

GALLAGHER & KENNEDY

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AZ CORP COMMISSION
DOCKET CONTROL

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ORIGINAL

September 1, 2009

Arizona Corporation Commission
DOCKETED

SEP -1 2009

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

DOCKETED BY

Re: *Tariff and Schedule Filing to Revise AEPCO's FPPCA Adjustor Rate;*
Decision No. 68071; Docket Nos. E-01773A-04-0528 and E-04100A-04-0527

Dear Sir/Madam:

Pursuant to Decision No. 68071 (Findings 34 and 36; Fifth Ordering Paragraph), enclosed are the original and 15 copies of the following:

1. A revised all-requirements Tariff effective October 1, 2009 stating a new FPPCA Adjustor Rate of \$0.02185;
2. A revised partial-requirements rates and fixed charge schedule effective October 1, 2009 stating a new FPPCA Adjustor Rate of \$0.01156; and
3. A three-page schedule which provides information concerning the calculation of the revised FPPCA Adjustor Rates and the fuel, purchased power and wheeling costs used to determine them.

The revised rates are 21.85 mills/kWh for all-requirements members and 11.56 mills/kWh for partial-requirements members, which are 3.78 mills/kWh lower than the

Docket Control
September 1, 2009
Page 2

current Adjustor Rate for all-requirements members and 10.62 mills/kWh lower for partial-requirements members.

Very truly yours,

GALLAGHER & KENNEDY, P.A.



By:

Michael M. Grant

MMG/plp
10421-46/2176322

Enclosures

Original and 15 copies filed with Docket
Control this 1st day of September, 2009.

cc (w/enclosures): Steve Olea, Director, Utilities Division (delivered)
Barbara Keene, Utilities Division (delivered)
William Musgrove, Utilities Division (delivered)
Gary Pierson (mailed)

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

TARIFF

PERMANENT

Effective Date: October 1, 2009

AVAILABILITY

Available to all cooperative associations which are or shall be all-requirements Class A members of the Arizona Electric Power Cooperative, Inc. ("AEPCO").

MONTHLY RATE (BILLING PERIOD)

Electric power and energy furnished under this Tariff will be subject to the rates set forth in the attached Exhibit A and the terms set forth herein.

Billing Demand – The billing demand shall be that thirty minute integrated Class A member metered demand coincident at the hour of the AEPCO monthly peak. Contracts specifying demand levels and billing parameters are not included in this Class A member definition of billing demand and are billed separately.

Billing Month – The first calendar month preceding the month the bill is rendered.

Additional Charges – Service is also subject to the rates and charges stated in AEPCO's Regulatory Assets and Competition Transition Charge Supplemental Tariff. The demand and energy rates stated herein include no allowance for recovery of regulatory assets. Pursuant to Decision No. 62758, the regulatory assets and RAC have been assigned to Southwest Transmission Cooperative, Inc. AEPCO will pass through to its Class A members the RAC assessed by Southwest Transmission Cooperative, Inc.

Power Factor – Each member shall maintain power factor at the time of maximum demand as close to unity as possible. In the event the power factor measured at the time of the maximum demand is less than 95% lagging or leading, the maximum demand shall be adjusted for billing purposes by dividing the maximum measured demand by the measured power factor multiplied by .95. The provisions of the power factor adjustment will be waived if power factor is detrimentally impacted as a direct result of system improvements or a change in operational procedure by AEPCO to reduce transmission losses and/or improve system reliability.

Taxes – Bills rendered are also subject to adjustment for all federal, state and local government taxes or levies on such sales and any assessments that are or may be imposed by federal or state regulatory agencies on electric utility gross revenues.

Transmission and Ancillary Service Charges – Each Class A member will also be billed by AEPCO for charges it incurs for the transmission of energy to the Class A member’s delivery point(s). Such charges will be assessed to the Class A member at the rates actually charged AEPCO by the transmission provider and others for transmission service and the provision of ancillary services.

