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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

JAN 14 2010

KRISTIN K. MAYES—Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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RECEIVED

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

DOCKET NO. B-01575A-08-0328

PETITION TO AMEND
DECISION NO. 71274 PURSUANT
TO A.R.S. §40-252 AND FOR
RELATED AUTHORIZATION

Expedited Consideration Requested

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LLP
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Pursuant to A.R.S. §40-252 and Arizona Corporation Commission Decision 71274 dated September 8, 2009 (the "Decision"), Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative"), through counsel undersigned, hereby:

1. Petitions the Arizona Corporation Commission ("Commission") for an order amending the Decision to modify a condition which SSVEC must comply with before the Cooperative may seek authorization from the Commission to construct the 69 kV sub-transmission power line referenced in the Decision (the "69 kV line"); and
2. Requests, pursuant to the Decision, authorization to commence construction of the 69 kV line.¹

¹ By seeking this authorization, SSVEC neither concedes that the Commission had legal authority to prohibit the Cooperative from constructing the 69 kV line when the Commission adopted the Decision, nor does SSVEC waive any of its rights to continue asserting at the Commission, or in a court of competent jurisdiction, that the Commission does not have legal authority to prohibit the siting and construction of a transmission line less than 115 kV if the requested relief herein is not granted. See, A.R.S. §361. SSVEC hereby incorporates by reference Section IV of its *Application for Rehearing and Reconsideration* filed in this Docket on September 28, 2009, relating to the 69 kV line.

1 SSVEC further requests, for the reasons set forth herein, that the Commission find
2 that the relief requested herein is in the public interest, and consider this Petition as
3 expeditiously as possible, but in no event, later than its February 2 and 3, 2010, Open
4 Meeting.

5 In support of its petition and request, SSVEC states the following:

6 **I. BACKGROUND AND PROCEDURAL HISTORY.**

7 On September 8, 2009, the Commission issued the Decision in Docket No. E-
8 01575A-08-0328 (the "Rate Case Docket") which expressly prohibits ("until further
9 order of the Commission") SSVEC from constructing the proposed 69 kV line to serve
10 the Whetstone, Rain Valley, Elgin, Canelo, Sonoita, and Patagonia, Arizona areas
11 (collectively the "Affected Areas"). SSVEC had previously planned and scheduled
12 principle construction of the 69 kV line in the fall of 2009 because the Cooperative's
13 documentation and analysis clearly determined it necessary to alleviate significant power
14 quality, reliability, and capacity constraints resulting in power fluctuations and outages in
15 the Affected Areas that are currently served by the Cooperative's existing V-7 Feeder
16 Line.

17 The Decision further ordered SSVEC to: (i) commission an independent feasibility
18 study regarding alternatives (including use of distributed renewable energy) that could
19 mitigate the need for construction of the 69 kV line (hereinafter referred to as the
20 "Independent Study") and to report the findings of such Independent Study to the
21 Commission by December 31, 2009; (ii) conduct public forums in the Affected Areas to
22 include topics relating to the results of the Independent Study and addressing how
23 renewable energy generation (in particular, distributed generation) could be incorporated
24 into the generation plans to serve the area covered by the planned 69 kV line and
25 associated upgrades; and (iii) prepare a report to be filed with the Commission by July 30,
26 2010, that discusses the outcome of the public forums.

1 As a consequence of the Commission's decision to prohibit SSVEC from
2 constructing the 69 kV line, on September 18, 2009, SSVEC filed an Application for a
3 Moratorium in Docket No. E-01575A-09-0453 ("Moratorium Application") for the
4 Commission to issue an order authorizing the Cooperative to institute a moratorium on
5 new and/or expanded service connections to its V-7 Feeder Line so the power quality,
6 reliability, and capacity problem resulting in power fluctuations and outages that will
7 continue to exist within the Affected Areas will not be further exacerbated or further
8 degrade the service to existing members. The Moratorium Application is currently
9 pending before the Commission.

10 On September 28, 2009, pursuant to A.R.S. §40-253, SSVEC filed an Application
11 for Rehearing and Reconsideration of the Decision ("Reconsideration Application"). The
12 Reconsideration Application requests the Commission to reconsider three specific areas of
13 the Decision related to: (i) The Commission prohibiting SSVEC from constructing the 69
14 kV line; (ii) the authorized revenue requirement; and (iii) the administration of the
15 Cooperative's Wholesale Power and Fuel Adjustor. On October 13, 2009, the
16 Commission voted to grant the Reconsideration Application, which is also currently
17 pending before the Commission in the instant Rate Case Docket.

18 In compliance with the Decision, on October 30, 2009, SSVEC filed a report
19 regarding the public forums SSVEC intends to conduct in the communities serviced by
20 the planned 69 kV line and associated upgrades. The report states that SSVEC intends to
21 conduct such public forums commencing in February 2010 and concluding at the end of
22 March 2010.

23 Since the Decision ordered SSVEC to commission and file a comprehensive
24 independent study in a relatively short period of time, following the issuance of the
25 Decision, SSVEC immediately engaged the services of TRC Companies, Inc. ("TRC") to
26 assist in the preparation and issuance of a Request for Proposal ("RFP"). TRC has

1 extensive experience in utility infrastructure, energy, environmental planning, and
2 engineering. SSVEC also sought and obtained input from the Save the Scenic Sonoita
3 Elgin Grasslands (“3SEG”)² group on the Scope of Work for the RFP, and invited
4 representatives from 3SEG to review the Statement of Work and provide their requests to
5 be included in the RFP for the Independent Study. At the August 17 and 25, 2009 Open
6 Meetings, the Commission specifically requested SSVEC to keep Staff informed as to
7 process for the commissioning of the Independent Study. Thus, on October 12, 2009,
8 SSVEC met with a representative of Staff to provide: (i) a summary of the process to
9 develop the RFP, including meetings the Cooperative had with 3SEG and the input from
10 3SEG that was included in the RFP; and (ii) a copy of the RFP and the list of potential
11 bidders was developed with the assistance of TRC and 3SEG. The RFP was issued, and
12 on October 27, 2009, SSVEC received responses from two of the potential 14 bidders. On
13 October 28, 2009, SSVEC again met with representatives from Staff and presented an
14 RFP Summary and the Statement of Work, as well as additional information regarding the
15 RFP and selection process. Based upon the qualifications and quality of proposals,
16 Navigant Consulting, Inc (“Navigant”) was identified by SSVEC and approved by Staff
17 for bid award to conduct the Independent Study.³ SSVEC estimates that the total costs of
18 the Independent Study, including the fees paid to Navigant and TRC, as well as the
19 Cooperative’s internal costs to support the Independent Study and its filing, to be
20 approximately \$360,000.

21 Pursuant to the Decision, on December 31, 2009, SSVEC filed the Independent
22 Study with the Commission.⁴ The Independent Study was prepared by Navigant and is
23 based entirely upon the RFP and Scope of Work (which was drafted with 3SEG input),

24 _____
25 ² The 3SEG group opposed the 69 kV line and is interested in the exploration of renewable alternatives.

