



1 BEFORE THE ARIZONA CORPORATION

2

3 IN THE MATTER OF THE APPLICATION OF )  
 4 SULPHUR SPRINGS VALLEY ELECTRIC )  
 5 COOPERATIVE, INC. FOR A HEARING TO ) DOCKET NO.  
 6 DETERMINE THE FAIR VALUE OF ITS ) E-01575A-08-0328  
 7 PROPERTY FOR RATEMAKING PURPOSES, TO )  
 8 FIX A JUST AND REASONABLE RETURN )  
 9 THEREON, TO APPROVE RATES DESIGNED TO )  
 10 DEVELOP SUCH RETURN AND FOR RELATED )  
 11 APPROVALS. ) SPECIAL OPEN  
 12 ) MEETING

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10 At: Tucson, Arizona Arizona Corporation Commission

11 Date: August 17, 2009

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1 BE IT REMEMBERED that the above-entitled and  
2 numbered matter came to be heard at a Special Open  
3 Meeting before the Arizona Corporation Commission, in  
4 Hearing Room 222 of said Commission, 400 West Congress,  
5 Tucson, Arizona, commencing at 10:03 a.m. on the 17th of  
6 August, 2009.

7  
8 BEFORE: KRISTIN K. MAYES, Chairman  
9 GARY PIERCE, Commissioner  
10 PAUL NEWMAN, Commissioner  
11 SANDRA D. KENNEDY, Commissioner  
12 BOB STUMP, Commissioner

13 SHAYLIN A. BERNAL, Madam Secretary

14 APPEARANCES:

15 For the Arizona Corporation Commission:

16 Hearing Division:  
17 ALJ Jane Rodda  
18 CALJ Lyn Farmer

19 Legal Division:  
20 Ms. Janice Alward  
21 Mr. Wes Van Cleve

22 Staff:  
23 Mr. Elijah Abinah  
24 Ms. Barbara Keene  
25 Mr. Prem Bahl

For the Applicant:

Mr. Bradley S. Carroll  
Mr. Creden W. Huber  
Mr. John Blair  
Mr. Ron Orozco

COLETTE E. ROSS  
Certified Reporter  
Certificate No. 50658

1 CHMN. MAYES: Good morning. This is the open  
2 meeting of the Arizona Corporation Commission. It is  
3 after 10:00. Why don't we go ahead and get started with  
4 public comment.

5 We are going to have to move through the public  
6 comment fairly quickly. As you may have noticed we have  
7 a number of amendments to go through. So as we call the  
8 public comment, I am just going to request that you try  
9 to limit your comments, and I very, very rarely do this,  
10 to a couple of minutes. And if someone before you has  
11 provided the same comments, it is fine if you want to  
12 pass.

13 But we do want to try to get through all of the  
14 amendments. I think we have some 13 or 15 amendments in  
15 front of us all told to this rate case. So we really  
16 would like to vote this matter out here today.

17 We voted specially to come down to Tucson to try  
18 to be closer to Sierra Vista as we address the  
19 amendments and the order itself. So if we can't get  
20 through the amendments, we can't get through all the  
21 public comment, that means we would have to go back to  
22 Phoenix and vote on it at our next regular open meeting.

23 The reason we are very limited on time is we  
24 have a public comment session on the UniSource natural  
25 gas case to attend in Nogales tonight. So we are doing

1 a lot of southern Arizona business while we are down  
2 here.

3 So with that, we are going to go ahead and get  
4 started. This is, as I said, the open meeting of the  
5 Arizona Corporation Commission to hear the Sulphur  
6 Valley Electric Cooperative request for a rate increase.  
7 And we will begin with public comment. I am going to  
8 call a name, and then I am going to call another name as  
9 the person who is going to be on deck. So just be ready  
10 to jump up and come to the microphone that's sitting  
11 right here on the podium.

12 We will start with Elizabeth Webb. And make  
13 sure your little light is on.

14 MS. WEBB: It is on.

15 CHMN. MAYES: Great. Thank you.

16 MS. WEBB: Chairman Mayes, Commissioners, thank  
17 you for making the trip down to Tucson. This is really  
18 important to us and our rural environment. And I  
19 apologize for my throat.

20 My name is Elizabeth Webb and I live in  
21 southeastern Arizona, quite close to the Santa Cruz  
22 County line, in a very rural community off of Hilton  
23 Ranch Road off Sonoita Highway.

24 First off, I would like to say the ones that I  
25 have the most knowledge of -- and I am terrible with

1 numbers. I always say that. So I am going to say I am  
2 in support of Mayes Amendment 1, 2, and Newman 1. The  
3 rest I just do not have enough information and not  
4 educated enough in numbers to be able to speak to those.

5 Very quickly I would just like to say about a  
6 year ago I attended a meeting for Sulphur Springs down  
7 in Elgin. And a woman next to me started crying when  
8 they said that we had listened to what they had said.  
9 And from an outsider's perspective, I thought no, no,  
10 you haven't. And public outreach is very, very vital to  
11 me and it is very vital to the rural communities because  
12 it is their only voice to the Commissioners.

13 And, secondly, I attended a meeting subsequently  
14 where the community had come together to look for a  
15 solution. And they presented a solution in the  
16 direction and the directives that have been given by the  
17 Commission to provide more renewable energy.

18 In this case you have a community that has shown  
19 that it is going to do the work. They have shown that  
20 they are committed to doing the work. And in this case,  
21 they are not strictly customers. They have a stake in  
22 this company and should have a voice.

23 Thank you very much.

24 CHMN. MAYES: Thank you, Ms. Webb. I appreciate  
25 you being here, always appreciate your participation in

1 our cases.

2 Paul Green. And then after Paul, Linda Kennedy.

3 MR. GREEN: Thank you for hearing us here today.

4 My name is Paul Green.

5 CHMN. MAYES: Paul, can you make sure your light  
6 is on.

7 MR. GREEN: The green light?

8 CHMN. MAYES: Yes, the green light.

9 MR. GREEN: Okay. My name is Paul Green. I  
10 have a Ph.D. in ornithology from the University of  
11 Edinburgh in Scotland from the study of birds in the  
12 agricultural grasslands. I am also the executive  
13 director of Tucson Audubon, a community conservation  
14 organization that represents about 4,000 households  
15 throughout southeastern Arizona.

16 I think the planned construction of the 69kV  
17 transmission line through the Babocomari Ranch is a  
18 mistaken idea for four reasons that, I think, a  
19 significant majority of the community shares. I think  
20 it is wrong for ecological, scientific, political and  
21 esthetic reasons.

22 The ecology. I think its construction and its  
23 existence will damage the ecology of the threatened  
24 desert grasslands in our region. The birds of  
25 southwestern grasslands have declined by more than 40

1 percent over the last 40 years. The power line here  
2 will contribute to further destruction to the habitats  
3 for birds.

4 For science it will have a serious detrimental  
5 effect on long-term and future studies by scientists  
6 working through the Research Ranch a few hundred feet to  
7 the south who have been doing comparative studies on the  
8 effects of grazing on these grasslands for about 40  
9 years.

10 Politically I think it is wrong since it  
11 contravenes a number of the cornerstones of the San Cruz  
12 County comprehensive plan. These include but -- these  
13 include maintaining a real dialogue with the community  
14 over routes for power transmission lines and maintaining  
15 esthetic and ecological functions of the region.

16 Finally, on an emotional level, it will have a  
17 hugely detrimental effect on the esthetic qualities of  
18 these stunningly beautiful grasslands. Its construction  
19 will decrease the quality of the lives who live and  
20 visit the area.

21 Most importantly, it is clear that the community  
22 does not trust the SSVEC. And I strongly advocate the  
23 establishment of an independent third-party review body  
24 to consider the wide range of options that the community  
25 has put forward in a most constructive manner.

1           No one I have spoken to has a clear sense of  
2 what is truth and spin. Each time any individual has  
3 investigated the claims made by SSVEC, questions are  
4 raised upon the data upon which the claims are based.  
5 Do we really need this line, and how would we really  
6 know? Is this really the best route, and how would we  
7 really know?

8           Let's have a clear, transparent, thorough  
9 independent review process. Thank you.

10           CHMN. MAYES: Mr. Green, if -- Mr. Green, could  
11 I ask you a quick question.

12           I appreciate you being here and you have a Ph.D.  
13 in ornithology. And I know that we have had public  
14 comment on this issue in the past regarding the bird  
15 habitat nearby and just happened to be reading out of  
16 the Wilderness Warrior about Teddy Roosevelt. And it  
17 mentioned in that book that several of his mentors and  
18 heroes ended up in this area studying birds even back in  
19 the late 1800s, early 1900s.

20           Can you just quickly describe for us, you think  
21 that the line is a mistake for ecological purposes and  
22 that it would actually destroy bird habitat, what do you  
23 mean by that?

24           MR. GREEN: Birds are very sensitive to any kind  
25 of disruption of their habitat. Grasslands have been

1 squashed in terms of the amount of grass and habitat  
2 throughout our region has decreased dramatically. Many  
3 bird species, when conditions change, can move. They  
4 can go further north. They can go up the hill depending  
5 on what changes have taken place. With grasslands,  
6 that's simply not the case and grassland birds as a  
7 guild across the continent have to climb more than any  
8 other group of species. That's because grasslands are  
9 being basically taken over by a combination of  
10 conversion to agriculture and human development. That  
11 actually reduces the area.

12           When the area of grassland is reduced, the birds  
13 have nowhere else to go. And so we are gradually seeing  
14 bit by bit the reduction of the bird populations, as I  
15 said, 40 percent over the last 40 years by data  
16 collected by USGS and National Audubon Society. Those  
17 birds don't go someplace else. They don't exist any  
18 longer. And as grassland decreases, so the bird  
19 populations will go down. So with the construction  
20 process that goes ahead with this line, those habitats  
21 will be grossly disturbed with the replacement poles and  
22 attendant activities.

23           CHMN. MAYES: Okay. Thank you for being here.

24           Commissioner Newman.

25           COM. NEWMAN: A quick question. Thank you for

1 being here as well. This grassland is very important to  
2 me. But for the Santa Rafael Valley down there I don't  
3 really know of as pristine a grassland. Can you just  
4 describe a little bit more about sort of the diversity  
5 that goes through there, the bird migration, because I  
6 am sure a lot of people would want to know about that,  
7 including the Commissioners.

8 MR. GREEN: Yes. I mean in some respects  
9 keeping the air open is very important obviously for  
10 movement. That's less important for birds. I think for  
11 the birds the greatest issue is actually having the  
12 intact habitat for nesting, shelter, and for the food  
13 that they need.

14 As I said, they are being reduced so  
15 dramatically. A grassland bird can't go into somebody's  
16 front lawn. It can't go into the forest. It can't go  
17 to the desert. They are grassland specific. They have  
18 been there for hundreds of thousands of years and  
19 longer. So my main goal here is try and maintain those  
20 grasslands that we do have left, especially those that  
21 are in such great shape.

22 COM. NEWMAN: There is some testimony in the  
23 record that the company is doing its best to mitigate  
24 when they can. And I know that is in the record. They  
25 even say that there will be less poles and they are

1 going to do that kind of thing. And while I have an  
2 amendment asking for an independent study on this, what  
3 is your comment about that mitigation and whether that  
4 would be successful?

5 MR. GREEN: I would like to review that  
6 mitigation and get back to you on that.

7 COM. NEWMAN: Thank you.

8 CHMN. MAYES: Okay. Thank you, Mr. Green,  
9 Dr. Green.

10 Linda Kennedy and then Keith Bart, Barth.

11 MS. KENNEDY: Hello. Green light is on. Can  
12 you hear me?

13 CHMN. MAYES: We can hear you.

14 MS. KENNEDY: Chairwoman Mayes and  
15 Commissioners, thank you especially for two things, one  
16 putting me early on in the list of speakers because I  
17 get extremely nervous, but most especially for coming to  
18 Tucson and giving the community a chance to talk with  
19 you.

20 My name is Linda Kennedy. I also have a Ph.D.,  
21 but my Ph.D. is in botany, specializing in as a  
22 grassland ecologist.

23 I have been a resident of the Sonoita area since  
24 1999. But prior to that for five years I conducted my  
25 dissertation research in the grasslands of Sonoita and

1 southeast Arizona. I was struck at the time by the  
2 beauty and diversity of those grasslands. It is truly a  
3 rare, rare and treasured ecosystem.

4 I have concerns about the proposed 69 kilovolt  
5 line on a number of levels, one, as a resident. I  
6 intend to retire in the area. I am a member of the  
7 local cooperative. I pay my bills not only for on a  
8 business level but on a personal level. I am a board  
9 member of the Sonoita Crossroads Community Forum and  
10 chair of their Renewable Energy Subcommittee.

11 But those are concerns that I think that others  
12 in the room are going to voice today, so I am going to  
13 let them speak for me and talk of a situation that I am  
14 intimately involved in. I would like to share with you  
15 the impact this power line, as proposed, will have on  
16 the Appleton-Whittell Research Ranch of the National  
17 Audubon Society.

18 The 8,000-acre Research Ranch has been a  
19 sanctuary for native plants and animals and outdoor  
20 laboratory for ecological research since 1968.  
21 Activities fall under three main goals. The first and  
22 most important is land conservation. The second most  
23 important is research. And third is our education and  
24 outreach component.

25 Scientists from all over the United States apply

1 to conduct research on these grasslands on a range of  
2 biological and ecological issues. At last count there  
3 were 67 projects including scientists from state and  
4 federal agencies, independent researchers and academics.

5 One major challenge to ecological research is to  
6 be able to find an appropriate control or reference area  
7 by which manipulations can be judged. If you don't have  
8 an appropriate control or reference area, what factors  
9 you are examining you really can't tell whether it is  
10 any changes that you made are due to that factor or  
11 something that's totally separate. So a reference area  
12 is incredibly important.

13 For scientists studying the impacts of domestic  
14 livestock in semiarid grasslands, we at the Research  
15 Ranch provided an excellent situation. We were a large  
16 area, 8,000 acres. We are bounded by active cattle  
17 ranches on the east and west, by a ranch that uses the  
18 holistic resource management method of cattle ranching,  
19 and our northern boundary was a privately owned property  
20 that used more traditional cattle ranching rotation  
21 method. So it was a perfect situation.

22 The north boundary is the Babocomari Ranch.  
23 Now, many studies have been conducted across these  
24 boundary fences. Many of these studies have been  
25 repeated over the years. So you get not only time

1 sensitive issues to study but a long-term data set so  
2 that you can really examine trends.

3 And, for example, I reached into the file and  
4 pulled out a handful of the papers that have resulted  
5 from two researchers and their graduate students,  
6 Drs. Carl and Jane Bock, from the University of  
7 Colorado. And I would be happy to tender these reprints  
8 for the record.

9 They started out with responses of birds,  
10 rodents and vegetation to livestock exposure in a  
11 semiarid grassland site, and ending with effects of fire  
12 frequency and intensity on velvet mesquite in an Arizona  
13 grassland. So it is -- they are not a narrow focus;  
14 they are a broad focus. And they are management  
15 oriented. Information from scientific studies like this  
16 give land managers, cattle ranchers, state and federal  
17 wildlife and grazing agencies sound science by which to  
18 make land management decisions.

19 For years when we asked permission from our  
20 ranching neighbors to conduct these cross fence  
21 comparisons, the answer was sure, come on over, but tell  
22 us when you find out. They use the information that we  
23 were able to provide. We did not have a platform that  
24 grazing is bad, nor did we have a platform that grazing  
25 is good. Our motto was let the data speak, and they

1 respected that. Now --

2 CHMN. MAYES: Dr. Kennedy, I need you to wrap  
3 up.

4 MS. KENNEDY: Okay. If this line goes in as  
5 planned, this rich heritage will cease. Okay?  
6 Construction maintenance activities and the structures  
7 themselves will alter forever the cross fence  
8 comparisons. If there is no alternative, we will just  
9 have to suck it up. If there is an alternative, we need  
10 to address that. And I think it can only be addressed  
11 by an independent feasibility study that addresses all  
12 aspects, not just cost effectiveness of building the  
13 structures, but what those impacts, the impacts of the  
14 alternatives will have on additional things like scenic  
15 value and the value of the research done on the research  
16 ranch.

17 Thank you very much.

18 CHMN. MAYES: Thank you, Dr. Kennedy.

19 We have Keith Barth. And then after Keith we  
20 have John Maynard, the chairman of the Board of  
21 Supervisors.

22 MS. KENNEDY: Chairman Mayes, would you like to  
23 have these?

24 CHMN. MAYES: Yes. If you could provide that to  
25 Alan Stephens over here, that would be fabulous. Thank

1 you.

2 Mr. Barth.

3 MR. BARTH: Good morning, Chairman Mayes,  
4 Commissioners. Thanks for allowing me to speak to you  
5 about this very urgent event. My name is Keith Barth,  
6 B-A-R-T-H. I have been a resident of the area of  
7 Patagonia/Sonoita and Sierra Vista for over 30 years.  
8 And it is near and dear to my heart. I just want to  
9 play a little bit of a what if game.

10 Take all the homes in the Mountain Empire,  
11 approximately 2200. Assume the average home size 2,000  
12 square feet. Estimated solar installations run  
13 approximately \$3 per square foot after rebates and  
14 incentives. So \$3 a square foot times 2,000 square foot  
15 times 2200 homes equals \$13.2 million.

16 This is \$300,000 less than planned, the cost it  
17 will save, and significantly reduce it, not altogether  
18 eliminate it but the need to bring up electricity  
19 generated from coal which is not available at this time.

20 Putting renewable energy on all the homes in the  
21 Mountain Empire would save Sulphur Springs Valley  
22 Electric money. If they choose to do the economics of  
23 scale, installing as many renewable energy systems would  
24 drive the cost even lower. And assuming each of the  
25 2200 homes provided 4 kilowatts of energy, this would

1 provide 8.8 megawatts of clean renewable energy, more  
2 than this, the community -- more than this community  
3 requires during each day. And this doesn't even discuss  
4 wind generation, which would provide power at night or  
5 on cloudy days.

6 So please take your time with this worthy  
7 commitment to this cause. And thank you.

8 COM. NEWMAN: Madam Chairman.

9 CHMN. MAYES: Commissioner Newman.

10 COM. NEWMAN: Just briefly. Thank you for your  
11 statements. Your numbers are interesting. And what it  
12 calls attention to is, and what I have gotten a lot of  
13 input I think from all the Commissioners, is a desire on  
14 the part of the community to do distributed solar  
15 voltaic. That's what you are referring to with these  
16 hours.

17 MR. BARTH: Absolutely.

18 COM. NEWMAN: And from the letters I have  
19 received I know that there is a very high interest in  
20 communities, Patagonia, Sonoita, Elgin, the entire area,  
21 to do distributed generation.

22 Have you -- well, do you believe that that's an  
23 alternative to building a line, first of all?

24 MR. BARTH: Absolutely.

25 COM. NEWMAN: Okay. So what your thought is, if

1 you had distributed generation in the community, they  
2 wouldn't need to bring electricity down from the coal  
3 plant, wherever Sulphur Springs is getting their energy,  
4 is that right?

5 MR. BARTH: Chairman Newman, absolutely.

6 COM. NEWMAN: Not chairman yet, but...

7 And the, and then just the last question because  
8 we have to make this very, very quick. I am glad that  
9 we are here in Tucson. And I know, because I live in  
10 the area, about the desire for these communities to  
11 embrace solar voltaic. And I wanted to call attention  
12 to APS, which is doing a fairly good job on starting  
13 their photovoltaic, that there is a project they want to  
14 do in Flagstaff to actually give, you know, on a sort of  
15 lottery basis, give the community of Flagstaff  
16 photovoltaic.

17 Have you requested that Sulphur Springs look  
18 into distributed generation in the Patagonia and Sonoita  
19 and Elgin area, and what has been the company's response  
20 so far?

21 MR. BARTH: I cannot answer that, but I know  
22 that has been on the minds of the collective people here  
23 in this audience.

24 COM. NEWMAN: Okay. Thank you very much.

25 MR. BARTH: Thank you. Thank you for your time.

1 CHMN. MAYES: Thank you very much, Mr. Barth.  
2 Supervisor Maynard, good to see you again.

3 MR. MAYNARD: Good morning.

4 CHMN. MAYES: Good morning. And after the  
5 supervisor, Beth Scheid or Scheid.

6 MR. MAYNARD: Good morning. And thank you all  
7 for coming to southeastern Arizona. I realize you have  
8 got a busy day. I will keep my comments as brief as  
9 possible.

10 My name is John Maynard. I have been a member  
11 of the Board of Supervisors for about nine years. It is  
12 good to see the Commissioners here and their Staff as  
13 well.

14 I realize that today's hearing is primarily  
15 about a rate increase that Sulphur Springs is  
16 requesting. But I also believe that it is linked to the  
17 proposed 69kV line into Sonoita and I want you to know  
18 that I am very opposed to that. But I also know you  
19 don't regulate lines of that size, which puts us into  
20 somewhat of an interesting situation. So I am really  
21 not here to discuss the actual line siting, but I do  
22 believe, as I stated, that this rate increase, I feel,  
23 is definitely related to the work that they are  
24 proposing to do in the part of the county that I happen  
25 to be fortunate enough to represent.

1           So for over a year I know that this discussion  
2 has gone on about where a line could come through and  
3 what impacts it would have upon our community and this  
4 part of the county. And I have looked at it from a  
5 bunch of different angles. And at this point, it  
6 reminds me somewhat of the son who asked his father for  
7 a new baseball glove.

8           One cost about \$5 million and the other cost a  
9 little over \$13 million. And the son proposes that he  
10 could pay for that additional charge if his allowance  
11 was maybe increased a little bit.

12           So the real question, I believe, that the father  
13 should ask the son is, well, can you catch a ball as  
14 well with the \$5 million glove as you can for a 13 --  
15 with a \$13 million glove. And there is really no way to  
16 know that unless you actually throw the ball a few times  
17 and see how that glove works.

18           So when I look at the proposals that are on the  
19 table right now, I keep wondering why we can't somehow  
20 figure out to get an umpire into the situation to figure  
21 out which glove is going to fit and which glove is going  
22 to work. Because the bottom line is, is that the more  
23 expensive of the two baseball gloves, somebody is going  
24 to have to pay for that. And in this case it is going  
25 to end up being most of the people in this room.

1 Somehow or another we are going to end up paying for the  
2 difference between the 5 million and the 13 million.

3 So what I am really hoping you will come up with  
4 at some point in time to resolve this issue is to figure  
5 out where you can get that neutral party to sit down  
6 with both of the proposals that are currently on the  
7 table and figure out which one is going to work.

8 That's about all I have to come with today.

9 CHMN. MAYES: Supervisor, if I could ask you a  
10 quick question.

11 MR. MAYNARD: Yes.

12 CHMN. MAYES: You know, this is a very difficult  
13 case for me, because I think that the grasslands in the  
14 Sonoita area are worth going to extreme measures to  
15 protect and preserve. On the other hand, I am very  
16 concerned about the kinds of outages that people are  
17 apparently experiencing in the area, especially in the  
18 wintertime. And the company has said in this case and  
19 our Staff has confirmed that they have over 270 hours of  
20 outages in the area during the peak times in the winter.  
21 That's a lot of outages. We don't see that at other  
22 utilities.

23 So can you tell us, what are your thoughts on  
24 that? It sounds like you are willing to give the  
25 stakeholders basically another six months or a year to

1 try to figure out an alternative even knowing that we  
2 will still experience outages on this system this  
3 winter.

4 I guess, that's what we are looking at. Do we  
5 give this company and the stakeholders a chance to come  
6 up with an alternative even though we know there are  
7 going to be outages this year?

8 MR. MAYNARD: I, speaking for myself, I made a  
9 choice about 20 years ago to live in any part of the  
10 United States of America or to live in southeastern  
11 Arizona. I could have chosen an urban area or I could  
12 have chosen a rural area. And I chose a rural area.  
13 And part of living in rural areas, sometimes not  
14 everything works as the way it does in the urban area.

15 Quite frankly, I like that. It creates problems  
16 I think if you have a freezer full of beef and maybe it  
17 goes down for a few hours. Granted that's a critical  
18 issue. But I believe that there are such a dollar  
19 amount involved in at least the two proposals that have  
20 been put on the table in front of me, and I am not  
21 qualified, quite frankly, to decide what is the best way  
22 to go about this, but I know there are people in this  
23 room today and on your Staff that are qualified to look  
24 at that and make that decision. And I think it is well  
25 worth taking an extra six months or even a year in order

1 to do that.

2 CHMN. MAYES: Thank you very much for being  
3 here.

4 Commissioner Newman.

5 COM. NEWMAN: Supervisor Maynard -- Chairman  
6 Maynard, you are the chair.

7 MR. MAYNARD: I am for now.

8 COM. NEWMAN: It is good to see you, John.

9 MR. MAYNARD: Thank you, Paul.

10 COM. NEWMAN: We have a lot of history on the  
11 issue of, together, on the line siting issue on a  
12 national basis. And I remember the National Association  
13 of Counties, on an environment committee, you ran a  
14 national amendment regarding line siting and the issue  
15 of line siting in rural counties. Just talk about that  
16 a little bit. And then, and then incorporate in your  
17 response, if you would, which I am very interested in,  
18 the Santa Cruz County comprehensive plan which I think  
19 would be, at least in spirit, be violated by this line.

20 MR. MAYNARD: Well, I think it is a two-part  
21 answer to your two-part question.

22 First of all, National Association of Counties,  
23 we were looking at a little bit of a larger scale, the  
24 345kV lines and some of the larger ones in the national  
25 grid system. And I think, as you may well remember, our

1 position was, is that if you are going to be running a  
2 power line corridor through any part of our nation, that  
3 there ought to be some local input. And that may not be  
4 a yes/no can you do it or not do it but maybe a more  
5 preferable route.

6 So to relate that to this case, one of the  
7 proposals that I have seen cross my desk in the last six  
8 months has proposed to use an existing corridor rather  
9 than blazing a new one. And I happen to believe that  
10 that's probably preferable not only to the community but  
11 at least to me myself personally.

12 As far as our comprehensive plan goes, we  
13 believe that the plan proposes or looks at situations  
14 like this and says, granted we want to be able to have  
15 the tools to be able to see a healthy economy and be  
16 able to grow and prosper, but at the same time, we have  
17 made, like I stated earlier, all, the choice to live in  
18 Santa Cruz County because, we quite frankly like it just  
19 the way it is. We don't want to grow the way Pinal  
20 County has grown and we don't want to demand that much  
21 energy and those types of resources to live our lives  
22 there. Many of us simply like it the way it is and we  
23 would like to keep it that way.

24 COM. NEWMAN: Thank you, John.

25 MR. MAYNARD: Thank you.

1 CHMN. MAYES: Thank you.

2 Beth Scheid or Scheid, and after Beth, Stephen  
3 Mann.

4 MS. SCHEID: Good morning, Commissioner. Thank  
5 you for having me today, too. I was going to talk about  
6 something a little bit different, but since you brought  
7 up the facts about the outages that we are supposedly  
8 having on a daily basis, I would like to go back a  
9 little bit.

10 My name is Beth Scheid. I live in Elgin. My  
11 ranch borders the south side of the Babocomari Ranch. I  
12 lived there for seven years now.

13 It is interesting. When this whole debate came  
14 up, I really thought it was kind of a NIMBY situation.  
15 And I really put it off to the side because really no  
16 one -- you know, that kind of stuff, it has to happen.  
17 Progress happens and at times, really, things that have  
18 to be done need to be done. Although, over the time,  
19 the last year, I have really come across a lot of  
20 information, misinformation, information that has been  
21 given to us by the SSVEC and then information that we  
22 try to come up with from ourselves from a group. And it  
23 just doesn't match.

24 For example, the other night on the news  
25 programs that spoke about this particular hearing, it

1 was said by one of the representatives of SSVEC that we  
2 had 45 minutes a day that we were out of power. That is  
3 absolutely not true. And I live in a very rural area of  
4 Elgin. So I don't know if they -- I don't know how they  
5 come up with that number. It really, it just, it is  
6 boggling.

7 So, again, we are hoping that we can get the  
8 real information, give us time, have a third party look  
9 at it and then tell us what the right way to go is. You  
10 know, maybe it still is the big line and maybe it still  
11 is the Babocomari. But having someone outside of, you  
12 know, both of our emotional sides look at this  
13 individually and say this is the best route, that's what  
14 we are really hoping for.