Power Cost Adjustor Rate – The monthly bill computed under this Tariff will, on the procedures stated herein, be increased or decreased by an amount equal to the result of multiplying the kWh used by the Power Cost Adjustor Rate where:

$$F = (PC + BA) - \$0.01687$$

F = Power Cost Adjustor Rate in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

BA = The “Bank Account” represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past. In Decision No. 70354, the Commission authorized a change in the BA component of the adjustor rate to an accelerated bank balance amortization method. Effective June 1, 2008 until further order of the Commission, the BA component is determined by dividing the over-collected or under-collected bank balance dollars by six months of kWh energy sales.

Allowable fuel, purchased power and wheeling costs include:

- A. The costs of fossil fuel and natural gas consumed in AEPCO’s own plants as recorded in RUS Accounts 501 and 547, plus
- B. The actual costs associated with power purchased for reasons other than identified in paragraph (C) below as recorded in RUS Account 555, plus
- C. The cost of energy purchased when such energy is purchased on an economic dispatch basis. Included therein may be such costs as that charged for economy energy purchases and the charges as a result of scheduled outage. All such kinds of energy being purchased by AEPCO to substitute for its own higher cost energy as recorded in RUS Account 555, plus
- D. The firm and non-firm wheeling expenses associated with the delivery of energy as recorded in RUS Account 565, excepting network service transmission payments made by AEPCO to Southwest Transmission Cooperative, Inc. for electric power and energy furnished to the all-requirements Class A members and less

- E. The demand and energy costs recovered through non-tariff contractual firm sales of power and energy as recorded in RUS Account 447, less
- F. The demand and energy costs recovered through inter-system sales including the incremental fuel and/or purchased energy costs related to economy energy sales and other energy sold on an economic dispatch basis as recorded in RUS Account 447.

On a calendar semi-annual basis, AEPCO shall compute the Power Cost Adjustor Rate as specified herein based upon a rolling twelve-month average of allowable fuel, purchased power and wheeling costs (PC) plus a bank balance amortization component (BA) based upon the accelerated bank balance amortization method. AEPCO shall file by September 1 or March 1 of the month preceding the effective date of the revised Power Cost Adjustor Rate (i.e., October 1 or April 1): (1) calculations supporting the revised Adjustor Rate with the Director, Utilities Division and (2) a Tariff reflecting the revised Adjustor Rate with the Commission which shall be effective for billings after the 1st day of the following month and which shall continue in effect until revised pursuant to the procedures specified herein.

DSM Adjustor Rate – Monthly bills for service provided hereunder will also include an amount for recovery of costs associated with pre-approved DSM programs. The DSM Adjustor Rate will be calculated by dividing the account balance of any costs incurred by AEPCO for pre-approved DSM programs less revenues received through the DSM Adjustor Rate by the total number of kWh sold to Class A members in the previous calendar year. AEPCO will file a request for the initial or revised DSM Adjustor Rate and supporting documentation with Utilities Division Staff by February 1 for a DSM Adjustor Rate to be effective on March 1.

EXHIBIT A

Effective Date	September 1, 2005*	September 1, 2006*	September 1, 2007*
All-Requirements Members:			
Demand Rate – \$/kW Month	14.31	14.64	14.98
Energy Rate – \$/kWh	0.02073	0.02073	0.02073
Power Cost Adjustor Base – \$/kWh	0.01687	0.01687	0.01687

Power Cost Adjustor Rate – \$/kWh

\$0.02185**

DSM Adjustor Rate – \$/kWh

\$0.00000**

* Rates are effective for service provided on and after this date.

** Effective October 1, 2009 and determined as set forth in the Tariff.

Arizona Electric Power Cooperative, Inc.

Partial-Requirements Members Rates and Fixed Charge (Effective October 1, 2009)

Service provided to Mohave Electric Cooperative, Inc. ("MEC") and Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC") by the Arizona Electric Power Cooperative, Inc. ("AEPCO") under the Partial Requirements Capacity and Energy Agreements shall be at the rates set forth in the attached Exhibit A.

Power Cost Adjustor Rate – The monthly bill computed under this Schedule will, on the procedures stated herein, be increased or decreased by an amount equal to the result of multiplying the kWh used by the Power Cost Adjustor Rate where:

$$F = (PC + BA) - \$0.01603$$

F = Power Cost Adjustor Rate in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001).