26 ³ See letter to Prem Bahl dated November 20, 2009, that was filed in the Rate Case Docket attached hereto as Attachment A.

⁴ SSVEC hereby incorporates the Independent Study, which was filed in this Rate Case Docket.

1 completely independent from the competing concerns. The Independent Study confirms
2 this by stating from the outset that:

3 *All findings presented herein were prepared independently, without bias*
4 *or prior knowledge of feeder performance issues or concerns raised by*
5 *customers and other interested parties. Methods employed to evaluate*
6 *performance and supply alternatives are consistent and common utility*
7 *practices and applicable industry design, performance and evaluation*
8 *standards. The analysis was completed without direct or indirect*
9 *participation from SSVEC staff, management or its customers.*⁵

10 As discussed in detail below, the Independent Study confirms the evidence
11 presented by SSVEC in the Rate Case Docket that expeditious construction of the 69 kV
12 line is the only proven and viable solution from a technical and economic standpoint to
13 alleviate the performance, reliability and capacity constraints of the existing V-7 Feeder
14 Line currently serving the Affected Areas. The Independent Study also confirms the
15 Cooperative's findings that despite the claims of several residents within the Affected
16 Areas that renewable generation could negate the need for construction of the 69 kV line,
17 in fact, renewable generation alternatives cannot adequately address this serious problem.

18 Moreover, the Independent Study affirms SSVEC's assertion that immediate action
19 must be taken to affect a solution to the problems of the existing V-7 Feeder Line
20 currently serving the Affected Areas:

21 *The results of NCI's investigation indicate SSVEC should take immediate*
22 *action to address current performance issues and capacity limits,*
23 *including carefully assessing the impact of customer requests for new or*
24 *expanded service on V-7 feeder performance capacity.*⁶

25 The Decision provides the following two provisions relating to conducting public
26 forums, which would appear to prohibit SSVEC from seeking Commission authorization
to commence construction of the 69 kV line, which will result in further delay and

⁵ Independent Study at page 1.

⁶ *Id.* at page 3 (emphasis added.)

1 additional costs:

2 *We believe a feasibility study prepared on behalf of the Cooperative by an*
3 *independent third party is necessary for further analysis and consideration*
4 *of the issues presented, prior to proceeding with construction of the*
5 *project. Therefore, we will require the Cooperative to docket a feasibility*
6 *study on the project and possible alternatives and hold public forums in the*
7 *impacted communities. The public forums shall include an opportunity for*
8 *community members' discussion on the feasibility study, including*
9 *alternatives prior to construction of the project. At the conclusion of the*
10 *public forums, the Cooperative shall docket a report and minutes of the*
11 *public forums.*

12 *IT IS FURTHER ORDERED that Sulphur Springs Valley Electric*
13 *Cooperative, Inc. shall not commence construction of the referenced 69kv*
14 *line until the public has had an opportunity to review and comment on the*
15 *report and until further order of the Commission.*⁸

16 Because the Independent Study confirms that renewable generation is not a
17 practical alternative to construction of the 69 kV line, as well as provides confirmation
18 that the other alternatives are not proven, viable solutions to the problem, and that
19 immediate action should be taken to effect a solution to the problems, it is not in the
20 public interest for the Commission to further delay SSVEC from constructing the 69 kV
21 line. However, based upon the quoted language from the Decision cited above, because it
22 appears the Decision requires SSVEC to first conduct public forums that will address the
23 results of the Independent Study and file a report with the Commission before the
24 Commission will authorize SSVEC to proceed with the construction of the line, the
25 Decision would have to be modified to remove this prerequisite. Accordingly, in light of
26 the Independent Study's conclusions and recommendations, SSVEC is seeking an
amendment of the Decision pursuant to A.R.S. §40-252 to remove the apparent
requirement to conduct public forums and file a report before the Commission will
consider granting SSVEC authority to commence construction of the line. SSVEC is also
seeking Commission authorization to commence construction of the 69 kV line pursuant

⁷ Decision at page 39, lines 12-19 (emphasis added.)

⁸ *Id.* page 48, lines 24-26 (emphasis added.)

1 to the Decision.

2 In requesting this relief, SSVEC will still conduct public forums consistent with the
3 Decision to discuss “how renewable generation (in particular, distributed generation)
4 could be incorporated into the generation plans to serve the area covered by the planned
5 69 kV line and associated upgrades.”⁹ SSVEC will still file a report discussing the
6 outcome of the public forums on such topics. SSVEC is merely seeking a change that
7 would allow it to immediately commence construction of the 69 kV line without the need
8 to *first* conduct the public forums (which will not change the outcome) and file a report in
9 light of the Independent Study’s findings and the existing exigent circumstances.

10 **II. THE INDEPENDENT STUDY CONFIRMS THAT THE 69 KV LINE**
11 **SHOULD BE BUILT.**

12 After reviewing all of the potential options to alleviate the capacity and reliability
13 problems in the Affected Areas, including the use of renewable resources, the Independent
14 Study is unequivocal in its findings and conclusions. After reviewing all of the
15 alternatives, the Independent Study concluded that:

16 *The preferred alternative based on feeder performance and firm capacity*
17 *requirements is the construction of the new 69kV line along the Ranch*
*where SSVEC has easement rights.*¹⁰

18 Additionally, despite the written and oral claims asserted in the Rate Case Docket
19 regarding the visual impacts of the proposed 69 kV line to the contrary, the Independent
20 Study confirmed SSVEC’s analysis and stated:

21 *...the T-1 route has the least visual constraints due to its relatively lower*
22 *exposure to residential and roadway views. In addition, most of this route*
23 *variation follows existing distribution lines which would tend to decrease*
*the degree of noticeable visual change.*¹¹

24 _____
25 ⁹ *Id.* at page 48, lines 9-11.

26 ¹⁰ Independent Study at page 5.

¹¹ *Id.* at page 72 (emphasis added.) The referenced T-1 route is the route that SSVEC has chosen for the proposed 69 kV line.

1 The Independent Study also looked at renewable options, including the use of
2 distributed renewable generation. The Independent Study confirmed the SSVEC and Staff
3 conclusions that:

4 Most renewable energy options, including wind and solar photovoltaic,
5 did not provide sufficient coincident peak load reduction to be feasible –
6 the feeder peak occurs during cold winter mornings when the sun is low
7 on the horizon.¹²

8 Finally, the Independent Study affirms SSVEC's position of urgency and need for
9 a moratorium on new hook-ups if there is going to be further delay and finds:

10 The results of NCI's investigation indicates SSVEC should take immediate
11 action to address current performance issues and capacity limits,
12 including carefully assessing the impact of customer requests for new or
13 expanded service on V-7 feeder performance capacity.¹³

14 In the Rate Case Docket leading up to the adoption of the Decision, SSVEC
15 steadfastly maintained that it had spent considerable time, money and resources exploring
16 all viable alternatives to construction of the 69 kV line (including renewable generation)
17 and that the proposed 69 kV line was the best possible option to address the capacity and
18 reliability problems within the Affected Areas. Staff concurred with that analysis and the
19 Administrative Law Judge ("ALJ") who heard and considered all of the evidence
20 presented in the Rate Case Docket, proposed a Recommended Opinion and Order
21 ("ROO"), and found that:

22 It is not in the public interest, however, to order SSVEC to delay the
23 planned upgrade.¹⁴

24 However, several members of the public requested that SSVEC's conclusions be
25 confirmed by an independent third-party study and that other potential alternatives should
26 be looked at in conjunction with such Independent Study. As a result, and despite the

¹² *Id.* at page 5 (emphasis added.)

