

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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2009 JUL 23 P 3:40

Arizona Corporation Commission

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AZ CORP 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

**STAFF'S PROPOSED CLARIFICATIONS
TO THE RECOMMENDED OPINION
AND ORDER**

Arizona Corporation Commission Staff ("Staff") files these proposed requests for clarification to the Administrative Law Judge's Recommended Opinion and Order ("ROO") dated July 14, 2009.

I. DSM ADJUSTOR MECHANISM

Staff would like to clarify the discussion on page 24, lines 4, 11-15, and Finding of Fact No. 41 of the ROO. Staff understands that SSVEC would like the flexibility of being able to file for a change to its DSM adjustor rate more than once a year if SSVEC believes it is necessary for the timely recovery of DSM program expenses. While Staff agrees that a Company can make a DSM adjustor rate filing whenever it chooses, multiple filings within a year are not consistent with how a DSM adjustor usually functions.

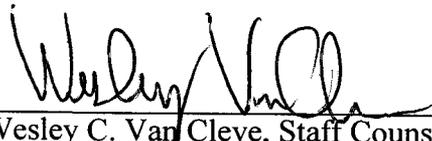
It is important to note that Staff has recommended, in this case (page 22, lines 2-8 of the ROO), that the Commission approve the reset of SSVEC's DSM adjustor rate annually on June 1 of each year. This rate would be based on projected DSM costs. Although SSVEC has the right to file for a rate change more frequently, it is unlikely that SSVEC would need to do so because the rate is based on projected costs. Staff believes that recovery of DSM program expenses could not be timelier. Specifically, SSVEC would already be recovering the DSM costs before they are actually incurring. The Commission has established similar DSM adjustor mechanisms for other companies, and those companies have not filed for rate changes more than once a year.

1 **II. POWER PROCUREMENT**

2 Staff would also like clarification of the discussion on a prudence review on page 34 of the
3 ROO and Finding of Fact No. 43. Staff has recommended a prudence review of SSVEC's purchased
4 power procurement process in the next rate case or three years, whichever is first (page 33, lines 2-3).
5 On page 34, lines 19-21, the ROO states, "We do not have to decide now whether a fuel procurement
6 prudency review should be required in three years or in the next rate case. We believe it is better to
7 allow Staff to determine in the next rate case, based on intervening facts, how best to investigate
8 SSVEC's fuel procurement policies and practices."

9 It is important to remember that this rate case is SSVEC's first rate case in approximately 16
10 years. While Staff believes that SSVEC will be in for another rate case before the passage of another
11 16 years, there is no way of knowing with any certainty when that will be. It appears from the
12 language of the ROO that should SSVEC not file an application for another rate case that Staff would
13 not be able to conduct a procurement review if Staff finds it necessary to do so. Staff would like
14 clarification that Staff is not prohibited from conducting a procurement review sooner than SSVEC's
15 next rate case, if Staff finds it appropriate to do so.

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

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18 _____
19 Wesley C. Van Cleve, Staff Counsel
20 Arizona Corporation Commission
21 Legal Division
22 1200 West Washington Street
23 Phoenix, Arizona 85007
24 (602) 542-3402

23 Original and thirteen (13) copies
24 of the foregoing were filed this
25 21st day of July, 2009 with:

26 Docket Control
27 Arizona Corporation Commission
28 1200 West Washington Street
Phoenix, Arizona 85007

1 Copies of the foregoing mailed this
2 23rd day of July, 2009 to:

3 Bradley S. Carroll
4 SNELL & WILMER, L.L.P.
5 One Arizona Center
6 400 East Van Buren
7 Phoenix, Arizona 85004-2202

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Roseann Orrio