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past. In Decision No. 70354, the Commission authorized a change in the BA component of the adjustor rate to an accelerated bank balance amortization method. Effective June 1, 2008 until further order of the Commission, the BA component is determined by dividing the over-collected or under-collected bank balance dollars by six months of kWh energy sales.

Allowable fuel, purchased power and wheeling costs include:

- A. The costs of fossil fuel and natural gas consumed in AEPCO's own plants as recorded in RUS Accounts 501 and 547, plus
- B. The actual costs associated with power purchased for reasons other than identified in paragraph (C) below as recorded in RUS Account 555, plus
- C. The cost of energy purchased when such energy is purchased on an economic dispatch basis. Included therein may be such costs as that charged for economy energy purchases and the charges as a result of scheduled outage. All such kinds of energy being purchased by AEPCO to substitute for its own higher cost energy as recorded in RUS Account 555, plus

- D. The firm and non-firm wheeling expenses associated with the delivery of energy as recorded in RUS Account 565, excepting network service transmission payments made by AEPCO to Southwest Transmission Cooperative, Inc. for electric power and energy furnished to the all-requirements Class A members and less
- E. The demand and energy costs recovered through non-tariff contractual firm sales of power and energy as recorded in RUS Account 447, less
- F. The demand and energy costs recovered through inter-system sales including the incremental fuel and/or purchased energy costs related to economy energy sales and other energy sold on an economic dispatch basis as recorded in RUS Account 447.

On a calendar semi-annual basis, AEPCO shall compute the Power Cost Adjustor Rate as specified herein based upon a rolling twelve-month average of allowable fuel, purchased power and wheeling costs (PC) plus a bank balance amortization component (BA) based upon the accelerated bank balance amortization method. AEPCO shall file by September 1 or March 1 of the month preceding the effective date of the revised Power Cost Adjustor Rate (i.e., October 1 or April 1): (1) calculations supporting the revised Adjustor Rate with the Director, Utilities Division and (2) a Schedule reflecting the revised Adjustor Rate with the Commission which shall be effective for billings after the 1st day of the following month and which shall continue in effect until revised pursuant to the procedures specified herein.

DSM Adjustor Rate – Monthly bills for service provided hereunder will also include an amount for recovery of costs associated with pre-approved DSM programs. The DSM Adjustor Rate will be calculated by dividing the account balance of any costs incurred by AEPCO for pre-approved DSM programs less revenues received through the DSM Adjustor Rate by the total number of kWh sold to Class A members in the previous calendar year. AEPCO will file a request for the initial or revised DSM Adjustor Rate and supporting documentation with Utilities Division Staff by February 1 for a DSM Adjustor Rate to be effective on March 1.

**Arizona Electric Power Cooperative
Computation of All Requirements Power Cost Adjustor Rate
Twelve Months Ended June 30, 2009**

All Requirements Tariff Formula - Power Cost Adjustor Rate:

$$F = (PC + BA) - \$0.01687$$

F = Adjustment factor in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past.

Computation of PC:

Pro Forma Fuel, Purchased Power and Wheeling Costs	\$ 31,559,104.59
All Requirements kWh sales	886,186,663
All Requirements PC - \$/kWh	<u>\$0.03561</u>

Computation of BA:

All Requirements Under Collected Balance - as of June 30, 2009	\$42,720,079.08
All Requirements Amount Recovered Through FPPCA	42,014,314.46
All Requirements Total Under Collected Balance - as of June 30, 2009	<u>\$705,764.62</u>
ACC Decision No. 71129 Adjustment	\$573,557.65
Adjusted Balance	<u>\$1,279,322.27</u>
All Requirements kWh sales	<u>411,676,267</u>
All Requirements BA - \$/kWh	<u>\$0.00311</u>