¹³ *Id.* at page 3 (emphasis added.)

¹⁴ ROO at page 39, lines 3-4 (emphasis added.)

1 additional costs to all of SSVEC's members (not just those within the Affected Areas), the
2 Commission ordered that the Independent Study be conducted to verify SSVEC findings
3 and to ensure that all of the alternatives had been reviewed and evaluated by an
4 independent third party. The Commission stated in the Decision that:

5 *However, we are concerned that once constructed, the project will*
6 *permanently change the landscape for the impacted communities and the*
7 *manner in which electric service is provided to the Cooperative's*
8 *customers. We need to ensure that the goals of some in the local*
9 *communities who want more investment in renewable generation to*
10 *mitigate the need for the project have been fully considered by the*
11 *Cooperative. We believe a feasibility study prepared on behalf of the*
12 *Cooperative by an independent third party is necessary for further analysis*
13 *and consideration of the issues presented, prior to proceeding with*
14 *construction of the project.*¹⁵

15 The Independent Study has now been completed and docketed and the conclusions
16 and recommendations reached by SSVEC (as well as Staff and the ALJ in the ROO) in the
17 Rate Case Docket have been confirmed. Accordingly, there is no basis for the
18 Commission to further delay construction of the 69 kV line based upon the overwhelming
19 evidence already in the Rate Case Docket and results of the Independent Study.
20 Moreover, the Cooperative submits that that immediate commencement of construction of
21 the 69 kV line is in the overall best interest of the public and the Commission should
22 authorize SSVEC to commence construction.

23 **III. IN LIGHT OF THE INDEPENDENT STUDY, THE DECISION SHOULD**
24 **BE AMENDED TO ELIMINATE THE REQUIREMENT TO HOLD**
25 **PUBLIC FORUMS BEFORE SSVEC BUILDS THE 69 KV LINE.**

26 The Independent Study confirms evidence presented by SSVEC to the Commission
in the Rate Case Docket that the construction of the 69 kV line is the best viable proven
option at the least cost and it impacts the least number of members. It also confirms
SSVEC's findings that renewable generation will not solve the reliability and capacity

¹⁵ Decision at page 39, lines 8-14 (emphasis added.)

1 problems for the Affected Areas. In light of this independent verification of SSVEC's
2 conclusions, SSVEC's ability to commence construction of the 69 kV line should not be
3 further delayed until such time that it has conducted public forums and files a report. The
4 outcome of the public forums will not in any way change the Independent Study's
5 conclusions and recommendations. Moreover, per the Cooperative's and the Independent
6 Study's recommendations that there is a need for immediate action to address the
7 performance and capacity issues in the Affected Areas, the longer commencement of
8 construction of the 69 kV line is delayed, the more the problems in the Affected Areas
9 will be exacerbated and the need for a new hook-up moratorium will become more acute.
10 Therefore, any further delay is simply not in the public interest as the public forums will
11 not change the Independent Study's conclusions, which comport with those already
12 reached by the Cooperative, Staff, and the ALJ based on the evidence presented in the
13 Rate Case Docket.

14 Because the Decision prohibits SSVEC from constructing the 69 kV line until after
15 it conducts the public forums *and* until further order of the Commission, it appears that the
16 provisions set forth in the Decision cited above would need to be modified so the
17 Commission could provide the necessary authorization to SSVEC to commence
18 construction. For the Commission's convenience, SSVEC has attached a proposed form
19 of order as Attachment B that would accomplish this.

20 **IV. SSVEC REQUESTS THE COMMISSION TO AUTHORIZE THE**
21 **COOPERATIVE TO COMMENCE CONSTRUCTION OF THE 69 KV**
22 **LINE PURSUANT TO THE DECISION.**

23 The Independent Study clearly confirms the evidence presented by SSVEC in the
24 Rate Case Docket and the recommendations and conclusions of Staff (and the ALJ in the
25 ROO) for the necessity of the construction of the 69 kV line as the best available and
26 proven option to alleviate the reliability and capacity conditions within the Affected
Areas.

1 Following the issuance of the Decision prohibiting the Cooperative from
2 constructing the 69 kV line, on December 8, 2009, and again on December 23, 2009,
3 SSVEC experienced two significant outages in the Affected Areas. These outages totaled
4 over six hours, representing 11,500 customer hours of outage. The December 8, 2009,
5 outage affected approximately 2,400 customers and lasted almost two hours. Had the 69
6 kV line been in place at the time of this outage, only 280 customers would have been
7 affected. The December 23, 2009, outage affected 2,317 customers and lasted for almost
8 five hours. Had the 69 kV line been in place at this time of this outage, only 374
9 customers would have been affected for approximately two hours.

10 Moreover, the Commission's authorization for SSVEC to immediately commence
11 construction of the 69 kV line, will allow SSVEC to take advantage of a \$6 million Clean
12 Renewable Energy Bond (CREB) offering to construct a large solar project co-located
13 with the new substation. Additionally, SSVEC will be able to take advantage of
14 approximately \$1.1 million of federal American Relief and Recovery Act ("ARRA")
15 approved grant money for smart grid infrastructure in the Affected Areas, if the
16 Cooperative can immediately commence construction of the new 69 kV line and the
17 substation. As part of the ARRA grant, SSVEC will utilize this infrastructure to leverage
18 additional residential and small business Demand Side Management ("DSM") programs
19 for the Affected Areas. Without this critical infrastructure, SSVEC will be severely
20 limited in its ability to deploy such DSM programs within the Affected Areas. Further
21 delay of the 69 kV line will significantly jeopardize the Cooperative's ability to use this
22 money within the Affected Areas given the hard and fast deadlines associated with the
23 grants.

24 Based upon the discussion held at the August 17, 2009, Open Meeting, the
25 Commissioners, by a vote of 4-1, approved the amendment to the ROO prohibiting
26 construction of the line in response to requests made by several members of the public that

1 the Independent Study first be conducted to provide analysis regarding SSVEC's proposal
2 and other alternatives for the need for the line before construction commenced.¹⁶

3 At the August 17, 2009, Special Open Meeting, Commissioner Newman stated:

4 *I really truly believe that there should be an independent third party*
5 *looking at the kV line.*¹⁷

6 This has now been completed. The Commission afforded those members of the public
7 which opposed the 69 kV line the assurance they sought with the Independent Study by an
8 independent third party conducted before any construction commenced. The Independent
9 Study has provided affirmation of SSVEC's conclusions. At this juncture, there is no
10 reason for further delay in the authorization for the Cooperative to commence construction
11 of the 69 kV line.