15 I don't have to tell you how beautiful Elgin is.  
16 Anyone who has been in this area knows. It is  
17 absolutely gorgeous. We want to keep it that way.  
18 Thank you.

19 CHMN. MAYES: Thank you for being here.

20 Stephen Mann, and then Rob Horsmann.

21 MR. MANN: Hello. My name is Stephen Mann. I  
22 have lived in the Sonoita area since 1981 and I have  
23 seen a lot of growth there. And there are several  
24 issues that have already been covered with what I want  
25 to get to so I won't repeat those. But what I will add

1 to those is the outages issues with solar.

2 At the present state Sulphur Springs does not  
3 allow battery backup programs for their solar programs.  
4 We think this would alleviate some of the problems of  
5 night service because you could store in batteries for  
6 these people, that they could -- very important to have  
7 this, although the grid acts as a battery for people,  
8 but for those outages issues. So that's one thing. And  
9 this would help cure that. Now, they do allow for  
10 certain medical situations for backup generators. So we  
11 would like some exploration on that and explore why  
12 other companies, other states have that ability.

13 The other issue I would want to bring up is that  
14 the tax credits, the RECs, that are coming up. Now,  
15 they state in their program, and they have a good  
16 program but there is always room for improvement, the  
17 RECs, that our carbon tax base credits are being totally  
18 consumed by Sulphur Springs. I would like to see a  
19 moratorium on that or possibly five years, that the RECs  
20 can be handled by Sulphur Springs but then returned back  
21 to the individual, the business or the residents much  
22 like in New Jersey and some other more progressive  
23 states that are dealing with this now and into the  
24 future.

25 The last issue, I think it is very imperative

1 that we have in distributive power that that  
2 distribution comes back to the members of the co-op, not  
3 to the collectives of foreign companies coming like we  
4 have in Gila Bend, which I applaud this program, but in  
5 the rural areas we need to keep and circulate that money  
6 within our communities with businesses that can prosper,  
7 and spend that money in the community. Unlike companies  
8 in the State of Arizona that are not based in Arizona,  
9 the amount of dollars that stays in the state is  
10 enormous. So that would be the final thing.

11 Other than that, I would like to see in the rate  
12 case that there is some tag to the Sulphur Springs'  
13 utilities program for their Sun Watt programs to be tied  
14 to their rate case so it is not something that tomorrow  
15 they can get rid of.

16 Thank you very much.

17 COM. STUMP: Madam Chairman.

18 CHMN. MAYES: Commissioner Stump.

19 COM. STUMP: Thanks, Madam Chairman.

20 Thanks, Mr. Mann, for being here today. Good to  
21 see you. I have a question. Are you also in favor of  
22 an independent third-party feasibility study to examine  
23 these issues?

24 MR. MANN: Yes, I am. And I thought Mr. Barth,  
25 our local county justice of the peace judge there, gave

1 a real good explanation of where that study is  
2 effective, because his facts are real close to real  
3 facts. So that would be my answer.

4 COM. STUMP: And, Madam Chairman, Mr. Mann, I am  
5 sympathetic to that view. The only thing I would remind  
6 you of is, and I would be curious to get your thoughts  
7 on this, is that the company and others have presented  
8 evidence weighed by our professional Staff and others  
9 under oath when they provided their evidence. I am  
10 curious, does that give you any measure of comfort?

11 MR. MANN: No, no.

12 COM. STUMP: All right.

13 MR. MANN: Any other questions?

14 CHMN. MAYES: Thank you very much for being  
15 here.

16 MR. MANN: Thank you.

17 CHMN. MAYES: Rob Horsmann. And after Rob,  
18 Tricia Gerrodette.

19 MR. HORSMANN: I am Rob Horsmann from Sonoita.  
20 First, I support the Commissioner Newman's Amendment  
21 No. 1 for an independent feasibility study, someone  
22 outside of this box that can look at all the different  
23 possibilities and come up with an alternative that will  
24 fit everyone's needs. And I think that's infinitely  
25 possible.

1 Commissioner Newman asked about biodiversity in  
2 the area. It is one of the most richly biodiverse areas  
3 not only in the United States but in the world. You can  
4 ask the Ph.D.s about that.

5 There are many other people that are going to be  
6 coming up, but my specific point is in December 2008  
7 SSVEC gave a presentation to the Patagonia town council.  
8 Previous to that I had been doing a lot of research on  
9 trade and exploration routes through this part of  
10 Arizona. Many of these routes predated European  
11 history. Several sources referred to Fort Wallen. And  
12 in trying to find Fort Wallen, it was supposedly near an  
13 old Indian village site north of the Huachuca Mountains.  
14 One of my colleagues, Sue Downing, here today at the  
15 American -- or Arizona Historical Museum came up with a  
16 reference to a publication. It is -- I will get into  
17 that in a minute.

18 Further research into this, it was, this village  
19 that has been noted multiple times, one was by Frey  
20 Marcos de Niza on 12 April or 1539. Another was by  
21 Father Francisco Kino in December 1696 in reference to  
22 the trail from Quiburi, which is now the site of the old  
23 Fairbanks at the confluence of the San Pedro and  
24 Babocomari Rivers, up the Babocomari River and over the  
25 Canelo Pass.

1 Father Kino writes in this diary: This  
2 rancheria has more than 400 souls assembled together in  
3 fortification or earthen enclosures.

4 On December 25th, 1832, the largest Mexican land  
5 grant presently in existence was granted to Dona Eulalia  
6 Elias and Don Ignacio Elias. They are brother and  
7 sister, thus, then, the inception of the San Ignacio del  
8 Babocomari, presently the Babocomari Ranch. Sue found  
9 this reference to this dig in the late 1940s. And the  
10 title is the Babocomari Village Site on Babocomari River  
11 in Southeast Arizona Cochise County.

12 It further describes the site as a village lies  
13 in the southwest corner of the south half of Section 2,  
14 Township 21 south, Range 19 east. It is approximately  
15 12 miles south by southwest on the south bank of the  
16 Babocomari River.

17 I have had a lot of experience working with maps  
18 starting in Vietnam. With very, very little trouble I  
19 went out and actually located the site. I couldn't go  
20 on the Babocomari, but another colleague of mine  
21 searched around and within 10 minutes she had a handful  
22 of pottery shards. I did notice that one of the sites  
23 of the poles is directly in the center of this village  
24 site.

25 During the SSVEC presentation I asked if a

1 cultural, archeological and environmental study had been  
2 performed along the performed routes. Deborah White  
3 responded we weren't required to do a survey but we did  
4 one anyway. The studies concluded that there were no  
5 threatened or endangered species existing along the  
6 project area and the project may proceed without further  
7 archeological or biological review. When asked  
8 specifically about the Babocomari village, she said that  
9 its location was found at the confluence of the San  
10 Pedro and Babocomari River. That's actually the village  
11 of Quiburi.

12 CHMN. MAYES: Mr. Horsmann, I need you to wrap  
13 up if you could.

14 MR. HORSMANN: 37 seconds, ma'am.

15 CHMN. MAYES: Okay. Go for it.

16 MR. HORSMANN: You don't want me to do that.

17 CHMN. MAYES: Okay.

18 MR. HORSMANN: These, the route of the 69kV  
19 subtransmission lines going up through these valleys, it  
20 is absolutely totally unbelievable that they couldn't  
21 find any cultural artifacts. It cannot exist here in  
22 Arizona.

23 Before the arrival of the Europeans, the Indians  
24 in that area subsisted on agriculture. They needed  
25 water. This specific site they needed something more,

1 clay to make their pots. A professional would have  
2 known about any documented sites along this route  
3 without ever leaving their office. All you have to do  
4 is do an internet search, which is how we found it.  
5 There is no chance that someone with the most  
6 rudimentary skills of observation couldn't find evidence  
7 of historic human habitation all along the proposed  
8 routes, from Highway 90 into Sonoita.

9 So far neither the Brophy family nor the  
10 Babocomari Ranch manager nor the public has seen any  
11 documentation of an environmental cultural anthropologic  
12 or archeological study.

13 Thank you.

14 CHMN. MAYES: Thank you very much, Mr. Horsmann.

15 And after Rob, Tricia Gerrodette and then Pat  
16 Kugler.

17 MS. GERRODETTE: Good morning, Chairman Mayes,  
18 Commissioners. Patricia Gerrodette. I live in Sierra  
19 Vista. I want to speak actually as two different people  
20 today.

21 I wanted to address you first as a private  
22 citizen and a customer of SSVEC. I wanted to let you  
23 know that I am actually supportive of a rate increase.  
24 I think we know that by and large that's the most  
25 effective way to get people to conserve, particularly in

1 an area that's not supportive of government regulation.  
2 And so I am -- a rate increase I think is reasonable. I  
3 am not supportive of my rate increase, however, going to  
4 help create the 69kV line. And so, if that's possible  
5 to separate, that's my position.

6 I mentioned in an earlier hearing that, in line  
7 with a rate increase, I do urge the Commission to look  
8 at the same concept as we have in water, which is an  
9 affordable base rate for a certain amount of  
10 electricity. And at this time I would like to point out  
11 that it is possible to use a lot less than the average.  
12 My two-person household uses less than 300 every month.  
13 And so it is possible to live on a lot less electricity.

14 My other hat is as a conservation chair for  
15 Huachuca Audubon Society, which is mostly in Cochise  
16 County but does include actually Santa Cruz County, or  
17 at least parts of it.

18 I was very interested in the "what if" scenario  
19 with some very rough dollar figures and would like to  
20 indicate our strong support of distributed solar  
21 photovoltaic. To me this just makes so much common  
22 sense I can't imagine why we are not going there  
23 yesterday. And I hope that the Corporation Commission  
24 will do whatever is within its power to help make this  
25 happen.

1           Some of the most obvious benefits to this would  
2 be a greatly reduced need for coal burning in an  
3 ongoing, you know, year-to-year cost, and, therefore,  
4 that reduces the overall cost. It addresses humanity's  
5 pressing need to reduce greenhouse gas emission. Coal  
6 is notoriously bad for that. And it clearly would  
7 reduce operating costs. Yes, you have the initial  
8 installation cost for solar voltaic but your operating  
9 cost over midterm, long term, perhaps even short term  
10 depending how you define it, to me very clearly our cost  
11 saving, environmental benefits should, I think,  
12 eliminate a need for a 69kV line because you are going  
13 to then have everybody generating their own. The  
14 existing line basically becomes your backup.

15           Thank you.

16           CHMN. MAYES: Thank you, Tricia, for being here.

17           Pat Kugler. And then after Pat, John Kugler.

18           MS. KUGLER: Thank you, Chairman Mayes and the  
19 Commission. My name is Pat Kugler and I have lived in  
20 Sonoita since 1988.

21           A VOICE: Can't hear.

22           MS. KUGLER: I am sorry.

23           CHMN. MAYES: Pat -- there you go.

24           MS. KUGLER: I have worried that SSVEC will  
25 construct a power line through our area without first

1 understanding what the impacts will be. The grasslands  
2 of the Sonoita Plain are beautiful and residents value  
3 that beauty. Here are excerpts from the User's Guide to  
4 a Comprehensive Plan for Northeast Santa Cruz County:

5 Residents and landowners in northeastern Santa  
6 Cruz County clearly place a high value on views of open,  
7 undeveloped grasslands, especially when mountains can be  
8 seen in the background. These include views of the  
9 Santa Rita and Mustang Mountains from both State  
10 Route 82 and State Route 83, as well as views of the  
11 Babocomari and Empire Ranches.

12 That beauty has been memorialized in many books,  
13 including the Sonoita Plain which includes photographs  
14 of the area by Stephen Strom, Ph.D., who is the  
15 Associate Director for Science at the National Optical  
16 Astronomy Observatory, who has photographs in several  
17 major archives, including Mead Art Museum at Amherst  
18 College, and is an area resident.

19 Not only residents but visitors appreciate this  
20 beauty. Wildlands Philanthropy illustrates, is  
21 illustrated by noted international photographer Antonio  
22 Vizcaino as part of his ongoing expedition to photograph  
23 outstanding natural areas to promote the protection of  
24 biodiversity of the Americas.

25 Even in 1936, the view from what is now the

1 Research Ranch across the Babocomari River, Santa Cruz  
2 County was recognized as special. This view was  
3 included in this book published in 1952. The title of  
4 this is Life on the Texas Range, but, as you can see,  
5 this is actually the valley where SSVEC plans to put  
6 this power line.

7 We have done in the past a lot of harm to our  
8 environment, in many cases unknowingly, all this in the  
9 name of progress. Then we have to go back and try to  
10 undo it. Once the power lines are installed there will  
11 be no choice -- no chance to undo it. This is our  
12 chance to do it right. Please insist on an independent  
13 feasibility study that looks into all aspects of the  
14 economic and environmental impacts of this project.

15 Thank you.

16 CHMN. MAYES: Thank you very much, Pat.

17 John Kugler, and then Rachel Burand.

18 Could I just remind folks we are going to try  
19 and keep our comments to a couple minutes. We still  
20 have many, many public comments to get through. And we  
21 need to actually hear the amendments and vote on the  
22 case today.

23 So go ahead, John.

24 MR. KUGLER: I would like to thank you for being  
25 here in Tucson and giving me the opportunity today to

1 speak. My name is John Kugler, and I have been a  
2 full-time resident in Sonoita since 1998.

3 I am worried that SSVEC will construct a power  
4 line through our area without understanding or caring  
5 what the impacts will be before considering alternative  
6 power sources to augment the power demand for Sonoita,  
7 Elgin and Patagonia.

8 I am probably the first legal wind generated  
9 power unit in Santa Cruz County. Others were  
10 grandfathered in but I went through the process. And I  
11 would like to share some of the information I have got.  
12 And this is just raw data taken from my bill and what I  
13 produce.

14 26 percent of our total home and grid power,  
15 because I have no way of separating what I return to the  
16 grid, is from wind generation. It has been a 16 percent  
17 savings on our power cost. And this may sound a little  
18 farfetched, but if I look at the kilowatt usage from  
19 January to July, based against a four-year average, we  
20 have reduced our usage by 44 percent. Now, that doesn't  
21 come without a cost to us.

22 These reductions in grid-generated power require  
23 working with the wind power generated so that we utilize  
24 it. We have to control use of our hot water tank, our  
25 dryer, our stove, low wattage bulbs in the house, but we

1 still live very comfortably. And we have even installed  
2 new energy efficient doors and windows. So these things  
3 all pay off.

4 And I understand the need for power. I worked  
5 in industry. But there are alternatives to the  
6 petroleum coal generated electrical energy. What I do  
7 not take from the grid is less demand from the grid,  
8 makes it available elsewhere. And I think if we look at  
9 it in terms of what residential and commercial  
10 alternative powers can add back to the grid, that needs  
11 to be looked at. And using solar and wind to eliminate  
12 that demand will help SSVEC meet its power requirements.

13 Now, people have gone ahead of me and I am not  
14 going to go into the economics and environmental type  
15 things. I live in Sonoita so you know why I live there.  
16 But I do want to say please insist on an independent  
17 feasibility study that looks at all aspects of the  
18 economical and environmental impacts of this project.  
19 They are wide ranged in scoping and, as I my wife said,  
20 once they are done, it is done.

21 Thank you.

22 CHMN. MAYES: Thank you, Mr. Kugler, appreciate  
23 you being here.

24 Rachel Burand, and then Rita Yakobian.

25 MS. BURAND: My name is Rachel Burand. And this

1 summer I was an intern at the Appleton-Whittell Research  
2 Ranch, part of the National Audubon Society. As part of  
3 a summer project through my internship, I worked on the  
4 renewable energy subcommittee, part of the Crossroads  
5 Forum. And for this project, I have compiled a list of  
6 renewable energy grant opportunities that could possibly  
7 be used in this situation. So I would like to add these  
8 if I could.

9 CHMN. MAYES: Absolutely. Thank you for doing  
10 that. And we will have Mr. Stephens pick that up and  
11 remain part of the record.

12 MS. BURAND: And that's all. Thank you.

13 CHMN. MAYES: Thank you very much.

14 Rita Yakobian. And after Rita, Carolyn Shafer.

15 MS. YAKOBIAN: Thank you, Chairman Mayes and  
16 Commissioners. My name is Rita Yakobian, and I have  
17 been a resident since 1960, which makes me one of the  
18 oldest living there, not the oldest but oldest --

19 And it, it is unbelievable what we have seen in  
20 the area. But it is as, and I can speak for many, many  
21 of the people, what I call newcomers, we will do  
22 anything it takes to maintain and preserve our  
23 environment. It is much more than emotional. It is  
24 much more than environmental. It is a spiritual  
25 experience. Okay? It is just really a needful,

1 absolutely special part of the world, a slice of heaven  
2 so to speak. And I will, along with anybody else, do  
3 whatever it takes, you know, whether it be the renewable  
4 resources. I own a commercial building downtown and am  
5 looking of course into solar. But we -- I, again, put  
6 in, installed all the low voltage or whatever that crazy  
7 bulb is, installed that. We have done whatever we need  
8 to do to be less pressure on the, on SSVEC.

9 I don't mean to be rude, but we used to call it  
10 Suffering Springs forever. And what, what we meant by  
11 that is that it was just, you know, we used to call it  
12 that because of the outages. But the outages are not  
13 nearly anything like they project. I mean the '60s,  
14 yes, there were outages and so on and so forth, because  
15 there was with the telephone, too. We used to get a lot  
16 of telephone outages. But it is not nearly what they  
17 have represented, and that is a fact.

18 There is one more thing I -- it is emotional,  
19 and I will do whatever to try and maintain my emotions  
20 and not cry, but here is a letter that is, it is by  
21 another individual. His name is Brad Heber. He says --  
22 I would like to read to you a letter from Brad Heber, a  
23 COO of Sonoita Fuel Shop -- Stop. It is a very, very  
24 much needed, you know, little convenience store, little  
25 teeny restaurant and provides gas.

1           Due to a cutback in employees, I will be unable  
2 to attend tomorrow's meeting. Please express a few of  
3 my thoughts regarding my electric bill and business.

4           Number one, my bill is due tomorrow and it is  
5 \$2,455. It is been as high as 3,000. If there is one  
6 monthly bill that stands the best chance for putting us  
7 out of business this year it is the SSVEC utility bill.

8           Number two, I talked to the Patagonia office on  
9 Friday to inquire about payment assistance and was told  
10 there was none. The not so calming statement from them  
11 was, quote and unquote, you are not alone, a lot of  
12 restaurants and businesses are barely making their  
13 bills.

14           Number three, I would certainly love to go  
15 renewable. But unless a grant or affordable loan  
16 program comes into the picture right now, there is  
17 barely enough to pay my utility bill.

18           Sincerely, Brad Heber.

19           Everyone knows about the SSVEC Sun Watts  
20 program, \$4 a watt or 50 percent of the cost. But that  
21 is rebated after the system is built unless the  
22 installer will accept the cost and get reimbursed.

23           It goes on. I think the most important thing  
24 was the amount of money that he is needing to spend.

25           There are -- let's see. SSVEC has a 3 percent

1 loan program and it is capped at 10K for small  
2 businesses. The system Brad needs is a little larger  
3 than the 10K. In short, the upfront costs can be  
4 insurmountable.

5 I went to the meeting at the firehouse. And I  
6 am ignorant so I am not going to pretend to understand  
7 it, but I know that every business, and I am a business  
8 owner, would be willing, and, you know, The Steakout,  
9 the hardware store, all of us would be willing to do  
10 whatever it takes to be part of a renewable resource  
11 rather than see this come through, see the line go  
12 through.

13 And I really appreciate you. Thank you.

14 CHMN. MAYES: Thank you very much for being  
15 here.

16 Carolyn Shafer, and then C.D. Butsch.

17 Carol.

18 MS. SHAFER: Good morning.

19 CHMN. MAYES: Good morning.

20 MS. SHAFER: Thank you for the opportunity to be  
21 here today. And before I make my personal comments  
22 there are two things that I wanted to say based on some  
23 things said earlier.

24 First of all, Chairman Mayes, as you have  
25 pointed out, there are a lot of public statements to be

1 heard today. There are about 40 of us here. That  
2 represents 2 percent of our local population. If you  
3 had 2 percent of Tucson citizens here you would have  
4 18,000 people in this room.

5 In addition, I have some petitions that I would  
6 like to have entered into the record. There are 194  
7 signatures, which represents an additional 10 percent of  
8 our population, or, comparable to Tucson, another  
9 100,000 signatures. This is not an insignificant number  
10 of people who are interested in this issue.

11 I also want to say that I have lived in the  
12 Patagonia area for 10 years. My personal experience  
13 over those 10 years is maybe once a year I have an  
14 outage that might be an hour.

15 Again, my name is Carolyn Shafer, a ten-year  
16 resident of Santa Cruz just outside the town of  
17 Patagonia. I earned a bachelor's degree in business and  
18 worked for 30 years in law firm management. And for 10  
19 years I owned and operated a power line construction  
20 company. I also worked as a contractor for Sulphur  
21 Springs Valley Electric Cooperative.

22 The point of all that information is so that you  
23 know that I understand the realities of the business  
24 world and in particular the utility industry. Currently  
25 I am in service to my community as a facilitator of

1 ongoing community dialogues about local sustainability.

2 As a business person in the utility industry, I  
3 am concerned that SSVEC is not spending cooperative  
4 money in a fiscally responsible manner. Its management  
5 has consistently stonewalled attempts at meaningful  
6 dialogue about alternative suggestions.

7 I strongly urge this Commission to include in  
8 its rate case decision a direction to Sulphur Springs to  
9 conduct an independent feasibility study to determine  
10 the most cost effective solution to system reliability  
11 that addresses the community's members' wishes for an  
12 environmentally responsible solution that also provides  
13 renewable energy as the primary full source for its  
14 electricity.

15 As cooperative members we appreciate that SSVEC  
16 has implemented programs to educate its members about  
17 actions to conserve electricity and reduce demand. And  
18 SSVEC has also created the Sun Watts contribution  
19 program to raise money to foster solar power generation.

20 More is necessary. Bold visionary action is  
21 needed. We are here today because we believe SSVEC has  
22 failed in its management duty to provide value to its  
23 owners. We believe it is fiscally imperative that  
24 Sulphur Springs be required to invest in an independent  
25 feasibility study for system reliability that is

1 environmentally sound and cost effective other than the  
2 proposed 69kV line, which is a 25-year-old plan.

3 We strongly believe that the results of an  
4 independent feasibility study will save the cooperative  
5 members millions of dollars, prevent irreversible  
6 environmental damage, and move this utility and its  
7 customers into renewable energy assuring us of  
8 affordable electric service in the future.

9 Thank you for coming to Tucson to hear our  
10 comments.

11 CHMN. MAYES: Thank you very much for being  
12 here.

13 Gini -- oh, I am sorry. First, C.D. -- is it  
14 Butsch?

15 MR. BUTSCH: Butsch.

16 CHMN. MAYES: Butsch, okay, C.D. And then after  
17 C.D. is Gini Hengen.

18 MR. BUTSCH: I am a Patagonia resident, an "end  
19 of the line" customer. I am a journeyman lineman and a  
20 former power line contractor. That was my wife that was  
21 up here.

22 I know about building power lines. And I know  
23 when I see spin. So I understand, being a master  
24 electrician and a journeyman lineman. I see some facts  
25 that have come across that were spin. If you are in my

1 position and you look at them, I understand the  
2 political part in trying to achieve, get your point  
3 across, but the television interview the other day, I am  
4 sure the gentleman -- I am going to give him credit for  
5 making a mistake when he said 45 minutes a day an  
6 outage, that's definitely not fact.

7           We have seven outages per month. 90 percent --  
8 that's SSVEC. They got, they have seven outages per  
9 month. 90 percent affects 10 percent or fewer.  
10 68 percent of those affected are only one meter. And  
11 only one outage affected more than 25 percent of the  
12 meters.

13           A lot of time these outages have nothing to do  
14 with the V-7 line. It is the transmission line feeding  
15 them from the supplier.

16           They talked about building the line that's come  
17 across the ranch. Fewer poles, bigger wire, that's  
18 true. But the residents do not want that line there.  
19 The actual construction of any power line and the heavy  
20 traffic to build the line is very extreme, I know, no  
21 less than seven trips to each pole, which becomes  
22 exponential the longer the line, thus impacting  
23 everything around the grasslands and the right of way  
24 that's next to it.

25           I am an "at the end of the line" customer. And

1 I know that all my outages are not caused by the V-7  
2 line. Whenever they are talking about all these  
3 outages, it may be just a little line feeder off the V-7  
4 line. But, again, with spin, it is the V-7 line.

5 Being a contractor and a master electrician and  
6 journeyman lineman I have seen a lot of spin on facts  
7 not true. There are alternate ways to meet peak demand  
8 than by using the existing line. The existing line  
9 right now is feeding parts of Mustang Corners. It is  
10 not only feeding Sonoita and Patagonia but it is feeding  
11 part of the Mustang Corners.

12 If you take that load, and they are talking  
13 about load, if you take that load off that's just  
14 feeding Mustang Corners, you are not reaching the seven  
15 megawatt load that keeps tripping the line out. It is  
16 just a matter of building a mile or less of line and  
17 shifting the load. That buys time until we can get this  
18 alternative energy deal going.

19 I support a feasibility study, not that Sulphur  
20 Springs is not capable of giving us one with their  
21 people, but we want an outside one because we have lost  
22 our faith in them due to the spin.

23 We don't have to depend on the photovoltaic  
24 alternative method. If they reduce that load off that  
25 line, like I just mentioned, that will buy us time then.

1 Because I understand their part, with photovoltaic and  
2 the sun is not shining, you don't have no power. If  
3 there is a peak load during that time, they by law still  
4 have to provide you power. So this is, this is one  
5 method.

6 We have presented Sulphur Springs four  
7 alternatives. We had a big meeting with them, four or  
8 five hours. And we just asked for them to do an  
9 independent study. We didn't get any results back.  
10 They went on with what they were doing.

11 Thank you.

12 CHMN. MAYES: Thank you very much for that  
13 perspective.

14 Gini Hengen, and then after Gini, Keith Hooper.

15 MS. HENGEN: Chairman Mayes and Commissioners,  
16 my name is Gini Thatcher Hengen. I have been a resident  
17 of Patagonia for 11 years, and I am a business owner for  
18 Patagonia.

19 People in positions of authority and power have  
20 a responsibility to be honest and truthful. Over the  
21 past year and a half, SSVEC has sent out numerous  
22 letters and glossy brochures explaining why the Sonoita  
23 reliability project is necessary. These mailings have  
24 gone out to SSVEC's over 35,000 members. But unless you  
25 have the time, energy and resources to do a little

1 research, these mailings give the impression that SSVEC  
2 has done its due diligence and is doing the right thing  
3 for the Sonoita/Elgin/Patagonia area. If you start to  
4 look closely at what SSVEC says in these mailings, you  
5 will find a different story.

6 For example, SSVEC states that they have  
7 thoroughly studied all reasonable alternatives. This  
8 sounds great until you notice that the few options they  
9 deem reasonable are the ones more expensive than the  
10 ones they chose.

11 SSVEC states that they performed environmental  
12 studies for cultural resources and threatened and  
13 endangered species, no mitigation required. This sounds  
14 good until you do a little research and find that there  
15 are 29 species of interest that might be impacted by  
16 this line and that there is an ancient Native American  
17 village, which someone already addressed directly, where  
18 the 69kV line will run. This village is important  
19 enough that it is eligible for the Federal Register and  
20 a book has been written about it. Plus the Babocomari  
21 managing partner and ranch manager know nothing about  
22 this study.

23 SSVEC CEO Huber states that the V-7 feeder has  
24 reached its maximum capacity and in fact has exceeded it  
25 seven times recently. That sounds good until you look

1 at SSVEC's data for the 12 months previous to the  
2 statement and find that only on two days did the line  
3 approach maximal capacity and on the other 363 days the  
4 line averaged below 65 percent capacity.

5           These are just a few examples SSVEC has abused  
6 its responsibility to its members by publishing  
7 misstatements that support an agenda other than to  
8 provide reliable power to the Sonoita, Elgin and  
9 Patagonia areas.

10           Here is a graph with half hour intervals for  
11 12 months if you would like to have that. And thank you  
12 very much.