Computation of All Requirements

Power Cost Adjustor Rate - \$/kWh

$$F = (\$ 0.03561 + \$ 0.00311) - \$0.01687$$

$$F = \$ 0.03872 - \$ 0.01687$$

$$F = \$ 0.02185$$

Adjustor Rate for October 1, 2009	\$0.02185
Current Adjustor Rate Effective April 1, 2009	<u>\$0.02563</u>
Increase to Adjustor Rate	<u>(\$0.00378)</u>

**Arizona Electric Power Cooperative
Computation of Partial Requirements Power Cost Adjustor Rate
Twelve Months Ended June 30, 2009**

Partial Requirements Tariff Formula - Power Cost Adjustor Rate:

$$F = (PC + BA) - \$0.01603$$

F = Adjustment factor in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

PC = The Commission allowed pro forma fuel, purchased power and wheeling costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001)

BA = The "Bank Account" represents allowable accumulated fuel and purchased energy costs in dollars per kWh, rounded to the nearest one-thousandth of a cent (\$0.00001) over or under collected in the past.

Computation of PC:

Pro Forma Fuel, Purchased Power and Wheeling costs	\$40,054,676.95
Partial Requirements kWh sales	1,325,657,000
Partial Requirements PC - \$/kWh	<u>\$0.03021</u>

Computation of BA:

Partial Requirements Under Collected Balance - as of June 30, 2009	\$64,984,013.81
Partial Requirements Amount Recovered Through FPPCA	65,997,381.01
Partial Requirements Total Under Collected Balance - as of June 30, 2009	<u>(\$1,013,367.20)</u>
ACC Decision No. 71129 Adjustment	\$ (573,557.65)
Adjusted Balance	<u>(\$1,586,924.85)</u>
Partial Requirements kWh sales	606,220,000
Partial Requirements BA - \$/kWh	<u>-\$0.00262</u>

Computation of Partial Requirements
Power Cost Adjustor Rate - \$/kWh

$$F = (\$0.03021 + \$ (0.00262)) - \$0.01603$$

$$F = \$0.02759 - \$ 0.01603$$

$$F = \$0.01156$$

Adjustor Rate for October 1, 2009	\$0.01156
Current Adjustor Rate Effective April 1, 2009	<u>\$0.02218</u>
Increase to Adjustor Rate	<u>(\$0.01062)</u>

Arizona Electric Power Cooperative, Inc. Computation of All Requirement and Partial Requirement Members Allowable Pro-Forma Fuel, Purchased Power and Wheeling Costs Twelve Months Ended June 30, 2009