12 While asking a legal question about the Commission's authority in regard to the
13 Independent Study, Commissioner Pierce stated:

14 *So what I am concerned about is, let's say that a third party is hired and*
15 *that third party comes back and says, you know, the company is right, at*
16 *what point can the company then go on as they normally would, if that*
*were to happen?"*¹⁸

17 The Independent Study has since confirmed that the Cooperative should not be delayed in
18 moving forward with the construction of the 69 kV line.

19 In voting for the amendment ordering the study and prohibiting construction of the
20 line, Chairman Mayes stated:

21 *And I wanted to make sure that this study is done within the time frame*
22 *allotted and that the Commission can come back and look at this issue a*
*year from now and determine whether or not this line needs to be built.*¹⁹

23 ...

24 _____
25 ¹⁶ *Id.* at lines 12-14.

26 ¹⁷ Transcript of August 17, 2009, Special Open Meeting at page 140, lines 16-18.

¹⁸ *Id.* at page 144, lines 14-18.

¹⁹ *Id.* at page 184, lines 11-15.

1 SSVEC completed the Independent Study within the time frame allotted. The
2 Independent Study has affirmed SSVEC's conclusions and supports the need for
3 immediate action. The Commission should not delay in determining that the line does
4 need to be built.

5 Commissioner Stump, who voted against the amendment to prohibit the
6 construction of the line and the commissioning of the Independent Study, stated:

7 *...every community in Arizona deserves reliable power, including rural*
8 *Arizona. And they deserve it without delay.*²⁰

9 The Independent Study did, in fact, confirm the evidence presented at the hearing for the
10 need for the 69 kV line. It further corroborated the need for immediate action to resolve
11 the performance and capacity issues in the Affected Areas. Continued delay in granting
12 SSVEC authority to commence construction of the 69 kV line, increases the risk of
13 outages and unreliable service, as well as increases costs to SSVEC members; neither of
14 which are in the public interest.²¹

15 Finally, Chairman Mayes referenced the issue of the 69 kV line in voting for the
16 Decision by stating:

17 *I share Commissioner Stump's concerns about the reliability issues*
18 *surrounding the 69 kV line. I think the process we laid out should go*
19 *forward. But at some point the energy needs of the area are also going to*
*need to be met.*²²

20 SSVEC submits that in light of the Independent Study's findings, including the
21 need to take immediate action, that point is now and the Commission should authorize
22 SSVEC to proceed with the construction of the 69 kV line.

23 _____
24 ²⁰ Transcript of August 25, 2009, Open Meeting at page 336, lines 5-7.

25 ²¹ In addition to the money already spent by the Cooperative to perform the Independent Study, the
26 Independent Study found that the unreliability of the V-7 Feeder Line, in terms of line losses, costs
SSVEC an additional \$230,000 per year based on 2010 revenue forecasts for energy and demand. See
Independent Study at page 24.

²² Transcript of August 25, 2009, Open Meeting at page 341, lines 18-22 (emphasis added.)

1 **V. THE COOPERATIVE IS WILLING TO WITHDRAW ITS APPLICATION**
2 **FOR RECONSIDERATION AND APPLICATION FOR A MORATORIUM.**

3 In consideration of the Commission granting the relief requested herein, SSVEC
4 would be willing to withdraw its entire Reconsideration Application and its Moratorium
5 Application (collectively "Applications"). SSVEC would file its request to withdraw such
6 applications within ten (10) business days after the final order granting the requested relief
7 becomes a final non-appealable order. The Cooperative submits that due to resource,
8 economic, and time constraints, both the Commission and SSVEC will experience as a
9 result of moving forward with these Applications, as well as SSVEC members being
10 assured that all analysis of the 69 kV line and alternatives have been confirmed, and that
11 the rates authorized *in the Decision* will not further increase until after SSVEC's next rate
12 case, the granting of the relief requested herein, which will result in SSVEC's withdrawal
13 of these Applications, would also be in the public interest.

14 **VI. CONCLUSION.**

15 At the time the Commission considered ordering the Independent Study, it
16 acknowledged that the Independent Study's results might confirm SSVEC's position that
17 the construction of the 69 kV line as proposed by the Cooperative would be affirmed.
18 Pursuant to the Commission's Decision, the Cooperative expended approximately
19 \$360,000 to have the Independent Study conducted by a reputable, experienced,
20 independent third party within the timeframe ordered by the Commission. The results of
21 the Independent Study do, in fact, further corroborate the Cooperative's position as
22 supported by the evidence in the Rate Case Docket that the routing of the proposed 69 kV
23 line will impact the least amount of SSVEC members. The Independent Study also
24 confirms that the other alternatives considered by the Cooperative (and proposed by
25 others) are either not feasible, are not proven, or could only be implemented at costs that
26

1 would unduly and unfairly increase rates for *all* SSVEC members. The Independent
2 Study further confirms that due to the capacity and reliability needs of the Affected Areas,
3 renewable generation, including the use of distributed generation resources, will not
4 alleviate the performance and reliability problems, as well as the outages that have, and
5 will, continue to plague the Affected Areas. Moreover, the Affected Areas stand to lose
6 significant ARRA grant money for smart grid infrastructure and DSM if the 69 kV line is
7 further delayed. Finally, the Independent Study confirms the need for "*immediate action*
8 *to address the current performance issues and capacity limits*" of the existing V-7 Feeder
9 which serves the Affected Areas. Accordingly, there is no reason for the Commission to
10 further delay SSVEC's ability to expeditiously construct the 69 kV line which SSVEC's
11 management has determined is in the best interest of all of its members.

12 If the Commission authorizes SSVEC to construct the 69 kV line, SSVEC will still
13 move forward to conduct public forums in the Affected Areas to discuss the proliferation
14 of renewable generation as required by the Decision. However, as further evidenced by
15 the Independent Study, since renewable generation cannot supplant the need to construct
16 the 69 kV line, SSVEC should not be further delayed by the Decision's apparent
17 requirement that public forums must be held and SSVEC must file a report before it may
18 seek authorization from the Commission to commence construction of the line.
19 Therefore, the Decision should be amended pursuant to A.R.S. §40-252 to remove this
20 requirement so the Commission can issue its order permitting SSVEC to move forward
21 with the construction of the 69 kV line.

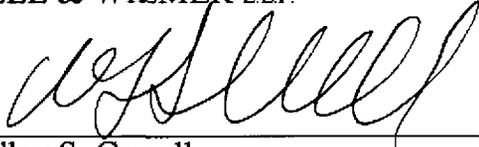
22 In consideration of the granting of the requested relief, SSVEC will withdraw its
23 Applications within ten (10) business days of the order granting the requested relief herein
24 becoming a final, non-appealable order. This will eliminate the necessity of the
25 Commission and the Cooperative to expend additional time, resources, and money on
26 these two Applications and guarantee that SSVEC members will not see an increase in

1 their rates prior to the conclusion of the next rate case.