13           CHMN. MAYES: Thank you. Thank you very much.

14           Go to Keith Hooper; after Keith, Jenny Downing.

15           MR. HOOPER: Good morning, Commissioner Mayes.

16 My name is Keith Hooper. I am a resident of Sonoita. I  
17 have my own private equity firm.

18           And I am honored to present you all this for the  
19 public record, a solution to everyone's concerns here  
20 today for the electricity needs in a cost efficient and  
21 environmentally friendly, socially responsible,  
22 visionary way that hopefully will be made in Nogales, or  
23 at least made in America.

24           At a recent SSVEC meeting of several months ago,  
25 I guess Creden and everyone, Jack and everyone else here

1 was present, I presented some information about my  
2 company, EmpowerEnergy Global, LLC, and our breakthrough  
3 new technology of producing carbon free, inexpensive  
4 energy that is multiple times more efficient than any  
5 carbon based opportunity out there in any of the  
6 currently envisioned basically 20-year-old green  
7 technologies that our policy leaders in Washington talk  
8 about and everyone here is interested in. So I talked  
9 briefly about that new technology.

10 It collects and compresses air, wind, believe it  
11 or not, stores it. We have newly patented intellectual  
12 property that anyone -- well, it is protected for  
13 18 months but it is being submitted -- that transforms,  
14 you know, it -- we have breakthroughs that are  
15 disruptive in scope and address a totally carbon free  
16 footprint.

17 So, I also mention that plenty of jobs would be  
18 created and the local velocity of circulation of  
19 money -- I am a financier. I have traded commodity all  
20 of my life. My father invented a game called Stocks &  
21 Bonds many years ago. So I think of the velocity of  
22 money as being important, especially in the second  
23 economic downturn that the country, the world, and  
24 especially, you know, this community is facing.

25 So what I would like to do in another two

1 minutes is go through seven points very briefly. I  
2 would like to submit a document for the public record  
3 for the docket and then maybe at some point request or  
4 offer a partnership being formed with SSVEC and my  
5 company, because we are a solution, not the only  
6 solution, but a viable solution.

7 So in the remaining time I have, our features  
8 include but are not limited to:

9 We have a very, very small footprint. I believe  
10 someone mentioned NIMBY, not in my backyard, today. I  
11 think Beth did. We address squarely that issue. For  
12 instance, again, here, solar Saudi Arabia, Arizona, I  
13 think Congressman Giffords calls it that, and many other  
14 folks, a 10 megawatt facility would require about  
15 30 acres. We would require about two basketball courts.

16 We are plug and play, which means that we could  
17 save the cost of a new 69 k-volt line that is being  
18 proposed. But, again, I am not either for or against a  
19 rate increase. I am here to partner because I am a  
20 businessman and I like to talk about efficiencies.

21 Three, we could deliver to SSVEC carbon free  
22 power that will allow that organization to meet its  
23 governmentally green energy mandated requirement by the  
24 government, by our national government, in a much more  
25 speedy fashion than the year 2030. Our plant in Ottawa,

1 Canada, where our scientists are right now, we feel can  
2 deliver over the next 12 months probably at least 20  
3 megawatts of power.

4 CHMN. MAYES: Mr. Hooper, I am going to need to  
5 ask you to wrap up.

6 MR. HOOPER: Okay. Anyway, so one of the issues  
7 that we discussed earlier was, if I can deliver it,  
8 would you all buy it. So I would like to reemphasize  
9 that that would be possible. Our investors are  
10 unsubsidized, have paybacks in three to four times less  
11 time than any solar or conventional wind or geothermal  
12 biomass or anything like that. So if anyone is  
13 interested in payback times for investing, we are very,  
14 very significantly different than that.

15 And probably most importantly, there is a  
16 colleague here named Judy Samsel, a civic go-getter, and  
17 she is on the verge of getting funding for a local  
18 factory that could create up to 500 jobs for this  
19 community and produce, we envision, at least a couple  
20 hundred megs a year.

21 Now, I am -- I have plenty of information,  
22 plenty of technical information which is not appropriate  
23 for the moment, but for the record, if anyone here is  
24 interested in finding out, for instance, rather than  
25 spending the 13, say, 12 million for a line, I could

1 deliver 4 megs of power that I would pay for. I would  
2 maintain, I would even split the carbon credits on a  
3 monetized basis going over a 20-year period 50/50.

4 CHMN. MAYES: Mr. --

5 MR. HOOPER: -- which is an interesting way of  
6 rebating the community. So any way you can look at it,  
7 I could provide potential answers.

8 So may I just drop this off --

9 CHMN. MAYES: Yes.

10 MR. HOOPER: -- personally? I appreciate it.

11 CHMN. MAYES: Thank you, appreciate you being  
12 here.

13 Jenny Downing, and then Sue Downing.

14 MS. JENNY DOWNING: Good morning. My name is  
15 Jenny Downing, and I have lived in the Sonoita/Elgin  
16 area my whole life. I have grown up there. My family  
17 has longstanding ties with the co-op and I have  
18 benefited greatly from the co-op, as a recipient of  
19 scholarships, science and engineering fair, 4-H, and the  
20 Washington youth tour. In high school I was elected to  
21 serve as the Arizona representative for Youth Leadership  
22 Council for the Rural Electric Cooperative Association.

23 It hurts me to oppose SSVEC but I have great  
24 concerns over the poor decisions. My generation is the  
25 future of the co-op. We deserve clean air, affordable

1 electricity, and preservation of the environment in our  
2 community. I oppose the 69kV line and wish that SSVEC  
3 would explore other options, including renewable energy.

4 Thank you.

5 CHMN. MAYES: Thank you.

6 Sue Downing. And after Sue, Sandy Valentine or  
7 Volentine.

8 MS. SUE DOWNING: Good morning. And thank you,  
9 Commissioners and Chairwoman, for allowing our voices to  
10 be heard since many times we feel Sulphur Springs is not  
11 listening to us.

12 I was going to talk a little bit about the  
13 comprehensive plan that we have in our county but I  
14 think it has been covered already. So as someone that  
15 was involved with the initial advisory committee going  
16 back to 1991 until 1993, which was a committee that  
17 Sulphur Springs formed so the community could have a  
18 voice in the decision making process, I want to share  
19 some information with you.

20 We are asking for a feasibility study. But way  
21 back in 1993, when the community had a better  
22 relationship with Sulphur Springs and we felt we were  
23 partners with them, they actually did a study and they  
24 looked at the different costs for different options.  
25 There were 11 different options, and I am not going to

1 go through all of them, but some were things like  
2 upgrading the line or different routes they could take  
3 to our community to provide more renewable, more  
4 reliable power, which in that day they were promising us  
5 was going to be loop service, which, if you look at any  
6 of the case history right now, they are not promising us  
7 loop service. The costs in those days were anywhere  
8 from, oh, \$2800, which was an upgrade on the existing  
9 feeder line, up to about seven and a half million for  
10 doing the Babocomari line.

11 So if you look at the ratio of what it cost in  
12 those days to upgrade the power line, which is what we  
13 are kind of asking for, compared to installing a brand  
14 new line, which is something the community is absolutely  
15 opposed to, against, I think you will see that even back  
16 in those days it was a huge increase in project amount  
17 to install a new line.

18 Now, you know, it is an old plan that they  
19 presented to us. And now we have other things like  
20 renewable energy, which I think you will find will make  
21 a lot of progress as far as the storage of energy and  
22 also meeting peak demand.

23 And so this was sort of a feasibility study that  
24 was done way back in 1993. We have been pleading with  
25 the company to please do an independent study, hiring

1 engineers that are acceptable to both parties, and share  
2 the information that they have with an engineering group  
3 so we can find out what is the best solution that meets  
4 our community needs.

5 Thank you.

6 CHMN. MAYES: Thank you for being here.

7 Sandy Volentine. And after Sandy, Martha  
8 Hopkins.

9 MS. VOLENTINE: Chairwoman Mayes and  
10 Commissioners, I am Sandy Volentine. I have had the  
11 privilege of being an intern at the Appleton-Whittell  
12 Research Ranch this summer. And I am presenting  
13 comments from Dr. Christine Haas, who is the assistant  
14 director of the Research Ranch and a professional  
15 biologist with 20 years of experience and she could not  
16 be here today. This addresses biological diversity:

17 Native diversity of southeastern Arizona is  
18 exceptionally high due in part to the confluence of  
19 several major biomes. Individual species that comprise  
20 biodiversities are threatened by many factors related to  
21 loss of habitat, including development, agriculture,  
22 climate change, fragmentation and desertification.

23 The 69 kilovolt power line proposed by SSVEC may  
24 have negative impacts on many species, but of particular  
25 interest are species whose populations are already in

1 decline. According to information from the Arizona  
2 Heritage Database there are more than two dozen species  
3 recorded near the site of the power line that are  
4 recognized as endangered, threatened, or considered  
5 species of special concern.

6 Construction of the power line and the  
7 accompanying road may seriously impact species moving  
8 from the Huachuca Mountains to the Mustang Mountains and  
9 across the grasslands from the Research Ranch to the  
10 Babocomari drainage, one of the few sources of permanent  
11 water in the area.

12 Of particular concern to us is a small  
13 population of pronghorn that annually migrates from the  
14 Sonoita/Elgin grassland to the Research Ranch to give  
15 birth. Pronghorn are known to avoid roads and often  
16 have difficulty with fencing. A 30 foot wide or greater  
17 maintenance road, which will no doubt be used by  
18 undocumented immigrants, border patrol, and others, will  
19 be a deterrent to wildlife movement in the area. It  
20 will also be a source of mortality for small mammals,  
21 snakes, lizards, frogs, some of which are threatened  
22 and/or of specific concern.

23 It is important that a rigorous biological  
24 assessment be conducted by a reputable outside  
25 consulting firm to determine which of these species may

1 be impacted by this line so proper mitigation efforts  
2 may be undertaken to protect these populations. We have  
3 been told that this assessment has been performed, but  
4 SSVEC refuses to reveal what was discovered, the two  
5 dozen species that are threatened and endangered for  
6 instance. Nor do we know who conducted the assessment.

7 I urge you to insist that SSVEC contract for an  
8 independent feasibility study that will analyze all  
9 aspects of this project, including the potential impact  
10 to native species and ecosystems.

11 Thank you. Christine Haas, Ph.D., Assistance  
12 Director.

13 And I would like to add, if you haven't been  
14 there, come stand on Bald Hill and look at the Huachucas  
15 and imagine that now there is a barrier to animals  
16 moving back as forth as they were intended.

17 Thank you.

18 CHMN. MAYES: Thank you.

19 Martha --

20 MS. VOLENTINE: Can I give this to you?

21 CHMN. MAYES: Yes, please. That would actually  
22 be helpful.

23 Before we go on, the court reporter has asked me  
24 to ask anyone who has written remarks to give them to  
25 the court reporter because that helps her with the

1 transcription. As you can tell, we are transcribing  
2 every word that is said so we can make that a part of  
3 the permanent record in the case.

4 Martha Hopkins. And then after Martha we have  
5 Sandra Wolf.

6 MS. HOPKINS: In the 1950s, as a geologist with  
7 the U.S. Geological Survey, I dealt with mineral  
8 deposits, engineering geology, volcanology and hot  
9 springs as a potential source of power for the San  
10 Francisco Bay area. We were dealing with an emerging  
11 and less familiar source of energy, just as you are now  
12 dealing with the much larger scale matter of solar  
13 energy.

14 Land use decisions including construction and  
15 maintenance of transmission lines and systems were  
16 guided then mainly by PG&E, a California power company.  
17 There was little sound science to back up policy  
18 decisions and any studies done by the company were not  
19 public and certainly not designed to undermine their own  
20 objectives.

21 In the early and mid 1970s, as one of several  
22 advisors to the California state legislature on geologic  
23 hazards and public policy, we needed to devise new and  
24 comprehensive approaches because the data, the  
25 scientific data simply weren't there. So we had to

1 create them.

2 Building homes on vacant land just because it  
3 was vacant and close to San Francisco was a disaster for  
4 those whose homes slid into the ocean or down a hill or  
5 over a road. The publicly elected officials and public  
6 officials belatedly began to call for soil studies, but  
7 soil studies weren't the answer. It does little good to  
8 understand every aspect of soil science if you are  
9 building on an active landslide. There are different  
10 kinds of scientific studies and data that need to be  
11 accumulated.

12 I live in Tucson but I spent a great deal of  
13 time in southern Arizona and grasslands elsewhere in the  
14 world, especially in the great Kaooo in southern Africa.  
15 Spotty development and immense power transmission towers  
16 have badly chopped up the ecologically significant  
17 savanna. A friend's ranch was cut, a huge ranch, was  
18 cut in half by towers and the roads necessary to  
19 maintain them. It is not just ugly but, sadly, as new  
20 power sources, construction methods and wireless  
21 technology emerged, the transmission systems soon were  
22 obsolete. But the damage to the grasslands from the  
23 animals was irreversible. There is a lesson here for  
24 us.

25 In the matter before you, you are also dealing

1 with emerging technologies and potential unnecessary  
2 damage to rare and valuable habitats. The true and  
3 complete costs, including those that we are not calling  
4 costs, need to be comprehensively studied before  
5 proceeding with the way we have always done it because  
6 that's the way we have always done it. Time for a new  
7 thinking.

8 Thank you.

9 CHMN. MAYES: Thank you very much and appreciate  
10 you leaving that. That's great. We will grab that.

11 Sandra Wolf. And then after Sandra, David  
12 Godlewski. I didn't do it right.

13 MS. WOLF: Good morning. Thanks for coming out  
14 here to visit with us. My name is Sandra Wolf. And I  
15 have been a resident of Sonoita for five years.

16 The 69kV power line issue has come to the  
17 attention of professional people and organizations both  
18 inside and outside of Sonoita, Elgin and the Patagonia  
19 area. I have copies of the correspondence with the  
20 following organizations: Tucson Audubon; Audubon  
21 Appleton-Whittell Research Ranch; the Cienega Watershed  
22 Partnership; Tubac Center of the Arts; professors from  
23 the University of Colorado; Sonoita Crossroads Community  
24 Forum; Santa Cruz County Board of Supervisors; the  
25 Research Ranch Foundation; professor from Prescott,

1 Prescott College; Huachuca Audubon Society; Audubon  
2 Arizona; Patagonia Community United Methodist Church;  
3 Town of Patagonia; professor from Eastern New Mexico  
4 University; the Santa Rita Abbey, we have them on our  
5 side; Sun Belt Builders; and the Mountain Empire Rotary  
6 Club.

7 All of these people and organizations have  
8 expressed concern about the 69kV line. It is not just a  
9 few voices, residents complaining not in my backyard.  
10 We have hundreds of signatures from local residents who  
11 are against the line. There are 36 individuals and/or  
12 organizations that have docketed letters in opposition  
13 to the line and only four individuals have written not  
14 in favor. Okay? In order, one of these, in fact, one  
15 of these individuals in favor of the line wrote in my  
16 opinion the large majority of the members of the  
17 community support the efforts of the SSVEC to build this  
18 line.

19 This community does not want the 69kV line. We  
20 prefer a less invasive solution and it appears that many  
21 organizations are in agreement with us. I have these  
22 letters.

23 Thank you very much.

24 CHMN. MAYES: Thank you. Thank you for bringing  
25 that up.

1 Mr. Godlewski. You need to correct me when you  
2 get up here. And then after him, Jack Caple.

3 MR. GODLEWSKI: Thank you, Madam Chair, members  
4 of the community. Thank you for the opportunity to be  
5 here.

6 My name is David Godlewski. I am the government  
7 liaison for the Southern Arizona Home Builders  
8 Association. I am actually here today on behalf of the  
9 builder members for our Santa Cruz and Cochise County  
10 Chapter, the Southeastern Arizona Contractors  
11 Association.

12 In the interest of time I will make my comments  
13 brief. I have a letter and copies that I would like to  
14 submit for the record and I will just summarize what the  
15 letter says.

16 I am here today to talk to you about the line  
17 extension issue that you have heard so much of. What I  
18 would just like to do is advocate that the Commission  
19 keep the utility's, the cooperative's existing line  
20 extension policies in place. We ask that, if it is  
21 possible, if the decision on the line extension issue  
22 portion of the rate case could be made after the  
23 workshops on this line extension issue. I think it is a  
24 bad time economically to impose an additional cost  
25 burden on the building community. We certainly think

1 that it will also impact the economy in Cochise County  
2 as well as the government's ability to generate sales  
3 and property tax from new constructions.

4 That really concludes what I have to say. And I  
5 will submit my letter for the record.

6 CHMN. MAYES: Thank you. Commissioner Newman  
7 had a question for you.

8 COM. NEWMAN: Yes, just briefly. You are the  
9 first witness on this issue, and it is a very important  
10 issue, as you know. You have testified in Phoenix on  
11 the APS case the other day.

12 For those in the audience that don't quite know  
13 what we are talking about, there are experts -- there is  
14 extensions of line that are provided to the community  
15 and there is huge controversy in the Commission about  
16 what should be the proper standard. And I have called  
17 for a workshop on this matter, and some other members of  
18 the Commission have as well, in lieu of just putting it  
19 on one company as opposed to another company.

20 So let me just clear this up. Are you, sir,  
21 changing your position today to wait for the workshop or  
22 do you want amendments done today? I was a little bit  
23 unclear about that.

24 MR. GODLEWSKI: Madam Chair, Commissioner  
25 Newman, essentially we would like to see Sulphur

1 Springs' existing line extension policy remain in place,  
2 including the free footage allowances. We would  
3 certainly understand that this issue goes beyond simply  
4 Sulphur Springs and impacts all utilities. We are very  
5 supportive of trying to work with different utilities in  
6 the State of Arizona as well as the Commission in trying  
7 to come up with alternative proposals that either work  
8 for a specific company or could be applied or taken into  
9 consideration in all of the utility cases.

10 I think a workshop is a very important forum for  
11 considering all sides, the utilities', the ratepayers'  
12 as well as the stakeholders' from the building industry.

13 So I am not sure if I am really answering your  
14 question, but we would like to keep the policy in place  
15 but we would certainly be willing to come to the table  
16 for some sort of alternative proposal to work with the  
17 Commission through a workshop setting.

18 COM. NEWMAN: Well, that is a bit of a different  
19 position, which is why I wanted to clarify that for the  
20 record. I think it is a different position that you  
21 took in the APS case.

22 MR. GODLEWSKI: I don't think so. Perhaps it  
23 was my -- we had, I had a colleague from the Central  
24 Arizona Home Builders Association. We are certainly  
25 willing to work. I saw a couple of the amendments put

1 forth today. Both of those, you know, those seem to be  
2 something that we could, we could support. But we kind  
3 of have just taken a broader perspective and would like  
4 to have more of a dialogue, because I think that is the  
5 one thing, this issue, it has come up. And you  
6 certainly heard about it in the public comments.

7 But we think the workshop may be the best  
8 opportunity to walk through and examine what the  
9 possibilities are.

10 COM. NEWMAN: My last question, because I am  
11 trying to keep this very short, although it is a very  
12 large subject, I am, I am very concerned about the rural  
13 co-ops and free footage.

14 Now, I certainly understand that, being in rural  
15 Arizona for 20 years myself, former Cochise County  
16 supervisor, I understand the outrage of some private  
17 landowners feeling that they can't build on their land.  
18 Certainly in Santa Cruz County, which I think has one of  
19 the most moderate planning bodies, their planning and  
20 zoning Commission is very moderate. And I know the  
21 chairman and supervisors very, very well. They are also  
22 concerned about wildcatting and growth in this rural  
23 environment.

24 I know for a fact that my colleagues on the  
25 Cochise County board are as well very active. Cochise

1 County was the first county in the state to adopt a  
2 100-year water requirement.

3 So I am, I am just concerned about the  
4 testimony. And I have a very good relationship with  
5 southern Arizona contractors, which are part of your  
6 guild. But I think that this needs -- you need to have  
7 a long talk with all of the stakeholders, not only the  
8 development community but also the planning community,  
9 because I talked to a lot of county supervisors that  
10 also do understand, rural county supervisors, that do  
11 understand that this extension policy leads to  
12 wildcatting, leads to growth where people may not want  
13 to see it. And I know for a fact that people in  
14 northern Santa Cruz County in this service area don't  
15 like wildcatting.

16 Thank you.

17 MR. GODLEWSKI: I understand that concern.  
18 Thank you.

19 CHMN. MAYES: Okay. Thank you very much. And  
20 just for the record, for those in the audience, what we  
21 are talking about is the line extension issue. In this  
22 case I believe it is not free footage, it is a free  
23 allowance.

24 And from my standpoint there is no such thing as  
25 either free footage or free allowance. Ultimately the

1 people who end up paying for developers to get that,  
2 quote/unquote, free footage are the people sitting in  
3 this audience. The ratepayers get stuck with the tab.  
4 And that's what we are debating here, is who pays, you  
5 know. It is not, that's not a question of whether  
6 somebody is going to pay.

7           And it has been my view in other rate cases and  
8 it will be my view in this rate case that ratepayers  
9 should not pay, you know, for people to be able to build  
10 wherever they want to build. It is my view that growth  
11 should pay for itself to the greatest extent possible.  
12 And the policy we have had in place in this state for  
13 many decades has put an onerous burden on ratepayers.  
14 And it needs to go away.

15           And that's what -- we will be debating that in  
16 this case. We will be debating that in the workshops  
17 that we have coming up and in other cases in front of  
18 us.

19           Commissioner Pierce.

20           COM. PIERCE: Thank you, Madam Chairman.

21           As you can see, we decided to debate the rate  
22 case a little bit here during the public comments  
23 session. Because later on, I will offer an amendment  
24 that keeps the status quo until we have gone to  
25 stakeholder meetings.

1           But I am telling you that probably, and with  
2 SSVEC, their allowance is \$1750, which is less than  
3 actually a lot of other utilities, a lot less, but  
4 probably, I am not sure how long that has been in  
5 effect, but I would suggest to you that either you or  
6 whoever you bought your property from benefited from  
7 this policy, that 1750, that first 1750 to help you get  
8 power to your property, and after 1750 you paid the  
9 rest, which is their existing policy. And it has helped  
10 create an infrastructure.

11           And I recognize, you know, you want to, perhaps  
12 there are those who want to limit growth, but you  
13 actually heard testimony from folks that really would  
14 have liked to have limited it to no growth, including  
15 you that are there now. And so that's, that's something  
16 that, you know, there is a balance. And, of course,  
17 this case is a balance on a lot of issues.

18           So I just thought, some of you may not stay  
19 beyond certain time frames, I thought it would be good  
20 to go ahead and continue the debate for just a moment.

21           Thank you.

22           CHMN. MAYES: Thank you very much. And we will  
23 have a greater discussion on this later.

24           Mr. Caple, and then Frank Fletcher.

25           MR. CAPLE: Chairman Mayes and Commissioners,

1 thank you so much for coming to Tucson so we could have  
2 a chance to talk to you. Very much appreciate it.

3 My name is Jack Caple. My wife and I have lived  
4 in Sonoita for nine years. I am a graduate with a B.S.  
5 in mechanical engineering and two degrees in finance,  
6 MBAs in finance. And I am a captain, was a captain in  
7 the United States Air Force.

8 Having said all of that, it means that I have  
9 lived or been around most of the states in the United  
10 States and several foreign countries. And I got to tell  
11 you this is the best place to possibly live. And if it  
12 means I have to have some power outage, so be it. And  
13 there are ways to get around those power outages.

14 We have a battery backup system that keeps our  
15 television and our refrigerator and our microwave on.  
16 And the worst outage we have had has been the  
17 rainstorms, and it was about two hours long. I can't  
18 believe the number of outages they are talking about.

19 I have a prepared letter I wanted to read but  
20 everybody talked about it already. So make it simple, I  
21 do recommend and request that you approve Commissioner  
22 Newman's Amendment No. 1.

23 Thank you very much for your time.

24 CHMN. MAYES: Thank you, Captain Caple.

25 Appreciate that.

1           We have at least three veterans in the audience  
2 I notice, Mr. Magruder, Dr. Caple and Mr. Horsmann. And  
3 there are probably others, another one right here.

4           MR. CAPLE: Yes.

5           CHMN. MAYES: We have Frank Fletcher, and then  
6 Jeanne Horsmann.

7           MR. FLETCHER: My name is Frank Fletcher. I  
8 reside in Elgin. I live at the end of the grid, at the  
9 very end of the grid. And the power outages in the last  
10 five years have been nothing like they were talking  
11 about. We had one long power outage about two years ago  
12 and Sulphur Springs blamed it on people installing fiber  
13 optic cable, said it wasn't their fault at all.

14           Anyway, we certainly can live with a few power  
15 outages. We live in God's country. We have a real herd  
16 of animals and a real herd of deer and it is where the  
17 deer and the antelope roam. And we would like to keep  
18 it that way.

19           I am the president of the Mountain Empire Rotary  
20 Club. Our rotary club took a straw poll and we could  
21 not find anyone, not a single person that was in favor  
22 of this power line.

23           You will be happy to know that I have been  
24 crossing off my bullet points as other people brought up  
25 my points. So I will keep my remarks very brief here.

1           Obviously everyone that has talked is against  
2 the power line. I have a point that I'm not sure what  
3 the, what is going on with it. I understand that most  
4 of the small utility companies in Arizona have installed  
5 two-way meters to allow power to be sold back to the  
6 grid. And Sulphur Springs, as far as I know, has not  
7 installed any of these meters, at least none around  
8 where we live. And I think if we could speed up that  
9 process we certainly would have a lot more people going  
10 green. It changes the economy considerably when you can  
11 sell it back.

12           I guess the only thing I have left that I  
13 haven't crossed off, we have had so many people bring up  
14 good things, is that we encourage you to approve the  
15 Newman Amendment No. 1.

16           CHMN. MAYES: Thank you for the question. I  
17 will ask that question for you during our discussion.  
18 And I will tell you that Sulphur Springs, like every  
19 other utility in Arizona, is now under an order to  
20 present the Commission with a net metering tariff. And  
21 I don't know if they have done that yet. I guess they  
22 have, they are about to submit that. The Commission  
23 will address it, but, you know, most likely adopt it,  
24 and we will ask the company about the two-way meters and  
25 what they are doing to facilitate that.

1 MR. CAPLE: Thank you.

2 CHMN. MAYES: Thank you.

3 Jeanne Horsmann, and then Marshall Magruder.

4 MS. HORSMANN: Chairman Mayes, Commissioners, I  
5 will keep this short, cut to the chase here.

6 You already know how I feel about the line.  
7 Many of us have talked about what the community wishes  
8 with respect to renewable energy and a desire to  
9 decrease our dependence on power derived from  
10 nonrenewable coal.

11 Today I am here to tell you about one way this  
12 community is working to meet these goals. I am excited  
13 to announce the Audubon Research Ranch and the Renewable  
14 Energy Subcommittee of the Sonoita Crossroads Community  
15 Forum has been awarded a TogetherGreen grant for  
16 \$24,200. We were one of the few that received full  
17 funding.

18 The TogetherGreen grant is funded by Toyota and  
19 administered by the National Audubon Society. The name  
20 of the grant is Reducing Carbon Emissions: A Model For  
21 Rural Communities. With this money we will award the  
22 Audubon Apacheria Fellowship to a graduate student to  
23 assist with the coordination of our activities and  
24 prepare a case study that will serve as a role model for  
25 other rural communities.

1           Our activities will include but not be limited  
2 to determine the level of knowledge and interest in the  
3 local population, work with county officials to address  
4 code issues, coordinate with SSVEC to address  
5 compatibility issues, engage local businesses to place  
6 renewable energy systems on their businesses, educate  
7 and encourage local residents who are financially able  
8 to implement construction of renewable energy projects,  
9 develop a worksheet to serve as a template for  
10 implementing renewable energy systems, engage local  
11 community organizations to assist with educational  
12 opportunities, discover funding opportunities for low  
13 income residents and nonprofit organizations, host  
14 workshops or seminars showcasing sustainable energy  
15 generation and passive conservation practices, work with  
16 regulatory bodies to allow residents and commercial  
17 businesses to produce greater than 125 percent of their  
18 current electrical load.

19           The goal of this grant, the goals of this grant  
20 are to unite the community through shared experiences  
21 and empower individuals to make sound conservation  
22 decisions, and create a model for rural communities that  
23 will significantly reduce the threat of greenhouse gas  
24 emissions by production of electricity through  
25 alternative renewable energy.

