and (ii) SSVEC shall not be required to obtain Commission approval for increases to its WPFCA to the extent the increase is a result of costs passed through by AEPCO to SSVEC.

INSERT after “Commission,” on page 47, line 9: “except to the extent such increases are a result of costs passed through by AEPCO to SSVEC.”

PROPOSED AMENDMENT E

SELF-GENERATION FUEL COSTS

INSERT a footnote on page 31, line 11, after “WPFCA rate,” as follows:

SSVEC may file for WPFCA increases based upon projected increases in its fuel and purchased power costs.

PROPOSED AMENDMENT F

PROSPECTIVE COSTS

INSERT at the end of Finding of Fact No. 40 the following:

Additionally, the SSVEC and Staff agreed-upon recommendation that fuel costs that may arise if SSVEC were to have its own generation units may be passed through the WPFCA is reasonable and should be adopted.

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