2 On the basis of the foregoing, SSVEC requests that the Commission grant the relief
3 requested herein to amend the Decision and authorize SSVEC to move forward with
4 construction of the 69 kV line at its February 2 and 3, 2010, Open Meeting.

5 RESPECTFULLY SUBMITTED this 14th day of January, 2010.

6 SNELL & WILMER LLP.

7
8 By 

9 Bradley S. Carroll
10 One Arizona Center
11 400 East Van Buren
12 Phoenix, Arizona 85004-2202
13 Attorneys for Sulphur Springs Valley
14 Electric Cooperative, Inc.

13 ORIGINAL and 13 copies of the foregoing
14 filed this 14th day of January, 2010, with:

15 Docket Control
16 ARIZONA CORPORATION COMMISSION
17 1200 West Washington
18 Phoenix, Arizona 85007

17 COPIES of the foregoing hand-delivered
18 this 14th day of January, 2010, to:

19 Kristin K. Mayes, Chairman
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington Street
22 Phoenix, Arizona 85007

21 Gary Pierce, Commissioner
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington Street
24 Phoenix, Arizona 85007

24 Paul Newman, Commissioner
25 ARIZONA CORPORATION COMMISSION
26 1200 West Washington Street
Phoenix, Arizona 85007

1 Sandra D. Kennedy, Commissioner
ARIZONA CORPORATION COMMISSION
2 1200 West Washington Street
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3
4 Bob Stump, Commissioner
ARIZONA CORPORATION COMMISSION
5 1200 West Washington Street
Phoenix, Arizona 85007

6 Steve Olea, Director
Utilities Division
7 ARIZONA CORPORATION COMMISSION
8 1200 West Washington Street
Phoenix, Arizona 85007

9 Wesley C. Van Cleve, Attorney
Legal Division
10 ARIZONA CORPORATION COMMISSION
11 1200 West Washington Street
Phoenix, Arizona 85007

12 COPY of the foregoing mailed/emailed
this 14th day of January, 2010, to:

13 Jane Rodda, Administrative Law Judge
14 Hearing Division
ARIZONA CORPORATION COMMISSION
15 400 West Congress
Tucson, AZ 85701-1347

16 Susan Scott
17 P.O. Box 178
Sonoita, AZ 85637

18
19 By Grist Ball

20 11053949.7

21
22
23
24
25
26

Attachment A



**Sulphur Springs Valley
Electric Cooperative, Inc.**

P.O. Box 820
Willcox, AZ 85644
Telephone (520) 384-2221 FAX (520) 384-5223

RECEIVED

2009 NOV 20 P 1:31

ARIZONA CORPORATION COMMISSION
SECRET CONTROL

ORIGINAL

November 20, 2009

Arizona Corporation Commission

DOCKETED

NOV 20 2009

HAND DELIVERED

Prem Bahl, Utility Engineer
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY	<i>mm</i>
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**Re: Sulphur Springs Valley Electric Cooperative, Inc.'s Meetings with Staff
Regarding Independent Feasibility Study Required by Decision No. 71274
Docket No. E-01575A-08-0328**

Dear Mr. Bahl:

The purpose of this letter is to set forth the meetings that representatives of Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Cooperative") have had with Staff in connection with the Cooperative's compliance with the Arizona Corporation Commission's ("Commission") Decision No. 71274 issued on September 8, 2009 ("Decision") which prohibited SSVEC from constructing a 69 kV sub-transmission line and required the Cooperative to conduct and file an independent feasibility study ("Study") by December 31, 2009.

Background

As you know, pursuant to the Decision, SSVEC was ordered to have prepared by an independent third party a Study that included alternatives (including the use of distributed renewable generation) that could mitigate the need for construction of the proposed 69 kV power line project. At the August 17 and 25, 2009, Open Meetings of the Commission, the Commissioners had requested that SSVEC keep Staff informed as to the selection process the Cooperative would initiate relating to the Study.

Prem Bahl, Utility Engineer
November 20, 2009
Page 2

In order to assist SSVEC in the preparation and issuance of a Request for Proposal ("RFP"), SSVEC engaged the services of TRC Companies, Inc. ("TRC") of Albuquerque, New Mexico. TRC has extensive experience in Utility infrastructure, energy, and environmental planning and engineering. Although SSVEC was not expressly required to garner input from the Save the Scenic Sonoita Elgin Grasslands ("3SEG") group (aka Sonoita Mountain Empire) on the Scope of Work ("SOW") for the RFP, SSVEC invited representatives from the group to review the SOW and provide their requests for the Study. On or about October 12, 2009, TRC completed the RFP and final list of potential bidders. The bidder list was prepared by TRC, and included input from the 3SEG representatives. It was determined that in order to give potential bidders sufficient time to bid on the RFP, and for SSVEC to award the bid to provide sufficient time for the winning bidder to complete the Study for the December 31, 2009, compliance deadline, the RFP needed to be released as soon as possible.

October 13, 2009 Meeting with Staff

On or about October 12, 2009, SSVEC, 3SEG, and TRC completed the RFP and potential list of bidders. On October 13, 2009, Mr. Jack Blair, the Cooperative's Chief Member Services Officer, came to Phoenix and met with you to discuss the RFP and the process that SSVEC had engaged in to that point. Mr. Blair explained that there were two meetings with the 3SEG group which opposed the 69 kV line and who are interested in renewable alternatives. Input from those members was included in the SOW for the RFP and three additional entities were added to the potential list of bidders at their request. Mr. Blair indicated that although not expressly required, SSVEC wanted to be sure there was community involvement in the process to ensure that there would be no objection to the RFP or the Study that was ultimately prepared and filed. Mr. Blair then went over with you the entire process SSVEC went through including the selection of TRC, the contents of the RFP, and the list of potential bidders. Mr. Blair also provided you a copy of the RFP and list of bidders and indicated that it was SSVEC's intention to issue the RFP unless you had an objection. You indicated that the RFP was a very good document and that the list of potential bidders was very comprehensive and included those engineering firms that had the requisite expertise and standing to conduct the Study. Mr. Blair then indicated that SSVEC was going to move forward and issue the RFP, which was released for bid that very afternoon.

October 28, 2009 Meeting with Staff

Responses to the RFP were due on October 27, 2009. Accordingly, SSVEC pre-arranged to meet with you and Mr. Olea on October 28, 2009, to discuss the responses and the selection of the winning bidder. On October 28, 2009, Deborah White and I

came to Phoenix for the meeting. In attendance for Staff were yourself, Del Smith and Elijah Abinah. We were told that Mr. Olea was unable to attend the meeting because he was on the "A Team" and was an advisor to the Commission.