1           This is the first year of a multiyear project.  
2 It will produce a replicable model reaching far beyond  
3 northeastern Santa Cruz County. We believe that through  
4 our example other rural groups will be encouraged to  
5 implement wide scale renewable energy production based  
6 on small scale generation systems and link this  
7 production to enhance energy efficiency through  
8 retrofits of existing buildings and new construction.  
9 We anticipate that many counties will be encouraged to  
10 alter zoning regulations that create roadblocks to small  
11 scale generation of renewable energy.

12           This is just the first stage towards our vision  
13 for sustainability of northeast Santa Cruz County. We  
14 will cultivate partnerships with local organizations  
15 with similar goals. Additional funding will be needed  
16 for completed implementation and we are investigating  
17 additional grant sources. This project will continue  
18 for many years as we move towards sustainability and  
19 energy generation and other natural resources in  
20 northeast Santa Cruz County.

21           Thank you. And I look forward to updating you  
22 in the future about our efforts. And I encourage you to  
23 please vote for Commissioner Newman's Amendment No. 1.  
24 Thank you.

25           CHMN. MAYES: Thank you very much.

1 MS. HORSMANN: I will give you a copy.

2 CHMN. MAYES: That will be great.

3 Next up is Marshall Magruder. And after is  
4 Dorothy Sturges.

5 MR. MAGRUDER: Madam Chairman, Commissioners, my  
6 name is Marshall Magruder, from Tubac.

7 Since last fall I have been working with a group  
8 of concerned citizens in the Mountain Empire communities  
9 of Elgin, Sonoita and Patagonia. I want to improve  
10 their electrical reliability through the use of today's  
11 technologies instead of using the SSVEC's quarter  
12 century old approach of installing a transmission line.  
13 Now, as the energy Commissioner for Santa Cruz County  
14 for many years, I consider this my obligation to do  
15 this.

16 The company proposed a radial 69kV  
17 subtransmission line to these three communities which is  
18 now near its 7 megawatt capacity on its present  
19 25 kilowatt distribution line and to provide a  
20 distribution substation with reliability loops costing  
21 at least \$13.5 million. They will, the 13 -- the  
22 25 kilovolt line will become a loop.

23 Initially several power line alternatives were  
24 considered, including backup support from TEP on its  
25 46 kilovolt line and an option to tie UNS Electric and

1 SSVEC distribution lines south of Patagonia. Both  
2 remain valid options but more importantly provide second  
3 sources instead of the only one radial line that the  
4 company has proposed.

5 The most inexpensive and obvious solution is to  
6 double circuit the existing 25 kilovolt line, which  
7 would give them 14 megawatts and 100 percent excess.

8 In the January and February time frame it became  
9 obvious that renewable energy options would greatly  
10 enhance local reliability of the 7 feeder line when  
11 reasonably inexpensive generators could handle sunless  
12 and windless excursions. Let me explain that.

13 There are some for \$570,000 you can buy, 1.1  
14 megawatt generator. 1.1 megawatt is a lot compared to  
15 7. And it goes off when you get close to 7. And that's  
16 a very cheap way to add some power during the sunless  
17 hours. Interconnections to nearby gas lines could help  
18 serve to keep this above 7 megawatts.

19 The community has fully supported independent  
20 and clean distributed generation to reduce dependence on  
21 coal powered electricity generated from Wilcox.

22 There are many residential and business owners  
23 who have or plan to apply for solar photovoltaic and  
24 heating systems, at least 1 megawatt's worth, that will  
25 reduce demand. Further, several solar arrays or biogas

1 systems of 1 to 3 megawatts are under consideration in  
2 various locations to support this local grid. These  
3 will also significantly reduce the load on the existing  
4 25 kilovolt line.

5 The Arizona Corporation Commission has  
6 implemented the REST program, net metering and DSM  
7 programs that will improve reliability and distribution  
8 generation. Stimulus funding options were not discussed  
9 six months ago, and now they have become almost a way of  
10 life. So that itself is changed.

11 What does all of this mean? There are many new  
12 options now on the table with more expected in the near  
13 term. And from our view, they all appear to be less  
14 expensive than the 1982 approach.

15 In May, June we suggested constructing a  
16 feasibility study, collaboratively working with these  
17 communities to determine the best solutions. In July we  
18 discussed this with the company to see if they wanted to  
19 do a discussion of that study. Well, I wouldn't be here  
20 today if they would have agreed. Thus, we are here  
21 requesting an independent organization acceptable to the  
22 Staff to be funded by the utility to conduct a  
23 feasibility study.

24 This study must look at all aspects of the  
25 issues, from the technical and environmental views,

1 including public relations and the financial, and to be  
2 summarized so Sulphur Springs' management can make a  
3 good decision. Our outline has all of these elements  
4 and includes biweekly reviews with the public to  
5 baseline results as the study progresses with written  
6 monthly status reports to the board of directors and to  
7 the Staff.

8 I read Commissioner Newman's Proposed Amendment  
9 No. 1. It establishes a requirement for Sulphur Springs  
10 to conduct a feasibility study by an independent third  
11 party. This amendment requires that the study be filed  
12 with the ACC probably in a new docket and monthly  
13 progress status reports and reports also to be filed for  
14 public review and comment.

15 The community's proposal for frequent public  
16 reviews should be in a forum atmosphere as proposed by  
17 Commissioner Mayes Amendment No. 1. These public  
18 progress status review forums should be coordinated by  
19 the third party during the feasibility study, as  
20 community participation will lead to better  
21 understandings between the utility and the public and  
22 create the necessary basis to implement a renewable  
23 distribution energy model for those and other renewable  
24 rural communities at the end of the line.

25 And also I would like to add this could be an

1 experimental Smart Metering area because I really think  
2 utility companies have to start moving out and stop  
3 being so conservative and restrictive in all of their  
4 actions. And this is one of the most conservative  
5 utilities I have ever met.

6 Next, from my role as a consultant to the  
7 Mountain Empire communities, the Commission should  
8 approve both Commissioner Mayes No. 1 and Newman No. 1  
9 amendments as they are based on what the communities  
10 believe are the best approach towards resolution of  
11 these issues and are in the public interest.

12 Commissioner Newman's amendment orders that the  
13 69kV line construction not be commenced until the  
14 feasibility study has been reviewed. Because  
15 electricity consumption has decreased for the past two  
16 years for most Arizona utilities, there has been less  
17 than a dozen homes built in the last 12 months, local  
18 renewable energy systems are being installed today  
19 throughout the community, public participation and  
20 energy efficient programs. And all of these result in  
21 reducing demand because it is that 7 megawatt limitation  
22 on the present system. I also don't think that 7 --  
23 which causes me to believe that 7 megawatts should not  
24 be exceeded this winter because of these conditions.  
25 Further, if such a risk is deemed, then renting a truck,

1 small truck with a 500 kilowatt generator plugged in and  
2 turned on when they need it would solve their problem  
3 while the feasibility study is going on. And that cost  
4 is minimal.

5 I really think that the feasibility study needs  
6 to be accomplished. I recommend approval of both Newman  
7 and Mayes Amendments No. 1 because I think they can work  
8 together.

9 I also support Commissioner Price's amendment  
10 No. 4 concerning TOU. It is excellent.

11 COM. NEWMAN: Pierce.

12 MR. MAGRUDER: Pierce. I am looking at your  
13 name.

14 COM. PIERCE: I have had that happen before.

15 MR. MAGRUDER: I am sorry, Pierce. And I like  
16 your TOU amendment.

17 And I am also going to enjoy hearing the  
18 discussion on the extensions because I expect that to be  
19 dynamic this afternoon, for which I will take a neutral  
20 position if I ever expect to talk to any of you all  
21 again.

22 And I hope to see you tonight in Nogales because  
23 I am probably the only one in the room who will be down  
24 there in Nogales tonight. Thank you very much.

25 Do you have any questions?

1 CHMN. MAYES: Thank you, Marshall.

2 We need to take a 10-minute break. We still  
3 have more public comment to get through but our court  
4 reporter needs a break. So before we get to Dorothy, we  
5 are going to take a 10-minute break and come right back.

6 (A recess ensued from 12:01 p.m. to 12:13 p.m.)

7 CHMN. MAYES: Let's go with Dorothy Sturges, and  
8 after Dorothy, Rosanna Kazanjian.

9 MS. STURGES: Good afternoon, Commissioner  
10 Mayes, fellow Commissioners. My name is Dorothy  
11 Sturges. I have been a Sonoita resident for almost  
12 24 years.

13 What I want to read to you this afternoon is a  
14 letter written by the sisters of Santa Rita Abbey which  
15 is just north of Sonoita. The abbey has been in Sonoita  
16 since 1972.

17 The sisters of Santa Rita Abbey feel no lack of  
18 electrical power. We have increased the amount of solar  
19 power that we use and this has been an immense  
20 improvement. It is clean, economical, and efficient.  
21 And since in this area we have been given so many days  
22 of pure sun, what more could we ask? We are also  
23 conscious of the amount of wind we enjoy and would like  
24 research on the feasibility of solar and wind power for  
25 general electrical provision.

1           We feel a responsibility toward the natural  
2 world and the need to do everything we can to respect  
3 its needs, lest the earth in which our next generations  
4 live will be hopelessly disabled.

5           This is an urgent priority. Therefore, we are  
6 very much in favor of feasibility research on solar and  
7 wind power for our area.

8           Signed, Sisters Miriam, Victoria, Clare, Rita,  
9 Kate, Esther, Margarita, Pamela, Catherine.

10          CHMN. MAYES: Thank you very much. Can you  
11 provide that, provide that for the court reporter. That  
12 would be great.

13          MS. KAZANJIAN: I pass. Everything has been  
14 said that I have to say.

15          CHMN. MAYES: So you are Rosanna?

16          MS. KAZANJIAN: I am.

17          CHMN. MAYES: Thanks, Rosanna.

18          MS. KAZANJIAN: I knew you would love me.

19          CHMN. MAYES: Leslie Kramer, and after Leslie,  
20 Susan Scott.

21          MS. KRAMER: Madam Chairman and Commissioners,  
22 thank you once again on behalf of everyone for coming  
23 down here to Tucson to meet with us.

24          As I said, I am Leslie Kramer. I am a resident  
25 of Sonoita. I am an attorney in private practice. And

1 in Sonoita my partner and I own a home that borders on  
2 the Babocomari Ranch.

3 We have 13 acres. And the proposed 69kV line  
4 will forever change our view. And it would be remiss of  
5 me not to acknowledge that for myself and also for my  
6 neighbors.

7 In that regard, I do have a letter to you from  
8 Dr. Robinson. And I would like to enter that into the  
9 record.

10 CHMN. MAYES: All right.

11 MS. KRAMER: That's also a copy of my comments  
12 here.

13 CHMN. MAYES: Okay.

14 MS. KRAMER: I am probably going to take a  
15 little bit of a different tact than what most of the  
16 speakers have talked about today.

17 As I said, I am an attorney. I am licensed to  
18 practice in Arizona and Wisconsin. And I started my  
19 private practice more than 25 years ago in Wisconsin  
20 representing a small boutique labor law firm. And one  
21 of our clients at that time was also the Citizens  
22 Utility Board. That board had been created by the  
23 Wisconsin legislature to represent consumers and  
24 ratepayers before the Wisconsin Public Service  
25 Commission. That's the equivalent of the Arizona

1 Corporation Commission.

2           And what struck me then and still resonates with  
3 me today, and now especially after interacting with  
4 SSVEC for the last couple years, is that utility  
5 companies for whatever reason seem to be uniformly  
6 obstinate and paternalistic. They keep information as  
7 close to the chest as possible and they resist having to  
8 explain their conduct for as long and as hard as  
9 possible. This type of conduct is even more aggravating  
10 when the company involved is a cooperative such as  
11 SSVEC. We consumers are supposed to be the owners.

12           In this specific case, Susan Scott and I went  
13 before the SSVEC board of directors on December 18th of  
14 2006 seeking to engage them in a conversation about the  
15 Babocomari easement which was then under litigation.  
16 Later that spring, in early summer, I facilitated  
17 several community meetings attended by hundreds of  
18 people who were interested in the proposed 69kV line.

19           What has been constant since that time is  
20 SSVEC's position that this is what we are going to do  
21 and, basically, if you don't like it, lump it, see if we  
22 care.

23           Well, I think, as it has been pretty obvious by  
24 all of the comments you have heard today, everybody does  
25 care and we really care. And that's the point that I

1 want to make. What we seem to have here is a company  
2 that has spent a lot of money litigating their right to  
3 the Babocomari easement for the 69kV line purpose.  
4 Having succeeded in that litigation, they have dug, they  
5 have dug in their heels. This isn't about Sonoita,  
6 Elgin and Patagonia having more reliable electricity.  
7 If that was so, they would be proposing a loop system,  
8 which they are not. What this is now, what this appears  
9 to now be about is SSVEC saying we have the right to do  
10 this and, therefore, we are going to do that.

11 This makes no sense, and we customers shouldn't  
12 have our rates raised as a result, especially since, as  
13 the Wall Street Journal noted last Thursday in its lead  
14 article, electricity rates are falling. Also I would  
15 like to submit that.

16 CHMN. MAYES: Thank you. I noticed that  
17 article, too.

18 MS. KRAMER: I thought it was a very interesting  
19 comment.

20 Now SSVEC wants to spend \$13 million to do  
21 something that they don't need to do and the community  
22 appears to be utterly opposed to, and especially since  
23 we have less expensive alternatives available to us.  
24 Pat and I have decided to spend over \$13,000 to install  
25 solar for our hot water and radiant floor heating

1 system. I wish I could believe that SSVEC has as  
2 carefully investigated their proposed expenditure of  
3 13 million as Pat and I have spent investigating the  
4 reasonableness of 13,000 for a solar system.

5 In conclusion, I want to state that I support  
6 Commissioner Newman's Amendment No. 1 and Chairman  
7 Mayes' Amendment No. 1. Thank you for your time.

8 CHMN. MAYES: Thank you very much. And thank  
9 you for your investment in solar energy.

10 MS. KRAMER: You are welcome.

11 CHMN. MAYES: We appreciate that.

12 Susan Scott, and after Susan, Trevor Hare.

13 MS. SCOTT: Well, good afternoon. It is  
14 a pleasure to have you here. We are so glad that you  
15 made the trip down to Tucson to hear us. And I think  
16 you all heard a lot of frustration on our part in terms  
17 of dealing with Sulphur Springs. I probably could just  
18 say ditto and be over but I do want to say just a few  
19 words.

20 I am a member of the board of the Sonoita  
21 Crossroads Community Forum. A couple earlier speakers  
22 mentioned the forum. It is a nonprofit organization  
23 that was created in our unincorporated community to be  
24 an interface with the community citizens on issues that  
25 are impacting our community, and also to interface with

1 the many institutions that are impacting our growth.

2 As Leslie mentioned, our first outreach to  
3 Sulphur Springs was in December 2006, when we went to  
4 their board meetings, when we got wind of the Babocomari  
5 easement and trying to find out what they are doing.  
6 Since that time, they basically have stonewalled us,  
7 which is really the reason why we are here today. I  
8 think that perhaps if there been more dialogue all  
9 along, community involvement, there would be more  
10 support of the community and we perhaps would not be  
11 here at this point.

12 Bottom line is we have an opportunity, I think,  
13 to do something that's much more innovative than a 69kV  
14 line, one that is more cost effective, that will have  
15 less impact on the community and our viewscapes, and  
16 potentially will prevent us from having some sort of a  
17 blight.

18 The way that the energy development is going  
19 now, 69kV power lines may be obsolete in 10 or 20 years.  
20 Yet, if they install this line, we will have that blight  
21 on our grasslands forever. So I urge you to support an  
22 independent feasibility study and Newman's, Commissioner  
23 Newman's Amendment No. 1 and Commissioner Mayes'  
24 Amendment 1 as well.

25 Thank you.

1 CHMN. MAYES: Thank you. Trevor Hare, and then  
2 Bobby Richards -- Robby Richards.

3 MR. HARE: Madam Chairman, Commissioners, my  
4 name is Trevor Hare. I am a conservation biologist with  
5 a nonprofit conservation organization in Tucson called  
6 Sky Island Alliance. And I represent over 2,000 members  
7 and over a thousand volunteers that have spent over  
8 20,000 hours in the Sonoita valley working on protecting  
9 and restoring amazing biodiversity of the area.

10 I am here today to talk about the wildlife  
11 connectivity through this area. And we heard a concern  
12 about wildlife connectivity from the Huachuca Mountains  
13 to the Mustangs. That's only a small part of it.

14 We also work 40 and 50 miles down into Mexico  
15 where we have identified populations of jaguars and  
16 ocelots that we feel will make it into the United States  
17 within 20 years. From the Huachucas through the San  
18 Rafael Valley, the Canelo Hills, the Audubon Research  
19 Ranch through Las Cienegas National Conservation area,  
20 which this line splits, and across I-10 into the Saguaro  
21 National Park, the Rincons on up the Gila River and  
22 Mogollon Rim is vital for the genetic diversity and  
23 viability of many populations of wide ranging animals,  
24 including many endangered species such as the  
25 southwestern willow flycatcher, the ocelot, the jaguar

1 as I mentioned.

2 Right-of-ways and associated roads are a prime  
3 cause of habitat fragmentation. It can cause behavioral  
4 avoidance, direct mortality and can act as a vector for  
5 invasive plant species to invade these amazing  
6 grasslands such as Lehman's lovegrass and bufflegrass.

7 And I just, I will end with a quote from Aldo  
8 Leopold. He said the penalty of an ecological  
9 knowledge, which I gained through school and 20 years of  
10 experience in the Sonoita valley grasslands, which the  
11 locals have gained through living down there and loving  
12 this place, the penalty of ecological knowledge is that  
13 you live in a world of wounds. And we don't need one  
14 more wound in this area.

15 Thank you.

16 CHMN. MAYES: Thank you.

17 Robby Richards, and after Robby, Gail  
18 Getzwiller.

19 MR. RICHARDS: Thank you, Chairwoman Mayes and  
20 Commissioners, for coming to Tucson today to facilitate  
21 this public forum. My name is Robby Richards. And I am  
22 the owner of Copernicus Energy.

23 My purpose in appearing here today is to show  
24 the significant private sector interest and support for  
25 new renewable energy generation facilities within

1 SSVEC's service territory.

2 My company presently has purchased contracts to  
3 install several hundred kilowatts of solar systems at  
4 residential and business locations through SSVEC's  
5 territory. Copernicus Energy is also investing very  
6 significant private capital into multiple utility scale  
7 renewable energy generation facilities across Santa Cruz  
8 and Cochise Counties.

9 To accomplish this goal, my company has  
10 presently in escrow to purchase six acres of land  
11 immediately adjacent to the proposed SSVEC substation in  
12 Sonoita. My company is also in escrow to purchase five  
13 acres of property within a half a mile of the SSVEC  
14 Huachuca substation in Whetstone. And I am also in  
15 escrow to purchase 160 acres of land within one mile of  
16 the SSVEC McNeil substation.

17 All of these locations will house multi megawatt  
18 range renewable energy generation. Thus, given a true  
19 bi-directional interaction with Sulphur Springs, I  
20 believe that my company can meet one small part of the  
21 solutions sought by the members/owners of SSVEC in this  
22 room.

23 I would like to quickly address the issue of  
24 past SSVEC studies. We all know that they have spent  
25 significant man-hours and resources in past studies.

1 And I do not doubt the intelligence and credibility of  
2 their engineers and staff. I would just like to point  
3 out that there have been some very recent, very  
4 important developments that will affect or could affect  
5 the SSVEC 69kV line and its pending rate case.

6 For one example, federal cap and trade  
7 legislation passed one part of the congress just during  
8 the course of this rate increase. This is a huge issue  
9 that's going to affect SSVEC and its members/owners and  
10 renewable energy generation companies like Copernicus  
11 Energy. Thus, there are many, many important factors  
12 that have not been addressed in past studies because we  
13 didn't even know about them then. So I think further  
14 study in a reasonable time that does not unduly delay  
15 and create undue financial hardship to SSVEC is  
16 warranted.

17 I would like to voice my support to Chairwoman  
18 Mayes' Amendment 1 seeking further study and interaction  
19 between SSVEC and its members/owners.

20 I further support Commissioner Newman's  
21 Amendment 1 to delay construction of the 69kV line until  
22 a feasibility study can be completed.

23 I have made numerous efforts to try to work with  
24 SSVEC and work with the members/owners. At times the  
25 relationships have become what I feel is overly

1 emotional and contentious.

2 In point of fact, I was invited by a  
3 member/owner of SSVEC to attend a recent board of  
4 directors meeting. My purpose in going was just to sit  
5 and listen. I did not ask to speak. I did not have any  
6 proposal before them. I simply was sitting in the  
7 audience much like I am doing today. Yet at that  
8 meeting I was confronted and was told that I was not  
9 welcome at SSVEC's public meeting because I am not a  
10 member/owner of SSVEC.

11 In my reading of SSVEC's member bylaws, as  
12 published on the SSVEC website, there are no  
13 requirements for a person to be a member/owner of a  
14 utility in order to sit and attend and listen in to  
15 public meetings.

16 So I believe that, given an opportunity for  
17 everybody to relax the emotions, take a step backwards  
18 in a reasonable, prudent manner, that we can all work  
19 together and we can work through the feasibility study  
20 to find a -- and enable a solution that is amenable to  
21 all parties and it is not a one side win, one side lose  
22 situation.

23 And I again thank you very much for giving me  
24 the opportunity to speak today.

25 CHMN. MAYES: Thank you, Mr. Richards.

1 Gail Getzwiller.

2 I do not have any other public comment slips  
3 after Gail. Anybody else that wanted to speak? No?

4 MR. CARROLL: Chairman Mayes.

5 CHMN. MAYES: Mr. Carroll. Do you have a  
6 microphone?

7 MR. CARROLL: They are actually using it. I  
8 want to make sure I can do this after lunch, that I  
9 would have an opportunity to make --

10 CHMN. MAYES: Of course.

11 MR. CARROLL: -- a statement.

12 CHMN. MAYES: Of course. We will go to comments  
13 and opening statements from the parties after we are  
14 done.

15 Go ahead, Gail.

16 MS. GETZWILLER: Thank you, Commissioner Mayes.  
17 Chairman Mayes and Commissioners, thank you very much  
18 for coming to Tucson. We appreciate it very much.

19 And I wrote statements which I gave you a copy  
20 of which I am not going to read to you and bore you with  
21 more material. But I do want to say that I think in the  
22 end, after going through all of this, that we are going  
23 to say thank you, SSVEC, for trying to put this power  
24 line through the Sonoita/Elgin/Patagonia area, because  
25 in the end we have united this community.

1           We probably know more about renewable energy and  
2 distributed energy than any community in the United  
3 States because of this threat to our environment and our  
4 way of life. Otherwise we would have been paying our  
5 utility bills, who cares; the utility comes in, yes, you  
6 can get a rebate, you can put solar on your home. And  
7 some people are doing that. But we have galvanized to a  
8 point where we are definitely going to be that model  
9 demonstration project no matter what happens. We are  
10 going to put solar on every home in our community, on  
11 every business in our community. And we are going to  
12 have enough energy that SSVEC can buy it from us. We  
13 definitely do not need this power line.

14           Things are falling in place for us that are  
15 unbelievable. We -- over time you heard of the  
16 progression, but just recently, Gabriel Giffords meeting  
17 with us and having her staff member come out and have a  
18 meeting with us to say we want to help you be this local  
19 distributed energy community. And then we had a  
20 Fortunate 500 company walk up to us and say we want to  
21 help you do this. And our rotary club is behind us.  
22 International rotary is behind us. Jeanne Horsmann told  
23 you about the grant we just got. That can work in with  
24 this.

25           And another thing just two days ago came through

1 on the internet from Robin Beaudreaux about the Arizona  
2 CEP program that will help communities develop necessary  
3 tools to engage in local energy infrastructure planning  
4 by providing them with technical assistance. And it  
5 goes on. You probably saw it.

6 So I think that we are making history. It is  
7 ground breaking history. And with Commissioner Newman's  
8 amendment, Commissioner Mayes' amendment, we are going  
9 to be awesome. We are going to be national. We are  
10 going to be headlines. I mean Channel 9 and Channel 4  
11 are here today. But we are going to be all over the  
12 news if this goes through. We are going to, we are  
13 going to make a statement for this country in renewable  
14 rural distributed energy.

15 And Judge Barth in his just quick 2200 homes,  
16 2,000 square feet, \$13.2 million, put solar on them all.  
17 Those are just quick figures but they are not that far  
18 off. And I think we can do this.

19 CHMN. MAYES: While I have you, and then we are  
20 going to go ahead and take a break for lunch and come  
21 back, but while I have you, I do want to ask you, and I  
22 asked you when you were up at the Commission -- you came  
23 all the way up to the Commission when we were postponing  
24 this vote to come down here. You know, your enthusiasm  
25 is infectious. It is wonderful to see the community

1 rally around this issue.

2 As you know, I am a huge proponent of renewable  
3 energy and certainly the Commission's renewable energy  
4 standard. But 2200 homes is a lot of homes. It is  
5 harder, it is harder to do than it is to say. And so I  
6 guess I have two questions for you.

7 One, has the community made any more progress  
8 toward, you know, realizing sort of a plan? And I  
9 understand that the Newman amendment, to some degree my  
10 amendment, goes to this issue.

11 And second, have you heard anything back  
12 concrete from Congresswoman Giffords with regard to her  
13 efforts to help you do a major distributed generation  
14 pilot program in the communities of some sort?

15 MS. GETZWILLER: Well, it has only been a month.  
16 And it has been a little difficult to interact. But I  
17 did hear from Ron Barber and they are still wanting to  
18 work with us. It is just going to be a matter of time  
19 trying to figure out what that role is and what they can  
20 do. I think that now that we are getting interest from  
21 a Fortunate 500 that maybe could help us with, you know,  
22 feasibility and planning, the grant -- it all kind of  
23 works together.

24 CHMN. MAYES: Yes.

25 MS. GETZWILLER: And we do have a lot of homes

1 going on line. The Sonoita, The Steakout, that whole  
2 facility is going to be putting up a \$375,000  
3 photovoltaic system. We are putting one on our home.

4 I mean it is, it is just the beginnings, but we  
5 are hoping soon to have that plan together, which is why  
6 the time that you are helping us buy with your attention  
7 to us -- and I just have to say thanks to Marshall  
8 Magruder and the past Commissioner Robert Mundell for  
9 giving us the hope that we could be here today.

10 CHMN. MAYES: I will pass that on to  
11 Commissioner Mundell. He is now the Registrar of  
12 Contractors.

13 COM. PIERCE: We changed his name to William.

14 CHMN. MAYES: It is Bill.

15 COM. NEWMAN: It is still Bill. He has a  
16 satellite office over here in the state building. He  
17 has remodeled it and he is doing a good job as the  
18 Registrar of Contractors.

19 It is true, we should say something about  
20 Commissioner Mundell and Commissioner Mayes' interest in  
21 your community, which preceded, which preceded some of  
22 these developments.

23 One thing that came up today which I thought  
24 about a lot is the emphasis on the word renewable is not  
25 only solar, it is wind. And one of the gentlemen talked

1 about wind energy. And it gave some promise, may have,  
2 to reduce your bills. He testified that he reduced his  
3 bills over 40 percent. Of course, over time you will  
4 make up your investment, and the same idea with solar.

5 So when we say renewable for this community, I  
6 join you and Congresswoman Giffords and the entire  
7 congressional delegation, if we can get it to that  
8 point, in trying to make this community a model  
9 demonstration project. And I thank you for your efforts  
10 to that effect.

11 When SSVEC -- we approved their energy  
12 efficiency and DSM and renewable energy plan not too  
13 long ago actually. And we applauded them. And I  
14 applauded SSVEC for getting the schools involve. There  
15 is more money involved for schools. And we shouldn't  
16 forget the JP testified that the school down in  
17 Patagonia also, and all the major county buildings in  
18 Santa Cruz County, could get money. It could be  
19 countywide in Santa Cruz County. I would love to see  
20 that.

21 But I just wanted to bring up a point about  
22 wind. And living where you are, there are some  
23 capabilities. And so that really should be part of the  
24 feasibility study.