Description	State 1		State 2 & 3		Total		ARM		PRM		Total		Allocated ARM		Total ARM		Total PRM		Total	
	Member Fuel Cost	Member Fuel Cost	Member Fuel Cost	Member Fuel Cost	Member Fuel Cost	Member Fuel Cost	kWh	Sales	kWh	Sales	kWh	Sales	kWh	Sales	State 1 Member Fuel Costs	State 2 Member Fuel Costs	Member Fuel Costs	Member Fuel Costs	Member Fuel Costs	Member Fuel Costs
July-08	(2) \$ 9,551,309.44	\$ 462,073.16	\$ 10,013,382.60	98,433,747	139,101,000	237,534,747	3,901,671.25	\$ 462,073.16	3,901,671.25	139,101,000	237,534,747	\$ 4,363,744.41	\$ 5,649,638.19	\$ 4,363,744.41	\$ 462,073.16	\$ 4,363,744.41	\$ 5,649,638.19	\$ 10,013,382.60	\$ 10,013,382.60	\$ 10,013,382.60
August-08	(2) 8,612,780.23	\$ 447,884.80	9,060,665.03	98,292,310	139,157,000	237,449,310	3,928,573.65	447,884.80	3,928,573.65	139,157,000	237,449,310	4,376,458.45	4,684,206.58	4,376,458.45	447,884.80	4,376,458.45	4,684,206.58	9,060,665.03	9,060,665.03	
September-08	5,810,390.76	\$ 460,160.50	6,270,551.26	82,414,706	127,623,000	210,037,706	2,279,884.19	460,160.50	2,279,884.19	127,623,000	210,037,706	2,740,044.69	3,530,506.57	2,740,044.69	460,160.50	2,740,044.69	3,530,506.57	6,270,551.26	6,270,551.26	
October-08	4,005,978.83	\$ 512,175.00	4,518,153.83	67,586,186	114,011,000	181,597,186	1,490,930.76	512,175.00	1,490,930.76	114,011,000	181,597,186	2,003,105.76	2,515,048.07	2,003,105.76	512,175.00	2,003,105.76	2,515,048.07	4,518,153.83	4,518,153.83	
November-08	3,673,617.27	\$ -	3,673,617.27	58,857,839	94,165,000	153,022,839	1,412,999.36	-	1,412,999.36	94,165,000	153,022,839	1,412,999.36	2,260,617.91	1,412,999.36	-	1,412,999.36	2,260,617.91	3,673,617.27	3,673,617.27	
December-08	3,718,372.87	\$ -	3,718,372.87	68,925,608	105,380,000	174,305,608	1,470,354.93	-	1,470,354.93	105,380,000	174,305,608	1,470,354.93	2,248,017.94	1,470,354.93	-	1,470,354.93	2,248,017.94	3,718,372.87	3,718,372.87	
January-09	4,319,116.00	\$ -	4,319,116.00	65,506,519	104,252,000	169,758,519	1,666,663.07	-	1,666,663.07	104,252,000	169,758,519	1,666,663.07	2,652,452.93	1,666,663.07	-	1,666,663.07	2,652,452.93	4,319,116.00	4,319,116.00	
February-09	3,723,733.65	\$ -	3,723,733.65	56,827,739	94,162,000	150,989,739	1,401,495.00	-	1,401,495.00	94,162,000	150,989,739	1,401,495.00	2,322,238.65	1,401,495.00	-	1,401,495.00	2,322,238.65	3,723,733.65	3,723,733.65	
March-09	5,316,602.76	\$ -	5,316,602.76	61,399,766	95,648,000	157,047,766	2,078,591.59	-	2,078,591.59	95,648,000	157,047,766	2,078,591.59	3,238,011.17	2,078,591.59	-	2,078,591.59	3,238,011.17	5,316,602.76	5,316,602.76	
April-09	5,795,978.04	\$ -	5,795,978.04	61,578,763	97,226,000	158,804,763	2,247,471.37	-	2,247,471.37	97,226,000	158,804,763	2,247,471.37	3,548,506.67	2,247,471.37	-	2,247,471.37	3,548,506.67	5,795,978.04	5,795,978.04	
May-09	6,902,296.20	\$ 551,454.76	7,453,750.96	80,581,266	116,493,000	197,074,266	2,822,264.81	551,454.76	2,822,264.81	116,493,000	197,074,266	3,373,719.57	4,080,031.39	3,373,719.57	551,454.76	3,373,719.57	4,080,031.39	7,453,750.96	7,453,750.96	
June-09	6,223,238.63	\$ 1,526,618.64	7,749,857.27	85,782,214	98,439,000	184,221,214	2,897,837.75	1,526,618.64	2,897,837.75	98,439,000	184,221,214	4,424,456.39	5,325,400.88	4,424,456.39	1,526,618.64	4,424,456.39	5,325,400.88	7,749,857.27	7,749,857.27	
Total	\$67,653,414.68	\$ 3,960,366.86	\$71,613,781.54	886,186,663	1,325,657,000	2,211,843,663	\$ 27,598,737.73	\$ 3,960,366.86	\$ 31,559,104.59	1,325,657,000	2,211,843,663	\$ 31,559,104.59	\$ 40,054,676.95	\$ 31,559,104.59	\$ 3,960,366.86	\$ 31,559,104.59	\$ 40,054,676.95	\$ 71,613,781.54	\$ 71,613,781.54	

(1) Beginning in June 2009, all of the Powerex purchases are being assigned to the ARMs consistent with the Settlement Agreement approved by ACC Decision No. 71229.
 (2) Reflects adjustment to Allocated Member Fuel Costs to reflect reclassification of certain Powerex purchases to ARM State 1 from PRM State 1 consistent with the Settlement Agreement approved by ACC Decision No. 71229.