At the meeting, we informed you, Mr. Smith, and Mr. Abinah that there were only two responses to the RFP from the 14 potential bidders. We then presented Staff with the attached TRC RFP Summary and Statement of Work and discussed the entire RFP process and subsequent responders, as well as the Cooperative's intended selection of Navigant Consulting Inc. ("Navigant") for bid award. We also discussed the following topics:

- Who TRC is; SSVEC's relationship with TRC; TRC's coordination with 3SEG.
- TRC's work in preparing the SOW and the SOW itself.
- The process and rationale for pre-qualifying bidders, as opposed to an open bid solicitation including:
 - a) SSVEC's effort to obtain nationally recognized firms with the staffing capabilities to meet the requirements with known comprehensive experience in fields of study that had the ability to respond in a timely manner; and
 - b) The avoidance of conflicts of interest.
- The list of 14 pre-qualified bidders including those specifically suggested by the 3SEG representatives.
- SSVEC's selection process of Sonoita representatives including the:
 - a) Names of the representatives;
 - b) Invitation process; and
 - c) Number of meetings.
- Bid estimates of costs, and other related costs for study.

During the meeting, we also provided detailed answers to questions posed by Mr. Abinah, and discussed issues associated with SSVEC's pending application for a moratorium. At the conclusion of the meeting, the Cooperative and Staff were in agreement that SSVEC should move forward to award the bid to Navigant which SSVEC has since done. Navigant has commenced work on the Study and is required to provide the Study to the Cooperative no later than December 29, 2009, to be filed with the Commission by December 31, 2009.

Prem Bahl, Utility Engineer
November 20, 2009
Page 4

The Cooperative is committed to continue working with Staff and keeping Staff informed in regard to this matter. If any of what I have stated above does not meet with your understanding, please do not hesitate to contact me. Thank you for the opportunity to work with you and Staff on this matter.

Respectfully,



Ron Orozco, P.E.
Engineering Manager
Sulphur Springs Valley Electric Cooperative, Inc.

Cc: Steve Olea, Director of Utilities
Elijah Abinah, Assistant Director of Utilities
Del Smith, Utilities Engineer
Docket Control (13 copies)

10815281.1



4221-A Balloon Park Road NE
Albuquerque, NM 87109

505.761.0099 PHONE
505.761.0208 FAX

www.TRCSolutions.com

October 27, 2009

Ms. Deborah White
Right-of-Way Services Manager
Sulphur Springs Valley Electric Cooperative
P.O. Box 820
Willcox, AZ 85644

**Subject: Sonoita Reliability Project – Feasibility Study
Request for Proposal Response Results**

Dear Ms. White,

TRC submitted the Sonoita Reliability Project – Feasibility Study Request for Proposal (RFP) to fourteen firms on October 13, 2009 with a response due date of October 27, 2009 at 2:00 pm MDT. The following is a summary of the responses from the fourteen firms that received the RFP.

Five companies responded that they did not intend to submit a proposal in response to the RFP. The five companies indicating no intent to bid were Synapse Energy Economics, Commonwealth Associates, Burns & McDonnell, URS and Stanley Consultants. The no bids were due mostly to staff unavailability due to the number of other projects currently underway.

Five companies did not provide any response to the RFP at all. The five companies that provided no response were Black & Veatch, HDR, Natural Capitalism, Ecos, and Sargent Lundy.

TRC received four responses of intent to bid. The four intent to bid responses were from Navigant, KEMA, CH2M HILL, and Euteig. Only Navigant and Euteig participated in the Pre-Bid conference call on October 16. Subsequent to the pre-bid conference call KEMA and CH2M HILL did not submit a proposal. KEMA notified TRC today they did not have time available to complete the project due to ongoing commitments. Bid proposals were received from Navigant Consulting and Uiteig.

Navigant Consulting is a publicly traded company (NYSE: NCI) with 28 offices and a local office in Phoenix, AZ. They have 1925 employees and 2008 revenues of \$810,000,000. Navigant's Energy Practice is organized around Power Systems & Pricing, Business Planning & Performance Improvement, and Emerging Technologies & Energy Efficiency. The staff that will be assigned to the project have experience in system planning,



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reliability, and distributed energy resource technologies including distributed generation, photovoltaic, demand response and storage. However, Navigant did not address the resources in the company that would be working on the environmental tasks stated in the RFP. The environmental task in the RFP is an area that needs further clarification by Navigant. The price Navigant quoted for the study is \$126,000 for labor plus an estimated direct expense cost of 15 to 20 percent of labor. Including the upper end of the estimated expense cost, the total price from Navigant is \$151,200.

Ulteig is an employee owned firm of 350 professionals working in engineering, planning, energy, routing & permitting and right-of-way located in Minneapolis, MN. Their proposal did not include much information documenting the company's experience in renewable energy or distributed generation project experience and was not very substantive. Ulteig does have experience in system planning and reliability studies. The environmental resource assigned to the project was addressed but the project experience seems limited. The price quoted for the study was \$174,000 and included \$5,000 for two study team members to make a two day field visit to the Sonoita area.

If you need any additional information or have any questions, please call me at (505)-264-9539.

Sincerely,

A handwritten signature in black ink that reads "Rick Goodwin".

Rick Goodwin, P.E.
Manager, New Mexico Operations
Power Delivery Engineering

REQUEST FOR PROPOSAL (RFP)

FOR

**Sulphur Springs Valley Electric Cooperative, Inc
Sonoita Reliability Project – Feasibility Study**

Issue Date: 10/13/09

SECTION 2 – Statement of Work

2.01 TASKS TO BE PERFORMED

The purpose of the Sonoita Reliability Project Feasibility Study is to perform an independent evaluation of the operational performance, and to identify deficiencies in the performance, of SSVEC's 24.9kV V-7 distribution circuit at current and projected peak load levels and to evaluate options to mitigate performance deficiencies. It is not the intent of the Feasibility Study to either rebut or support previous studies or recommendations contained in documents provided for background information purposes. All options and alternatives considered for mitigation of operational deficiencies must only be for mature, commercially available, economically viable technologies, must provide a long term solution to correct deficiencies and must be evaluated over a twenty year project life.

Communications with SSVEC staff, local communities, other utilities, or the ACC are not being required or requested as part of this scope of work.