25 And one of the things I thought about with my

1 amendment, and we will get into this a little bit while  
2 we debate it, but a third-party independent engineer is  
3 very, very important, but sometimes the Udall, I am just  
4 going to mention it for the first time, the Udall  
5 Institute, which is just around the corner over here,  
6 has a lot of work done in environmental mediation sort  
7 of work. And I actually see them as a potential or a  
8 similar type entity. I am not going to pick them. I  
9 haven't been able to talk to them. But there are a lot  
10 of entities that could help bring this together and have  
11 the recognition of congress. Udall Institute is  
12 actually funded by congress, so...

13 But I thank you for your leadership. And I am  
14 happy that we got the hearing down in Tucson as well.

15 CHMN. MAYES: Me too. Okay.

16 MS. GETZWILLER: Thank you.

17 CHMN. MAYES: Thanks, Gail. Appreciate those  
18 comments.

19 And what we are going to do, if it is okay with  
20 my colleagues, take a very tight 30-minute lunch, come  
21 back here, we will start at 1:10 with opening comments  
22 from the parties. And then we will get into the  
23 amendments.

24 And for those who are from the area or have come  
25 up here from Sonoita and Elgin and elsewhere, what I am

1 going to do is take the amendments dealing with the  
2 power line, 69kV line pretty early on. So we will deal  
3 with those in case you need to go home. And we will  
4 continue, we will continue as long as we can until 4:00  
5 and then hopefully we will be done. But if not, we  
6 would have to recess and vote it out next week at our  
7 open meeting.

8 Okay. So we will go to lunch and come back.

9 (A recess ensued from 12:39 p.m. to 1:24 p.m.)

10 CHMN. MAYES: We will have the Hearing Division,  
11 Judge Rodda, make an initial presentation of the case  
12 and then we will go to parties.

13 Before Judge Rodda gets started I wanted to let,  
14 let folks who are here know, and my colleagues, that I  
15 have ordered the amendments in this way. It sort of  
16 backs them up by topic. And I thought we would go to  
17 Hearing Division Amendment 1, Hearing Division Amendment  
18 2, then Newman 1 and Mayes 1. That's the 69kV issue.

19 Then in batch three we will go with Pierce 2,  
20 then Newman 5, Newman 2, Newman 3, Newman 4, Pierce 1.

21 In batch number 4 we will go with Pierce 5  
22 first, then Mayes 2 and Mayes 3.

23 And then in batch 5, which is Commissioner  
24 Pierce's time of use amendment, Pierce 4 and Pierce 3.

25 Okay. Judge Rodda.

1 ALJ RODDA: Thank you, Chairman Mayes,  
2 Commissioners. Jane Rodda on behalf of the Hearing  
3 Division.

4 This recommended opinion and order recommends  
5 the revenue level of 102.3 million which is an increase  
6 of 9.5 million, or 10.28 percent, over test year  
7 revenues. The revenue level was based on the  
8 cooperative's projections of the net income required to  
9 meet its lender's financial ratios and to obtain a  
10 30 percent equity ratio by approximately the year 2016.

11 In arriving at these figures, the recommended  
12 opinion does not include the requested charitable  
13 contributions and operating expenses. It does, however,  
14 include some post test year employee expenses and the  
15 safety and bonus payments and allows for an annual  
16 recovery of \$60,000 for rate case expense.

17 The ROO would result in a monthly increase of  
18 \$9.04, or 10.18 percent, from \$88.78 to \$97.82 in the  
19 average residential bill. The order limits the  
20 cooperative's ability to return capital credits until it  
21 reaches the 30 percent equity ratio. It adopts the  
22 cooperative's customer charges which would increase from  
23 \$7.50 to \$12.50 and adopts the cooperative's proposed  
24 service charges.

25 The ROO adopts Staff's recommendations

1 concerning the operation of the wholesale fuel and power  
2 costs which allows the cooperative to lower the adjuster  
3 without Commission approval but requires Commission  
4 approval to increase the adjuster and adopts Staff's  
5 recommendations concerning the DSM programs and the DSM  
6 adjuster mechanism.

7           Because the cooperative might be taking as much  
8 as 80 percent or more of its power from AEPCO in the  
9 future, the recommended order does not require, require  
10 a fuel procurement prudence review at this time but  
11 reserves the right for Staff to pursue one if Staff has  
12 concerns in the future.

13           The recommended opinion adopts the service  
14 conditions as modified by Staff which includes the  
15 elimination of the construction allowance for line  
16 extensions.

17           The recommended order does not prevent the  
18 cooperative from building the proposed 69kV line and  
19 substation but neither does it require the construction.

20           And I have two Hearing Division amendments.

21           CHMN. MAYES: Thank you, Your Honor. And then  
22 why don't we go to Mr. Carroll for opening comments from  
23 SSVEC.

24           MR. CARROLL: I will do it from here if that's  
25 okay.

1 CHMN. MAYES: Mr. Carroll, is that light on?

2 MR. CARROLL: Yes, it is.

3 CHMN. MAYES: There you go.

4 MR. CARROLL: Nobody has ever accused me of not  
5 being loud enough when I speak.

6 Chairman Mayes, Commissioners, thank you and  
7 good afternoon now. My name is Bradley Carroll from the  
8 law firm of Snell & Wilmer and I represent Sulphur  
9 Springs Valley Electric Cooperative. Sitting with me at  
10 the table is Mr. Creden Huber, the chief executive  
11 officer of Sulphur Springs.

12 On behalf of the cooperative, I very much  
13 appreciate this opportunity to address you and to do  
14 whatever we can to assist the Commission in its  
15 deliberations throughout the course of the day today and  
16 on the approval of the cooperative's rate application.

17 Also, as I did at the hearing, I would like to  
18 thank Staff for the cooperative and collaborative way it  
19 worked with us over the course of these last 18 months.  
20 And I would also like to thank Judge Rodda for presiding  
21 over this case and for drafting such a fine recommended  
22 order which, with just a few exceptions, the cooperative  
23 supports and urges the Commission to adopt.

24 Now, if the Commissioners would indulge me for  
25 just a few minutes, because of the various issues and

1 claims that have already been raised this morning as  
2 well as the exceptions that the cooperative filed and  
3 the proposed amendments that have been docketed by some  
4 of the Commissioners over the last few days, I would  
5 like to briefly provide you with a little background  
6 about the cooperative and its management in terms of how  
7 we got here today that you may not be aware of. I  
8 believe this to be important and relevant because it  
9 bears directly on all of the outstanding issues in  
10 dispute and will further provide context to this  
11 discussion. And I think it also describes a little bit  
12 of a different picture about the cooperative than, and  
13 its management, that what you might have heard somewhat  
14 this morning.

15           As I said at the hearing, and what I believe to  
16 be truly remarkable, is that the application pending  
17 before you today is the first application that Sulphur  
18 has filed for an increase its rates since 1992. That  
19 was 17 years ago. This means that, assuming the current  
20 rate increase goes into effect on September 1st of this  
21 year, it will be 16 years since members had had an  
22 increase in terms of their base rates. And I don't  
23 think that any other Class A electric utility in Arizona  
24 can make such a claim. What is noteworthy about this,  
25 however, is how Sulphur did it.

1           As Sulphur's CEO Huber testified back at the  
2 hearing in 1998 Sulphur initiated a voluntary severance  
3 plan that reduced the staff by 40 employees, reorganized  
4 its operation and cut costs that saved the cooperative  
5 approximately \$4 million a year.

6           In 1998 Sulphur had 164 employees covering  
7 34,000 meters and 190 customers per employee. At the  
8 end of the test year in 2007 following a growth in its  
9 service territory to 50,000 meters, the cooperative was  
10 serving 301 customers per employee. Not counting the  
11 employees dedicated exclusive to Fort Huachuca, today  
12 Sulphur is serving those 300 customers per employee with  
13 approximately the same number of employees that it did,  
14 that it had in 1991 and was able to achieve a decrease  
15 in payroll expenses as a percentage of revenue from  
16 11 percent to only 7 percent over the last 17 years  
17 despite inflation and rising costs.

18           Second, in 2004, Sulphur acted proactively to  
19 increase its sources of revenue by entering into a  
20 contract with Fort Huachuca to acquire and maintain  
21 electrical infrastructure under the Department of  
22 Defense Privatization Act. Sulphur hired 12 employees  
23 dedicated just to this contract which are paid from that  
24 contract's proceeds. Sulphur anticipates receiving over  
25 \$200 million of revenue over the life of this contract,

1 which has been instrumental in sustaining the  
2 cooperative's equity for a period of time, thereby not  
3 only allowing Sulphur to delay the filing of this rate  
4 case but also to mitigate the overall impact of the  
5 requested increase.

6 Third, Sulphur refinanced debt from the RUS with  
7 the CFC thereby improving cash flow by \$7.5 million a  
8 year.

9 These are just a few of many examples. The  
10 cooperative is always looking at ways to be more  
11 efficient with existing resources and to improve its  
12 operations and save its members money thereby keeping  
13 the rates as low as possible. More recently the  
14 cooperative has taken proactive steps to operate and  
15 maintain the utility in order to provide safe and  
16 reliable service at the least possible cost.

17 First, in November 2007 the Commission  
18 unanimously authorized Sulphur to borrow up to  
19 \$70 million to fund its 2008-2009 construction work plan  
20 to upgrade and improve its infrastructure. In fact,  
21 Chairman Mayes, Commissioner Pierce, you may recall that  
22 in casting his vote to approve that financing, then  
23 Commissioner Hatch-Miller praised the cooperative by  
24 stating, and I quote, I do appreciate the company's  
25 staying ahead of the infrastructure needs of the state.

1 He then went on to say to the cooperative  
2 representatives at the open meeting, and again I quote,  
3 thank you for going forward and building this wonderful  
4 network of power lines and generators and distribution  
5 systems to meet our needs. This of course related to  
6 the cooperative getting ahead of its infrastructure  
7 needs and not waiting until problems developed that  
8 affect quality of service for customers.

9           Second, the Commission authorized the  
10 Cooperative's highly successful program and financing to  
11 build solar shade structures to 41 public schools that  
12 are funded through clean energy renewable bonds to be  
13 paid back from the RES tariff. This is just another  
14 example of the cooperative's efforts to promote  
15 renewable resources and distributed generation  
16 applications for its members.

17           Third, the Commission authorized the cooperative  
18 to convert its membership in AEPCO from an all  
19 requirements to a partial requirements member. Now,  
20 although Sulphur will continue to obtain the vast  
21 majority of its power from AEPCO, which the cooperative  
22 anticipates being in excess of 80 percent over the next  
23 few years, as a partial requirements member, it now has  
24 the ability to obtain a percentage of its peaking needs  
25 from sources other than AEPCO. This provides the

1 cooperative the opportunities to obtain power at lower  
2 costs for these supplemental power needs and it also  
3 allows the cooperative to have the flexibility one day  
4 to install its own generation to meet its needs. This  
5 will provide Sulphur the ability to generate  
6 supplemental power at the lowest possible cost and  
7 alleviate significant transmission constraints that  
8 exist for Sulphur given the location of its service  
9 territory in this state.

10 And as you heard at the public comment session  
11 back in February from representatives of various  
12 organizations, Sulphur has been a good corporate citizen  
13 through its donations and sponsorships within its  
14 service territory that directly benefit its members.  
15 These activities were expressly authorized by the  
16 cooperative's bylaws that were approved by its members,  
17 which was a requirement of the last Commission rate  
18 decision. And this is why Sulphur has filed an  
19 exception regarding the recommended disallowance  
20 relating to its charitable contribution and sponsorship  
21 program.

22 This brings me to the cooperative's decision to  
23 file this rate case. As I just said, the cooperative  
24 has done everything reasonably possible to delay the  
25 filing of the case in order to keep rates low for its

1 members, which is what a cooperative is supposed to do.  
2 However, economic realities finally reached a point that  
3 any further delay in filing for a rate increase could  
4 potentially affect the quality of service for its  
5 cooperative's members and financial well-being of the  
6 utility.

7           Moreover, during the \$70 million financing  
8 proceeding before the Commission I just mentioned, Staff  
9 and the Commission expressly urged the cooperative to  
10 improve its equity and file a rate case in order to  
11 accomplish this. Accordingly, in early 2008 the  
12 cooperative decided to prepare its rate application that  
13 was specifically geared towards increasing its equity  
14 each year to achieve the Commission's recommended equity  
15 level of 30 percent by 2016, increasing annual cash  
16 flow, and meeting its financial objectives with future  
17 distribution and generation plant additions and, as  
18 expressly requested by the Commission and relied upon by  
19 the cooperative in preparing this rate case, change  
20 Sulphur's line extension policy to increase customer  
21 contributions so that growth would pay for growth. And,  
22 finally, Sulphur wanted to expand its DSM programs,  
23 which it has through this application.

24           What is the utmost importance and concern to  
25 Sulphur in filing this rate case was to ask the

1 Commission for the minimum amount of increase necessary  
2 to achieve these objectives. Even though Sulphur will  
3 not have had a rate increase in over 16 years, Sulphur's  
4 management was adamant that it would take a conservative  
5 approach and ask the Commission only for an amount of  
6 increase necessary to achieve the objectives that I  
7 outlined.

8 I can tell you that Sulphur did not prepare and  
9 file this application for a larger increase than it  
10 really needed with the expectation that Staff and the  
11 Commission would lower the amount of the increase. It  
12 filed for what it believed it needed and not a penny  
13 more.

14 Prior to the filing, Mr. Huber and Mr. Blair  
15 testified at the hearing that there were numerous member  
16 communications regarding the proposed increase and the  
17 overall response to this action was relatively positive,  
18 given that it had been so many years since the  
19 cooperative's members' rates were increased and that for  
20 many years members had heard about numerous and large  
21 increases by other electrical utilities over the  
22 previous 16 years.

23 Now, why did I just go through all of this? It  
24 is because everything that I just described suggests an  
25 organization that is well run, has a consistent track

1 record of management making prudent business decisions  
2 that have kept rates low and stable, that has provided  
3 safe and reliable service, that has complied with the  
4 Commission's regulatory requirements, and that has led  
5 the way in terms of its DSM and renewable programs for  
6 its members.

7           Actions speak louder than words, and these  
8 actions that I just described suggest that the  
9 Commission has not been given cause to doubt the  
10 cooperative's commitment to its members or its  
11 regulatory responsibilities that would warrant the need  
12 for additional regulatory oversight and compliance, for  
13 additional regulatory oversight and compliance that has  
14 not been ordered for other similar electric utilities.  
15 And I would ask you to just keep what I just described  
16 in mind as you deliberate the various issues throughout  
17 the day in adopting a final order regarding this  
18 application.

19           Commissioners, in the hearing room today with me  
20 are several of the cooperative's senior management team,  
21 our rate case consultants and other members of Sulphur's  
22 professional staff who are all here to answer any  
23 questions that you may have that I am unable to answer.

24           And finally, Commissioners, Sulphur has spent  
25 over 18 months and considerable time, money and

1 resources to develop a comprehensive record in order to  
2 bring this case before you today in order for you to  
3 base your decisions. We look forward to working with  
4 you to bring an end to this case through the issuance of  
5 a final order that is reflective of this considerable  
6 effort.

7 Chairman Mayes, although, as I said earlier, the  
8 cooperative generally supports the ROO, we have filed  
9 exceptions that cover two areas that Sulphur would like  
10 to be heard on relating to its charitable contributions  
11 and sponsorship program as well as some new Commission  
12 requirements relating to its fuel adjuster.

13 Additionally, we have reviewed the various amendments to  
14 the ROO that have been filed over the last few ways and  
15 we would like to be heard on each of those amendments as  
16 well.

17 You know, I can generally discuss the exceptions  
18 and then address each of the amendments as they are  
19 offered, including questions to the cooperative relating  
20 to the 69kV line, or I can proceed in any manner,  
21 whatever your pleasure is.

22 Thank you.

23 CHMN. MAYES: Thank you, Mr. Carroll. And I  
24 think what we would like to do is get your response to  
25 the amendments as they are offered, and we have your

1 exceptions. So thank you for that.

2 MR. CARROLL: Thank you.

3 CHMN. MAYES: And stand by. I know my  
4 colleagues will have questions for you.

5 COM. NEWMAN: Thank your.

6 CHMN. MAYES: Does Staff have anything they  
7 would like to add at this point?

8 MR. ABINAH: Good afternoon, Madam Chairman and  
9 Commissioners. Elijah Abinah for Staff.

10 No, we don't have anything. I believe we filed  
11 for some clarification, I believe, the amendment, to  
12 cover that.

13 CHMN. MAYES: Yes. I was going to ask Staff  
14 about that. I read the Hearing Division amendment.  
15 Staff believes that it does address both of your  
16 exceptions, or clarification request?

17 MR. ABINAH: Madam Chairman, Commissioners, I  
18 believe so.

19 CHMN. MAYES: Okay. Commissioner Newman.

20 COM. NEWMAN: Thank you, Madam Chairman. I have  
21 nothing about the amendments yet, but I have two  
22 questions. And it arises from the opening statement.

23 You mentioned the separation from AEPCO and your  
24 freedom to look at other power sources now or even build  
25 your own plant. And that brings to mind the sort of

1 questions that I am going to be asking of APS and the  
2 other major providers with regard to resource  
3 allocation, and what, how is the utility going to be --  
4 now, this is the rate case for now. We haven't had one  
5 in a long time, I understand. I will keep an open mind  
6 about all the amendments. But I sort of wanted to know  
7 what your plan was.

8           We heard, for example, today from a certain  
9 segment of the community, at least northern Santa Cruz  
10 County, that they are very interested in alternatives.  
11 You stated you are a leader in alternatives, which is  
12 probably true to the extent of your school model but not  
13 true with regard to distributed generation, in my view.  
14 And so -- I see somebody shaking their head in the back.  
15 But when I asked this question a few months ago on your,  
16 on your energy plan, how many, about how many homes have  
17 hooked up, you know, in the Sulphur Springs area, there  
18 weren't that many. So that's my retort to the person  
19 shaking his head in the back of the room.

20           So what is your answer to that? You know, what  
21 are you looking for? You mentioned it. You brought it  
22 up. You opened the door. So I am putting my foot in  
23 the door and I am asking you. What are your intentions  
24 in the future with regard to resource allocation? How  
25 are you going to be working with the ACC and the

1 community on what the community wants?

2 MR. CARROLL: Well, let me answer your question  
3 generally and then I can ask somebody from Sulphur  
4 perhaps to give you more detail on your question.

5 But first of all, Sulphur has been a leader for  
6 years as relates to DSM programs. I think it may be  
7 the, I think it was the only distribution cooperative  
8 that had a DSM program for a long time. And it has been  
9 very successful. And we have actually expanded the DSM  
10 program through this rate case.

11 On the renewable side, Sulphur in compliance  
12 with the REST requirements has filed its REST programs  
13 over the last two years. It is my understanding that  
14 its 2010 REST implementation plan is being teed up now  
15 and is probably going to be filed sometime in the next  
16 several weeks.

17 I am aware that Sulphur is in the process of  
18 issuing, preparing and issuing various RFPs as it  
19 relates to renewable energy applications. It is in the  
20 process of preparing its net metering tariff to comply  
21 with that aspect of it. And I think we believe that,  
22 with the adoption of its 2010 REST implementation plan  
23 as well as the revenue that would be collected from the  
24 REST tariffs, Sulphur would be better positioned to  
25 start expanding more so in the areas of renewable

1 generation and distributed generation overall.

2 As a partial requirements member of AEPCO, it  
3 still for the near future, probably through 2012, will  
4 be getting approximately 80 percent, between, I think  
5 the evidence at the hearing suggested between 76 and  
6 92 percent of its power from AEPCO. So the bulk of our  
7 generation is still going to be coming through AEPCO.  
8 To the extent that there is the delta of additional  
9 generation that we need, we will be procuring it from  
10 the lowest possible source of generation in the short  
11 term through purchased power, looking at building our  
12 own peaking type units which may include renewable  
13 generation in that mix to the extent feasible.

14 As a, again, as a small rural distribution  
15 cooperative, these are issues that we are not shying  
16 away from and are looking to basically jump in the pool  
17 with both feet. I can have Mr. Blair give you more  
18 examples of what is going on if you like.

19 COM. NEWMAN: That's sufficient. I just wanted  
20 sort of a commitment for, at least a commitment from the  
21 company before I vote on anything near this almost  
22 10 percent rate increase that you are looking to  
23 diversify where possible. And I, I had to ask that  
24 question given the light where we were in the national  
25 economy, given the light -- one of the people mentioned

1 today, whatever is going to happen in congress, whether  
2 it happens or not is another question, have that debate  
3 over the next two years.

4 But being dependent on coal is going to be tough  
5 for the people in your co-op's service area, don't you  
6 agree? Mr. Huber, would you like to answer?

7 MR. HUBER: Yes, I would like to address that.

8 One of the things we heard this morning was that  
9 we are coal based, our power supply is coal based. That  
10 is true with AEPCO. AEPCO does have two coal fired  
11 generations but AEPCO does not have enough coal  
12 generation to meet all the needs. It has a gas peaking  
13 plant. And as we go to the market to buy additional  
14 power, we are buying generally natural gas fired.

15 And so we are not exclusively coal. So what we  
16 were buying is natural gas or renewables. So we are  
17 doing a combination. So everything we do, because of  
18 our load growth, is based on coal and -- or, excuse me,  
19 natural gas and renewables. So as we do something, we  
20 are not replacing coal. We are replacing gas or other  
21 renewables.

22 COM. NEWMAN: Well, I think you heard -- I am  
23 glad that you spoke up, Mr. Huber. I wasn't going to  
24 address you directly unless you wanted to have a  
25 conversation with me. But I just think that this was a

1 pretty remarkable morning, you know, with regard to the  
2 line issue. And we will talk about that in an  
3 amendment. And what we heard is what I have been  
4 hearing, you know, all over the state, that people are  
5 interested in diversifying, and your company, all the  
6 energy companies, diversifying.

7 I happened to attend, you know, one of the  
8 meetings with all the cooperatives down in Tubac, I  
9 believe it was, not too long ago. And we heard some  
10 feedback there that it was going to be very, very  
11 difficult for the co-ops to make this transition, that  
12 it may be easier for a big dog like APS to make the  
13 transition. And we were hearing some resistance from  
14 the co-op community, some of the co-ops, including yours  
15 I thought, about renewables. So I wanted to hear your  
16 statement about renewables. That's what I heard.

17 I see Mr. -- actually, I will take it back. But  
18 you should instruct some of your employees not to shake  
19 their head when I talk. It is not a good thing.

20 I just wanted to hear from you what are your  
21 plans for distributed generation in Santa Cruz and  
22 Cochise County, from you, not from your PR person.

23 MR. HUBER: Okay. Well, I think we have shown  
24 that we are committed to renewables. And I think our  
25 REST plans have shown that and what we have done for

1 school programs. I don't, off the top of my head, I  
2 don't have the number of homes that we put solar or  
3 solar rebates for, but we were clearly a leader in the  
4 cooperative program on that.

5 The REST plan that we are taking to our board  
6 includes a lot of programs that were unique to us. And  
7 one of the things it does include is a large solar  
8 project in the Sonoita area. Based on feedback that we  
9 have heard, we are going to take that to the board and  
10 we are going to ask for approval of about a \$750,000  
11 kilowatt solar project in the Sonoita area. We are  
12 hoping to get a clean renewable energy bond that we will  
13 use for the school construction for that.

14 So I think we are proceeding with renewables. I  
15 think we have done what we needed to do, and we will  
16 continue to do what we need to do. And obviously to me  
17 the biggest issue we have with renewables is  
18 affordability and the cost, trying to keep the REST plan  
19 reasonable, tariffs reasonable and our rates reasonable,  
20 because everything we have seen is, based on the quotes  
21 we have got, is a megawatt worth of solar renewables is  
22 5 to \$8 million. So it has got a pretty hefty price  
23 tag. But we are committed to renewables and we are  
24 pursuing renewables.

25 COM. NEWMAN: One last question, appears it is

1 from left field but it is not. It relates to rates, in  
2 my mind anyway, as does the kV line. And this might be  
3 more an AEPCO issue, but since you are a partner I sort  
4 of have to ask it.

5           It has come to my attention, one of my advisors  
6 has told me, and correct me if I am wrong, that the coal  
7 plant in the Sulphur Springs Valley -- is that  
8 right -- okay. I am referring -- I just wanted to make  
9 sure I phrased this on the record correctly and I didn't  
10 want to be misquoted. So I want to make sure I am  
11 right.

12           But I needed to know the answer to this question  
13 and I haven't heard much about it. It is more than a  
14 rumor. A research person who helps to consult me at our  
15 Staff brought up a sensitive issue about ash at the coal  
16 plant in the Sulphur Springs Valley. Do you know  
17 anything about that?

18           MR. HUBER: Chairman Mayes, let me apologize  
19 first for not addressing this properly. This is the  
20 first rate case in my career.

21           But, Chairman Mayes, Commissioner Newman, I am  
22 not the expert on AEPCO's ash ponds, but my  
23 understanding, it probably came from the news media,  
24 that ash pond, or whatever, in Tennessee or Kentucky.

25           To my knowledge, AEPCO's ash ponds are done

1 properly. There is no issues there. And, quite  
2 frankly, there is nowhere for that ash to go, as far as  
3 I know, if something did happen. But I believe,  
4 obviously this would be more directed to AEPCO to  
5 respond, but to my knowledge AEPCO is in compliance with  
6 everything and no issues with their ash ponds.

7 COM. NEWMAN: The reason I am raising the issue  
8 is because it could ultimately affect costs to  
9 consumers. And I actually think it is relevant as we  
10 sit here today and get some clear answers.

11 My information is different. My information is  
12 that the Environmental Protection Agency has actually  
13 designated the AEPCO site as a potential real problem  
14 with ash. And that's -- I don't have the report. I  
15 don't have the cite. But I am a little bit surprised  
16 that AEPCO wouldn't have communicated that to its -- the  
17 supplier wouldn't have indicated that to you.

18 MR. HUBER: Chairman Mayes, Commissioner Newman,  
19 I guess I don't have a response. I am not sure what you  
20 are referring to. I guess if that is a topic, you will  
21 need to bring it up with AEPCO because I don't have the  
22 information and the knowledge to respond to that.

23 COM. NEWMAN: Okay. It is unfortunate. I  
24 actually thought you might be briefed. I knew it was a  
25 left field question but I didn't think it was that left

1 field. And I will have to do a little bit more  
2 research.

3 I know that Commissioner Kennedy is also  
4 interested in that issue, and she may have other  
5 questions about it. But, and I don't mean to be  
6 theatrical in bringing up the subject. It is a very  
7 serious subject, as you know, and it may be very costly.  
8 So I was a little bit concerned about finding out this  
9 news within the last month, and, you know, having to  
10 vote on this rate case today and that it may actually  
11 have an effect on ratepayers' costs in the future. So  
12 we will leave it there for now.

13 Counsel, if you want to respond.

14 MR. CARROLL: You are concerned about cost to  
15 Sulphur Springs ratepayers? Is that the concern here  
16 right now?

17 COM. NEWMAN: I am -- well, for ecological,  
18 political, health, public health reasons, the enormity  
19 of that is big. I am not talking about a Tennessee  
20 quagmire, but I am talking about a potential quagmire  
21 that has evidently been designated by the EPA. And I  
22 wouldn't have said it if I wasn't sure that that was the  
23 case.

24 MR. CARROLL: Well, as far as -- okay. Chairman  
25 Mayes, Commissioner Newman, as far as Sulphur Springs'

1 rates and, Sulphur Springs and the rates that would  
2 hopefully be approved as a part of this rate, the AEPCO  
3 portion of those rates are derived from a pass-through  
4 adjuster of which the Commission approves or looks at.

5 So to the extent that you might have concerns  
6 with respect to ratepayers ultimately down at the  
7 distribution level paying for something along these  
8 lines, and again I am not familiar with it at all, that  
9 would be something that you would have the ability to  
10 look at when you look at, first of all, AEPCO's rate  
11 case that's being filed on October 1st and, second, when  
12 it does its semiannual adjuster filings I believe on  
13 September 1 and April 1 of each year.

14 COM. NEWMAN: But it wouldn't directly -- I mean  
15 let's say in a hypothetical scenario that AEPCO was hit  
16 with fines, you know, over the next period of years, a  
17 mandatory cleanup schedule. Wouldn't that be assumed by  
18 the people that have future contracts with AEPCO?

19 MR. CARROLL: Well, again, I can't give you a  
20 legal opinion per se without knowing what the  
21 contractual situation is.

22 What I can tell you is that to the extent that  
23 AEPCO wants to pass fuel and purchased power related  
24 costs down to Sulphur and its ratepayers, it cannot do  
25 that by increasing its adjuster unless it has first made

1 an adjuster filing with the Commission, which gives you  
2 an opportunity to look at it first, which dovetails into  
3 one of our exceptions as it relates to this issue of  
4 raising our adjuster based on AEPCO pass-throughs when  
5 the Commission has already looked at it already. So...

6 COM. NEWMAN: I understand. It puts, it could  
7 potentially put the Commission in a bind, though,  
8 because of not only the public health aspects, which are  
9 my primary concern, but cost issues could be huge.

10 So thank you. And I urge you as a company to  
11 have further conversations with the EPA and AEPCO and  
12 some of the other lawyers that may have relationships  
13 with AEPCO.

14 CHMN. MAYES: Okay. Just for the record, I just  
15 looked up Commissioner Newman's, the report that  
16 Commissioner Newman referenced. It is an EPA report  
17 listing ponds, coal ash ponds in the country that are  
18 considered high hazard potential, co-op coal ash ponds.  
19 AEPCO's ponds are on the list; although, the agency,  
20 EPA, stated that the dams from the coal ash ponds near  
21 Cochise are safe. And being on the high hazardous list  
22 apparently has to do with not only what is in the ponds  
23 but also where they are located and apparently there are  
24 a couple residents located near these ponds.

25 So that being said, I am just reading from a

1 newspaper article, I think it would be important for you  
2 to file the EPA report with the Commission. And as  
3 Commissioner Newman said, Commissioner Kennedy first  
4 raised this with the Commission awhile ago. And we  
5 asked APS to file all reports related to their ponds.  
6 And I think she asked for that and we got that. So  
7 appreciate having that information.

8 MR. CARROLL: Do you understand that?

9 CHMN. MAYES: We would like to get a copy of the  
10 EPA report that covers the ponds that AEPCO owns.

11 MR. CARROLL: From, Chairman Mayes, you want to  
12 get a copy of AEPCO's report from us?

13 CHMN. MAYES: Well, can you get it, as a partial  
14 requirements member?

15 MR. HUBER: We can ask for it.

16 CHMN. MAYES: Okay. If you can, ask for it.  
17 And we can certainly ask AEPCO for it as well.

18 It would appear that one of Arizona's other  
19 utilities is also on the list. So we will be interested  
20 to get that report in general so that we can make sure  
21 that we have all the information that we need about  
22 these coal ash ponds.

23 Okay. Let's move on. We do need to move on, if  
24 we have -- do Commissioners have any other additional  
25 questions on the order in general? If not, what I will

1 do --

2 Commissioner Kennedy.

3 COM. KENNEDY: Actually I have one for the  
4 company. I have one for the company and I have maybe a  
5 couple for Staff.

6 On page 2 of the exceptions, it talks about  
7 recovery of expenses attributed to charitable  
8 contributions. And I guess I really would like to know  
9 what type of expenses you are talking about.

10 MR. CARROLL: Chairman Mayes, Commissioner  
11 Kennedy, Sulphur had requested as part of its rate case  
12 application rate case expense recovery of \$298,622.  
13 That amount is less than .3 percent of total revenue  
14 associated with Sulphur's revenue requirement but it is  
15 approximately \$300,000 a year.

16 COM. KENNEDY: Well, Madam Chairman,  
17 Mr. Carroll, I am trying to find out what type of  
18 expenses they are.

19 MR. CARROLL: Okay, I am sorry. I am sorry,  
20 Commissioner.

21 COM. KENNEDY: That's okay.

22 MR. CARROLL: Jack, why don't you describe what  
23 the charitable contribution and sponsorship program  
24 entails.

25 MR. BLAIR: Chairman Mayes, Commissioner

1 Kennedy, we set aside --

2 CHMN. MAYES: Mr. Blair, just for the record,  
3 can you state your name.

4 MR. BLAIR: Oh, I am sorry.

5 CHMN. MAYES: That's okay.

6 MR. BLAIR: I am Jack Blair from Sulphur  
7 Springs.

8 These are -- each year our board, as part of our  
9 budget, sets aside a set amount of money to donate to  
10 the community. There are several things. First of all,  
11 it has to be located in our service territory. It has  
12 to be a charitable organization; in other words, it has  
13 to be a not-for-profit company. And I am thinking Boy  
14 Scouts, Girl Scouts, the hospital foundations that we  
15 have. I am being assisted here. Anything that -- in  
16 fact, the hospital foundation, we raised money for  
17 medical, we help them raise money medical equipment. We  
18 just bought blood pressure cuffs.

19 The other thing we do, some of these donations  
20 go to the Salvation Army and groups like that where we  
21 refer people to who need assistance of various sorts.

22 So it is basically nonprofit charitable  
23 contributions that we make.

24 COM. KENNEDY: So, Madam Chairman, Mr. Blair, I  
25 want to make sure I am understanding correctly. You

1 make contributions to charities and now you want to  
2 recover those funds and you want to recover them on the  
3 backs of the ratepayers?

4 MR. BLAIR: Ma'am, in our last rate case, we  
5 asked to recover those as well. And the Commission at  
6 that time, granted it was different, said you could so  
7 do if you take this out to a vote of your members and  
8 amend your bylaws, which we did.

9 And the way I like to think about it is we are a  
10 nonprofit company, so the profits that we do make we  
11 eventually return to our members. So our members have  
12 kind of voted to say, you know what, I will take less of  
13 a dividend or less of a capital credit in order to help  
14 better the community in which I live. So, in other  
15 words, the capital credits are slightly less than they  
16 would be.

17 But our members clearly voted that they want us  
18 to be able to make charitable contributions in our  
19 community. And I believe that came through pretty clear  
20 at the meeting you had in Sierra Vista where we had a  
21 lot of those groups stand up and say how much they have  
22 appreciated it, especially in these times where  
23 donations have fallen off.

24 COM. KENNEDY: Thank you.

25 Madam Chairman, just two questions for Staff.

1 On page 2 of the opinion and order, line 6 talks  
2 about partial requirement member. And I would like to  
3 know what a partial requirement member is.

4 MR. ABINAH: Madam Chairman, Commissioners,  
5 Barbara Keene will speak for Staff.

6 MS. KEENE: Chairman, Commissioner Kennedy, I am  
7 Barbara Keene with Commission Staff.

8 Partial requirements means that Sulphur Springs  
9 buys part of its power from AEPCO. If they had been a  
10 full requirements customer, that means they buy all of  
11 their power from AEPCO.

12 COM. KENNEDY: Okay. Thank you. And on  
13 page 43, I want to make sure I am understanding this  
14 correctly. What is the actual bill impact on the  
15 residential customer?

16 MR. ABINAH: Madam Chairman, Commissioner  
17 Kennedy, what area are you referring to? I am sorry.

18 COM. KENNEDY: I am sorry, page 43, lines 3  
19 through 5. I want to make sure. My question is: What  
20 is the bill impact on residential customers? And is the  
21 728 kilowatt per hour per month, is that a median  
22 number? How do we get to that number?

23 ALJ RODDA: Chairman Mayes, Commissioner  
24 Kennedy, the 728 is an average number. It is not the  
25 mean. And I believe it is the average annual. You

1 know, it will change. The average changes by month, but  
2 it is the average, the annual average.

3 COM. KENNEDY: Okay. Thank you, Madam Chairman.

4 CHMN. MAYES: Thank you, Commissioner Kennedy.

5 Okay. Why don't we go ahead and, without any  
6 further comments from the parties, we will go ahead and  
7 start with the amendments.

8 Oh, Commissioner Pierce, do you want to -- you  
9 would like to move --

10 COM. PIERCE: Madam Chairman, I would move  
11 Utilities Item No. 1.

12 CHMN. MAYES: Great. Utilities Item No. 1 has  
13 been moved. Why don't we go ahead and take up the  
14 Hearing Division amendments first.

15 Judge Rodda, do you want to explain Hearing  
16 No. 1.

17 ALJ RODDA: Yes. Thank you, Chairman Mayes,  
18 Commissioners.

19 Hearing Division Proposed Amendment No. 1 was a  
20 response to the exceptions filed by both Staff and the  
21 cooperative. That first insert on page 24 was in  
22 response to comments that Staff made about the need to  
23 file more than once to change the DSM adjuster. And it  
24 was just an attempt to let the cooperative know that,  
25 that it would be an extraordinary event that would cause

1 them to file more than once a year because of the  
2 expenses being on a proactive budget basis. So that was  
3 just to make the language a little bit stronger.

4 The next few items, page 27, 28 and 31, were in  
5 response to comments made by the cooperative about  
6 including, if in the future they do acquire their own  
7 generation, whether the expenses, the fuel expenses  
8 could be included in the fuel adjuster. And Staff  
9 agreed in their testimony. So this was just language to  
10 include, to include that clarification that that could  
11 be included at a future date.

12 The second page, page 35, was in response to  
13 Staff's comments about the prudency review. And it  
14 changes, it allows Staff -- takes out the language seek  
15 Commission action to Staff could conduct a prudency  
16 review if in the future Staff believes that it is  
17 prudent to do so. I hate to use the word prudence twice  
18 in one sentence, but sooner than the next rate case.  
19 Because the order doesn't require a prudence review, it  
20 just says if it looks like one would be beneficial, then  
21 Staff can then conduct that.

22 Do you want me to just do them one by one?

23 CHMN. MAYES: No. I think we will take the  
24 first one first.

25 And if I could ask Mr. Abinah, Staff is

1 satisfied with these changes? I just want to make sure  
2 that you are satisfied with the strength of the language  
3 on all of these points but especially on the DSM  
4 adjuster.

5 I mean I was perplexed why the company or the  
6 co-op was pushing so hard to be able to change that  
7 adjuster mechanism multiple times during the year. I  
8 mean it is a forward looking adjuster mechanism. It is  
9 about as, it is about as forward as you can get when you  
10 come to adjuster mechanisms. So I can't imagine why  
11 they would need to come in, you know, more than once a  
12 year to change it. I guess there could be extraordinary  
13 circumstances. But I just want to make sure that we are  
14 all on the same page here, that they are most likely not  
15 going to be coming in more than once a year.

16 MR. ABINAH: Thank you, Madam Chairman,  
17 Commissioners. We believe the amendments are fine. And  
18 they do, you have the right of approving or disallowing  
19 it. So based on that, the company, that company can  
20 file anytime they want to. And Staff would review, make  
21 an analysis accordingly, and make our recommendation,  
22 but the final decision belongs to Commission. So we are  
23 okay with the amendment.

24 CHMN. MAYES: Okay. Now, when you say Staff is  
25 not opposed to the collection of fuel costs associated

1 with future co-op owned generation plants, this  
2 doesn't -- this still leaves us the ability to go back  
3 and do a prudence review and to say, well, we don't, we  
4 don't think those costs ought to flow through the  
5 adjuster mechanism, correct?

6 MR. ABINAH: Mr. Chairman, Commissioners, that's  
7 correct.

8 CHMN. MAYES: Okay. All right. Any other  
9 questions?

10 (No response.)

11 CHMN. MAYES: Okay. Why don't, without any  
12 other questions, why don't we go ahead and move that  
13 one.

14 COM. PIERCE: Sure, Madam Chairman. I was just  
15 making sure --

16 CHMN. MAYES: I am sorry. Mr. Carroll.

17 MR. CARROLL: Thank you, Commissioner Pierce.

18 Madam Chairman, we have no -- we support the  
19 Hearing Division amendment.

20 COM. PIERCE: Madam Chairman, I move Hearing  
21 Division Proposed Amendment No. 1.

22 CHMN. MAYES: Okay. Hearing Division Proposed  
23 Amendment No. 1 has been moved. Why don't we go ahead  
24 and call the role.

25 MADAM SECRETARY: Commissioner Kennedy.

1 COM. KENNEDY: No.

2 MADAM SECRETARY: Commissioner Stump.

3 COM. STUMP: Aye.

4 MADAM SECRETARY: Commissioner Newman.

5 COM. NEWMAN: Aye.

6 MADAM SECRETARY: Commissioner Pierce.

7 COM. PIERCE: Aye.

8 MADAM SECRETARY: Madam Chair Mayes.

9 CHMN. MAYES: Aye.

10 By your vote of four ayes and one no you have  
11 passed Hearing Amendment No. 1.

12 Judge Rodda, can you go to No. 2.

13 ALJ RODDA: Thank you, Commissioner. Hearing  
14 Division Proposed Amendment 2 was basically, as I was  
15 looking at all the other amendments filed, I just  
16 noticed some typographical errors and the omission of  
17 the Staff responses to the letters by Commissioner Stump  
18 and Commissioner Newman that I wanted to include in the  
19 order.

20 I also wanted -- at this time I will note that  
21 the date in the recommended order for the effective date  
22 of the rates is still August 1 of 2009. I presume that  
23 you would want to change that to September 1, 2009, if  
24 the order eventually passed. That's on page 44,  
25 line 23.

1 CHMN. MAYES: Okay. Do we need to make a verbal  
2 amendment to this amendment then?

3 ALJ RODDA: I guess I would like to include  
4 that.

5 CHMN. MAYES: Okay. Can you point out the  
6 page again.

7 ALJ RODDA: It is page 44, line 23.

8 CHMN. MAYES: Okay.

9 ALJ RODDA: It would be deleting August 1 of  
10 2009 and inserting September 1 of 2009.

11 CHMN. MAYES: Okay.

12 COM. PIERCE: Madam Chairman I will go ahead  
13 and move Hearing Division No. 2, changing the page --  
14 and then also an amendment to the amendment that on  
15 page 44 we change the date on line 23 to September 1,  
16 2009 and delete August 1, 2009.

17 CHMN. MAYES: Okay. Hearing Division Amendment  
18 No. 2 has been moved. Amendment has been moved and you  
19 moved the verbal?

20 COM. PIERCE: Right.

21 CHMN. MAYES: All those in favor of Commissioner  
22 Pierce's verbal amendment to Hearing Amendment No. 2 say  
23 aye.

24 (A chorus of ayes.)

25 CHMN. MAYES: Opposed?

1 (No response.)

2 CHMN. MAYES: Okay.

3 MR. CARROLL: Chairman Mayes, I just noted on  
4 line 18 there is still the July 31 date. You may want  
5 to do that, too.

6 CHMN. MAYES: I think that will probably be  
7 taken care of.

8 MR. CARROLL: Is that conforming?

9 CHMN. MAYES: Your Honor, do we need to take  
10 care of that?

11 ALJ RODDA: I would conform. I was just looking  
12 at it, too. I think I will just sneak that through on a  
13 conforming change.

14 COM. PIERCE: Madam Chairman, I will move  
15 Hearing Division Item 2 as amended instructing the  
16 Hearing Division to make all conforming changes.

17 CHMN. MAYES: Okay. Hearing Division No. 2 has  
18 been moved. Any other questions?

19 (No response.)

20 CHMN. MAYES: No? Madam Secretary, please call  
21 the roll.

22 MADAM SECRETARY: Commissioner Kennedy.

23 COM. KENNEDY: Aye.

24 MADAM SECRETARY: Commissioner Stump.

25 COM. STUMP: Aye.

1 MADAM SECRETARY: Commissioner Newman.

2 COM. NEWMAN: Aye.

3 MADAM SECRETARY: Commissioner Pierce.

4 COM. PIERCE: Aye.

5 MADAM SECRETARY: Madam Chairman Mayes.

6 CHMN. MAYES: Aye.

7 By your vote of five ayes and zero nays you  
8 passed the Hearing Division Amendment No. 2.

9 Move on to Newman Proposed, Commissioner  
10 Newman's Proposed Amendment No. 1.

11 COM. NEWMAN: Thank you, Madam Chairman.

12 And I can't believe this. As Mr. Huber said,  
13 this is his first hearing as a CEO. This is my first  
14 major amendment in a rate case.

15 I move Amendment No. 1. It was a topic of much  
16 discussion this morning. I really truly believe that  
17 there should be an independent third party looking at  
18 the kV line. I mentioned also during the discussion  
19 that I thought it might be a good idea also for  
20 Commission Staff to consider conversations with an  
21 entity like the Udall Institute that might also could be  
22 involved in a situation like this in a community forum,  
23 sort of sponsorship as a facilitator. There needs to be  
24 an engineering, a third-party engineer to look at this.

25 This is a very complicated situation. It is

1 true that energy needs are going down in this  
2 recessionary economy. It is also true I believe, for  
3 the record, I believe everything, most everything that  
4 the company has said about their desire to make a more  
5 robust connection to the community. I am not denying  
6 that may need to be done. But with the incredible  
7 testimony that we had this morning, I feel like we could  
8 provide more for that.

9 Most people in the community -- and this is more  
10 than just a small contingent, as was previously  
11 designated. I am not really sure where that came from.  
12 When I first was apprised of the problem of the kV line  
13 I was told it was just a small contingent of people.  
14 But these are thousands of people very, very concerned  
15 about their future.

16 I think that we need to look at renewables, both  
17 wind and solar. I am very thankful that we had the  
18 hearing in Tucson so we brought it closer to the  
19 community to get some of this community comment.

20 I, at first, when I wrote this amendment, I  
21 thought it was in conflict with, with the Chairwoman's  
22 amendment. But as I look at it today, I don't think it  
23 is in conflict. I would like to hear from the Chair on  
24 that. But I think I would support both the Mayes  
25 amendment and this amendment in the spirit of

1 cooperation and I don't think they conflict; although,  
2 we may have to have a discussion about that. But with  
3 that, I move the amendment.

4 CHMN. MAYES: Thank you, Commissioner Newman.  
5 Commissioner Pierce.

6 COM. PIERCE: Yes, Madam Chairman. This is for  
7 Legal. As I am looking at Commissioner Newman's  
8 amendment, in the last line of the amendment, on page 2,  
9 at the end of it it says until further order of the  
10 Commission. So this would be held up until further  
11 order of the Commission. And knowing it is a 69kV line,  
12 I know that they don't need, that utilities don't need  
13 to come to us on these smaller lines typically, but  
14 often they come to us beforehand, kind of get a feel for  
15 how we are on these because they at some point want to  
16 have this paid by ratepayers. And so they know that has  
17 to come through us.

18 And it is, so it is just one in which I wonder  
19 if that is actually technically legal. And if it, if it  
20 is not, normally from the standpoint of security on the  
21 utilities part, it would seem like they would want to do  
22 that anyway and make -- you know, that they want to have  
23 a feel from the Commission no matter what because there  
24 have been plenty of hearing testimony, put that in  
25 quotes, gentlemen, hearing testimony that it is not

1 necessary. So I am wondering about that last line from  
2 Legal.

3 MS. ALWARD: Sure. Commissioners, Chairman,  
4 Commissioners, Janice Alward on behalf of the Legal  
5 Division. I think under the circumstances of this  
6 record, that finding or that proposed amendment language  
7 is appropriate.

8 I have reviewed the statutes that relate to  
9 this. And just in a very brief way, under 40-321, the  
10 Commission has the power to determine the adequacy of  
11 services and including the methods of distribution.  
12 Among other things in that statute, under 40-322, you  
13 can establish standards of service. I think in light of  
14 the concerns of some in the community that renewables  
15 might be the appropriate method and the Commissioners'  
16 determination that more study is necessary, I think  
17 under those two statutes you would also have the  
18 opportunity to adopt this amendment.

19 I also point out A.R.S. 40-331, which provides  
20 that the Commission can order improvements and additions  
21 for a reasonable provision of service. It also provides  
22 in a very last part of the first section, and also it  
23 gives you some authority and I don't think we have ever  
24 tested it, to fix the siting of that additional  
25 improvement.

1           So I think when we take these all together under  
2 the circumstances presented, I think under the statutes  
3 you have the authority. If you want to go farther, we  
4 can look at the constitution. And in light of the fact  
5 that when these services and infrastructure are built  
6 there is necessarily an impact on rates. In light of  
7 the constitutional provision on ratemaking, I think we  
8 could also assert that the determination by the  
9 Commission in this instance would also have an impact or  
10 could have an substantial impact on rates.

11           COM. PIERCE: Madam Chairman, thank you. That's  
12 a little interesting, because I, I can see us stepping  
13 into making decisions on 69kV lines all over the state.  
14 So what I am concerned about is, let's say that a third  
15 party is hired and that third party comes back and says,  
16 you know, the company is right, at what point can the  
17 company then go on as they normally would, if that were  
18 to happen?

19           I mean typically without -- so I think it is  
20 written to bypass us. And if -- well, anyway, go ahead.

21           MS. ALWARD: Chairman, Commissioners, your point  
22 is well taken, Commissioner Pierce. Traditionally we  
23 don't like to make decisions ahead of time on these  
24 kinds of things, mainly because we want the company to  
25 assume the risk of the prudence of their decisions. So

1 we don't foreshadow or make decisions on the impact from  
2 those decisions in order to protect ratepayers. And  
3 that's why traditionally we don't actually step in and  
4 review the prudence of construction of lines of these  
5 sites nor the citing of them. You are absolutely right.

6 But that's why I wanted to indicate under the  
7 circumstances presented in this record the concerns of  
8 the Commission, I think, have evidentiary basis and, if  
9 you want to assert the opportunity to have more study  
10 done before any construction goes forward, I think that  
11 would be appropriate in this case. I am not saying you  
12 have to. I am not saying that the order as proposed is  
13 incorrect. I believe these are just options for the  
14 Commission to consider.

15 COM. PIERCE: Thank you. And I think the  
16 precedent is an issue that concerns me. Because  
17 obviously this doesn't concern me so much, because the  
18 company would want to have assurances we are going to do  
19 something that allows them to put this into rates. And  
20 so I mean it is a locked guarantee that they can come  
21 back to us with that. I mean I don't think that damages  
22 the company necessarily. I am just looking at our  
23 generic policy, so to speak, on that.

24 The other question I have on that was the  
25 comparison between the two amendments. Do you find

1 anything in the two that do conflict with each other?  
2 What are they so we can reconcile those?

3 MS. ALWARD: Chairman and Commissioners, during  
4 the lunch break I spoke to the ALJ about if the  
5 Commission would decide to consider both amendments,  
6 whether they can be reconciled. I think the  
7 Commissioner Newman's amendment is targeted towards the  
8 feasibility studies and indicates there could be no  
9 construction on the line prior to the feasibility study  
10 with public discussion. Commissioner, Chairman Mayes'  
11 amendment is directed towards public forums and  
12 reporting requirements concerning how and when the  
13 forums are going to occur and what is to be done with  
14 the results of those forums.

15 So after, if we merge those, I think we can  
16 reasonably work through them so that we can require a  
17 feasibility study, a plan to have public forums on those  
18 feasibility studies, and then the filing requirements as  
19 compliance matters.

20 So the short answer is I think they can be  
21 merged. I don't think they are necessarily  
22 contradictory. I think they just are targeted to two  
23 different things. If we use the Commissioner Newman  
24 amendment as the home, we can put back into that  
25 amendment the concerns that Chairman Mayes had related

1 to the public forums that are going to be conducted and  
2 the Commission an opportunity to have in the docket the  
3 way that's going to come about.

4 COM. PIERCE: Thank you, Ms. Alward. Thank you,  
5 Madam Chairman.

6 CHMN. MAYES: Okay. Commissioner Newman, do you  
7 have --

8 COM. NEWMAN: Yes, Madam Chairman, I have a  
9 question for Staff. I wanted to hear from Staff on its  
10 opinion regarding my amendment this morning, this  
11 afternoon, rather.

12 MR. ABINAH: Good afternoon again, Madam  
13 Chairman, Commissioners. Elijah Abinah for Staff.

14 Staff is not opposed to Commissioner Newman's  
15 amendment. I believe Staff can support the amendment  
16 based on the comment that was made today.

17 A couple of issues. As you had at the public  
18 comment this morning, there are alternatives that need  
19 to be looked at before they build this line. And from  
20 the engineering point of view, Staff testified at the  
21 hearing that line is necessary, but, in light of the  
22 conversation we had today, that the need hopefully for  
23 the company to go back and employ an independent  
24 contractor or third party to look at the feasibility  
25 studies and bring back to the Commission.

1           In addition to that, you had from the citizens  
2 of, the citizens, they are okay with some outages,  
3 because when that starts happening and start calling the  
4 Commission, since they are on the record that if that  
5 happens they are okay, based on that, Staff believes it  
6 is necessary to conduct a study, bring it back to the  
7 Commission, and then proceed accordingly.

8           COM. NEWMAN: Thank you very much.

9           CHMN. MAYES: Mr. Huber or Mr. Carroll, a couple  
10 quick questions for you on this issue.

11           On page 39 of the transcript in the hearing in  
12 this case, I noted as I was reading the transcripts over  
13 the weekend, and your witness was asked some questions  
14 about, I think the witness was being asked by the judge  
15 some questions. And the witness stated that the line --  
16 the judge asked the witness sort of what the status of  
17 planning for the line was, if you were, you know, sort  
18 of shovel ready, if you were ready to go on the line,  
19 how quickly you were -- whether you were on the doorstep  
20 of beginning a line. And the witness said this:  
21 Well -- this is a quote -- well, I believe we have some  
22 engineering left and we are still working on the  
23 substation plans so I don't have an up to the date  
24 information we are at but, you know, we are not ready to  
25 build it today.

1           And I guess my question for you, today, this  
2 hearing was a few months ago, what is your status today?  
3 Are you still doing engineering? Are you ready to build  
4 it today? Are you ready to build it in three months?  
5 Are you not ready to build it for six months? Can you  
6 give us a sense where you are physically with regard to  
7 the 69kV line?

8           MR. CARROLL: Chairman Mayes, I am going to ask  
9 Mr. Orozco, the engineer on the project, to answer that  
10 question for you.

11          CHMN. MAYES: Okay. Was he the witness?

12          MR. CARROLL: No.

13          CHMN. MAYES: Okay.

14          MR. OROZCO: Still want me?

15          CHMN. MAYES: Yes, of course, Mr. Orozco.

16          MR. OROZCO: My name is Ron Orozco, manager of  
17 engineering, Sulphur Springs Valley Electric. Chairman  
18 Mayes, Commissioners, thank you for the opportunity.

19                 The design of the 69kV line is complete for what  
20 we call phase one of the line. We have done station  
21 staking. We have selected poles for the project. Every  
22 individual pole has been sized and engineered. The  
23 conductor has been selected. The line in the first  
24 phase, which is three quarters of the project, the  
25 engineering is complete. We are prepared to move ahead.

1 CHMN. MAYES: Have you bought the materials?

2 MR. OROZCO: We have purchased most of the  
3 materials. The poles have been purchased. The purchase  
4 orders, purchase requisitions for the substation  
5 transformer for the hardware and the conductor are all  
6 in process.

7 CHMN. MAYES: In process, what do you mean by  
8 that?

9 MR. OROZCO: I have signed the purchase orders.  
10 They have been through management. I am not sure  
11 exactly where they are in accounting at this time.

12 CHMN. MAYES: Have they been sent? Have you --

13 MR. OROZCO: Have they been issued, is that the  
14 question?

15 CHMN. MAYES: Yes.

16 MR. OROZCO: As far as I know they have been.

17 CHMN. MAYES: I guess the question is can they  
18 be cancelled. I mean I guess I am trying to understand,  
19 if the Newman amendment passes, basically the project  
20 would be put on hold for at least a year.

21 MR. OROZCO: We would have to decide what to do  
22 with those purchase orders that we have issued. One of  
23 them is for a \$260,000 single piece of equipment.  
24 That's the substation transformer. The poles that are  
25 already, it is completely placed. The shipment of those

1 is expected in October. So we should be taking full  
2 delivery within 40 days.

3 CHMN. MAYES: Okay. And then I just had a  
4 couple other questions. The 200 -- there has been a lot  
5 of disagreement in public comment either from Mr. Orozco  
6 or Mr. Huber, Blair, about this outage issue. And a lot  
7 of folks have basically come forward and said, you know,  
8 they are really overselling this issue, it is not as big  
9 of an issue as the company is saying.

10 Can you respond to that? 270 hours that you  
11 list of outages off of the V-7 feeder, that's 270 hours  
12 per year. So that could be a flicker of a light, a  
13 blink of a light. It is minutes probably accumulated  
14 over the entire year; is that what we are looking at?

15 MR. OROZCO: Madam Chairman, that is correct.

16 CHMN. MAYES: Okay. And this 45 minute per day  
17 number is an average of 45 minutes per day, so it is  
18 probably not actually 45 minutes a day.