1. Using data provided by SSVEC, assess the operational performance of the SSVEC 24.9kV distribution feeder circuit V-7 and Huachuca West Substation and identify operational deficiencies for current peak load conditions. Performance should be evaluated using RUS planning and operations criteria and other utility industry criteria if applicable.
2. Using historic peak load data and other data provided by SSVEC as well as data from other resources, forecast the peak load on circuit V-7 for 5, 10 and 20 years into the future.
3. Assess the operational performance of circuit V-7 and Huachuca West Substation under projected peak load conditions 5 years, 10 years and 20 years into the future and identify operational deficiencies. Performance should be evaluated using RUS planning and operations criteria and other utility industry criteria if applicable. If necessary, interpolate the projected peak load on circuit V-7 to identify the specific year or load level at which deficiencies initially occur.
4. Review the outage and interruption history for circuit V-7 and Huachuca West Substation for the past 5 and 10 year periods. Calculate outage indices using RUS indices such as CHPC as well as SAIDI, SAIFI and CAIDI indices.
5. Evaluate the technical ability of renewable energy distributed generation technologies, either utility or non utility-owned, to mitigate existing and future deficiencies in the operational performance of circuit V-7 and Huachuca West Substation. Renewable energy technologies considered should include at a minimum solar and wind resources. Solutions should have a twenty year project life to be considered viable.
6. Evaluate the technical ability of fossil fuel distributed generation resource technologies to mitigate existing and future deficiencies in the performance of circuit V-7 and Huachuca West Substation. In addition to operational performance, capital costs and operating costs include an assessment of the potential environmental impacts of air emissions, water consumption and noise levels in the evaluation. Solutions should have a twenty year project life to be considered viable.

7. Evaluate the applicability and cost impact of mature, commercially available energy storage technologies to compliment renewable energy or fossil fuel distributed generation technologies mentioned above to replace the need for the proposed 69kV line and substation. Solutions should have a twenty year project life to be considered viable.
8. Evaluate the ability and feasibility of the 24.9kV distribution line options identified by SSVEC in its studies to mitigate the existing and future deficiencies in the operational performance of circuit V-7 and Huachuca West Substation. Previously identified SSVEC options include 24.9kV line upgrades, new 24.9kV express feeder construction, connection to foreign 13.8kV distribution circuit and connection to a foreign 46kV line. Technical analyses of the operational performance of foreign 13.8kV and 46kV lines are not being required for these evaluations. Solutions should have a twenty year project life to be considered viable.
9. Evaluate the ability of the new 69kV transmission line and new 69kV-24.9kV substation options identified by SSVEC in its studies to mitigate the existing and future deficiencies in the operational performance of circuit V-7 and Huachuca West Substation over a twenty year project life.
10. Identify feasible construction options, if any, not considered by SSVEC in its previous studies of the V-7 circuit and evaluate their ability to mitigate existing and future operational deficiencies in the performance of circuit V-7 and Huachuca West Substation. Solutions should have a twenty year project life to be considered viable.
11. Based on available information, evaluate potential impacts to cultural, biological and aesthetic resources resulting from the feasible line construction, distributed generation and renewable energy alternatives considered for mitigating operational deficiencies in circuit V-7 and Huachuca West Substation. Feasible suggestions to reduce any substantial impacts should be provided as part of the evaluations.
12. Consider the potential impact, if any, of EMF from renewable energy, distributed generation and line construction alternatives considered for mitigating operational deficiencies in V-7 and Huachuca West Substation. Literature search findings are sufficient for this task. Quantitative studies of EMF levels for alternatives considered are not being required as part of this task.
13. Using substation and line construction cost data provided by SSVEC, as well as cost data not provided by SSVEC, prepare a present worth economic comparison of technologically feasible distributed generation and electric system construction options identified above to mitigate existing and future deficiencies in the performance of circuit V-7 and Huachuca West Substation. Economic comparisons should be based on a 30 year project life.
14. Identify potential contractual, regulatory, rights-of-way or legal issues that could cause either significant delays in completing technologically feasible options or which could significantly increase costs.

2.02 TASKS NOT REQUIRED

Communications with SSVEC staff, local communities, other utilities, or the ACC are not being required or requested as part of this scope of work.

2.03 AVAILABLE DATA

Data to be provided for the feasibility study include, but are not necessarily limited to:

- Capacity Study of Huachuca West Substation V-7 Feeder prepared by SSVEC Engineering Division, April 2007 – available for background information purposes only
- Preliminary Option & Cost Estimates and Solution Evaluation Factors prepared by SSVEC Engineering Division, February 1993 – available for background information purposes only
- 15 minute interval SCADA data for 2007, 2008 and through September 2009 for Huachuca West Substation and circuit V-7
- Recommendations For Request for Proposal prepared by the Citizens of the Mountain Empire dated October 4, 2009 – available for background information purposes only
- SSVEC comments on alternatives proposed by 3SEG to the Arizona Corporation Commission on July 22, 2009 – available for background information purposes only
- 10 years of outage history for circuit V-7
- A summary of significant efforts to improve the reliability of circuit V-7 over the past 10 years.
- Historical peak load data for 1998 through September 2009 for circuit V-7 and Huachuca West Substation. Additional historic peak load data will be provided if required and available.
- Average number of meters connected to circuit V-7 for the years included in studies.
- A summary of known new loads anticipated for circuit V-7 and their timing
- Available land use comprehensive plans
- Voltage data for peak load periods from remotely read meters (Turtle System) installed along circuit V-7
- Regulator settings for all voltage regulators on circuit V-7
- Settings for all reclosers and sectionalizers on circuit V-7
- MiIsoft WindMil reduced circuit model of circuit V-7 for 2007 load data, including equipment database, in ZIP file format
- MiIsoft WindMil detailed circuit model of 2007 circuit V-7 with 2008 allocated load data, including equipment database, in ZIP file format
- GIS data base for circuit V-7
- SCADA data and WindMil circuit model for SSVEC circuits included in study work
- System maps and drawings showing SSVEC circuit V-7, adjacent SSVEC distribution lines, SSVEC 69kV lines as well as foreign 13.8kV distribution and 46kV transmission lines and documentation concerning their availability from the line owners
- Rights-of-way and easement data for existing SSVEC lines and proposed line route options.
- SSVEC current discount rate to be used for economic evaluations
- SSVEC 24.9kV and 69kV unit construction standards
- RUS and NRECA Bulletins applicable to system analysis and planning
- History of the Babocomari Ranch
- Book - The Babocomari Village Site on the Babocomari River of SE Arizona
- Sonoita Service Improvement Project Advisory Committee Meeting Notes- May 12, 1993
- Sonoita Service Improvement Project Advisory Committee Meeting Notes- August 25, 1993

Respondents should identify any additional data that will be required to be provided by SSVEC to complete the circuit performance studies and load projections.

SECTION 3 – Deliverables

3.01 Final Report

The deliverable for this project is a final report that documents:

- The performance of SSVEC's circuit V-7 and Huachuca West Substation for current and future load conditions
- The outage history of SSVEC's circuit V-7 and Huachuca West Substation and SSVEC's projects to improve the reliability of circuit V-7
- Technically feasible options, including fossil fuel and renewable energy distributed generation, to correct deficiencies in the performance and reliability of SSVEC's circuit V-7 for existing and projected future loads
- The methodologies used to identify performance and reliability deficiencies in circuit V-7 and Huachuca West Substation
- The data used to evaluate circuit performance and reliability
- The data used to evaluate the efficacy of options considered as feasible solutions for identified operational and reliability deficiencies
- Potential options considered but not practicable with summary explanation why they were ruled out

Evaluation of technically feasible solutions considered in the deliverable report shall include documentation of:

- The efficacy of each option in correcting identified deficiencies
- Routing alternatives for line construction options including a discussion of easement acquisition, feasibility, timeline, and costs
- The length of time required to implement each option
- The length of time that each option provides a solution for deficiencies
- The potentially substantial impacts for each option, if any, to cultural, biological, aesthetic, air quality and water resources and feasible suggestions to reduce these impacts
- EMF and noise considerations for each option
- Potential regulatory, right-of-way, contractual, legal or other issues that could significantly delay or increase the cost of each option
- The Present Worth cost of each option, including estimated O&M costs, for a thirty year project life

The deliverable final report shall include either a separate section or appendix that contains short, summary discussions of each technically feasible option considered. Each of the option summaries should be no more than one page in length.