19 MR. OROZCO: That's correct. Madam Chairman,  
20 the 45 minutes that apparently is under concern is a  
21 simple multiplication of 270 hours times 60 minutes  
22 divided by 365 days. That gives you .75, or 45 minutes.  
23 That's not a typical way to evaluate outage analysis,  
24 but it is a true number.

25 And the data presented by this group that rebuts

1 those numbers presents 180 hours during an 11-month  
2 period. If my calculations are right, that's about 30  
3 minutes. So 40 minutes, 45 minutes, 30 minutes are all  
4 about the same. So the data there are to justify that  
5 outage.

6 CHMN. MAYES: Okay. Page 41 of the transcript  
7 in the case, your witness talks about what you call the  
8 capacity issue in the area. The witness stated on line,  
9 looks like, 26:

10 We cannot serve reliably at peak this winter.  
11 When it got cold, we had lots of blinks. We had voltage  
12 problems. We had a capacity issue. And that's what the  
13 69kV line will resolve because of the capacity issue.

14 I want to ask you two questions. First, do you  
15 anticipate those same, the issue being the same this  
16 winter or, and then I wanted to ask you, does the  
17 economic downturn, the current economic downturn and the  
18 resulting slowdown in growth buy you any time with  
19 regard to these capacity issues?

20 In other words, you know, one of the concerns  
21 that you raised in the hearing was that with every new  
22 customer this capacity problem grows larger. But I am  
23 just wondering whether the fact that you are not hooking  
24 up as many new customers, if any at all, mitigates that  
25 problem.

1 MR. OROZCO: Chairwoman Mayes, two questions  
2 there. The first one, with regard to this last winter,  
3 we actually peaked at the highest Sulphur Springs has  
4 ever seen on the V-7 feeder. That occurred on the  
5 morning of February 6 of 2008. So we have actually seen  
6 the highest peak at that last winter. We have no reason  
7 to expect that we couldn't be in for that or even more  
8 of a problem in the next winter.

9 CHMN. MAYES: Was that -- I mean it was a  
10 particularly cold day, I take it?

11 MR. OROZCO: It was. It was. It was a storm  
12 that lasted for several days. And at best we can figure  
13 that the storm moved through, the, you know, houses just  
14 get colder and colder. The peak actually occurred at  
15 about 7:30 in the morning.

16 CHMN. MAYES: Okay. But can you talk to the  
17 issue of your growth? Are you growing? Is your service  
18 territory still growing or not? Some of the utilities  
19 in Arizona have actually seen negative growth or decline  
20 in the number of customers that they have.

21 MR. OROZCO: Cochise County is unique in this  
22 regard. The bulk of our residential load is in the  
23 Sierra Vista area, which is primarily military support  
24 based. So we have not seen the decline that the rest of  
25 the state or the nation has seen.

1 With regard specifically to V-7, to the feeder  
2 in question, Sulphur Springs has, we are often  
3 approached by developers and asked to submit a letter  
4 saying that we have facilities in place to serve their  
5 subdivision, for example. By signing that letter,  
6 Sulphur Springs has an obligation to serve that  
7 subdivision and then the developers use that as they go  
8 out and market their subdivisions. Currently Sulphur  
9 Springs has commitments with facilities at the lot line  
10 to 219 additional residents on the V-7 feeder.

11 CHMN. MAYES: Well, are those being built?

12 MR. OROZCO: They are not being built now, but  
13 if we -- you know, we have commitments to serve that  
14 many more right now.

15 CHMN. MAYES: Can you do it off of that feeder?

16 MR. OROZCO: No, ma'am. Excuse me. No,  
17 Chairman Mayes.

18 CHMN. MAYES: Well, if you can't, then what is  
19 your plan?

20 MR. OROZCO: My plan is to build a 69kV line.

21 CHMN. MAYES: And if you can't build the 69kV  
22 line what are you going to do?

23 MR. CARROLL: Madam Chairman, if I can answer  
24 that, we will probably have to be in before the  
25 Commission and request a hook-up fee, new hook-up fee

1 moratorium associated with that line, because the line  
2 just simply can't take any additional capacity beyond, I  
3 think, a few more connections and then it is at  
4 capacity. So we will have to seek authorization from  
5 you for a moratorium.

6 CHMN. MAYES: Okay. Let me ask you about the  
7 blinkage, blinks, I don't know how we refer to them,  
8 outages or blinks. You know, I do have a concern. I  
9 mean the number one priority of this Commission is  
10 making sure that our utilities are serving reliably and  
11 safely. And so I want to make sure from both, I want to  
12 better understand from the company and from our Staff  
13 what these blinks or outages mean with regard to  
14 vulnerable or elderly populations.

15 Are there populations in the area who rely on  
16 oxygen services? What does it mean for the hospital?  
17 Is there a hospital in the area or is that in Sierra  
18 Vista? Are there other critical services that could be  
19 impacted by those blinks or outages?

20 Let me go to Staff first. Mr. Bahl.

21 MR. BAHL: Good afternoon, Madam Chairman,  
22 Commissioners. Would you please repeat your question.

23 CHMN. MAYES: Well, I mean, does Staff have a  
24 concern with regard to these, the 270 hours of outages,  
25 in terms of their impact on the health and safety of the

1 population in the area?

2 MR. BAHL: Madam Chairman, Commissioners, yes,  
3 Staff has a concern. And on this single 23 mile long  
4 line from Huachuca west to Sonoita and further down to  
5 another five, seven miles to Patagonia is a single  
6 feeder. And even if it has a little more capacity to  
7 welcome more customers, the main problem is the voltage  
8 drop, which results in blinks and outages.

9 As I understand, they have five regulators on  
10 this long line. And let's say the first segment of the  
11 line the voltage drops. The first regulators boost it  
12 up to whatever it wants. The national standard is to  
13 remain within plus or minus 5 percent of the nominal  
14 voltage at the starting point.

15 Now, the second, now voltage has been boosted  
16 and the next regulator sees a greater voltage than it  
17 would like to have at the end of the second segment.  
18 And that moves it down. In other words, there are  
19 certain circumstances where these voltage regulators are  
20 fighting with each other. But now imagine what would be  
21 the condition on the third regulator at the end of the  
22 line.

23 So basically this line is struggling to keep the  
24 voltage alive. And it is not always able to do it  
25 because of the length of the line because of the voltage

1 drop, which is the multiplication of the current and  
2 resistance of the conductor. So the conductor being  
3 what it is, on 25kV, and by virtue of their statutes and  
4 grandfathered easement taken on that line, they cannot  
5 make changes on that line. It could be possible to  
6 either upgrade this line to a higher sized conductor or  
7 higher size voltage at the same place, but they aren't  
8 able to do it by virtue of the statute under which this  
9 line was built in the first place. That is why they  
10 seem to have the need for another line.

11 And basically to answer your question briefly  
12 again, the blinks and voltages do result in complete  
13 darkness sometimes if the voltages weren't controlled.  
14 That part, that segment of the line would suffer from  
15 the blinks and even outages.

16 CHMN. MAYES: Well, okay. And I appreciate the  
17 answer.

18 Would the, and I will let you speak, Mr. Abinah,  
19 would the deployment of a robust amount of distributed  
20 generation in Sonoita and Elgin and surrounding areas  
21 help?

22 MR. BAHL: It certainly would help, because when  
23 you have a distributed generation on your rooftop or  
24 nearby, you are reducing load demand on this feeder.  
25 And there is where the utility has proposed an

1 additional area in their proposed 69kV substation to  
2 install 750,000 kilowatt of renewable generation.

3 And if the distributed generation, which I don't  
4 know about the co-ops, major utilities are mandated to  
5 account for 30 percent of the total rest requirement by  
6 distributed generation, and that certainly would reduce  
7 the need. But the question is, the question is it is  
8 going to take time to reach that level of needed  
9 distributed generation on rooftops and, meantime, the  
10 public is suffering because of those voltage blinks you  
11 mentioned earlier.

12 CHMN. MAYES: Right. Therein lies the problem,  
13 which is that this power line is permanent, but there  
14 are some more immediate needs. And so we got to --  
15 that's what we are grappling with.

16 Mr. Abinah, do you have something you wanted to  
17 add?

18 MR. ABINAH: Yes, Madam Chairman, thank you.

19 Like I said, from the engineering point of view  
20 the line is necessary. There is no doubt based on our  
21 testimony. But the question is do we have options.

22 I wasn't at the hearing and not looked at the  
23 transcript lately but from what we had today, the  
24 company has options. I believe you had Mr. Magruder who  
25 spoke about having a mobile transmitter to a site. We

1 heard another individual testify, or not testify, made  
2 comment about there is an option in which they build a  
3 one mile -- I don't know if you remember. So the  
4 question is do we have --

5 CHMN. MAYES: You are talking about the tap into  
6 the, the tap into the 46kV?

7 MR. ABINAH: I believe so. So the question is:  
8 Is it necessary based on the engineering, from  
9 engineering point of view? The answer is yes.

10 Can the company look at options before they  
11 build the line? The answer is yes, they can. And they  
12 should look at options before they build the line.

13 Now, I understand the Commission's role, the  
14 Commission's role is safety and reliability. And nobody  
15 wants to jeopardize safety and reliability. But at the  
16 same time, before the company constructs, undertakes a  
17 huge, massive amount of project, look at options.

18 In addition to that, we heard today from  
19 individuals saying they are, they are willing to invest  
20 in renewables. And I believe the goal of the Commission  
21 is to more renewables.

22 So, yes, it is necessary. But can they look at  
23 options before the construction of the line? Answer is  
24 yes.

25 CHMN. MAYES: Mr. Carroll.

1 MR. CARROLL: Madam Chairman, first, Mr. Orozco  
2 can certainly respond to the two issues that were just  
3 discussed with respect to the distributed generation  
4 aspect of it as well as the fact that the options that  
5 were discussed, the options that were discussed at the  
6 hearing and presented into evidence as well as some of  
7 the options that were presented this morning under terms  
8 of what Sulphur has already done to look at all of those  
9 options in terms of its consideration.

10 And Mr. Blair is the person, he and his  
11 department have been the one that have been fielding  
12 phone calls from customers over the last few years in  
13 that area that specifically relate to outages that are  
14 impacting their businesses and medical conditions and  
15 the like. And so we can, we can briefly respond to both  
16 those questions.

17 MR. OROZCO: Madam Chairman and Commissioners, I  
18 will try to do that as briefly as possible. But I would  
19 like to assure you that this volume in front of me here  
20 represents only a portion of hundreds of hours that I  
21 and my staff have put in to evaluating and I heard  
22 nothing new in the presentation as far as options that  
23 we have not already considered.

24 For example, and speaking specifically to the  
25 TEP tie, in 2003 Sulphur Springs requested an intertie

1 with Tucson Electric Power. That was through AEPCO,  
2 then our power supplier. The letter back basically said  
3 there is no capacity, it is for backup only, and the two  
4 county rule would have to be granted a variance.

5 In 2007 Sulphur Springs went back and spoke with  
6 TEP again, any change on the line, any possibilities  
7 that we could do something. Same answer. Sulphur  
8 Springs has been working with TEP with regard to the  
9 46kV and the 138 and all the other transmission lines in  
10 Cochise County as part of the Southeast Arizona  
11 Transmission Study, the SATS group.

12 We did, however, look at what it would cost to  
13 actually tie into TEP. Because it is a subtransmission  
14 system of course you don't just tap in with fuses. It  
15 requires a three breaker ring. We would require a 46 to  
16 25kV transformer. Making it short, just the cost of  
17 that intertie is about \$3.2 million.

18 So we have looked at it. We looked at it again  
19 even more recently. And we feel that \$3.2 million for a  
20 source that is not available, only available when it is  
21 not needed somewhere else, is not in the best interest  
22 of all of our members.

23 CHMN. MAYES: Okay. Commissioner.

24 MR. OROZCO: Should I take the distributed  
25 generation question? I can do that briefly.

1 CHMN. MAYES: Okay.

2 MR. OROZCO: In 2007 we issued a request for a  
3 study to be done to see what a 2 megawatt generator  
4 would do on the V-7 feeder. Power engineers out of  
5 Hailey, Idaho was contracted to do the study. I have a  
6 copy here.

7 Long and short, a 2 megawatt generator placed in  
8 Sonoita operating on diesel, because there is no natural  
9 gas sufficient to run this generator, could serve  
10 2 megawatts of load. They suggested that it be done in  
11 an island situation, which would mean that the entire  
12 Patagonia area would be served off of this diesel  
13 generator.

14 The cost of the generator itself, contrary to  
15 what I heard today, I have a fixed quote from a group  
16 called Power Secure for \$1 million. In addition it  
17 would require a 20,000 gallon storage tank. It burns  
18 139 gallons of diesel, 139 gallons of diesel per hour.  
19 Output is 80 decibels. That's more than standing next  
20 to a freeway. A calm night in Sonoita is more like 20  
21 decibels.

22 So we have looked at the 2 megawatt option. We  
23 rejected it over a year ago.

24 CHMN. MAYES: Okay. I know Commissioner Newman  
25 has a question.

1 I would say diesel generators are not the most  
2 optimal solution. They are dirty. They are carbon  
3 emitting. And they are noisy. And we have an area,  
4 believe it or not, just outside of Phoenix called  
5 Whispering Ranch that was overpassed by development --  
6 by the utilities. They have hundreds of diesel  
7 generators humming in the night every night. And it is  
8 outrageous, quite frankly.

9 So, you know, the idea of putting a bunch of  
10 diesel generators in Patagonia seems to me is not going  
11 to be looked at kindly by the people there.

12 Commissioner Newman.

13 COM. NEWMAN: Yes, thank you, Madam Chairman. I  
14 am going to try and keep this short but I have a  
15 question for Staff and then I have a question for  
16 Mr. Huber.

17 It is an engineering question. I have heard, I  
18 have studied this issue probably more than any other  
19 issue in the last six months. And I think I know that  
20 the -- I understand the company's concern. But I am not  
21 quite sure if all the, all the alternatives have been  
22 looked at despite what Mr. Orozco testified to.

23 Now, I wanted to understand a little bit more  
24 the company's reluctance to go and double the lines.  
25 You testified earlier that there was a problem with the

1 grandfathering of easements. That seems to be the  
2 biggest roadblock there, is that right, where you were  
3 telling all the Commissioners about that, grandfathering  
4 and why they can't double up on that line?

5 MR. BAHL: As I understand, I have not checked  
6 the records, as I understand it, that they cannot do  
7 anything to the existing 23 mile long 25kV feeder coming  
8 from Fort Huachuca west substation to Sonoita.

9 COM. NEWMAN: Because?

10 MR. BAHL: They cannot because they did not  
11 actually pay for the easement. And I think the company  
12 can address this better. My understanding is they did  
13 not pay for that easement but constructed the line, but  
14 as a result they were mandated not to improve upon it,  
15 not to serve another company even by virtue of emergency  
16 assistance. In other words, that line is what it is and  
17 cannot be altered.

18 COM. NEWMAN: However, it is what it is and  
19 cannot be altered --

20 MR. BAHL: Yes.

21 COM. NEWMAN: -- however, there is landlords. A  
22 big chunk of that land is state land, big chunk of that  
23 land is private land.

24 MR. BAHL: Okay.

25 COM. NEWMAN: A big chunk of that land is ADOT

1 easement. I am just guessing. And given what we have  
2 heard today from the community, and, again, this is not  
3 some little click of people in the community, this is  
4 the entire community that lives from Mustang over  
5 through, you know, through Nogales, that would like to  
6 see distributed generation and they would like to see  
7 perhaps better reliability. And I don't know from the  
8 company's standpoint or from my own engineering Staff's  
9 standpoint why they think they can't get easement rights  
10 to double up this line. To me it is astounding and it  
11 is not prudent.

12 Does anybody want to respond to it? I want  
13 Mr. Huber to respond, not the lawyers, not the  
14 engineers. First my Staff and then Mr. Huber.

15 MR. ABINAH: Madam Chairman, Commissioner  
16 Newman, and I believe those are the things that they can  
17 look at if they do the studies. If they believe,  
18 according to Mr. Bahl, the last time they constructed a  
19 line there was no easement, maybe one of the things the  
20 company can do is go back and see if they can issue an  
21 easement for them to upgrade that line. We don't know.  
22 Those are studies they can perform and come back to the  
23 Commission and say we looked at these options and we  
24 cannot do that.

25 COM. NEWMAN: We have known about these options

1 for a long time. I have known them since before I was  
2 elected. I don't understand it. I will never  
3 understand it. And I don't -- and I want to hear what  
4 the company has to say today. But, so from the Staff  
5 point of view, it is only the right-of-way that's  
6 preventing that, not some technology.

7 MR. ABINAH: Chairman, Commissioner, I will  
8 defer to Mr. Bahl on that issue.

9 COM. NEWMAN: Okay.

10 MR. BAHL: Madam Chairman, Commissioner Newman,  
11 we come back to the question of reliability and safety  
12 of service, quality of service. This single 25kV line,  
13 even if you could upgrade it, is a single line. It will  
14 not withstand N-1 outage.

15 If this, the very first segment of that line, or  
16 anywhere at the beginning of the line coming out of Fort  
17 Huachuca substation, if there is an outage at that  
18 point, we are submerged into darkness,  
19 Sonoita/Patagonia/Elgin area. So that is not a reliable  
20 service. So the next question is how do we build  
21 another line to provide this kind of a loop.

22 If you build a 69kV line going all the way to  
23 Sonoita and do not get rid of the existing line and cut  
24 it off somewhere in the middle so now you have a loop  
25 system from the Sonoita substation, you have four

1 feeders, four distribution reinforced feeders going to  
2 north, going to Patagonia, going to the Elgin area and  
3 going back toward Fort Huachuca west so you have cut it  
4 off in the middle, now if there is an outage to the 69kV  
5 line, you could close that switch from Fort Huachuca  
6 west to Sonoita substation and meet a substantial  
7 portion of your load. If it is not a peak load time you  
8 can meet all of it, because at this time you are meeting  
9 it on that one feeder. But if there is an outage on  
10 that feeder, then you have a 69kV line feeding it. In  
11 other words, the reliability is best, best achieved if  
12 you have two lines.

13 In this case, they are not getting rid of the  
14 existing feeder; you are keeping it as a backup, but  
15 cutting somewhere in the middle, serving from the  
16 existing line as much load as they can serve and may be  
17 able to serve comfortably on existing feeder because it  
18 is just a part of the load. But then the rest of the  
19 whole area, including Patagonia and Elgin and part of  
20 the Sonoita area, they will be able to feed from the  
21 unit. That is the whole premise behind the 69kV line as  
22 Staff understands it.

23 COM. NEWMAN: Correct. And what about this  
24 aspect of not creating a new line and trying to have the  
25 easements given to the community under these

1 circumstances to preserve the pristine grasslands of the  
2 Babocomari, what is stopping the company from asking for  
3 these easements?

4 MR. BAHL: Madam Chairman, Commissioner Newman,  
5 that is a very good proposal. That is worth  
6 considering, if it can be done. But, again, we are  
7 making a short demonstration of this problem.

8 If you look at long term, the next 15, 20 years,  
9 the load is going to grow. If we still have the one,  
10 even if we have, you are saying have a double, another  
11 line on the same 25kV, that can be done. If it can be  
12 done then you do have reliable service because, first of  
13 all, the two lines will distribute the load half each,  
14 and if one line goes out, you will have some other  
15 arrangements. And by the time our renewables will  
16 improve, distributed generation will take place.

17 So if it is possible by virtue of the mandate  
18 from their county, whichever has established that  
19 mandate, if it can be done, it is definitely worth  
20 considering.

21 COM. NEWMAN: Okay. Now, Mr. Huber, I didn't  
22 want to put you too much on the line but I wanted you in  
23 that seat because I didn't -- this is a follow-up to the  
24 Chairwoman's questions as well as this question I have  
25 about easements and double line as an alternative. The

1 first question, I will let you answer that second, I  
2 wanted to ask this question first:

3 I have known about this conversation since  
4 November. The community has known about this situation  
5 since 1982. There has been conversations about this. I  
6 got the feeling in February when we had a special  
7 meeting of, that every, I believe all the Commissioners  
8 were there, February, it was probably a month after  
9 Mr. Stump and Sandra Kennedy and I were sworn in,  
10 approximately, I forget the exact date, but there was a  
11 voluminous number of people at Buena Vista High School,  
12 there were statements made by Commissioner Stump and  
13 myself, I think the Chairwoman, about a need to work  
14 with the community regarding this line.

15 At that point, in my mind, there were at least  
16 three Commissioners that were so concerned about this  
17 that they basically ordered the company to step up, work  
18 with the community, and think twice about this 69kV  
19 line. That's how I read it. And my radar is usually,  
20 my political radar is usually pretty good.

21 So I wanted to know what your company has  
22 purchased since February that is going to put ratepayers  
23 in the hole because your company has gone forward with  
24 buying equipment, very expensive equipment to do this  
25 line even though three Commissioners indicated in

1 February they had real problems with this line and  
2 wanted more study. Who is ordering new equipment? How  
3 much does that cost? How do you expect me to run an  
4 amendment to increase your charitable contributions,  
5 which I would like to do, when I am hearing that a  
6 \$265,000 piece of equipment, which is all your  
7 charitable contributions practically for a year, how do  
8 you expect me to restore your charitable contributions?  
9 What is going on here? Isn't the company getting the  
10 message?

11 CHMN. MAYES: Mr. Huber.

12 MR. HUBER: Chairman Mayes, Commissioner Newman,  
13 we have met, had countless meetings with our members  
14 before the public meetings in Sierra Vista and after.  
15 We have had a board meeting down there. We have had the  
16 members come to our board meeting in Patagonia. They  
17 have come to -- or excuse me, board meetings in Wilcox  
18 and Sierra Vista. They have made a PowerPoint  
19 presentation to our board. They have come back for  
20 follow-up. The board directed us again to meet with  
21 them. We met with them and reviewed their proposal.

22 Right here we have, which we gave to Staff, our  
23 responses to every issue they brought up. And every  
24 issue option we have looked at in the past, we have  
25 looked at it again. And so we have done all that.

1           And we have got an obligation to serve. So in  
2 the normal course of business, we have had to order  
3 equipment to take care of this problem. We have looked  
4 at every issue that they have suggested. And if you  
5 would like the engineering perspective we can certainly  
6 give that to you.

7           When we talk about an independent review, we  
8 have already, you have already done that. Your Staff  
9 has looked at this. Your Staff agrees that the line  
10 needs to be done. The administrative law judge agrees  
11 based on the evidence that it needs to be done. This  
12 has been looked at by a third party, an independent  
13 party already. We have looked at every option and we  
14 have material to support why that option will not work.

15           Rebuilding this line, we estimate, to perfect  
16 the easement, will cost 2 and a half to \$3 million; to  
17 rebuild the line will be \$10 million. I mean, and to  
18 get the easements, no one just hands you an easement  
19 today. It would take us years, years. And I think 2  
20 and a half million dollars, 3 million is too low to try  
21 and get the easements for this property.

22           COM. NEWMAN: Well, that's an interesting  
23 perspective. And I have lived in Cochise County 20  
24 years and I know that the hearts of the people in  
25 Cochise County and Santa Cruz County are a little bit

1 different than that. And I think State Land Department,  
2 which has a very rigid easement policy, would look  
3 favorably upon these communities being demonstration  
4 projects for distributed generation. So I respectfully  
5 disagree.

6 Now, I want to know today who signed off on that  
7 \$265,000 piece of equipment.

8 MR. HUBER: I signed off on all purchase orders  
9 over \$50,000.

10 COM. NEWMAN: When did you sign off on the  
11 265,000 piece of equipment?

12 MR. HUBER: I am not sure.

13 COM. NEWMAN: Was it before or after the  
14 February meeting?

15 MR. HUBER: Oh, it was clearly after. I don't  
16 know.

17 COM. NEWMAN: Clearly after?

18 MR. HUBER: After, and we have had those  
19 meetings and we reviewed the proposals. Then we, as we  
20 reviewed the proposals, we needed to proceed with this  
21 line. We, with --

22 COM. NEWMAN: No, you don't --

23 MR. HUBER: With the --

24 COM. NEWMAN: -- not if you want it in the rate  
25 base.

1 MR. HUBER: May I finish?

2 COM. NEWMAN: No. You can, you can finish, but  
3 do you clearly have to continue with this line? And you  
4 wanted it in your rate base and three out of the five  
5 Commissioners indicated they wanted further study and  
6 conversation about this? You are getting very close. I  
7 mean honestly. Yes, I don't mean to be rude, you can  
8 finish, but you don't have to complete this line. You  
9 can explore distributed generation.

10 Okay. Now you can continue. You don't have to  
11 complete the line. You think you need to complete the  
12 line even if the Commission doesn't want it?

13 MR. HUBER: Chairman Mayes, Commissioner Newman,  
14 we listened to the Commission at that meeting. We went  
15 beyond what was requested to meet with our members. We  
16 invited -- the members are welcome to come to any board  
17 meeting, which they have. The board has listened to  
18 them. We have addressed their concerns. We have looked  
19 at every option that they have presented. Every option  
20 you heard this morning, our staff has reviewed. None of  
21 those options solve our problem without spending more  
22 money than what we are proposing to do.

23 CHMN. MAYES: If I could, just for the record,  
24 and I understand the frustration on all sides here, but  
25 just for the record, what you, what the co-op has

1 purchased for use in this line is not, has not been put  
2 in rate base yet. It is not part of this case. It  
3 would be a part of some future case where a future  
4 Commission could decide whether or not the co-op behaved  
5 in a prudent manner in purchasing that equipment. And,  
6 of course, this Commission hasn't yet made a decision  
7 about whether the co-op should move forward with the  
8 line. And I think we are about to do that.

9 So Commissioner Pierce, did you want --

10 COM. PIERCE: Yes, just one comment. And I  
11 think it is important to note that a couple years ago on  
12 a very significant transmission line that went through  
13 our line siting committee, that commission, and it was,  
14 and it passed overwhelmingly at the commission, it  
15 failed amongst the Commissioners five to zero. And I  
16 think that really getting an indication from the  
17 Commissioners anywhere along the line, I think it, you  
18 read between the lines and read the tea leaves, is  
19 probably prudent. I am not sure if you could have got  
20 that from a previous Commission public comment session  
21 on that.

22 As I look back on that, I don't remember  
23 everything about that, but I do know that typically  
24 utilities are really sensitive to anything that is said  
25 by the Commissioners. So I would just advise you that

1 if, you know, and I think you do, if you hear something  
2 that you think might be significant, that you ought to  
3 pay attention to it unless you are getting indications  
4 from Staff to do certain things. And then I would like  
5 to know if Staff is pushing in a certain way to go  
6 forward. Certainly what they say and what they  
7 recommend in a rate case, just as the line siting  
8 commission represents in a rate case, can be amended by  
9 the Commissioners and often is.

10 Madam Chairman, thank you.

11 CHMN. MAYES: Thank you, Commissioner Pierce.

12 Mr. Carroll, did you want to briefly ask  
13 something?

14 MR. CARROLL: Yes. If you are moving down the  
15 path, there are just a few comments I would like to  
16 make, because I really, I didn't get a chance to do that  
17 and I think it is important --

18 CHMN. MAYES: Okay.

19 MR. CARROLL: -- for the Commission to hear  
20 that.

21 First, I do respectfully disagree with my  
22 colleague with respect to the jurisdiction of the  
23 Commission associated with the line. I think that, I  
24 think that 360 basically does not give jurisdiction over  
25 115kV. I understand the statutes that they are citing

1 but I think that -- I just don't agree with that  
2 particular analysis.

3 I do agree with Commissioner Pierce's statements  
4 that for the Commission to do this and -- for the  
5 Commission to do this could set a fairly dangerous  
6 precedent and open the door for others down the road on  
7 similar kinds of subtransmission, maybe even  
8 distribution lines, to be coming in and filing  
9 complaints or trying to seek relief in order to stop  
10 certain things, if the Commission wants to open the  
11 door.

12 As far as Commissioner Newman's amendment is  
13 concerned, the amendment provides for an independent  
14 feasibility study. It doesn't provide for who is paying  
15 for it. We assume it would be the utility. We  
16 estimated the cost of an independent feasibility study  
17 to be approximately a quarter of a million dollars.  
18 There is no provision in the rate case to pay for that  
19 quarter of a million dollars associated with, you know,  
20 with that independent study, if it is made.