The deliverable report shall include a summary of the technically feasible options in a table or matrix format as either a separate section contained in the body of the report or as an appendix.

1. A draft of the deliverable final report shall be provided TRC and SSVEC in both PDF and Microsoft Word document formats no later than 5:00 PM MST on December 17, 2009.

2. The deliverable final report shall be sealed by a professional engineer qualified to carry out and direct the analyses and evaluations contained in the deliverable report.
3. Ten bound copies of the deliverable final report and an electronic copy of the final report and all supporting data, including circuit models, shall be delivered to SSVEC in Willcox, Arizona no later than 5:00 PM MST on December 29, 2009.

Attachment B

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES—Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION
9 OF SULPHUR SPRINGS VALLEY
10 ELECTRIC COOPERATIVE, INC. FOR A
11 HEARING TO DETERMINE THE FAIR
12 VALUE OF ITS PROPERTY FOR
13 RATEMAKING PURPOSES, TO FIX A
14 JUST AND REASONABLE RETURN
15 THEREON, TO APPROVE RATES
16 DESIGNED TO DEVELOP SUCH RETURN
17 AND FOR RELATED APPROVALS.

DOCKET NO. E-01575A-08-0328

DECISION NO. _____

ORDER

12 Open Meeting
13 February 2 and 3, 2010
14 Phoenix, Arizona

15 **BY THE COMMISSION:**

16 **FINDINGS OF FACT**

17 1. Sulphur Springs Valley Electric Cooperative, Inc. (“SSVEC” or
18 “Cooperative”) is a member-owned non-profit cooperative that provides electric
19 distribution service pursuant to a Certificate of Convenience and Necessity granted by the
20 Arizona Corporation Commission (“Commission”).

21 2. On January 14, 2009, SSVEC filed a Petition to Amend Decision No. 71274
22 pursuant to A.R.S. §40-252 and for Related Authorization (“Petition”). In the filing,
23 SSVEC requests that the Commission revise the Decision to remove the requirement that
24 SSVEC conduct public forums in the areas within its service territory (“Affected Areas”)
25 impacted by its proposed 69 kV sub-transmission line (“69 kV line”) before it seeks
26 authorization from the Commission to commence construction of the 69 kV line. SSVEC

1 further requests that the Commission authorize the Cooperative to commence construction
2 of the 69 kV line.

3 3. SSVEC's Petition states that the Cooperative will still conduct public
4 forums consistent with the requirements of the Decision. However, SSVEC states that in
5 light of the results of the independent feasibility study ("Independent Study") ordered by
6 the Decision that was docketed on December 31, 2009, construction of the 69 kV line
7 should not be further delayed. The Petition further states that SSVEC will withdraw its
8 Application for Rehearing and Reconsideration currently pending in this docket, as well
9 as its Application for an Order Instituting a Moratorium on New Connections to the V-7
10 Feeder Line Serving the Affected Areas in Docket No. E-01575A-09-0453 within ten (10)
11 business days after the order granting the relief set forth in its Petition becomes a final,
12 non-appealable order of the Commission.

13 4. Per the requirements of the Decision, the Independent Study was prepared
14 by Navigant Consulting, Inc., an independent third party chosen following a request for
15 proposal (RFP) process. The Independent Study corroborates the evidence presented by
16 SSVEC in this docket, as well as the recommendations of Staff set forth in its testimony.
17 After examining all viable options, including the use of renewable generation resources as
18 a possible alternative to address capacity and reliability issues on the Cooperative's V-7
19 Feeder currently serving the Affected Areas, the Independent Study concludes that "the
20 preferred alternative based on feeder performance and firm capacity requirements is the
21 construction of new 69 kV line along the Ranch where SSVEC has easement rights."¹

22 5. The Commission ordered a delay of the construction of the 69 kV line, in
23 part, because of requests from SSVEC members residing within the Affected Areas who
24 requested independent third-party verification that all viable alternatives, including the use
25 of renewable generation, had been explored prior to construction of the proposed 69 kV

26 ¹ Independent Study at page 5.

1 line. In light of the Independent Study's analysis, conclusions, and recommendations, the
2 Commission finds that SSVEC should be permitted to move forward with construction of
3 the 69 kV line without further delay in order to address capacity and reliability problems
4 within the Affected Areas resulting in power outages and additional expense to the
5 Cooperative.

6 6. The Decision should be revised as follows:

7 **On page 39, line 17, DELETE** "prior to construction of the project" and **INSERT**
8 **“.”** after "alternatives".

9 **On page 48, line 26, DELETE** the second "and" and **REPLACE** with "or".

10 **CONCLUSIONS OF LAW**

11 1. Sulphur Springs Valley Electric Cooperative, Inc. is a public service
12 corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

13 2. The Commission has jurisdiction over Sulphur Springs Valley Electric
14 Cooperative, Inc. and the subject matter of the Petition pursuant to A.R.S. §40-252 and
15 Decision No. 71274.

16 3. The relief requested by Sulphur Springs Valley Electric Cooperative, Inc. in
17 its Petition is reasonable, in the public interest, and should be granted.

18 4. Decision No. 71274 should be revised as discussed in Findings of Fact No.
19 6.

20 **ORDER**

21 IT IS THEREFORE ORDERED that Decision No. 71274 be revised as discussed
22 in Findings of Fact No. 6.

23 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative,
24 Inc. is hereby authorized to construct the 69 kV line as discussed herein and in the
25 Decision.

26 IT IS FURTHER ORDERED that this Decision become effective immediately.

1 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

2
3
4
5 **CHAIRMAN**

COMMISSIONER

6
7
8
9 **COMMISSIONER**

COMMISSIONER

COMMISSIONER

10
11 IN WITNESS ERNEST G. JOHNSON, Executive
12 Director of the Arizona Corporation Commission,
13 have hereunto, set my hand and caused the official
14 seal of the Commission to be affixed at the Capitol, in
15 the City of Phoenix, this ____ day of _____, 2010.

16
17
18 _____
19 **ERNEST G. JOHNSON**
20 **EXECUTIVE DIRECTOR**

21 **DISSENT:** _____

22
23
24
25
26 **DISSENT:** _____

Snell & Wilmer

L.L.P.
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2207
(602) 382-6000