21 Sulphur has, notwithstanding what we talked  
22 about in terms of purchasing some preliminary type  
23 equipment, I believe that even prior to the initial  
24 concerns raised, the co-op has significant dollars,  
25 certainly over a million dollars, invested in the

1 studies and the work that it has done, the rights-of-way  
2 that it had to purchase even awhile ago to this, and  
3 that this company has a complete professional  
4 engineering staff with exceptional experience as it  
5 relates to engineering utility systems, renewable energy  
6 and the like.

7           And, you know, we believe that even if you do  
8 this independent study, one, it is going to come back  
9 and confirm what the company's observations are and we  
10 believe that a year delay or longer will for sure  
11 increase the cost of the project.

12           As they point out, every option has been looked  
13 at, would require additional cost in order to implement  
14 to the extent technically feasible, and those costs  
15 would have to be socialized among the entire Sulphur  
16 Springs membership.

17           So we, again, I mean we -- you know, and just to  
18 clarify, you know, for I too was at the February meeting  
19 and I did hear what was said, and what I did hear was  
20 clear direction from three Commissioners not to not  
21 build the line but to go back, but to go back and meet  
22 with the public and look carefully at each option again.  
23 This was February 11th.

24           At the hearing on April 21st, two months later,  
25 we had met with, we had met, we had followed the

1 Commission's directive, we met with the groups. We  
2 listened to them. We had a board meeting in Patagonia.  
3 We reviewed every single option. We put into the  
4 evidentiary record a list of all the meetings we had as  
5 well as the costs associated with each of the options  
6 that were on the table as of April.

7 Now, since April, there has been other work  
8 done. That work is in that notebook that has been  
9 submitted to us. We have looked at every single option  
10 that you heard of this morning. And it still doesn't  
11 work.

12 The utility is sort of between a rock and a hard  
13 place but understands the Commission's reticence. But  
14 given its obligation to serve and given the fact that  
15 this needs to be completed, won't be completed for this  
16 winter, but needed to be completed for the following  
17 winter and therefore construction needed to start in the  
18 fall, it would not have been prudent for them at least  
19 to make preliminary steps in the event that they were  
20 going to be able to go forward with it in February.

21 So I just wanted to make those statements. And  
22 as I said earlier, if there is a moratorium, we will  
23 probably have to be back here for an application for a  
24 hook-up fee moratorium on that line. And the issues of  
25 quality of service and customer complaints that we do

1 get and the Commission gets will continue infinitum.  
2 And, you know, I just wanted to make sure that the  
3 Commission understood those aspects of it and why we  
4 feel so strongly that a solution to this problem needs  
5 to be addressed sooner rather than later.

6 Thank you.

7 CHMN. MAYES: Okay. Thank you, Mr. Carroll.  
8 You did address one of my questions, which is how is the  
9 study going to be paid for. I guess in the near term,  
10 the company will pay for the study and then obviously  
11 you would decide later whether to seek cost recovery of  
12 it. And then a future Commission could decide regarding  
13 that.

14 But, you know, when a company is ordered to do a  
15 study, it is pretty certain that that, the funding for  
16 that study would be deemed prudent and those expenses  
17 would be deemed prudent. So obviously my colleagues  
18 understand that you can't order a company to do  
19 something without then knowing that that's going to be  
20 recoverable.

21 MR. CARROLL: My only concern on that issue,  
22 Madam Chairman, would be that we would be looking at  
23 probably an out of test year expense, and so if there  
24 was language that we could point back to, it would  
25 certainly be helpful.

1 COM. NEWMAN: Madam Chair, just one more. I  
2 just wanted to make a statement.

3 I just wanted to say for the record that the  
4 purchase of the equipment after February, if you haven't  
5 heard it loud and clear, I do not think was a prudent  
6 expense given the circumstances and this community and  
7 what you heard at the February meeting.

8 You might be able to split hairs that you heard  
9 us, go back, study it further, talk to people, but I  
10 think a real listen at what happened at that community  
11 forum was a reticence of this Commission and a look at  
12 alternatives like alternative renewable distribution. I  
13 just want to say for the record I am astounded that you  
14 bought such a big piece of equipment like that.

15 CHMN. MAYES: Okay. Let's go ahead. Are there  
16 any other questions or comments with regard to Newman  
17 Proposed Amendment No. 1? I think Commissioner Newman  
18 moved it. I think he did.

19 Why don't we, if there are no other comments or  
20 questions, we will go ahead and move it. And then we  
21 can talk about mine afterwards, after voting on this  
22 one. It has been moved.

23 Madam Secretary, please call the roll.

24 MADAM SECRETARY: Commissioner Kennedy.

25 COM. KENNEDY: Aye.

1 MADAM SECRETARY: Commissioner Stump.

2 COM. STUMP: Madam Chairman, I appreciate  
3 Commissioner Newman's, everyone's hard work on this.  
4 But based on my understanding of the record, time is of  
5 the essence as it relates to reliability of power and  
6 public welfare in this area. Independent parties have  
7 examined the evidence presented by parties under oath.  
8 Forensic accounting presumably has occurred. And I do  
9 fear higher costs for ratepayers if we delay it. So I  
10 am going to reluctantly vote no.

11 MADAM SECRETARY: Commissioner Newman.

12 COM. NEWMAN: Madam Chairman, I am going to vote  
13 aye. I have stated the reasons why.

14 And I respect the company. I have known this  
15 company for a long time. And I do understand that there  
16 is a problem here. And they are using some good faith  
17 efforts to understand engineering. But I think that the  
18 conclusion that they can only build this line and that's  
19 the only one that they come to and there is even a  
20 little bit of obstinacy that I feel is coming from the  
21 company on this issue, they are not thinking out of the  
22 box. I would like to see somebody thinking out of the  
23 box, working with the community. That's what the  
24 community wants. For God sakes, they are co-op members  
25 themselves.

1           This is such a beautiful area. It is hard to  
2 describe how beautiful this is. These grasslands, the  
3 Chairman, Chairman knows. I believe -- I am actually  
4 going to get a bit emotional because one of the reasons  
5 I ran for this job was to be in this situation, to act  
6 as a steward for some of the last pristine lands in the  
7 state.

8           Now, transmission is a huge part of energy. And  
9 we are going to have some very tough decisions regarding  
10 transmission. But to not stop, take a look, work with  
11 this community on distributed generation, work with the  
12 congresswoman, with all the renewable energy sources  
13 that perhaps can come to Sulphur Springs to upgrade this  
14 line and help with easements, I just, I hope that there  
15 is a third vote for this amendment, because it is really  
16 the path for this, these three communities to come  
17 together for renewable distributed generation and I  
18 think perhaps the fire that needs to be, not fire as  
19 much as impetus, that we need to lead and help the  
20 company lead for this distributed generation to take  
21 place in this area, just stop and take a breath.

22           Now, I don't know what to say about the company  
23 buying equipment and, you know, that being an extra  
24 expense. I am just still shocked by it. But they  
25 thought they were making a prudent decision evidently

1 under the circumstances. I thought there was clear  
2 direction to try to do anything but to complete this  
3 69kV line. Ultimately it may happen, who knows. But  
4 not to take a second look under these circumstances I  
5 don't think we would be doing a reasonable and prudent  
6 job as Commissioners. And I vote yes.

7 MADAM SECRETARY: Commissioner Pierce.

8 COM. PIERCE: Here is one reason typically with  
9 co-ops where I just have a hard time going against what  
10 this elected board has come up with, is because they are  
11 just that, they are an elected board. They are run by  
12 an elected board that lives in the community they serve.

13 But, you know, so many times I hear the delay,  
14 you know, that almost that the earth will end if we  
15 delay. And that's just not the case here. But moving  
16 forward is really permanent in this area of the  
17 community. And listening to all of those who live there  
18 and are concerned about the esthetics and the feel for  
19 that community, moving forward is absolutely permanent.  
20 And I just think it is worthwhile in this case, because  
21 the company will still be able to recover any costs  
22 associated with it, that the community, I think it is  
23 important that the community be given an opportunity to  
24 find an alternative and do that in working with the  
25 company.

1           So I, and I appreciate everyone's aspect in  
2 this, but I vote aye.

3           MADAM SECRETARY: Madam Chair Mayes.

4           CHMN. MAYES: Well, I think it has pretty much  
5 been said. But I came today not sure how I was going to  
6 vote on this quite frankly. I mean there are some very  
7 strong arguments to be made on both sides. Commissioner  
8 Stump made, I think, a fairly, very cogent argument for  
9 allowing the company to move forward with the power  
10 line. And I do have some concerns with regard to  
11 reliability and safety in these communities. And I  
12 wanted to make sure that this study is done within the  
13 time frame allotted and that the Commission can come  
14 back and look at this issue a year from now and  
15 determine whether or not this line needs to be built.

16           But I do think that this community has rallied  
17 around an idea, which is it can produce power for itself  
18 through renewable energy sources, that it wants to  
19 preserve one of the most magnificent grassland areas in  
20 the nation and maybe the world, and it would like a  
21 little extra time to look at ways to get that done.  
22 And, quite frankly, I see Mr. Magruder in the audience  
23 and some of the other people in this community, and I  
24 know, given my experience with him, if anybody can get  
25 this done, if anyone can do this, it is probably this

1 community. And I think Mr. Magruder and Ms. Getzwiller  
2 and all of the other folks who have come before us not  
3 only today but in two or maybe three other public  
4 comment sessions that we have had on this issue will  
5 work hard on the issue.

6 The onus is on you, though, now. Okay? And I  
7 want to be clear about that. You need to roll up your  
8 sleeves and get to work on finding some real concrete  
9 alternatives that will work to provide reliable power  
10 for your community. And I will call Gabby Giffords, who  
11 is a friend of mine, and I will ask her to get to work  
12 with you. I know she will. And I know my colleagues  
13 will do the same thing.

14 I want the utility to be looking at stimulus  
15 funds. If you haven't already applied for stimulus fund  
16 money I hope you will, because this is a perfect utility  
17 for the use of stimulus funds for the deployment of  
18 renewable energy, plus the Department of Energy and  
19 maybe even the RUS and other sources. So I look forward  
20 to seeing what the group puts together.

21 And I appreciate Commissioner Newman's efforts  
22 on this amendment and his passion on the issue.

23 And I vote aye.

24 By your vote of four ayes and one no you have  
25 passed the Newman Amendment No. 1.

1           Go to my amendment, which, real quickly,  
2 overlaps significantly with his. I debated about even  
3 offering it. But I will go ahead and offer it because  
4 it adds a little bit of flavor with regard to the idea  
5 of requiring the utility to hold public forums after the  
6 plan or after the feasibility plan is done.

7           Judge Rodda, am I correct in that is this  
8 something you could sort of mesh together with the  
9 Newman amendment to come up with something that's  
10 coherent?

11           ALJ RODDA: Yes, Chairman Mayes, I believe that  
12 we could, starting with the Newman amendment, and then  
13 yours would basically add on to that first paragraph.

14           The Newman, first paragraph, there is a last  
15 sentence there that is talking about the public forums.  
16 Since your amendment addresses the public forum more  
17 than the feasibility study, I believe that it could fit  
18 in right after the discussion on the feasibility study.  
19 Your dates, you have dates for the plan for the forum  
20 and the -- so I think all the dates work out because it  
21 would be October 30th you have them file the plan. They  
22 would have to, they are supposed to file, according to  
23 the Newman amendment, the feasibility study the end of  
24 the year. And then both amendments have the July 30th  
25 date as having, I guess, the forms be concluded by then.

1 There will be a final report.

2 So there might be some tweaking of sentences but  
3 I believe --

4 CHMN. MAYES: The substance will be the same?

5 ALJ RODDA: Certainly.

6 CHMN. MAYES: Okay. Any questions on that,  
7 colleagues? No?

8 Okay. I will move Mayes Proposed Amendment  
9 No. 1.

10 Madam Secretary, please call the roll.

11 MADAM SECRETARY: Commissioner Kennedy.

12 COM. KENNEDY: Aye.

13 MADAM SECRETARY: Commissioner Stump.

14 COM. STUMP: Aye.

15 MADAM SECRETARY: Commissioner Newman.

16 COM. NEWMAN: Aye.

17 MADAM SECRETARY: Commissioner Pierce.

18 COM. PIERCE: Aye.

19 MADAM SECRETARY: Madam Chair Mayes.

20 CHMN. MAYES: Aye.

21 By your vote of five ayes and zero nays you  
22 passed the Mayes Amendment No. 1.

23 Colleagues, if it is all right with you, I am  
24 going to take the Pierce Amendment 4 and Pierce  
25 Amendment 3 right now. I thought maybe we could get

1 through the time of use amendments since they are a  
2 little less controversial than some of the others. Is  
3 that okay?

4 COM. NEWMAN: I am not sure time of use is less  
5 controversial.

6 ALJ RODDA: Chairman Mayes, I was sort of  
7 pointing at the court reporter. I think she is almost  
8 in physical pain.

9 CHMN. MAYES: We will take a five-minute break  
10 so Colette's fingers can take a rest.

11 (A recess ensued from 3:26 p.m. to 3:35 p.m.)

12 CHMN. MAYES: If we can come back to order, we  
13 are going to go ahead and take -- do we have  
14 Commissioner Newman? Commissioner Newman, paging  
15 Commissioner Newman.

16 Okay. Let's go ahead and take Pierce No. 3.  
17 Commissioner Pierce, do you want to --

18 COM. PIERCE: Sure. Thank you.

19 No. 3, the reason I want to take this first, if  
20 we do the Commissioner Newman, this is probably -- he  
21 wouldn't be concerned.

22 The reason I added this one was, I thought maybe  
23 Hearing would pick this up, if the cooperative adopts  
24 Staff's energy rate for time of use, doesn't it also  
25 need to adopt Staff's customer charge? Otherwise

1 wouldn't it over collect from Staff's perspective from  
2 its time of use customers, which would kind of be  
3 contrary to the objectives of increasing participation  
4 in the time of use program?

5 ALJ RODDA: I am sorry.

6 CHMN. MAYES: We are on Pierce No. 3.

7 COM. PIERCE: I am on Pierce No. 3, revised  
8 Pierce Proposed Amendment No. 3.

9 CHMN. MAYES: And this is my fault. I am taking  
10 these out of the order that I said.

11 COM. PIERCE: Yes. And, Mr. Olea, can tell you  
12 if that's a yes or no question?

13 ALJ RODDA: I am sorry, Commissioner Pierce.

14 COM. PIERCE: Well, if the cooperative adopts  
15 the Staff's energy rate for time of use, doesn't it also  
16 need to adopt Staff's customer charge? Because  
17 otherwise wouldn't it over collect from Staff's  
18 perspective from its time of use customers?

19 ALJ RODDA: If you were also adopting Staff's  
20 revenue level. I don't -- I guess I am not following  
21 the question. Depends on what revenue.

22 COM. PIERCE: Maybe I should ask to Staff then.  
23 You heard the question.

24 MR. ABINAH: Good afternoon, Madam Chairman,  
25 Commissioner. Yes, the answer is yes. So we support

1 your amendment.

2 COM. PIERCE: Okay. Okay. Does the company --

3 MR. CARROLL: Chairman Mayes, Commissioner

4 Pierce, we support the amendment. It is fine.

5 COM. PIERCE: All right. Thank you, Madam

6 Chairman. I do move Pierce revised Amendment No. 3.

7 CHMN. MAYES: Okay. We are on revised Pierce

8 Proposed Amendment No. 3. It has been moved. Are there

9 any other questions about it?

10 It seems like a good idea to me. And I

11 understood that so...

12 Okay. Madam Secretary, please call the roll.

13 MADAM SECRETARY: Commissioner Kennedy.

14 COM. KENNEDY: Aye.

15 MADAM SECRETARY: Commissioner Stump.

16 COM. STUMP: Aye.

17 MADAM SECRETARY: Commissioner Newman.

18 COM. NEWMAN: Aye.

19 MADAM SECRETARY: Commissioner Pierce.

20 COM. PIERCE: Aye.

21 MADAM SECRETARY: Madam Chair Mayes.

22 CHMN. MAYES: Aye.

23 By your vote of five ayes and zero noes you

24 passed Pierce Proposed Amendment No. 3.

25 Can we go to Pierce No. 4, revised Pierce No. 4.

1 COM. PIERCE: Thank you, Madam Chairman.

2 CHMN. MAYES: Yes, go ahead.

3 COM. PIERCE: Thank you. And I just, I guess I  
4 would, in my desire to make sure that the company's  
5 residential time of use for -- that it works and that  
6 there is a plan to make sure it works, I just, I plugged  
7 in 10 percent. And I am flexible to parties, to a  
8 verbal amendment about that. But I, I am just looking  
9 at the past and looking at what I think the objective  
10 should be, that we should be moving forward to make sure  
11 that your time of use plan works. And I would like the  
12 company to --

13 MR. CARROLL: Chairman Mayes, Commissioner  
14 Pierce, Sulphur generally supports your amendment. We  
15 have two questions of a clarification nature just to  
16 make sure we understand a couple things but we do  
17 support the concept.

18 First, the language indicates that after two  
19 years we would, if the objectives are not achieved we  
20 would file a revised plan that might include a change in  
21 the rates. And I don't believe that Sulphur would be  
22 able to modify those rates outside of a rate case unless  
23 the rates were only one way, down, you know, at which  
24 point there would be a reduction. So anyway.

25 COM. PIERCE: Does Staff -- I think as long as

1 they are revenue neutral, isn't that correct?

2 MR. ABINAH: I am sorry. I am sorry. This is  
3 Elijah Abinah for Staff. Can you please repeat your  
4 question.

5 COM. PIERCE: Sure. The question is, coming  
6 back in a couple years outside of a rate hearing they  
7 couldn't really do anything with rates, and my point is  
8 if they were, if it was revenue neutral, they could.

9 MR. ABINAH: Madam Chairman, Commissioner, if I  
10 can check with Legal on an issue of recovery as far as  
11 the rate case. If it is revenue neutral, I believe they  
12 can do. Now, I don't know what Legal is going to say  
13 about that so...

14 COM. KENNEDY: Madam Chairman, while she is --  
15 Madam Chairman, I just have a request for the company.

16 What is the current participation for time of  
17 use?

18 MR. CARROLL: Madam Chairman, Commissioner  
19 Kennedy, there are 17 customers on the rate currently.

20 COM. KENNEDY: 17.

21 MR. CARROLL: Yes.

22 COM. KENNEDY: So 10 percent would be 5100, 5200  
23 customers.

24 MR. CARROLL: 3500.

25 COM. KENNEDY: 3500. Thank you.

1 COM. PIERCE: Madam Chairman, I was just going  
2 to say, what is APS', Staff? Isn't it between 20 and  
3 30 percent, around, that are on time of use?

4 MR. ABINAH: Madam Chairman, Commissioner, APS  
5 is a little bit higher than 10. I believe it is up to  
6 20.

7 COM. PIERCE: That's why I picked 10, but I  
8 wanted to make sure it is achievable. But I want to  
9 make sure.

10 MR. ABINAH: Mr. Chairman, Commissioners, we  
11 support your amendment. I think your question is how  
12 can they recover the rest outside of a rate case. We  
13 support this amendment. We are okay with the amendment.  
14 The issue is just how will they recover if they can  
15 recover outside of a rate case. That's what I am trying  
16 to defer to Legal.

17 CHMN. MAYES: Well, Commissioner Pierce, I don't  
18 see -- there is nothing in the amendment that speaks to  
19 that issue. They would just recover -- they would come  
20 back at a future rate case.

21 COM. PIERCE: As long as the revenue requirement  
22 remains the same, it should be okay.

23 MR. ABINAH: Madam Chair, that's not my issue;  
24 that's the company's issue. They raised the issue.

25 MR. CARROLL: Again, it is, it is my

1 understanding that the utility is not permitted to  
2 increase a rate outside of a rate case absent some  
3 special kind of a thing like an adjuster mechanism. And  
4 I am just raising the legal -- again, it is not that we  
5 have a problem with it per se, I am just saying the way  
6 it is worded it doesn't obligate us to necessarily  
7 propose that, but I don't know if in the end we really  
8 could if it meant an increase in the rate.

9 MR. ABINAH: Madam Chairman, Commissioner, I  
10 went back and looked at the proposed amendment. It has  
11 nothing to do with rates, just asks to file the plan.  
12 So it has nothing to do with rates. So I don't know why  
13 Mr. Carroll raised the issue. It has nothing to do with  
14 rates.

15 MR. CARROLL: It is only because of the language  
16 that talked about to include, among other things,  
17 additional advertising of the residential TOU plan or  
18 modifications of the on-peak/off-peak hours or rates.  
19 Certainly the hours and all of that is fine. It is just  
20 where it said or rates.

21 COM. PIERCE: Sure. And I think that's  
22 something that we can, we can cross that bridge. And we  
23 have really brought people, you know, that will help us  
24 make sure we are okay with that. So thank you.

25 MR. CARROLL: Okay. And then the other

1 clarification we had is the language basically indicates  
2 in terms of the report that we are going to file, it  
3 says the savings or losses for each participant in the  
4 plan. And so I guess we just wanted to find out did you  
5 really -- is it your intent that this report would  
6 actually have a line item for each and every participant  
7 as opposed to perhaps an aggregation type situation? I  
8 frankly don't know if we even have a program that could  
9 do that.

10 COM. PIERCE: Well, I guess it comes down to  
11 what information Staff would need to get us this  
12 information. So how would Staff comply with this and  
13 what would they require of the company in order for  
14 Staff to comply with this?

15 MR. ABINAH: Can I please have a moment, sir?

16 COM. PIERCE: Sure.

17 MR. ABINAH: Madam Chairman, Commissioner  
18 Pierce, I believe today there is a requirement of the  
19 company to file some report. And they can use the same  
20 format to file that report.

21 I believe the Decision 64645 required the  
22 company to file, I believe, an annual report. And they  
23 can use the same format. It could be an aggregate form.  
24 It could be individual. It depends on the company. So  
25 they have option to do aggregate or do individual,

1 whatever is more economical for the company.

2 COM. PIERCE: Well, I am willing to verbal off  
3 anything that, that means more than what we need.

4 MR. CARROLL: My suggestion, first of all, if  
5 there is specific language in a Commission order that's  
6 going to, it is going to create a compliance obligation  
7 that we are going to have to comply with directly, my  
8 suggestion would be if you don't need us to line out  
9 each, you know, each participant, that basically perhaps  
10 the language would be something like the cost savings or  
11 loss experienced by the participants. And this way we  
12 can give you aggregate data that you can look at as  
13 opposed to individual customer data.

14 COM. PIERCE: That's true. And as my  
15 trustworthy assistant said, if we need more specificity  
16 we can always come back.

17 MR. CARROLL: That's true.

18 COM. PIERCE: Madam Chairman, I will move  
19 revised Pierce Amendment No. 4 and also move the verbal  
20 language that Mr. Carroll just plugged in amending out  
21 the individual part that is more general.

22 CHMN. MAYES: So --

23 COM. PIERCE: Do you want to -- I didn't write  
24 it.

25 CHMN. MAYES: Commissioner Pierce, if I could.

1 So we would be talking about taking the words each  
2 ratepayer and say by ratepayers. Would that work? I  
3 mean I think the problem with the word is each.

4 COM. PIERCE: The word each.

5 MR. CARROLL: Each participant. I would just  
6 say experienced by the participants, so it is general,  
7 it is aggregate.

8 COM. PIERCE: Madam Chairman, that would  
9 be -- so cross out each and add the -- and make  
10 participant plural.

11 CHMN. MAYES: Not ratepayers?

12 COM. PIERCE: And the same -- the participants.  
13 And same idea on -- down there.

14 CHMN. MAYES: Okay.

15 COM. PIERCE: Okay? Did you get the changes,  
16 Judge Rodda?

17 ALJ RODDA: Just to be clear, in the first  
18 paragraph there is reference to each ratepayer. Are we  
19 changing that then to participants?

20 COM. PIERCE: Yes.

21 ALJ RODDA: Or ratepayers?

22 COM. PIERCE: Should be participating  
23 ratepayers, but I think we would want to make it the  
24 participants because it is not all ratepayers.

25 ALJ RODDA: Then down in the ordering paragraph,

1 I think I followed that. Take out each and take out  
2 participants. Is there another spot that I am missing?

3 We will do conforming changes.

4 MR. CARROLL: It is just conforming. Page 20,  
5 line 12, in the second paragraph, it is the same  
6 language as in the ordering paragraph, just conforming.

7 COM. PIERCE: Madam Chairman, I would amend my  
8 amendment with those verbal changes and instruct the  
9 judge to make those confirming changes.

10 CHMN. MAYES: Okay. All those in favor of the  
11 verbal amendment to revised Pierce Proposed Amendment  
12 No. 4 say aye.

13 (A chorus of ayes.)

14 CHMN. MAYES: Opposed?

15 (No response.)

16 CHMN. MAYES: Okay.

17 COM. PIERCE: Madam Chair, I move revised Pierce  
18 Proposed Amendment No. 4 as amended.

19 CHMN. MAYES: Okay. Revised Proposed Pierce  
20 Amendment No. 4 has been moved as amended.

21 Madam Secretary, please call the roll.

22 MADAM SECRETARY: Commissioner Kennedy.

23 COM. KENNEDY: Aye.

24 MADAM SECRETARY: Commissioner Stump.

25 COM. STUMP: Aye.

1 MADAM SECRETARY: Commissioner Newman.

2 COM. NEWMAN: Aye.

3 MADAM SECRETARY: Commissioner Pierce.

4 COM. PIERCE: Aye.

5 MADAM SECRETARY: Commissioner Madam Chair  
6 Mayes.

7 CHMN. MAYES: Aye.

8 By your vote of five ayes and zero nays you have  
9 passed Pierce No. 4.

10 That leaves us with two batches of amendments,  
11 both of which are fairly detailed and probably would  
12 involve a very lengthy conversation I would imagine,  
13 very, very lengthy. So I will leave it up to my  
14 colleagues, but I think it would probably, probably be  
15 best to recess at this point and take the rest of the  
16 amendments up at our open meeting next week.

17 And I apologize to the residents who came up and  
18 were hoping for a final vote today, but we have got at  
19 least, we have got one, two, three, four, five, six,  
20 seven, eight, nine amendments still to go. And I don't  
21 think we are going to get that done with seven minutes.  
22 So I think we will do that.

23 Is that okay with my colleagues? We will  
24 recess.

25 And, Your Honor or Ms. Alward, that's okay for

1 us to recess this meeting and come back and cast a final  
2 vote on the remaining amendments and then the order, I  
3 believe, next week at our open meeting?

4 And before we leave I will get that date and  
5 time so people can be listening in on it.

6 MS. ALWARD: Chairman, Commissioners, that's  
7 what I was going to suggest. I have a calendar here.  
8 It looks like it is going to be August 25th.

9 CHMN. MAYES: And '6th.

10 MS. ALWARD: And '6th, 26. So the best way  
11 would be to check the website for the agenda for the  
12 open meeting because we will revise it to include this  
13 item.

14 CHMN. MAYES: Right. And for anyone who is here  
15 today or listening on the listen line, what I am going  
16 to do is put this item first on the agenda so people can  
17 be listening in at 10:00 a.m. or shortly thereafter.  
18 And we will vote it out before all the other items that  
19 are on the agenda.

20 Ms. Alward, is that okay?

21 MS. ALWARD: Yes, that's fine. We will post the  
22 agenda with this item. So that will be next Tuesday,  
23 August 25th, at 10:00.

24 CHMN. MAYES: So Tuesday, August 25th, at 10:00  
25 a.m. we will finish up with the Sulphur Springs case.

1 Okay?

2 Thank you all very much for coming. And we will  
3 see you all again, most of you, next week. Thanks.

4 We are recessed.

5 (The proceeding recessed at 3:52 p.m.)

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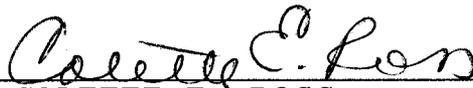
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1 STATE OF ARIZONA )  
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I, COLETTE E. ROSS, Certified Reporter No. 50658 for the State of Arizona, do hereby certify that the foregoing printed pages constitute a full, true and accurate transcript of the proceedings had in the foregoing matter, all done to the best of my skill and ability.

WITNESS my hand this 22nd day of August, 2009.



COLETTE E. ROSS  
Certified Reporter  
Certificate No. 50658